



Management’s Discussion & Analysis of Financial Conditions and Results of Operations

This management discussion and analysis focuses on key statistics from the unaudited interim consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications and consulting industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations has been prepared as of November 22, 2018, for the three and nine months ended September 30, 2018 and should be read in conjunction with the unaudited interim consolidated financial statements and related notes and material contained in other parts of this quarterly report. It should also be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

Additional information related to the Corporation is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements in this MD&A and associated notes and financial statements may be considered “forward-looking” within the meaning of applicable securities laws. These statements reflect the Corporation’s plans and expectations based on our experience, interpretation of past trends, key assumptions and other relevant information available at the date that such statements are made.

The statements involve business, economic and competitive risks, uncertainties and contingencies. There is significant risk that predictions, projections or conclusions will not prove to be accurate and actual results may differ materially from estimates, expectations, or intentions expressed.

The forward-looking statements in this MD&A and associated notes and financial statements are based on what we believe are reasonable assumptions, however we caution readers not to place undue reliance on our forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

Business Overview

NTG Clarity is a Canadian publicly traded company (TSXV:NCI) that provides telecommunications engineering, Information Technology, networking and related software solutions. We have been developing niche software products directed at telecom service providers and utilities markets since our inception in 1992. We also provide professional services and managed services to this same vertical.

We are headquartered in Toronto, Canada and have subsidiaries in Cairo, Egypt and the USA, and branch offices in Riyadh, Saudi Arabia; Oman and Kuwait. The Company is organized into two business segments: the Canadian segment, which is made up of activities in Canada and our branch offices in Saudi Arabia, Oman and Kuwait; and the Egypt segment, which is our software development group and now provides professional services to customers in Egypt.

In Q3 2018, we continue to work to optimize costs and increase cash flow.

As a result of actively marketing our IoT solutions, in Q3 2018 we started working on a manufacturing tracking system for a customer in Canada. We expect this new project will open new opportunities with

manufacturing customers. This and a small amount of work being done with another Canadian customer, sets the path back to work in North America.

Egypt

As many international companies are reluctant to do business in the local currency and have left the Egypt marketplace, the service gap continues to provide growth opportunities for NTG. We are continuing discussions with a multi-million pound CR (change request) for an existing Regulatory Authority customer.

NTG Egypt's revenue contribution continues to be significant (18% YTD compared to 16% in 2017). Unconsolidated, NTG Egypt's revenue increased 8% over Q3 2017, however consolidation continues to have a significant impact on Egypt's results due to foreign exchange losses. We continue to use Export Development Canada (EDC)¹ insure the receivables and work in progress for three of NTG Egypt's tier 1 telecom customers. These customers were responsible for approximately 86% of NTG Egypt's revenue and 71% of Egypt's receivables at September 30, 2018. Additionally, we have Foreign Funds Insurance, supported by EDC, which insures against possible asset and bank deposit appropriation in Egypt.

Implementation of our StageEM software product continues at our customer location in Egypt, with new CRs under discussion.

Saudi Arabia

Ongoing initiatives continue to show returns with 50% of our professional service work and 50% of our revenue being from KSA. NTG has developed good brand recognition and a solid track record over the years, which will be an asset to our work in the region. KSA revenue has decreased by 23% over last year due to the slowdown of the KSA economy in the last year. However there are signs that the economy is rebounding.

In September 2018, EDC withdrew insurance support for all insured customers in KSA, going forward. We have seen no impact to our business so far, and we continue to do business with existing customers and are in the process of acquiring new customers. However, this may impact our cash flow going forward.

Subsequent to quarter end, in November 2018, NTG conditionally signed a quote with an insurance company (Euler Hermes) to insure our receivables and work in progress for all NTG customers, including those in Saudi Arabia (KSA). See Note 29 for more information.

Kuwait

From our office in Kuwait, we are actively pursuing new opportunities with existing and potential customers. We are currently short listed to provide one of our software products/portals at one of the key government organizations and to develop a mobile app for a major university.

- The new customer we began working with in Q4 2017 accounted for 9% of NTG's revenue in Q3 2018 (Q3 2017: \$NIL).
- In May 2018, we signed a Professional Services Frame Agreement with another new customer and started billing in Q3 2018.

Year to date, Kuwait has contributed 25% of NTG's revenue (2017: 28%).

Oman

In Q3 2018, we continued work for our customer in Oman, who is using our NTS Network Inventory and Project Management modules. The product sales in the region have assisted with additional work in the

¹ See note 29 with Financial Statements.

form of change requests, and recurring revenues from maintenance and support, and extra licenses. Oman contributed 14% to revenue in Q3 2018 (Q3 2017: 16%).

Outlook

Looking towards the future, we are on the road to returning to profitability in 2018. We are focusing on capitalizing on the goodwill we have with our existing customers to expand our business and increase our margins. We will concentrate on marketing our products NTS, StageEM, which are currently in demand and have higher margins.

As in the past, our ability to generate positive operating cash flows, and report strong revenues and earnings are all critical to our success. We are confident that we have the management team with the experience and resources to fulfill our vision of growth and profitability.

Summary of Quarterly Results

Historically, NTG's operating results have fluctuated due to the timing of new contracts and their corresponding billing, as well as billing for software licenses which can result in larger sales orders in any one quarter. We expect this trend to continue.

Q3 2018 revenue is up from Q2 2018, however year to date revenue is 3% lower than 2017. This is due to the end of a contract in Kuwait, and the delay in start of new projects KSA. Gross margins continue to be stronger, and we continue to work on reducing G&A costs, as contracts allow, and marketing and selling costs, based on our revenue.

The following table shows a summary of our eleven most recent quarters (in Canadian dollars).

2018	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$4,049,061	\$ 160,482	\$ 0.00	\$ 0.00	\$ 8,587,262
Quarter Two	\$2,607,838	\$ 16,368	\$ 0.00	\$ 0.00	\$ 8,994,081
Quarter Three	\$3,501,906	\$ 6,555	\$ 0.00	\$ 0.00	\$ 9,096,015
TOTAL	\$10,158,805	\$ 183,406	\$ 0.00	\$ 0.00	\$ 9,096,015

2017	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 3,007,929	\$ (752,579)	\$ (0.017)	\$ (0.017)	\$ 8,310,716
Quarter Two	4,148,957	(85,539)	(0.002)	(0.002)	8,511,716
Quarter Three	3,309,135	131,308	0.003	0.003	8,954,443
Quarter Four	3,893,502	(409,372)	(0.008)	(0.008)	8,463,198
TOTAL	\$ 14,359,523	\$ (1,116,183)	\$ (0.02)	\$ (0.02)	\$ 8,463,198

2016	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 2,433,333	\$ (1,986,457)	\$ (0.05)	\$ (0.04)	\$ 15,913,024
Quarter Two	5,077,129	(1,009,297)	(0.03)	(0.03)	15,184,183
Quarter Three	3,262,742	(881,497)	(0.024)	(0.022)	15,944,009
Quarter Four	599,251	(8,649,236)	(0.25)	(0.22)	8,397,344
TOTAL	\$ 11,372,455	\$ (12,526,487)	\$ (0.354)	\$ (0.312)	\$ 8,397,344

Quarterly Results of Operations

Revenue

Consolidated revenue for the three months ended September 30, 2018 increased to \$3,501,906 compared to \$3,309,135 for the same period in 2017 and is made up of product-related revenue, professional services and a small amount for hardware. Year to date revenues are down 3% (\$10,158,805 compared to \$10,466,021).

Professional service revenue was \$8,308,974 or 82% of overall revenue in 2018 and continues to be important for us, given its generally recurring nature. The contribution of product-related revenue increased to \$1,659,176 or 16% of YTD revenue. We continue to work to make product sales a more balanced part of NTG's revenue stream. Hardware and other made up the balance of the revenue (2%).

For the Egypt operating segment, year to date consolidated revenue was up by 33% (\$2,165,548 compared to \$1,628,114 in 2017). Despite the ongoing political and economic difficulties in Egypt, business development efforts have resulted in increasing revenues for the region. With a 39% increase in professional services provided to tier 1 telecom and utility customers in the country, Egypt contributed 18% to the Corporation's revenue in 2018 (2017: 16%). This shows that Egypt's revenue contribution is strong, despite the significant currency depreciation in Q4 2017.

For the Canada operating segment, revenues for Q3 2018 were 5% lower than the same period last year (\$2,882,591 compared to \$3,027,291). Canada revenues were down 10% year to date (\$7,993,257) compared to the same period last year (YTD 2017: \$8,837,907). The difference is because of the end of the Kuwait professional service contract in Q1 2018, and lower KSA revenues due to the slowdown in the KSA economy in 2018.

Unbilled Revenue

Unbilled revenue is revenue which had been earned and therefore recognized in compliance with IFRS, but which has not been billed to the client(s) due to contract terms and/or billing cycle. The Corporation derives revenue from fees charged to customers for licenses for software products and professional services: support, consulting, development, training, and other services.

Revenue can be recognized for projects based on time and materials, for professional services or on a percentage of completion basis for product implementation and support. Both can result in unbilled revenue until the customer is invoiced. Based on NTG's contracts, the customer is invoiced upon the completion of defined milestones, and/or required customer acceptance.

Unbilled revenue was \$3,624,748 at September 30, 2018 compared to \$3,458,652 at December 31, 2017. This is due to the timing of billing for contracts. For many contracts, revenue is recognized each month, but billed on a quarterly basis and we anticipate this to continue.

Costs of Sales and Gross Margin

Cost of sales consists of the expense of personnel providing professional services, and services to implement and provide technical support for our solutions. In addition, it includes an allocation of certain direct and indirect costs attributable to these activities.

The consolidated cost of sales for the three months ended September 30, 2018 was higher than the same period last year (\$1,766,218 as compared to \$1,458,379). The cost of sales for the nine months ended September 30, 2018 was down 16% to \$5,643,653 (2017: \$6,744,943). Though revenue was down 3%, cost of sales was reduced 16% as we continue to optimize the cost of providing our products and services.

The cost of sales for the Egypt operating segment, for the three and nine months ending September 30, 2018 was \$451,171 and 1,338,065 (2017: \$324,078 and \$1,117,108). The 39% increase is mainly due to expanded outsourcing contracts in the region and resulted in a significant increase in revenue.

For the Canadian operating segment, the cost of sales for the three and nine months ending September 30, 2018 was \$1,315,047 and \$4,305,588 respectively (2017: \$1,134,301 and \$5,627,835). Of the 23% year to date reduction, 10% is due to lower revenues and the balance is primarily due to cost reduction measures.

The gross margin for Q3 2018 was \$1,735,689 compared to \$1,850,756 for Q3 2017. For the nine months ended September 30, 2018, the gross margin was \$4,515,152 or 44%, compared to \$3,721,078 or 36% for the same period in 2017. We are pleased with our continued recovery of the gross margin to 44% as we work to bring our margins back in line with historical averages.

Operating Expenses

The Corporation's operating expenses for the three and nine months ended September 30, 2018 were \$1,347,955 and \$3,307,278 compared to \$1,496,693 and \$3,911,788 for the same periods last year. Work to bring expenses in line with revenue resulted in a 15% reduction in operating expenses for the year.

Selling and Marketing

Selling and marketing expenses consist primarily of sales staff remuneration, commissions, travel, advertising, consulting, and trade show costs. We continue to work to maintain salaries, travel and other marketing costs in Q3 2018.

Sales and marketing expenses for the three and nine months ended September 30, 2018 were significantly reduced over the same periods last year (\$472,302 and \$1,379,912 compared to \$653,145 and \$1,578,237 in 2017).

Selling	For the three months ended		For the nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Salary and wages	\$ 187,131	\$ 313,269	\$ 786,643	\$ 954,447
Marketing and advertising	126,424	191,351	322,855	362,705
Mailing and courier	2,882	1,416	7,621	5,231
Professional services	111,530	116,369	140,575	126,528
Travel and entertainment	44,335	30,739	122,218	129,326
Total	\$ 472,302	\$ 653,145	\$ 1,379,912	\$ 1,578,237

Selling and marketing for the Egypt operating segment, for the three and nine months ended September 30, 2018 increased to \$145,764 and \$444,755 (2017: \$105,132 and \$352,425). The increase is due to extra sales and marketing efforts done to acquire new customers and increase penetration in existing customers.

For the Canadian operating segment, selling and marketing for the three and nine months ended September 30, 2018 was \$326,538 and \$935,158 (2017: \$548,013 and \$1,225,812). The decrease is due primarily to reduced marketing and trade show costs as we bring expenses more in line with revenues.

General and Administrative

General and administration expenses (G&A) consist primarily of salary and benefits, rent and office expenses, insurance, professional fees, accounting and legal fees, director's fees, etc.

General and Administrative	For the three months ended		For the nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Salary and wages	\$ 212,999	\$ 558,533	\$ 883,197	\$ 1,455,455
Occupancy	97,204	56,852	286,754	207,541
Consulting	68,493	91,139	99,390	142,568
Professional fees	49,278	75,057	139,842	162,711
Insurance	93,436	58,292	274,335	180,738
Dues and subscriptions	8,946	14,104	27,775	31,118
Penalties and fees	4,690	25,109	15,586	103,596
Telecommunication	12,294	19,488	48,206	53,418
Office equipment	999	1,235	3,196	4,064
Other	97,586	2,374	101,149	9,848
Total	\$ 645,926	\$ 902,181	\$ 1,879,430	\$ 2,351,057

G&A for the Egypt operating segment, for the three and nine months ended September 30, 2018 were \$40,891 and \$167,143 respectively (2017: \$43,156 and \$147,192). G&A for the Canadian operating segment, for the three months and nine months ended September 30, 2018 were \$605,035 and \$1,712,287 compared to \$859,025 and \$2,203,865 for the same periods in 2017.

The consolidated 20% reduction year to date occurred as we work to reduce our overhead costs, as contracts allow. The increase in rentals costs was because of new office space in Egypt. The increase in insurance costs was primarily the result of EDC insurance costs for increasing Egypt revenues.

Foreign Exchange Gain/Loss

NTG's unaudited interim consolidated financial statements are presented in Canadian dollars. Each entity in the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency and the presentation currency of the parent entity is the Canadian dollar. Transactions in foreign currencies are initially recorded in respective functional currency rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. Differences are taken to the statement of profit or loss and comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The functional currency of the subsidiary NTG Egypt Advanced is the Egyptian pound, and the functional currency of the subsidiary NTG Clarity Networks US Inc. is the US Dollar.

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency. For example, when a group contains individual entities with different functional currencies, the results and financial position of each entity are expressed in a common currency so that consolidated financial statements may be presented.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

1. Assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

2. Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
3. All resulting exchange differences shall be recognized in other comprehensive income.

For the three and nine months ended September 30, 2018, the Corporation recognized a foreign currency exchange loss of \$229,727 and \$47,936 respectively, compared to a gain of \$58,633 and \$17,506 for the same periods in 2017. The foreign exchange loss is attributed to the volatile changes in currencies in the period and the losses incurred when converting currencies as we transfer between various branches. The exchange loss arising on translation of foreign operations is attributed to currency fluctuations and devaluations in Egypt.

Research and Development

Research and development is paid for by customer requests and is therefore, included in cost of sales.

Amortization and Depreciation

Intangible assets relate to the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS. The amortization cost for the three and nine months ended September 30, 2018 was the same as the previous year \$91,104 and \$273,313.

Indicators of impairment were present for the year ended December 31, 2017 and an impairment test was performed and no impairment was found.

Interest Expense

As at September 30, 2018, the interest expense for the three and nine months was \$131,789 and \$383,842 as compared to \$108,110 and \$313,274 for the same periods in 2017. The increase was due the increasing prime rate in Canada, the timing of interest charges on our credit facility and interest for credit card balances.

Foreign Taxes

Foreign taxes are taxes paid by NTG as a foreign entity working in Saudi Arabia. Foreign tax expense for the period ended September 30, 2018 were \$71,627 compared to \$35,194 for the same period in 2017. Foreign tax amounts vary depending on profits, type of service provided and the quarter in which the billing occurs.

Share-based Compensation

NTG has a formal stock option plan allowing the issuance of options to directors, officers, employees and consultants in order to attract and retain qualified and experienced individuals. All options granted are non-assignable, generally expire three years after the grant date and can have varying vesting periods.

Stock options granted during the three and nine months ended September 30, 2018 totalled 205,000 and 2,082,000 (2017: 175,000 and 225,000). The large number of options issued in 2018 was due to the expiry of employee and director options in 2018. 3,473,000 options have vested and there are 3,909,000 issued. The difference of 436,000 will vest in the foreseeable future (within the next 12 months) and the expense will be charged in the future quarters.

During the period ending September 30, 2018, no share options were exercised. Year to date, 100,000 options were exercised for a cash in-flow of \$10,000 and reallocation of \$2,000 from Contributed Surplus to Share Capital.

Income Taxes

There are no income taxes for this quarter (Q3 2017: \$NIL) as the Corporation has available income tax losses (December 31, 2017: \$5,011,745).

Net Income (Loss)

For Q3 2018, the Corporation recorded a net income of \$6,555 compared to a net income of \$131,308 for the same period in 2017. For the nine months ended September 30, 2018, the Corporation recorded a net income of \$183,406 compared to a net loss of (\$706,810) in 2017. The year to date is a substantial improvement as we continue to work to reduce selling and G&A costs, and optimize cost of sales for our current revenue.

The Egypt operating segment, for the three months ended September 30, 2018 recorded a net loss of (\$88,198) (Q3 2017: net loss (\$195,035)). For the nine months ended September 30, 2018 the net income was \$30,390 (YTD 2017: net loss (\$244,572)). On consolidation, Egypt incurred a loss on translation of (\$169,090) resulting in a reduced net income for the segment. Unconsolidated, Egypt had a significant improvement in net income over 2017.

For the Canadian operating segment, the net income for the three months ended September 30, 2018 was \$94,753 (Q3 2017: \$326,343). The net income for the Canadian operating segment, for the nine months ended September 30, 2018 was \$153,016 compared to a net loss of (\$462,238) for the same period last year.

Though a significant improvement over the year to date 2017, the following factors are contributing to a significant payable amount over 180 days:

- End of Service (severance) salary costs in KSA and Kuwait due to reductions of G&A staff and cost of sales resources
- Significant unpaid salary obligations

Assets and non-current liabilities

As of September 30, 2018, the Corporation had \$243,586 cash on hand (December 31, 2017: \$104,444), performance bonds of \$96,635 (December 31, 2017: \$120,126), and prepaid amounts of \$210,216 (December 31, 2016: \$138,835).

Intangible asset

Intangible assets relate to the upgrade of our internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS. Expenditures on development of the software were recognized as an asset from the time the Corporation has determined an indefinite future economic benefit exists.

NTS is a retail management software for telecommunication companies. The development costs are determined to have a useful life of 10 years are amortized on a straight line basis. The amount capitalized as at September 30, 2018 is \$NIL (December 31, 2017: \$NIL) in development costs. The amortization cost for the three and nine months ended September 30, 2018 was the same as in 2017; \$91,104 and \$273,313 respectively. The NTS software will be fully amortized by 2023.

Property and equipment

Property and equipment of \$235,262 as of September 30, 2018 (December 31, 2017: \$259,942) consists mainly of computer equipment and office furniture with a useful life of 4-10 years. The Corporation is not

dependant on tangible assets and expects the purchase and disposal of property and equipment to be modest in the foreseeable future.

Non-current liabilities

As of September 30, 2018, the non-current liabilities consisted of a leasehold liability of \$6,160. This liability arose from the Canadian office rental and will be amortized to income until May 2021.

Liquidity and Capital Resources

NTG's principal requirement for capital is to provide working capital to fund its operations and support its organic growth. Historically, we have funded operations by using profits generated by operations and through the issuance of equity. In Q3 2018, we funded operations, changes in non-cash working capital and capital expenditures using internally generated cash flows, cash on hand, and our operating line.

Working capital as at September 30, 2018 was (\$4,421,987) compared to (\$4,990,696) at December 31, 2017. Efforts to address our working capital needs in 2017 include:

- Increasing our collection activities.
- Investigating alternate sources of raising funds.

Cash Flow from Operations

The cash flow from operating activities for the three and nine months ended September 30, 2018 was an in-flow of \$357,698 and \$735,585, compared to cash in-flow of \$52,164 and an out-flow of (\$291,899) for the same periods in 2017.

The difference from last year was due to:

- a net income of \$183,406 compared to a net loss of (\$706,810) in 2017.
- a larger increase in accounts receivable (\$743,778 increase)
- a larger increase in accounts payable (\$562,864 increase)

Management is striving to generate cash from operations by controlling operating costs and working to grow revenue.

Cash Flow from Financing Activities

The cash flow from financing activities for the three and nine months ended September 30, 2018, was an out-flow of (\$271,750) and (\$574,605), compared to an out-flow of (\$92,346) and an in-flow of \$59,315 for the same periods in 2017. This difference is primarily a result of the increased interest charges and a \$200,763 decrease in bank indebtedness. Also, a shares for debt transaction in 2017 resulted in the issuance of shares amount of \$414,122 that was not present in 2018.

Cash Flow from Investing Activities

The cash flow for investing activities for the three and nine months ended September 30, 2018, was an out-flow of (\$3,093) and (\$21,6838) compared to an in-flow of \$2,150 and \$58,681 for the same periods in 2017.

Off-Balance Sheet Arrangements

The Corporation has not entered into off-balance sheet financing arrangements. All commitments are reflected on the Corporation's balance sheet.

Commitments and Contractual Obligations

The Corporation is committed under agreements for the rental of office space in Canada at a monthly rate of \$9,232 for the period from June 1, 2016 to May 31, 2021. Additionally, we have short term agreements for the rental of office space in Saudi Arabia, Oman, and Egypt, as well as lease obligations for office equipment.

The following table summarizes contractual obligations for future years.

Contractual obligations	2018	2019	2020	2021 and after	Total
Operating line of credit	\$ 7,287,988	\$ –	\$ –	\$ –	\$ 7,287,988
Accounts payable and accrued liabilities	4,448,087	–	–	–	4,448,087
Operating leases	91,899	214,337	145,485	119,121	570,842

Debt and Credit Facilities

As of September 30, 2018, the Corporation has the following credit facilities with RBC Royal Bank:

- \$2.7 million based on marginable receivables (revolving Facility 1)
- \$3.1 million for the pre-shipping (revolving Facility 2)
- \$2,241,890 for the non-revolving Facility 4.

Facility 1 has an annual interest rate of bank prime plus 2.05%. Facility 2 and Facility 4 have an annual interest rate of bank prime plus 1.05%. Facilities 1-3 are secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC)².

In August, 2018 the bank extended the Facility 4 repayment deadline to March 1, 2019 and continues to require NTG to pay down \$60,000 per month from the principal. As of September 30, 2018, the Corporation continues to be in violation of its margin requirements under the Existing Loan Agreement and the amount owing on Facility 4 is \$1,571,890 (Q3 2017: 2,241,890).

Transactions with Related Parties

Transactions between the Corporation and its subsidiaries, which are related parties to the Corporation, have been eliminated on consolidation. Related parties include key management, the Board of Directors, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions.

The standard key management compensation is listed in Note 24. In Q2 2015, the Board of Directors of the Corporation approved a loan to Ashraf Zaghoul in the amount of \$300,000 to be repaid in two years time at an interest rate of 2%. In its meeting on May 29, 2017, the Board of Directors approved extending the repayment date for this loan for one year. In its meeting on August 28, 2018, the Board of Directors approved extending the repayment date for this loan for two years.

Basis of Preparation and Significant Accounting Policies

The unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Significant accounting policies are presented in detail in Note 4 of our unaudited interim consolidated interim financial statements for the period ended September 30, 2018. These are available

² See note 29 with Financial Statements.

on SEDAR (www.sedar.com). The policies applied in these statements are based on IFRS issued and outstanding as of November 22, 2018, the date the Board of Directors approved the consolidated financial statements.

Proposed Transactions

There are no Proposed Transactions.

Business Risk and Management

NTG's primary risk management objective is to protect our balance sheet and cash flow. Principal financial liabilities are made up of bank overdraft and trade and other payables.

The overall risk management program has not changed throughout the year and focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

We are exposed to market risk, interest rate risk, foreign exchange risk, credit risk, and liquidity risk. Senior management oversees the management of these risks and is supported by a Committee that advises on financial risks and the appropriate financial risk governance framework. The Board of Directors reviews and agrees policies for managing risks.

In addition to risks described elsewhere, the Corporation is subject to a number of risk factors. The Corporation has significant reliance on certain key personnel, some of whom are also key shareholders; Ashraf Zaghloul, CEO; Kristine Lewis, President and Adel Zaghloul, CEO, NTG Egypt; and Yaser Yousef, CTO. Though we have worked hard to diversify our customer base, we are dependent on a few large customers. In Q3 2018, 18% (Q3 2017: 22%) of the Corporation's revenue was from one customer.

Management continues to work to diversify the customer base and country concentration. Additionally, the Corporation mitigates this risk by insuring these receivables with EDC³.

Additional risks and uncertainties not described below or not presently known to the Corporation may also impact our business. If any of these risks occur, the Corporation's business, financial condition or results of operations could be harmed and the trading price of the Corporation's common shares could be materially affected. The purpose of discussing these risks and uncertainties is to highlight factors that could cause actual results to differ materially from past results or from those described in forward-looking statements. It is not to describe facts, trends and circumstances that could have a positive impact on the results or financial position.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk. The Corporation is not subject to price risk from fluctuations in market prices of commodities and has no exposure to equity price risk.

There is a high concentration of competition in the telecom industry and no barrier of entry for new competitors into the market. Many of our competitors are larger companies that have greater resources. To help mitigate this risk, we have partnered with, or signed agreements to work through, a few of the large competitors, as we can offer seasoned resources at extremely competitive rates.

³ See note 29 with Financial Statements.

Changes in the regulatory environment would always affect our plans and investments. As we continue to grow, we will continually monitor and evaluate the various policies and procedures to ensure that they take into account changes in the Corporation and its marketplace.

Year to date, approximately 42% of our revenue comes from work done in the Kingdom of Saudi Arabia (KSA), however in Q3 2018 it was 38%. As of September 21, 2018, EDC is "... off cover on all products in the Kingdom of Saudi Arabia. EDC encourages exporters to exercise caution in shipping to Saudi Arabia"⁴. The majority of NTG's KSA customers are consistently within our 180 days payment terms, and we have observed no concerning issues on the ground. Subsequent to quarter end, in November 2018, NTG conditionally signed a quote with an insurance company (Euler Hermes) to insure our receivables and work in progress for all NTG customers, including those in Saudi Arabia (KSA). See Note 29 for more information.

Historically 7-11% of our revenue comes from work done through our subsidiary NTG Egypt, based in Cairo, Egypt. The contribution in Q3 2018 was 18%, and year to date 2018 is 21% (2017: 18%). The economic challenges in the region continue have a positive impact on our Egypt operations.

Kuwait contributed 27% of the revenue in Q3 2018 (year to date: 25%), however 95% of that revenue is concentrated in 2 customers.

Finally, at the end of Q3 2018, EDC insurance for countries other than KSA is business as usual. Additionally, all work done in KSA up until September 21, 2018 is insured with EDC. New work done in KSA after this date is not insured by EDC.

Interest risk

The Corporation's exposure to interest rate fluctuations is primarily interest paid on its bank indebtedness and long-term loans. The Corporation has performed sensitivity analysis on interest rates at September 30, 2018 to determine how a change in interest rates would impact equity and net loss. During the three months and nine months ended September 30, 2018, the Corporation paid \$131,789 and \$383,842 in interest on its loans and liabilities (2017: \$108,110 and \$313,274). An increase or decrease of 100 basis points in the average interest rate paid during the quarter would have adjusted net earnings by approximately \$13,179 (Q3 2017: \$10,811). This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. NTG's financial instruments that are exposed to credit risk consist primarily of trade receivable. Our exposure to credit risk is impacted by the economic conditions for the industry which could affect the customers' ability to satisfy their obligations. To reduce risks, we perform periodic credit evaluations of the financial conditions of its customers and typically does not require collateral from them. Management assesses the need for allowance for potential credit losses by considering the credit risk of specific customers, historical trends and other information.

We also mitigate credit risk through credit insurance coverage with EDC⁵ as explained in Note 26. NTG Egypt deals with primarily with tier 1 telecom customers in the region. These customers are responsible for 86% of NTG Egypt's revenue in Q3 2018 and are insured through EDC.

⁴<http://www.edc.ca/EN/Country-Info/Pages/Saudi-Arabia.html>

⁵ See note 29 with Financial Statements.

The credit quality of all the accounts receivable of the Corporation that are neither past due nor impaired and the age of accounts receivable that are past due but not impaired have been assessed on an individual basis and determined to have a mitigated risk profile as they are insured receivables.

As at September 30, 2018, the Corporation has insured receivables in the amount of \$2,295,038 (December 31, 2017: \$1,541,889) and unbilled revenue in the amount of \$3,624,748 (December 31, 2017: \$3,675,762).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to operating activities, when revenue or expense are denominated in a different currency from our functional currency, the Canadian dollar.

The Corporation does not hedge the risk related to fluctuations of the exchange rate between USA and Canadian dollars from the date of the sales transactions to the collection date due to the short-term nature of this exposure. The Corporation does not hedge the risk related to fluctuations of the exchange rate between USA and Canadian dollars from the date of the sales transactions to the collection date due to the short-term nature of this exposure. A 10% change in exchange rates on the September 30, 2018 would have the following impacts:

	USD	Omani Riyal OMR	Kuwait Dinar KWD	Saudi Riyal SAR	Qatari Riyal QAR	Egyptian Pound LE
10% Impact to P&L in CAD	38,435	126,281	161,433	147,229	669	48,682
10% Impact to Equity in CAD	28,249	92,816	118,653	108,213	491	35,781

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Corporation continuously reviews both actual and forecasted cash flows to ensure that the Corporation has appropriate capital capacity.

Capital management

NTG manages its capital, which consists of cash provided from operations and long term debt, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets. As at September 30, 2018, the Corporation was pursuing additional capital through the issuance of additional equity or debt financing. There can be no guarantee that they will be successful in raising additional capital.

There have been no changes in the Corporation's approach to capital management during the period ending September 30, 2018. Also, no changes were made in the objectives, policies, or processes during the period ending September 30, 2018. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

The Corporation's objectives when managing capital are to:

- (i) safeguard the Corporation's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders;

- (ii) fund capital projects for facilitation of business expansion provided there is sufficient liquidity of capital to enable the internal financing; and
- (iii) maintain a capital base to maintain investor, creditor, and market confidence.

NTG considers the items included in the consolidated statements of changes in shareholders' equity as capital. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may issue new shares, however we are not subject to externally imposed capital requirements.

Legal claim contingency

The Corporation is subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Corporation, individually or in aggregate, will not have a material adverse impact on the Corporation's financial position, results of operations, and cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future. To date, there are no claims or suits outstanding.

Guarantees

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers.

Collateral

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Notes 17. The Corporation did not hold collateral at September 30, 2018, and September 30, 2017.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of September 30, 2018 and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Corporation or its subsidiaries is made known to them.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers (CFO and CEO) filing the NI 52-109 certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the NI 52-109 certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52- 109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Standards Issued But Not Yet Effective

As at November 22, 2018, the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation.

The International Accounting Standards Board issued on January 13, 2016 a new accounting standard called IFRS 16 Leases. IFRS 16 Leases replaces IAS 17 Leases. IFRS 16 requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 is effective January 1, 2019. The Corporation has assessed and determined that there will be no impact to the financial statements upon adoption.

The IASB published an amendment to IAS 12 in January 2016 referred to as IAS 12: Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses. The amendment is effective for reporting periods starting on or after January 1, 2017. The amendment is not relevant to the Corporation.

The IASB has issued the following updates to the Standards, which were all early adopted on January 1, 2016 and for which there was no impact on the statement of financial position, results of operations, or disclosures: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal, IFRS 7 Financial Instruments: Disclosures: Servicing contracts, IAS 19 Employee Benefits: Discount rate IAS 34 Interim Financial Reporting: Disclosure.

The IASB issued Disclosure Initiative, amendments to IAS 1 in December 2014 with an effective date of January 1, 2016. The Corporation has adopted the amendments on January 1, 2016. The adoption resulted in reduced disclosures in non material areas.

The IASB issued Disclosure Initiative, amendments to IAS 7 Statement of Cash Flows in January 2016 with an effective date of January 1, 2017. The Corporation adopted the amendments on January 1, 2017, which resulted in no significant changes to the disclosures in the financial statements as the Corporations financing activities are not subject to fair value adjustments, foreign exchange, the result of acquisitions or other adjustments.

As at January 1, 2016, the Corporation has elected to early adopt IFRS 15 Revenue from Contracts with Customers as issued by the IASB in accordance with the transition provisions in IFRS 15 Revenue from Contracts with Customers. As at January 1, 2017, the Corporation early adopted Clarifications to IFRS 15 Revenue from Contracts with Customers. There was no impact to the Corporation's financial statements.

The IASB has issued several narrow scope amendments between June 2016 to the date of issuance of these financial statements. One amendment, IFRS 2 Clarification and Measurement of Share based Payment Transactions, issued June 2016 and effective for years beginning on or after January 1, 2018, has been early adopted by the Corporation on January 1, 2017 and there was no impact to the statement of financial position or the statement of comprehensive income. All other new standards and amendments have no impact on the Corporation.

All other standards were early adopted as explained in the prior year's financial statements.