



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 28, 2019, for the three and nine months ended September 30, 2019 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, 2018.

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 Corporation (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 1993. We also provide professional services network, 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 Corporation is organized into two business segments: the Canadian segment, which is made up of activities in Canada and our offices in Saudi Arabia, Oman and Kuwait; and the Egypt segment, which is our software development group and also provides professional services and network services/hardware to customers in Egypt.

This quarter, management's efforts were focused on working with the Bank and the cash flow shortfall, which significantly affected operations. A continued effort was made to avoid a negative outcome with regards to the credit facilities, which are secured by a General Security Agreement over the assets of the Corporation.

Despite management efforts throughout the year, and full attention in Q3 2019, on September 17, 2019, the Corporation announced that it had received a formal demand for payment of its Bank facilities, requesting payment in full by no later than (10) days from September 16, 2019. The Corporation is currently continuing discussions with the Bank to try to resolve this issue. See Note 29 for more information.

Also, despite management efforts to raise funds and obtain short term loans, reduced cash flow continued to significantly affect operations. The severe cash flow issue during the year, increasing throughout Q2 and then Q3, has impacted the Corporation's ability to finance the ongoing work, which caused a slow down/halt of most projects and resulted in significant lost revenue for the quarter.

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.

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

2019	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 3,616,344	\$ 304,719	\$ 0.01	\$ 0.01	\$ 8,843,130
Quarter Two	\$ 2,035,298	\$ (289,170)	\$ (0.01)	\$ (0.01)	\$ 6,218,754
Quarter Three	\$ 575,594	(5,210,467)	\$ (0.09)	\$ (0.09)	\$ 4,899,211
TOTAL	\$ 6,227,237	\$ (5,194,917)	\$ (0.09)	\$ (0.09)	\$ 4,899,211

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
Quarter Four	1,547,662	(549,449)	(0.01)	(0.01)	7,900,467
TOTAL	\$ 11,706,467	\$ (366,044)	\$ (0.01)	\$ (0.01)	\$ 7,900,467

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

Quarterly Results of Operations

Financial Highlights for the three and nine months ended September 30, 2019:

Revenue

Consolidated revenue for the three months ended September 30, 2019 was \$575,594 compared to \$3,501,906 for the same period in 2018. Year to date revenues were \$6,227,237 compared to \$10,158,805 in 2018.

Revenue is down significantly in 2019, particularly in Q3 2019.

1. Despite management efforts to raise funds and obtain short term loans, reduced cash flow continued to significantly affect operations. The severe cash flow issue during the year, increasing throughout Q2 and then Q3, has impacted the Corporation's ability to finance the ongoing work, which caused a slow down/halt of most projects and resulted in significant lost revenue for the quarter.
 - There was no significant billing for KSA in Q3 2019. YTD 2019 revenue is 36% lower than the same period last year due to delayed renewals and the ramp up of new projects in KSA.
 - There was no significant billing for Oman in Q3 2019 due to the timing of project and change request invoicing, however YTD revenue is similar to the same period last year.
2. Our contract in Kuwait expired and was not renewed past Q1 2019. We have been unable to replace the revenue stream in Kuwait, where we previously generated \$4.5M in 2017 and \$3.2M in 2018. Based on Q3 2018 amounts, revenue was lower by approximately \$900K in this quarter due to this.
3. In Egypt, YTD 2019 revenue is down 10% over the same period last year. This is primarily due to a delay in invoicing of Enterprise projects and we should be able to make up for this in the next quarter.

For the Egypt operating segment, consolidated revenue was \$517,635 in Q3 2019 and year to date consolidated revenues were \$1,947,593 (compared to \$2,165,548 in 2018). For the Canada operating segment, revenues for YTD 2019 were \$4,279,644 compared to \$7,993,257 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 \$915,443 at September 30, 2019 compared to \$3,288,400 at December 31, 2018. 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, 2019 was similar to the same period last year (\$1,393,617 as compared to

\$1,766,218). The cost of sales for the nine months ended September 30, 2019 was down 21% to \$4,486,129 (2018: \$5,643,653).

The cost of sales for the Egypt operating segment, for the three and nine months ending September 30, 2019 was \$485,780 and \$1,467,498 (2018: \$451,171 and \$1,338,065). The increase is mainly due to Egypt employees working offsite on projects for customers in KSA and Oman. For the Canadian operating segment, the cost of sales for the three and nine months ending September 30, 2019 was \$907,837 and \$3,018,631 respectively (2018: \$1,315,047 and \$4,305,588).

Operating Expenses

The Corporation's operating expenses for the three and nine months ended September 30, 2019 were \$1,592,644 and \$3,717,142 compared to \$1,347,955 and \$3,307,278 for the same periods last year.

Selling and Marketing

Selling and marketing expenses consist primarily of sales staff remuneration, commissions, travel, advertising, consulting, and trade show costs. Sales and marketing expenses for the three and nine months ended September 30, 2019 were reduced over the same periods last year (\$617,450 and \$1,483,505 compared to \$472,302 and \$1,379,912 in 2018).

Selling	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Salary and wages	\$ 273,464	\$ 187,131	\$ 838,062	\$ 786,643
Marketing and advertising	199,276	126,424	390,091	322,855
Mailing and courier	147	2,882	3,483	7,621
Professional services	103,647	111,530	117,821	140,575
Travel and entertainment	40,915	44,335	134,048	122,218
Total	\$ 617,450	\$ 472,302	\$ 1,483,505	\$ 1,379,912

Selling and marketing for the Egypt operating segment, for the three and nine months ended September 30, 2019 increased to \$155,827 and \$483,890 respectively (2018: \$145,764 and \$444,755). 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, 2019 was \$461,623 and \$853,995 (2018: \$326,538 and \$935,158).

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, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Salary and wages	\$ 492,119	\$ 212,999	\$ 937,411	\$ 883,197
Occupancy	62,152	97,204	240,818	286,754
Consulting	14,995	68,493	80,798	99,390
Professional fees	22,360	49,278	140,858	139,842
Insurance	129,405	93,436	314,584	274,335
Dues and subscriptions	10,062	8,946	24,413	27,775
Penalties and fees	3,278	4,690	17,389	15,586
Telecommunication	4,396	12,294	44,611	48,206
Office equipment	694	999	2,618	3,196
Other	201,821	97,586	217,250	101,149
Total	\$ 941,281	\$ 645,926	\$ 2,020,750	\$ 1,879,430

G&A for the Egypt operating segment, for the three and nine months ended September 30, 2019 were \$87,286 and \$227,714 respectively (2018: \$40,891 and \$167,143). G&A for the Canadian operating segment, for the three months and nine months ended September 30, 2019 were \$853,995 and \$1,793,035 compared to \$605,035 and \$1,712,287 for the same periods in 2018.

Foreign Exchange Gain/Loss

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. The functional currency of the subsidiary NTG Egypt Advanced Software is the Egyptian pound, and the functional currency of the subsidiary NTG Clarity Networks US Inc. is the US 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 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, 2019, the Corporation recognized a foreign currency exchange loss of \$33,913 and \$212,887 respectively, compared to a loss of \$229,727 and \$47,936 for the same periods in 2018. 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.

Research and Development

Research and development, other than for the StageEM product, is paid for by customer requests and is therefore, included in cost of sales.

Provision for Bad Debt

NTG has made a provision for bad debt of \$2,379,114. This is for receivables in KSA, Kuwait and Oman, and includes:

- a customer requested a rate reduction on a project in order for the Corporation to collect the outstanding amounts.
- a customer breached a contract by terminated it. The court case is pending. Valued at \$994,600 USD.
- a customer project was cancelled while work was in progress.

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, 2019 was the same as the previous year \$91,104 and \$273,313. Indicators of impairment were present for the year ended December 31, 2018 and an impairment test was performed and no impairment was found.

Interest Expense

As at September 30, 2019, the interest expense for the three and nine months was \$338,132 and \$667,075 as compared to \$131,789 and \$383,842 for the same periods in 2018. The significant increase was due to higher balances being carried on our accounts payable and short term loans, and higher than estimated interest costs for our credit facilities.

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, 2019 were \$NIL compared to \$71,627 for the same period in 2018. 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 usually vest over two years but can have varying vesting periods.

No options were granted to non employees during Q3 2019. Stock options granted during the three and nine months ended September 30, 2019 totalled 300,000 and 870,000 (2018: 205,000 and 2,082,000). 3,435,000 options have vested and there are 3,947,000 issued. The difference of 512,000 will vest in the foreseeable future (within the next 12 months) and the expense will be charged in the future quarters.

Income Taxes

There are no income taxes for Q3 2019 (Q3 2018: \$NIL) as the Corporation has available income tax losses (December 31, 2018: \$9,553,066).

Net Income (Loss)

For Q3 2019, the Corporation recorded a net loss of \$(5,210,467) compared to a net income of \$6,555 for the same period in 2018. For the nine months ended September 30, 2019, the Corporation recorded a net loss of \$(5,194,917) compared to a net income of \$183,406 in 2018.

The Egypt operating segment, for the three months ended September 30, 2019 recorded a net loss of \$(187,019) (Q3 2018: \$(88,198)). For the nine months ended September 30, 2019 the net loss was \$(88,570) (YTD 2018: \$30,390).

For the Canadian operating segment, the net loss for the three and nine months ended September 30, 2019 of \$(5,023,448) and \$(5,106,347) compared to a net income of \$94,753 and \$153,016 for the same periods last year.

Despite management efforts to raise funds and obtain short term loans, reduced cash flow continues to significantly affect operations. The severe cash flow issue during the year, increasing throughout Q2 and then Q3, has impacted the Corporation's ability to finance the ongoing work, which caused a slow down/halt of most projects and resulted in significant lost revenue for the quarter.

Assets and non-current liabilities

As of September 30, 2019, the Corporation had \$24,297 cash on hand (December 31, 2018: \$98,694), performance bonds of \$110,532 (December 31, 2018: \$111,536), and prepaid amounts of \$180,337 (December 31, 2018: \$207,710).

Differences in prepaid amounts are due to the timing of insurance and rental renewals. The decrease in bond values compared to year to date 2018 occurred because of bonds that expired in Egypt and KSA.

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, 2019 is \$NIL (December 31, 2018: \$NIL) in development costs. The amortization cost for the three and nine months ended September 30, 2019 was the same as in 2018; \$91,104 and \$273,313 respectively. The NTS software will be fully amortized by 2023.

Property and equipment

Property and equipment of \$187,053 as of September 30, 2019 (December 31, 2018: \$221,980) 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, 2019, there are no non-current liabilities. In September 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 2019, we funded operations, changes in non-cash working capital and capital expenditures using internally generated cash flows, cash on hand, and short term loans.

Working capital as at September 30, 2019 was (\$9,346,910) compared to (\$4,861,655) at December 31, 2018. Efforts to address our working capital needs in 2018 include:

- Continuing our increased collection activities.
- Investigating alternate sources of raising funds.
- Accepting short term loans from investors

Cash Flow from Operations

The cash flow from operating activities for the three and nine months ended September 30, 2019 was an in-flow of \$77,212 and an out-flow of \$77,897, compared to cash in-flow of \$357,698 and \$735,585 for the same periods in 2018.

The difference from last year was due to:

- a net loss of \$(5,194,917) compared to a net income of \$183,406 in 2018.
- a significant increase in interest paid due to increased credit facility balances and use of short term loans
- a larger decrease in accounts receivable (\$1.2M compared to an increase in YTD 2018)
- a larger increase in accounts payable (\$1.5M compared to \$562,864 in YTD 2018)

Cash Flow from Financing Activities

The cash flow from financing activities for the three and nine months ended September 30, 2019, was an out-flow of (\$231,496) and an in-flow of \$5,826, compared to an out-flow of (\$271,750) and (\$574,605) for the same periods in 2018.

The main differences from 2018 were:

- an increase in bank indebtedness
- a shares for debt transaction in 2019 resulted in the issuance of shares amount of \$360,000 that was not present in 2018.
- significant interest amounts paid as a result of increased short term loans and increased bank indebtedness.

Cash Flow from Investing Activities

The cash flow for investing activities for the three and nine months ended September 30, 2019, was an out-flow of (\$605) and (\$2,328) compared to an out-flow of (\$3,093) and (\$21,838) for the same periods in 2018.

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	2019	2020	2021	2022 and after	Total
Operating line of credit	\$ 7,517,468	\$ –	\$ –	\$ –	\$ 7,517,468
Accounts payable and accrued liabilities	5,499,348	–	–	–	5,499,348
Operating leases	65,941	180,301	103,985	8,291	358,518

Debt and Credit Facilities

As of September 30, 2019, the Corporation had 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)
- \$250,000 for issuance of LGs (revolving Facility 3), with EDC support
- \$2,241,890 non-revolving Facility 4 (balance owing \$1,401,890)

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 EDC and Euler Hermes.

On September 17, 2019, the Corporation announced that it had received a formal demand for payment of its Bank facilities, requesting payment in full by no later than (10) days from September 16, 2019. See Note 29 for more information.

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.

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 interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), London, *IAS 34 Interim Financial Reporting*, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in effect at the closing date of November 28, 2019.

Significant accounting policies are presented in detail in Note 3 of our unaudited interim consolidated financial statements for the period ended September 30, 2019. These are available on SEDAR (www.sedar.com). The policies applied in these statements are based on IFRS issued and outstanding as of November 28, 2019, 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. NTG has taken on short term debt from overseas to assist with cash flow.

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

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.

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.

Interest risk

NTG's exposure to interest rate fluctuations is primarily interest paid on its bank indebtedness and long-term loans. NTG has performed sensitivity analysis on interest rates at September 30, 2019 to determine how a change in interest rates would impact equity and net loss.

During the three months and nine months ended September 30, 2019, the Corporation incurred \$338,132 and \$667,075 in interest charges on its loans and liabilities (2018: \$131,789 and \$383,842). This increase is a result of higher credit facility balances and short term loans from overseas to assist with cash flow. An increase or decrease of 100 basis points in the average interest rate paid during the quarter would have adjusted net earnings by approximately \$33,813(Q3 2018: \$13,179). 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 customers and typically do 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 Export Development Canada and Euler Hermes Canada as explained in Note 25.

The credit quality of all the accounts receivable of NTG 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, 2019, the Corporation has insured receivables in the amount of \$3,409,337 (December 31, 2018: \$2,496,454) and insured unbilled revenue in the amount of \$915,443 (December 31, 2018: \$3,288,400).

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. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue or expense are denominated in a different currency from the Corporation's functional currency. The parent entity's functional currency is 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.

A 10% change in exchange rates on the September 30, 2019 would have the following impacts:

	U.S. Dollar	Omani Riyal	Kuwait Dinar	Saudi Riyal	Qatari Riyal	Egyptian Pound
10% impact to:	USD	OMR	KWD	SAR	QAR	LE
P&L in CAD	49,799	16,527	120,254	35,767	414	67,637
Equity in CAD	36,603	12,148	86,387	26,289	304	49,713

Liquidity risk

Liquidity risk is the risk that the NTG will not be able to meet its financial obligations as they fall due. The 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. We manage liquidity risk by reviewing its capital requirements on an ongoing basis and continuously review both actual and forecasted cash flows to ensure that we have appropriate capital capacity. NTG has secured short term loans from overseas to assist with cash flow.

As mentioned in the year-end report, the Corporation continues to be in breach of its margin requirements under the Existing Loan Agreement with the Bank. On September 17, 2019, the Corporation announced that it had received a formal demand for payment of its Bank facilities, and subsequent to quarter end, on October 9, 2019 the Corporation had an Interim Receiver appointed (see Note 29 for more information).

Capital management

NTG manages its capital, which consists of cash provided from operations and short term loans, 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, 2019, 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.

The Corporation's approach to capital management during the period ending September 30, 2019 was to obtain short term loans from overseas to support the cash flow requirements. No changes were made in the objectives, policies, or processes during the period ending September 30, 2019.

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. NTG 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. In order to maintain or adjust the capital structure, the Corporation may issue new shares. NTG is 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. As of September 30, 2019:

- the Corporation has a small claims case pending in Ontario for \$25,000. Management feels this case is baseless and has submitted a defense for this.
- on September 17, 2019, the Corporation announced that it had received a formal demand for payment of its Bank facilities, requesting payment in full by no later than (10) days from September 16, 2019 (see Note 29 for more information).

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, 2019, and September 30, 2018.

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, 2019 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 28, 2019, 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.

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