



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 October 30, 2020, for the three and nine months ended September 30, 2020 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, 2019.

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/branch offices in Cairo, Egypt; the USA; 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.

The ongoing COVID-19 pandemic measures present a significant source of economic uncertainty in 2020 and there have been impacts on NTG sales activities and collections have slowed.

Summary of Events in Q3 2020

NTG received three new projects:

- On August 26, 2020, NTG announced it was awarded a significant project in a government department in the Gulf area to provide technical resources. This 24 to 36-month project is worth about \$1.9M Canadian dollars and has the potential of additional work.
- On August 31, 2020, NTG announced it would provide technical resources to a major telecom operator in Canada. This one-year project is worth about \$375,000 Canadian dollars with the option for extension and additional work.
- On October 27, 2020, NTG announced it was awarded another project in a government department in the Gulf area to provide technical resources. This 36-month project is worth close to \$1M Canadian dollars.

Outlook

COVID-19 continues to impact NTG in the form of lower than expected revenues and slower collections.

In Q3 2020, existing projects resumed and employees are now working either on customer sites or remotely. We also announced three new projects that we anticipate will be starting in Q4 2020.

COVID-19-related business changes, such as the cancellation of marketing events, many customer in-person meetings and travel, combined with management mandated salary reductions, have combined to reduce cost of sales by 16% and selling expenses by 46%.

In Q3 2020 our revenue amounts were stronger and we showed a net profit of \$246,515. However it remains uncertain how long COVID-19 conditions will continue and what long-term impact they will have on our customers, our business and cash flows.

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).

2020	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 2,474,766	\$ (598,736)	\$ (0.01)	\$ (0.01)	\$ 2,750,861
Quarter Two	\$ 1,651,209	\$ (1,019,715)	\$ (0.01)	\$ (0.01)	\$ 2,165,928
Quarter Three	\$ 2,233,248	\$ 252,059	\$ 0.0	\$ 0.0	\$ 2,448,748
TOTAL	\$ 6,359,223	\$ (1,366,393)	\$ (0.01)	\$ (0.01)	\$ 2,448,748

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
Quarter Four	2,399,193	(3,989,191)	(0.07)	(0.06)	\$2,768,138
TOTAL	\$ 8,626,429	\$ (9,184,109)	\$ (0.16)	\$ (0.15)	\$2,768,138

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

Quarterly Results of Operations

Towards the end of Q1 2020, NTG's offices were closed, staff were asked to work remotely. Q2 2020 was significantly affected by COVID-19 and sales and collections were negatively impacted. Though revenues have strengthened in Q3 2020, collections and cash flow still remain an issue.

Financial highlights for the three and nine months ended September 30, 2020:

Revenue

Consolidated revenue for the three months ended September 30, 2020 was \$2,233,248 compared to \$575,594 for the same period in 2019 and is made up of product-related revenue and professional services. Year to date revenues are up by 2% from 2019 (\$6,359,223 compared to \$6,227,237).

Professional service revenue was \$5,038,152 or 79% of overall revenue in 2020 and continues to be an important strategic source of revenue, given its generally recurring nature. The contribution of product-related revenue (18%) was similar to 2019 (20%). We continue to work to make product sales a more balanced part of NTG's revenue stream.

For the Egypt operating segment, Q3 2020 consolidated revenue increased 15% to \$593,996 compared to \$517,634 in Q3 2019. Year to date consolidated revenues were \$1,701,232 compared to \$1,947,593 in Q3 2019. The decrease in revenue was due to projects slow-down in Q1 and Q2 due to COVID-19.

For the Canada operating segment, revenues for Q3 2020 were \$1,639,252 compared to Q3 2019 (\$57,959). Year to date revenues were up 9% (\$4,657,991 compared to YTD 2019: \$4,279,644).

Unbilled Revenue

Unbilled revenue is revenue which has 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. NTG 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 the required customer acceptance. For many contracts, revenue is recognized each month, but billed on a quarterly basis and we anticipate this to continue.

At September 30, 2020, unbilled revenue was \$483,784 compared to \$447,682 at December 31, 2019 and \$15,443 at September 30, 2019. This is due to the timing of billing for contracts.

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 cost of sales for the three and nine months ended September 30, 2020 was \$1,387,007 and \$3,998,322 (Q3 2019: \$1,393,617; YTD 2019: \$4,486,129).

Gross margin for Q3 2020 was \$846,241 or 38% compared to \$(818,022) for Q3 2019. For the nine months ended September 30, 2020 the gross margin was \$2,360,901 or 37%, compared to \$1,741,108 or 28% for the same period in 2019.

Operating Expenses

COVID-19-related business changes, such as the cancellation of marketing events and related travel, continue to have an impact on Q3 2020 results. NTG's operating expenses for the three and nine months ended September 30, 2020 were \$539,369 and \$3,017,784 compared to \$1,592,644 and \$3,717,142 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. Selling and marketing expenses for the three and nine months ended September 30, 2020 were \$187,105 and \$654,355 respectively compared to \$617,450 and \$1,483,505 in the previous year.

This 70% decrease in the selling and marketing in the quarter (56% year to date) was the direct result of the affects of COVID-19. Travel, trade shows and many customer visits continue to be suspended, and salaries continued to be reduced during the period.

General and Administrative

General and administration expenses consist primarily of salary and benefits, rent and office expenses, insurance, professional fees, accounting and legal fees, director's fees, etc. G&A expenses for the three and nine months ended September 30, 2020 were \$384,815 and \$2,172,818 respectively compared to \$941,281 and \$2,020,750 in the previous year.

G&A costs have decreased significantly in this period due to:

- No salaries accrued or paid for employees in the Canadian office due to COVID-19.
- No miscellaneous expenses in Kuwait that were present in 2019.

Foreign Exchange Gain/Loss

For the three and nine months ended September 30, 2020, the NTG recognized a foreign currency exchange gain of \$32,551 and loss of \$190,611 respectively, compared to a loss of \$33,913 and \$212,887 for the same periods in 2019. Additionally, the YTD foreign exchange loss on translation of our Egypt subsidiary was \$215,524 (YTD 2019: gain of \$155,296).

Amortization of Intangible Assets

There are no amortization costs for Q3 2020 (Q3 2019: \$91,104; YTD 2019: \$273,313).

Interest Expense

As at September 30, 2020, the interest expense for the three and nine months was \$45,358 and \$198,871 as compared to \$338,132 and \$667,075 for the same periods in 2019. The significant decrease was due to the replacement of RBC Royal Bank as principle indebtedness carrier.

Share-based Compensation

No options were granted to non-employees during Q3 2020. 100,000 stock options were granted during the three and nine months ended September 30, 2020 (2019: 300,000 and 870,000). All 3,382,000 options have vested.

Income Taxes

There are no income taxes for Q3 2020 (Q3 2019: \$Nil) as NTG has income tax losses available for Canadian federal and provincial tax purposes which may be carried forward to reduce future years' taxable income (December 31, 2019: \$16,117,458).

Net Income (Loss)

For Q3 2020, the NTG recorded a net income of \$252,059 compared to a net loss of \$(5,210,467) for the same period in 2019. For the nine months ended September 30, 2020, NTG recorded a net loss of \$(1,366,393) compared to a net loss of \$(5,194,917) in 2019.

The Egypt operating segment recorded a net loss of \$(79,622) and \$(254,491) for the three and nine months ended September 30, 2020 (Q3 2019: \$(187,019); YTD 2019: \$(88,570)).

The Canadian operating segment recorded a net income of \$331,681 and a net loss of \$(1,111,902) for the three and nine months ended September 30, 2020 (Q3 2019: \$(5,023,448); YTD 2019: \$(5,106,347)).

Much of the year to date loss was attributable to the impact of COVID-19.

Assets and non-current liabilities

As of September 30, 2020, NTG had \$92,299 cash on hand (December 31, 2019: \$31,068; Q3 2019: \$24,297), bid/performance bonds of \$80,014 (December 31, 2019: \$85,675; Q3 2019: \$110,532) and prepaid amounts of \$145,172 (December 31, 2019: \$125,409; Q3 2019: \$180,337).

Differences in prepaid amounts are due to the timing of insurance and rental renewals. The decrease in bond values compared to year to date 2019 occurred because of bonds that expired in Egypt and KSA.

Intangible asset

Intangible assets were related to the upgrade of our internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS. Indicators of impairment were present at December 31, 2019 and the net book value of the development costs was fully impaired. During the period ending September 30, 2020, no amount was capitalized (December 31, 2019: \$Nil) and no amortization expense was recognized (Q3 2019: \$91,104; December 31, 2019: \$364,418).

Property and equipment

Property and equipment of \$167,158 as of September 30, 2020 (December 31, 2019: \$179,162; Q3 2019: \$187,053) consists mainly of computer equipment and office furniture with a useful life of 4-10 years. We are not dependent on tangible assets and expect the purchase and disposal of property and equipment to be consistently modest in the foreseeable future. NTG had additions of \$18,581 during YTD 2020 (2019: \$2,551) and depreciation of \$30,586 (2019: \$37,478).

Non-current liabilities

As of September 30, 2020, NTG had the following non-current liabilities:

- At September 30, 2020, the outstanding indebtedness of \$7,100,712 held by a numbered Company is disclosed as a long-term debt on the Statements of Financial Position. See Note 17(a) and Note 23 for more information.

- An amount due to related parties includes balances owing to key management and key management compensation. See Note 23 for more information.

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 Q2 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, 2020 was a deficit of \$5,870,854 compared to a deficit of \$4,490,883 at December 31, 2019.

Cash Flow Provided by Operations

The cash flow from operating activities for the three and nine months ended September 30, 2020 was an out-flow of \$(30,340) and an in-flow of \$280,193, compared to a cash in-flow of \$77,212 and an out-flow of \$(77,897) for the same periods in 2019. The primary improvements from last year compared to 2019 include:

- the net loss of \$(1,366,393) compared to a net loss of \$(5,194,917) in 2019
- lower interest costs (\$198,871 compared to \$667,075 in 2019).

Cash Flow from Financing Activities

The cash flow from financing activities for the three and nine months ended September 30, 2020, was an out-flow of \$(738) and \$(200,541), compared to an out-flow of \$(231,496) and an in-flow of \$5,826 for the same periods in 2019.

The main difference from 2019 was a Shares for Debt transaction in Q2 2020 that resulted in the issuance of shares in the amount of \$660,000.

Cash Flow from Investing Activities

The cash flow for investing activities for the three and nine months ended September 30, 2020, was an out-flow of \$(11,918) and \$(18,423) compared to an out-flow of \$(605) and \$(2,328) for the same periods in 2019.

Commitments and Contractual Obligations

NTG 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. On April 6, 2020, NTG signed a Forbearance Agreement with its Canadian landlord where we agreed to pay \$5,200 per month and defer the balance of the monthly rent. As agreed, we will use our best efforts to pay additional amounts against the accruing balance.

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. At September 30, 2020, NTG's operating lease obligations were \$280,626 (December 31, 2019: \$298,704).

Debt and Credit Facilities

As of September 30, 2019, NTG's credit facilities were with RBC Royal Bank. As of September 30, 2020, NTG's indebtedness is controlled by a numbered Company, controlled by Ashraf Zaghoul, NTG CEO and Kristine Lewis, NTG President. The numbered Company retains the Indebtedness and the Security, and all

the rights, title and interest together with the full benefit of all powers and all covenants and provisions contained in the Security. The Company has agreed to extend the grace period for principal installment repayments from August 2020 until the end of January 2021. This has helped the Corporation significantly by helping with cash flow and reducing pressure on management to allow them to focus on business. The Indebtedness held by the Company is secured by a General Security Agreement (GSA) over the assets of the Corporation. It is listed as Long-term debt on the Interim Consolidated Statements of Financial Position.

As of September 30, 2020, NTG Egypt Advanced Software, a subsidiary of the Corporation, has an overdraft facility with QNB bank in Egypt in the amount of 7 million pounds (approximately \$594,746) with an interest rate of 18%.

As of September 30, 2020, we have no EDC-supported bonds. At September 30, 2019, we had one advance payment guarantee and one performance bond in the amount of approximately \$145,501 with year to date premiums of \$Nil.

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 23.

The Corporation's long-term debt is controlled by a numbered Company, controlled by Ashraf Zaghloul, NTG CEO and Kristine Lewis, NTG President.

In Q3 2020, there was no outstanding amount owed by related parties (Q3 2019: \$300,000).

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 October 30, 2020.

Significant accounting policies are presented in detail in Note 3 of our unaudited interim consolidated financial statements for the period ended September 30, 2020. These are available on SEDAR (www.sedar.com). The policies applied in these statements are based on IFRS issued and outstanding as of October 30, 2020, the date the Board of Directors approved the unaudited interim consolidated financial statements.

Proposed Transactions

There are no Proposed Transactions. Due to COVID-19, we delayed the Annual General and Special Meeting that is usually scheduled for September, until November 26, 2020.

Business Risk and Management

NTG is exposed to market risk, interest rate risk, foreign exchange risk, credit risk, and liquidity risk. A complete description of the risks and uncertainties affecting NTG is included in the Annual Report filed June 12, 2020 or in the Annual MD&A for the year ended December 31, 2019. These can be found on SEDAR at www.sedar.com.

Some risks have evolved since the most recent year-end report. We are monitoring these risk factors and doing what we can to minimize them; however, many are outside of our control and it is impossible to completely mitigate these risks.

Additional risks and uncertainties not described or not presently known may also impact our business. If any of these risks occur, the business, financial condition or results of operations could be harmed and the trading price of NTG'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.

Covid-19 has negatively impacted and may continue to negatively impact NTG

COVID-19 continues to present a significant source of economic uncertainty to most companies. There have been impacts on NTG's sales activities and collections have slowed. In Q2 2020, our offices were closed and staff worked remotely. Some existing projects continued at a slower pace and the acceptance of deliverables by customers, and collection of receivables were therefore slower. Though revenues improved in Q3 2020, we anticipate revenue and cash flows may continue to be affected in the foreseeable future.

Travel restrictions have continued to impact our ability to move resources to and between customer sites.

The duration and impact of the pandemic on NTG is currently unknown and it is not possible to accurately estimate. Changes by customers, governments and regulators in response to COVID-19 could materially impact the Corporation's financial results and may include impacts on: timing and collectability of receivables, restrictions on international travel and greater currency volatility. The uncertain economic conditions may negatively affect operations and the financial performance of NTG.

Decreases in oil prices may cause new order slow down

Prices for oil have remained steady in Q3 2020 however they are still significantly below prices from the last few years. The uncertainty in the Middle East, our primary marketplace, continues to cause some reduced spending by our customers in the Gulf region. If the oil price remains low, revenue may be impacted as there can be no assurance that our customers will continue to purchase our products and services in the anticipated timeline.

Credit risk

As at September 30, 2020, NTG had receivables in the amount of \$1,964,105 (December 31, 2019: \$2,346,824) and unbilled revenue of \$483,784 (December 31, 2019: \$447,682). NTG does not currently carry receivables or pre-shipping insurance as we did in 2019 (see in Note 25). This introduces a new level of risk of non-payment by customers, though the majority are tier 1 telecom, utility and banking customers.

Foreign currency risk

NTG's 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. As in last quarter, this quarter end again showed foreign exchange losses in operations and on consolidation.

Guarantees

NTG 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. In March 2020, we were unable to renew our Directors and Officers insurance. As a result, on March 20, 2020, NTG announced that the two independent Board members and one other Board member resigned from NTG's Board. Mr. Ashraf Zaghoul, Chairman and CEO, and Kristine Lewis, Director and President are the two remaining directors of NTG Clarity Networks Inc. The insurance remains a concern and we are looking for alternatives.

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 December 31, 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 is 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 October 30, 2020, 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.

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