



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 17, 2021, for the three and nine months ended September 30, 2021 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, 2020.

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 the Egypt segment, which is our software development group and also provides professional services and network services/hardware to customers in Egypt.

Summary of Events in Q3 2021

In Q3 2021, we announced the following:

- In July, we announced our intention to initiate a board-approved Shares for Debt transaction. In August we closed the transaction and issued 40,000,000 shares and reduced our outstanding payables/loans by \$2,000,000.
- Last quarter, we introduced the NTGapps Digital Toolbox – a cloud-based suite of digital tools for Telecom Operators, along with orders we had received for the product of approximately \$1.1 Million. In August we announced two new POs for the product totaling \$800K.
- Other announced POs valued at approximately \$140K were for support of other NTG products.
- In September we announced receipt of a Letter of Intent (LOI) for the purchase of NTG’s Asset Management, Network Discovery, Discrepancy and Reconciliation software. The value of this new customer’s LOI is approximately \$4.5M and we anticipate some contribution to revenue in Q4 2021.

Outlook

Customers have been recognizing our quality of work and track record and this has resulted in increasing work from major customers and work from new customers in Canada and Saudi Arabia (KSA). KSA’s economic rebound, due in large part to increasing prices for oil, is anticipated to show increasing demand for our products and services. Our Q3 2021 revenue is the highest quarterly revenue since Q1 2019 and we have been profitable for the fifth straight quarter.

Though COVID-19 continues to have an impact on our customers and operating activities, we are adjusting processes and procedures as required. NTG’s offices have returned to normal operation, however, onsite/remote customer work varies from customer to customer. Travel restrictions continue to slow the movement of personnel. We are still required to quarantine our personnel for two weeks in another country (Bahrain or Maldives) prior to arriving in KSA. This has resulted in increased travel and accommodation costs.

Offshoring and outsourcing of our technical, IT and professional services resources continues to contribute to our revenue in Egypt and has helped us grow and expand our business into the government and financial sectors.

The NTG roadmap for the foreseeable future is to introduce 4 new tools every month to the NTGapps Digital Toolbox. To-date we have 24 digital tools. This new concept will allow the SMEs and Telecom Operators to have immediate access to the digital tools that meet their needs. NTGapps are easily integrated into the operators’ existing systems with very little effort. For more information, visit www.ntgapps.com.

Summary of Quarterly Results

Historically, NTG’s operating results have fluctuated due to the timing of new contracts and their corresponding billing, and we expect this trend to continue. The following table shows a summary of our eleven most recent quarters (in Canadian dollars).

2021	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 2,298,307	\$ 249,727	\$ 0.002	\$ 0.002	\$ 3,390,312
Quarter Two	\$ 2,621,252	\$ 459,813	\$ 0.004	\$ 0.004	\$ 4,409,643
Quarter Three	\$ 2,844,338	\$ 237,671	\$ 0.000	\$ 0.000	\$ 5,115,346
TOTAL	\$ 7,763,897	\$ 947,211	\$ 0.01	\$ 0.01	\$ 5,115,346

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	\$ 0.00	\$ 0.00	\$ 2,448,748
Quarter Four	\$ 1,593,033	\$ 267,776	\$ 0.00	\$ 0.00	\$ 3,173,303
TOTAL	\$ 7,906,989	\$ (1,098,617)	\$ (0.01)	\$ (0.01)	\$ 3,173,303

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

Quarterly Results of Operations

NTG's business continues to operate and support customers' operations despite continued COVID-19 restrictions. We have managed to keep quarter over quarter revenues strong with five straight quarter of profitability. In Q3 2021, we had our highest revenue in ten quarters. Cash flow remains a concern as NTG depends on collections to finance operations. Generally, collections have been within acceptable limits and there are no bad debts YTD 2021.

Financial highlights for the three and nine months ended September 30, 2021:

Revenue

Consolidated revenue for the three months ended September 30, 2021 was \$2,844,338 compared to \$2,233,248 for the same period in 2020 and is made up of product-related revenue and professional services. Year to date revenues are up by 22% from 2020 (\$7,763,897 compared to \$6,359,223).

Professional service revenue was \$7,033,561 or 91% of overall revenue in 2021 and continues to be an important strategic source of revenue, given its generally recurring nature. The contribution of product-related revenue was 9% in 2021.

For the Egypt operating segment, Q3 2021 consolidated revenue was \$358,473 compared to \$593,996 in Q3 2020. Year to date consolidated revenues were \$1,551,489 compared to \$1,701,232 in Q3 2020. The decrease in revenue was due to focus of some of the Egypt team members to build the NTGapps product.

For the Canada operating segment, revenues for Q3 2021 were \$2,485,865 compared to \$1,639,252 in Q3 2020. Year to date revenues were up 33% (\$6,212,408 compared to YTD 2020: \$4,657,991). This was due to increased revenue from existing customers and 10 new customers in the Canadian segment.

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. 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, 2021, unbilled revenue was \$365,915 compared to \$483,784 at September 30, 2020 and \$315,171 at December 31, 2020. 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, 2021 was \$1,630,801 and \$4,425,587 (Q3 2020: \$1,387,007; YTD 2020: \$3,998,322). YTD the 11% increase was offset by a 22% increase in revenue.

Gross margin for Q3 2021 was \$1,213,537 or 43% compared to \$846,241 or 38% for Q3 2020. For the nine months ended September 30, 2021 the gross margin was \$3,338,310 or 43%, compared to \$2,360,901 or 37% for the same period in 2020.

Operating Expenses

COVID-19-related business changes, such as the cancellation of marketing events and related travel, continue to have an impact on Q3 2021 results. NTG's operating expenses for the three and nine months ended September 30, 2021 were \$687,063 and \$1,677,129 compared to \$539,369 and \$3,017,784 for the same periods last year. This is mostly due to the extra resources assigned to revenue-generating customer projects and the capitalization of the work done to build the NTG product.

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, 2021 were \$261,654 and \$616,117 respectively compared to \$187,105 and \$654,355 in the previous year.

The 40% increase in the selling and marketing in the quarter occurred as COVID-19 restrictions are being lifted and travel and some customer visits are resuming. YTD selling expenses were down by 6%.

General and Administrative

General and administrative 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, 2021 were \$397,016 and \$1,110,561 respectively compared to \$384,815 and \$2,172,818 in the previous year.

G&A costs have decreased in the quarter, and year to date significantly (49%) due to lower salary costs and the capitalization of work done on our Smart2Go product.

Foreign Exchange Gain/Loss

For the three and nine months ended September 30, 2021, the NTG recognized a foreign currency exchange loss of \$28,393 and gain of \$49,549 respectively, compared to a gain of \$32,551 and loss of

\$190,611 for the same periods in 2020. Additionally, the YTD foreign exchange loss on translation of our Egypt subsidiary was \$81,640 (YTD 2020: loss of \$215,524).

Research and Development

With the exception of Smart2Go, our flagship product, research and development is paid for by customer requests and is therefore, included in cost of sales.

Amortization of Intangible Assets

Intangible assets are related to the Smart2Go low-code digital transformation platform initially capitalized in 2020. Expenditures on development of the software are recognized as an asset from the time the Corporation has determined an indefinite future economic benefit exists.

The amortization costs for the three and nine months ending September 30, 2021 were \$36,670 and \$86,289 (Q3 2020: \$Nil; YTD 2020: \$Nil).

Interest Expense

As at September 30, 2021, the interest expense on loans and liabilities for the three and nine months was \$95,357 and \$207,246 as compared to \$45,358 and \$198,871 for the same periods in 2020.

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 to five years after the grant date, and usually vest over two years but can have varying vesting periods.

600,000 stock options were granted during the three and nine months ended September 30, 2021 under the Corporation's incentive stock option plan (Q3 2020: Nil). 200,000 options were exercised in Q3 2021 (Q3 2020: Nil). 6,695,000 options have vested and there are 8,540,000 issued. The difference of 1,845,000 will vest in the foreseeable future and the expense will be charged in the future quarters.

Income Taxes

There are no income taxes for Q3 2021 (Q3 2020: \$Nil) as NTG has income tax losses at December 31, 2020 for Canadian federal and provincial tax purposes, which may be carried forward to reduce future years' taxable income (December 31, 2020: \$17,799,962).

Total Comprehensive Income after Taxes (Net Income)

For Q3 2021, the NTG recorded a net income of \$237,671 compared to \$252,059 for the same period in 2020. For the nine months ended September 30, 2021, NTG recorded a net income of \$947,210 compared to a net loss of \$(1,366,393) in 2020.

The Egypt operating segment recorded a consolidated net income of \$141,612 and \$56,541 for the three and nine months ended September 30, 2021 (Q3 2020 loss: \$(79,622); YTD 2020 loss: \$(254,491)).

The Canadian operating segment recorded a net income of \$96,059 and \$890,668 for the three and nine months ended September 30, 2021 (Q3 2020: \$331,681; YTD 2020: \$(1,111,902)).

Assets and non-current liabilities

As of September 30, 2021, NTG had \$223,893 cash on hand (December 31, 2020: \$145,224; Q3 2020: \$92,299), bid/performance bonds of \$57,172 (December 31, 2020: \$60,233; Q3 2020: \$80,014) and prepaid amounts of \$101,850 (December 31, 2020: \$67,501; Q3 2020: \$145,172).

Differences in prepaid amounts are due to the timing of insurance and rental renewals. The decrease in bond values compared to year to date 2020 occurred because of bonds that expired in KSA.

Property and equipment

Property and equipment of \$188,036 as of September 30, 2021 (December 31, 2020: \$157,757; Q3 2020: \$167,158) 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 \$73,665 during YTD 2021 (2020: \$18,581) and depreciation of \$43,386 (2020: \$30,586).

Intangible asset

In past years, intangible assets were related to the upgrade of our internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS, and StageEM, our enterprise solution that allows companies to manage many current and/or proposed projects and maintain control of resources, budgets and other elements. As of December 2019, these products were impaired and removed from NTG's balance sheet, though we consider both products to be valuable assets.

Smart2Go is our newest software development product. It is a powerful development tool that offers rapid application development whose users need no knowledge of development languages. Powerful templates allow users to create their own tools for HR, CRM, asset management, etc. During the period ending September 30, 2021, \$936,669 was capitalized (December 31, 2020: \$860,636) and \$86,289 amortization expense was recognized (Q3 2020: \$Nil; December 31, 2020: \$Nil).

Non-current liabilities

As of September 30, 2021, NTG had the following non-current liabilities:

- The outstanding indebtedness of \$6,439,285 held by a numbered Company is disclosed in long-term debt on the Statements of Financial Position. See Note 17(a) and Note 25 for more information.
- An amount due from and owed to related parties includes balances owing to key management and key management compensation. See Note 25 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 Q3 2021, 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, 2021 was a deficit of \$4,440,638 compared to a deficit of \$6,336,678 at December 31, 2020.

Cash Flow Provided by Operations

The cash flow from operating activities for the three and nine months ended September 30, 2021 was an out-flow of \$(849,717) and \$(362,236), compared to an out-flow of \$(30,340) and an in-flow of \$280,193 for the same periods in 2020. The primary improvements from the YTD compared to 2020 include:

- a net income of \$947,210 compared to a net loss of \$1,366,393 in 2020.
- a significant increase in accounts receivable of \$886,586 compared to a decrease of \$368,505 in 2020.
- a decrease in accounts payable and accrued liabilities of \$624,904 compared to an increase of \$1,047,306 in 2020).

Cash Flow from Financing Activities

The cash flow from financing activities for the three and nine months ended September 30, 2021, was an in-flow of \$1,158,629 and \$1,516,666, compared to an out-flow of \$(738) and \$(200,541) for the same periods in 2020. The main differences from 2020 were:

- a Shares for Debt transaction in Q3 2021 that resulted in the issuance of shares in the amount of \$2,000,000.
- In 2021, share options were exercised with a total value of \$268,000 (YTD 2020: \$Nil).
- lower interest payments

Cash Flow from Investing Activities

The cash flow for investing activities for the three and nine months ended September 30, 2021, was an out-flow of \$(336,833) and \$(1,075,175) compared to an out-flow of \$(11,918) and \$(18,423) for the same periods in 2020.

The main difference was due to the capitalization of our Smart2Go software product this year (\$936,669) compared to \$Nil in Q3 2020.

Commitments and Contractual Obligations

NTG is committed under agreements for the rental of office space in Canada at a monthly rate of \$6,639 for the period from June 1, 2021 to May 31, 2023 and \$8,195 for the period from June 1, 2023 to May 31, 2025. NTG has a deferred rent balance due of \$80,849 that is related to the Forbearance Agreement signed in April 2020. As per the new rental agreement, this amount will be repaid by December 31, 2022.

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, 2021, NTG's operating lease obligations were \$359,369 (December 31, 2020: \$298,704).

Debt and Credit Facilities

As of September 30, 2021, NTG's indebtedness continues to be 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 until May 2022. This has helped NTG 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, 2021, NTG Egypt Advanced Software, a subsidiary of NTG, had the following:

- A 7 million Egyptian pound overdraft facility with QNB bank in Egypt with a current balance of Egyptian 7,071,351 pounds (approximately \$ 573,147) and an interest rate of 18%.
- A 2-year 3 million Egyptian pound loan with CIB bank in Egypt with a balance at September 30, 2021 of 2,375,000 Egyptian pounds (approximately \$ 192,498) and an interest rate of 16.25%. The principle is being repaid monthly (125,000 pounds or approximately \$9,901) with interest.

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 25.

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 2021, there was an outstanding amount owed from related parties in the amount of \$64,842 (Q2 2020: \$Nil).

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 17, 2021.

Significant accounting policies are presented in detail in Note 3 of our audited consolidated financial statements for the year ended December 31, 2020. These are available on SEDAR (www.sedar.com).

Proposed Transactions

There are no Proposed Transactions.

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, 2021 or in the Annual MD&A for the year ended December 31, 2020. 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 and may continue to impact NTG

The uncertainties around the outbreak of the COVID-19 pandemic required the use of significant judgment and estimates.

Mandated travel restrictions have impacted our ability to move resources to/between customer sites. The uncertain future impact of COVID-19 could generate, in future reporting periods, a significant risk of material adjustments and may include impacts on: timing and collectability of receivables, restrictions on international travel and greater currency volatility.

Credit risk

As at September 30, 2021, NTG had receivables in the amount of \$2,402,623 (December 31, 2020: \$1,881,952) and unbilled revenue of \$365,915 (December 31, 2020: \$315,171). NTG does not currently carry receivables or pre-shipping insurance. This introduces a level of risk of non-payment by customers, though the majority are tier 1 telecom, utility and banking customers.

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. This quarter, we showed a small foreign exchange gain in operations and lower foreign exchange losses on consolidation.

Guarantees

NTG indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation. The insurance remains a concern and we continue to look for options.

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 June 30, 2021 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 November 17, 2021, 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.