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

This management discussion and analysis focuses on key statistics from the 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 April 27, 2017, for the year ended December 31, 2016 and should be read in conjunction with the audited consolidated financial statements and related notes and material contained in other parts of this annual report.

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

Forward-Looking Statements

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

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

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

Business Overview

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

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

2016 has been an extremely challenging year for NTG Clarity, due primarily to the timing of three factors:

- NTG's expansion plans conflicted with market slowdown: In Q4 2015 and the first half of 2016, we significantly expanded our location and customer base, resulting in significant selling and G&A cost increases. The uncertainty in the Middle East due to lower oil prices caused reduced spending in the Gulf region (NTG main Market) and new projects were cancelled/delayed. At the time, management chose to retain highly skilled personnel in anticipation of project renewals, which were subsequently delayed. The increase in our costs, coupled with the delay in revenue posed significant cash flow challenges for the Corporation and in Q3 2016, we began to lay off staff as their contracts expired.

- Significant capitalization of StageEM was impaired: During the first half of 2016, we continued to be heavily involved in the development of our new product, StageEM. We invested operating capital to complete the main modules. Due to cash flow constraints, work on this software was discontinued at the end of Q3 2016 as development of the main modules was completed. We invested approximately $4 million to develop StageEM however impairment testing resulted in the investment being written off at year end as anticipated revenue from sales was delayed. We are actively promoting the product for sale.

- Devaluation of Egyptian pound resulted in close to $2 Million loss in revenue and foreign exchange effect: Despite difficult conditions, NTG Egypt's revenue has been growing for the last few years. In November 2016, the Egyptian pound was floated, and its value quickly dropped from around 6.4 EGP to the Canadian dollar to about 13.5 EGP to the Canadian dollar. NTG Egypt's unconsolidated revenue of approximately 27M EGP in 2016 translated to around $1.7M at year end, resulting in a devaluation of about $2M. This was recorded as a reduction in revenues for Q4 2016 of approximately $1M, and just under $1M in exchange loss on translation and foreign exchange loss.

The increase in our costs as we expanded, coupled with the delay in new revenue has posed significant cash flow challenges for the Corporation. As of Q3 2016, management initiated an aggressive cost reduction strategy to bring the Corporation back to profitability. We are also focusing on collections and increasing sales to relieve this challenge. We anticipate these measures would be reflected in the operating results in 2017.

Egypt

Egypt continues to be a challenging place to do business with continued restrictions on using foreign currency for business operations, and on moving funds out of the country. With the devaluation of the currency in November 2016, the inflation rate increased from 13-15% to 23.3% at year end, and continues to rise[1]. Interest rates rose but are now somewhat stabilized (14.75%[2]). EDC's Country Summary Report continues to give Egypt a high risk rating for short-term, indicating that since Egypt adopted a free floating currency in November 2016, the Egyptian pound has depreciated by 55%[3].

NTG Egypt's operations have been affected in two ways:

- we had to increase some salaries to retain our highly skilled personnel. This was because of the inflation that was caused by the Egyptian currency devaluation in November 2016. Going forward, will be gradually adjusted pricing/rates into new contracts, to incorporate the currency depreciation.

[1] http://www.tradingeconomics.com/egypt/inflation-cpi
[2] http://www.tradingeconomics.com/egypt/interest-rate
[3] https://exportwise.ca/crq-country-profiles; select Egypt

- growth opportunities have arisen as other companies are reluctant to do business in the local currency. We are able to mitigate some of the risks of doing business in the country as our expenses and the majority of our contracts in Egypt are both in the local currency.

Despite the political and economic difficulties in the region, and the depreciation of the currency, NTG Egypt's revenue contribution continues to be significant. For 2016, the subsidiary contributed 16% of the Corporation's revenue (2015: 19%).

We continue to insure the receivables for three of NTG Egypt's tier 1 telecom customers through EDC. These customers were responsible for approximately 65% of NTG Egypt's revenue and 69% of Egypt's receivables at year end 2016. Additionally, we have Foreign Funds Insurance, supported by EDC, which insures against possible asset and bank deposit appropriation in Egypt.

Saudi Arabia

Saudi Arabia (KSA) continues to have challenges with the over-supply of oil world-wide, causing the preice per barrel to stall at about $50 USD. Saudi maintains a medium short term risk rating from EDC. Despite the fiscal deficit, "The commercial environment is strengthened by a positive growth outlook and government capital investments that are generating private sector opportunities."[4]. Though KSA did obtain international financing in 2016, "..the Kingdom's external debt is at negligible levels, and foreign exchange reserves exceed the country's total stock of private and public foreign debt."[5] In the medium-long term, commercial risk remains low.

NTG has been doing business in KSA for over 10 years, and ongoing initiatives continue to show returns with 33% of our professional service work and 50% of revenue being from KSA (2015: 67%). Field service work in the region brought 2% of our revenue in 2016 (2015: 3%), however this has proved to be a low margin revenue stream that we will not be continuing. The product sales in the region assist with recurring revenues from maintenance and support, and new licenses. With the stabilizing of oil prices and our new product offerings, we anticipate new opportunities going forward.

NTG has developed a good brand recognition and a solid track record over the years, which will be an asset in our future growth and return to profitability.

Kuwait and Oman

In the first half of 2016, we continued our sales and marketing efforts in Kuwait and Oman to open new markets and increase and diversify our revenue sources. We continue business development activities in Qatar with past customers.

From our office in Kuwait, we are actively pursuing new opportunities with existing and potential new customers. We have expanded our existing professional services contract with more resources. In Q4 2016, we received a Letter of Intent (LOI) for a Smart Building Systems project valued at $753,000 CAD and we expect to receive the PO in early 2017. Kuwait has contributed 22% to NTG's revenue in 2016 (Q3 2015: 3%). We continue to actively work on a large list of opportunities for services and products in the telecom, smart building and government sectors.

Our customer in Oman went live with our NTS Network Inventory and Project Management modules in most departments, with some work to be extended in early 2017. We anticipate additional work into 2017 with change requests and ongoing support. From our new office in Oman, we are actively pursuing

[4] https://exportwise.ca/crq-country-profiles/, select Saudi Arabia
[5] IBID

additional business opportunities for our software products and for professional services. Oman contributed 3% to NTG's revenue in 2016 (2015: 7%).

Outlook

Looking towards the future, we are committed to bring NTG back to profitability and growth in 2017. We will also focus on capitalizing on the goodwill we have with our existing customers to expand our business and increase our margins. We will concentrate on marketing our products NTS, StageEM and Voice Over WiFi, which are currently in high demand and have higher margins.

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

Summary of Quarterly Results

Historically, NTG's operating results have fluctuated due to the timing of new contracts and their corresponding billing, as well as billing for software licenses which can result in larger sales orders in any one quarter. 2016 has followed this trend and we expect it to continue.

The first quarter's lower revenue was mainly due to a longer lead time to close new projects for new customers. Delayed revenues appeared in Q2 2016. We continue to work to reduce G&A costs, as contracts allow, and to optimize marketing and selling costs, based on our revenue. As a result, the loss in Q3 2016 was 13% smaller than Q2 2016 and 55% smaller than Q1 2016. The significant loss in Q4 2016 was due to:

- higher selling and G&A expenses, ramped up at the end of 2015. As of the end of Q3 2016, we are working to reduce staff, salaries, and expenses to optimize for our lower revenue.
- a $1.7M provision for bad debt.
- more than $1M foreign exchange expense and FX loss due primarily to the depreciation of the Egyptian currency in November 2016.
- the $4M impairment of the StageEM intangible asset as anticipated revenue from sales was delayed.

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

2016	Revenue	Net Income	Profit per Share	Diluted Profit per Share	Total Assets
Quarter One	$ 2,433,333	$ (1,986,457)	$ (0.05)	$ (0.04)	$ 15,913,024
Quarter Two	$ 5,077,129	$ (1,009,297)	$ (0.03)	$ (0.03)	$ 15,184,183
Quarter Three	$ 3,262,742	$ (881,497)	$ (0.02)	$ (0.02)	$ 15,944,009
Quarter Four	599,251	(8,649,236)	(0.25)	(0.22)	$ 8,397,344
TOTAL	$ 11,372,455	$(12,526,487)	$ 0.35	$ 0.31	$ 8,397,344

2015	Revenue	Net Income	Profit per Share	Diluted Profit per Share	Total Assets
Quarter One	$ 5,002,161	$ 722,489	$ 0.02	$ 0.02	$ 15,884,333
Quarter Two	3,031,041	166,270	0.00	0.00	14,892,004
Quarter Three	3,626,919	254,260	0.01	0.01	16,251,546
Quarter Four	3,872,393	(774,576)	(0.02)	(0.02)	16,812,328
TOTAL	$ 15,532,514	$ 368,443	$ 0.01	$ 0.01	$ 16,812,328

Quarterly and Annual Results of Operations

Financial Highlights for the three months ended December 31, 2016:

Revenue

Consolidated revenues for the three months ended December 31, 2016 was $599,251 (due to provision for bad debt and write offs) compared to $3,872,393 for the same period in 2015. Revenue for the year decreased to $11,372,455 compared to 15,532,514 reported in the prior year and is made up of product-related revenue, professional services and a small amount for field services.

Professional service revenue continues to be an important strategic source of revenue for us, given its generally recurring nature (80%). The contribution of product-related revenue was lower in 2016, however we anticipate this to increase going forward as we work to make product sales a more balanced part of NTG's revenue stream.

Consolidated revenues for Q4 2016 for the Egypt operating segment were negative due to the 55% depreciation in currency. Unconsolidated revenue for Egypt was similar to last year, despite the devaluation of the currency. For the year ended December 31, 2016 revenues were $1,776,746 (2015: $989,671 and $2,919,819). For the Canadian operating segment, revenues for the three months ended and year ended December 31, 2016 were $1,295,964 and $9,595,709 (2015: $2,882,722 and $12,612,695). This was due to a provision for bad debt in the amount of $644,299 and an impairment of unbilled revenue in the amount of $1,054,355. We expect that a good portion of this revenue amount will be recognized in 2017.

The Middle East continues to be where the majority of NTG's revenue comes from and as of December 31, 2016, represents substantially all of total revenue. Efforts in Kuwait, Oman, and KSA that were increased in 2015 and the first half of 2016 have been reduced due to cash flow restrictions. We are hopeful 2017 will see results from our past efforts with both existing and new customers.

Despite the political and economic difficulties in Egypt, business development efforts have resulted in a consistent revenue contribution to NTG's consolidated revenue (2015: 55% increase). With a significant increase in professional services provided to tier 1 telecom and utility customers in the country, and sales of operating system licenses, support, and networks, Egypt contributed 16% of the Corporation's revenue in 2016 (2015: 19%). This shows that Egypt's revenue contribution is strong, despite the currency depreciation in Q4 2016.

<u>Unbilled Revenue</u>

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. Historically, NTG has not written-off any unbilled revenue balances, and its bad debt write-offs on accounts receivable remain minimal.

Unbilled revenue was $2,264,345 at December 31, 2016 compared to $3,780,270 at December 31, 2015. 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.

Cost 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.

Cost of sales	**2016**	**2015**
Salaries and wages	$ 8,356,835	$ 8,848,324
Travel	190,246	1,016,985
3rd party licenses/commissions	–	276,592
Hardware	309,944	49,207
Medical	164,580	12,261
Other expenses	415,681	451,004
Total	**$ 9,437,286**	**$ 10,654,373**

Gross margin for Q4 2016 was ($2,394,476) compared to $342,151 for the same period in 2015. This was because of the high bad debt expense of $1,698,654 (2015: 61,031), which included a provision for bad debt in the amount of $644,299 (2015: $61,031) and an impairment of unbilled revenue in the amount of $1,054,355 (2015: $Nil). We expect that a good portion of this revenue amount will be recognized in 2017. Gross margin for the year ending December 31, 2016 was 17% because of this provision.

Operating Expenses

The Corporation's operating expenses were $7,401,310 in 2016 compared to $3,417,226 in the prior fiscal year and included significant increases in selling and G&A as a result of ramping up new selling initiatives and offices. After Q3 2016, management began staff, salary, selling and travel reductions to bring expenses more in line with revenue.

The substantial foreign exchange expense was attributed to the volatile changes in currencies.

Selling and Marketing

Selling and marketing expenses consist primarily of sales staff remuneration, commissions, travel, advertising, consulting, and trade show costs. In the first half of 2016, we continued our aggressive marketing and sales activities to be able to diversify our customer base and close delayed project renewals.

The significant increase in selling and marketing was due to:

- increased salaries for new sales and business development personnel.
- increased consulting costs for sales personnel in Egypt, California, KSA and our new locations (Oman and Kuwait). At the end of Q2 2016, we retained several marketing and sales and account management specialists in Canada to work overseas on potential accounts. This resulted in a significantly higher cost in this period. These consultants were released at the end of Q3 2016 as we work aggressively to control these costs.
- increased meals and entertainment costs as we worked to aggressively market our new software product StageEM.

Towards the end of Q3 2016, we discontinued this strategy due to cash flow constraints and began reducing staff and salaries, and travel for sales personnel. We anticipate these reductions to appear in Q1 2017 and going forward.

Selling	For the twelve months ended December 31, 2016	December 31, 2015
Salary and wages	$ 1,848,432	$ 525,899
Marketing and advertising	531,833	676,345
Mailing and courier	23,863	10,033
Professional services	18,083	35,225
Meals and entertainment	137,717	57,801
Total	**$ 2,559,928**	**$ 1,305,303**

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 costs were significantly higher than in 2015 due to:

- Continued retention of highly skilled personnel in anticipation of the renewal of ongoing projects. As these renewals were delayed, salaries and consulting costs were booked into G&A expenses. We consider these resources to be valuable assets for the Corporation, however, towards the end of Q3 2016, we discontinued this strategy due to cash flow constraints, and began reducing staff and salaries. We anticipate these reductions to appear in Q1 2017 and going forward.
- Increased occupancy costs for offices in Kuwait and Oman, and temporary space in Canada for development of our new software product, StageEM. The temporary space was released in August 2016, and we are working on reducing these rental costs, as contracts allow.
- Miscellaneous expense was made up of cash bonds and other operating items.

The total G&A changes for the year end, compared to the prior year are as follows:

General and Administrative	2016	2015
Salary and wages	$ 2,062,467	$ 1,133,305
Occupancy	577,161	360,310
Consulting	511,086	144,992
Professional fees	149,946	199,673
Insurance	486,127	331,347
Performance bond fees	29,511	33,273
Foreign withholding taxes	190,818	–
Dues and subscriptions	52,246	39,289
Penalties and fees	73,955	119,403
Telecommunication	37,513	31,770
Office equipment	27,411	17,839
Miscellaneous	289,859	–
Total	**$ 4,488,100**	**$ 2,411,201**

We continue to work to reduce these expenses, as contracts allow, to optimize for our business.

Foreign Exchange Gain/Loss

The Corporation's consolidated financial statements are presented in Canadian dollars. Each entity in the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency and the presentation currency of the parent entity is the Canadian dollar. The functional currency of the subsidiary NTG Egypt Advanced is the Egyptian pound, and the functional currency of the subsidiary NTG Clarity Networks US Inc. is the US Dollar.

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 quarter ended December 31, 2016, the Corporation recognized a foreign currency exchange gain of $495,616, compared to a loss of $112,953, in the same period in 2015. For the year ended December 31, 2016, the Corporation recognized a foreign currency exchange loss of $353,282, compared to a gain of ($299,278), in the year ended 2016. The loss was primarily due to the weakening of currencies in relation to the Canadian and US dollar.

For more information on foreign exchange, see the 2016 audited Financial Statements, Note 4: Foreign currency translation.

Other Expenses

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

Q4 2016 was affected by a high bad debt expense of $1,698,654 (2015: 61,031), which included a provision for bad debt in the amount of $644,299 (2015: $61,031) and an impairment of unbilled revenue in the amount of $1,054,355 (2015: $Nil). We expect that a good portion of this revenue amount will be recognized in 2017.

Amortization of Intangible Assets

The amortization cost for 2016 was $681,354 (2015: $435,289). As of Q2 2013, NTG completed the capitalization of the NTS software product.

Indictors of impairment were present for the year ended December 31, 2016 and an impairment test was performed for each of our assets. There was no impairment for our NTS software, however the impairment was substantial for our StageEM software and the amount of $4,045,326 was recorded as a loss from impairment at year end 2016. This was because anticipated revenue from sales was delayed.

Interest Expense

As at December 31, 2016, the interest expense was $374,523 in 2016 as compared to $165,830 in 2015. The significant increase was due to carrying a higher balance in our credit facility and credit card balances.

Foreign Taxes

Foreign taxes are primarily taxes paid by NTG as a foreign entity working in Saudi Arabia, and some taxes paid by NTG Egypt. Foreign tax expense for the three months and year ended December 31, 2016 were $21,147 and $91,855 compared to $NIL and $66,569 during the same period in 2015. This amount varies due to the timing of project execution.

Share-based Compensation

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

Stock options granted in Q4 2016 totalled 1,355,000 (2015: 286,000). Stock options granted during the year ended December 31, 2016 totalled 1,868,000 (2015: 1,846,000). A large numbers of options granted this year were issued to long time employees, consultants and directors whose options expired in 2016.

The weighted average expected contractual lives of outstanding and exercisable options are noted below. 2,702,000 options have vested and there are 4,010,000 issued. The difference of 1,308,000 will vest in the foreseeable future (within the next 12 months) and the expense will be charged in the future quarters.

During the year, 70,000 share options were exercised for a cash in-flow of $7,250 and we reallocated $4,855 from Contributed Surplus to Share Capital. The Corporation granted 1,868,000 options in the fiscal year, including 750,000 options to Board of Director members. Substantially all options were granted to replace expired options for employees, consultants, and directors. We do not anticipate that more options will be exercised in 2017 due to the current reduced share price.

Income Taxes

The Corporation has taxes payable of $NIL (2015: $19,189) for the taxation year ending December 31, 2016.

Net Loss

For Q4 2016, the Corporation recorded a net loss of ($8,649,235) as compared to ($774,576) in 2015. This is primarily due to the significant foreign exchange loss on translation related to the devaluation of the Egyptian currency that occurred in November 2016. For the year ending December 31, 2016, the Corporation recorded a net loss of ($12,526,486) as compared to a net income of $368,443 in 2015.

Factors contributing to the reduction net loss included the following increased expenditures:

- a substantial increase in marketing and sales expenses that included travel/accommodation and consulting costs, compared to 2015, as we work to expand and diversify our geographical and customer base. We supported additional business development/account management consultants in Oman, Kuwait, KSA. Business development activities in California have been discontinued, consultants in Canada have been released, and towards the end of Q3 2016, sales travel and many sales activities were discontinued.
- An increase in G&A expenses which included:
    - rental expenses for our offices/accommodations in USA, Oman and Kuwait, and rent expense in Canada to accommodate our StageEM development team. Expenses for USA and additional rent for Canada were discontinued after Q2 2016.
    - a significant increase in salaries and wages and consulting costs included staff in KSA originally on customer projects. The highly skilled personnel have been retained pending the start of new projects. It is important to note that these personnel are the company's main assets. These costs

were incurred primarily in Q1 and Q2 and are being reduced as we optimize for our revenue levels.

- a substantial loss on foreign exchange balances and on translation of foreign operations.

Towards the end of Q3 2016, we discontinued this strategy due to cash flow constraints and began reducing staff and salaries, and travel for G&A sales personnel. We anticipate these reductions to appear in Q1 2017 and going forward.

Assets and non-current liabilities

As of December 31, 2016, the Corporation closed the year with $ 234,761 cash on hand (2015: $356,218), performance bonds of $45,635 (2015: $63,780) and prepaid amounts of $192,059 (2015: $298,027).

Intangible assets

Intangible assets relate to:

- the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS.
- the development project for StageEM, our new enterprise solution that allows companies to manage many current and/or proposed projects and maintain control of resources, budgets and other elements.

As per IFRS, development expenditures are capitalized as development costs can be measured reliably, the products are technically and commercially feasible, future economic benefits exist, and the Corporation intends to have sufficient resources to use or sell the assets. Assets are being amortized over a 10 year period. The amortization cost for 2016 was $681,354 (2015: $435,289).

Management considers NTS to be a valuable asset, however the percentage of product-related revenue varies depending on the timing of product licenses and support billing. In 2016, product-related revenue was responsible for approximately 25% of the Corporation's revenue (2015: 33%). Development expenditures continue to be amortized at a consistent rate for the remainder of the life of the asset (2016: $364,417).

Indictors of impairment were present for the year ended December 31, 2016 and an impairment test was performed for each of our assets. There was no impairment for our NTS software, however the impairment was substantial for our StageEM software and the amount of $4,045,326 was recorded as a loss from impairment at year end 2016. This was because anticipated revenue from sales was delayed.

Property and equipment

Property and equipment of $272,579 as of December 31, 2016 (2015: $284,448) 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 consistently modest in the foreseeable future. The Corporation had additions of $80,480 during 2016 (2015: $193,546) and depreciation of $92,349 (2015: $132,827).

Non-current liabilities

As of December 31, 2016, there are no non-current liabilities.

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 2016, we funded operations, changes in non-cash working capital and capital expenditures using internally generated cash flows, our credit facility and cash on hand.

Working capital as at December 31, 2016 was ($5,119,015) compared to $4,667,707 at December 31, 2016. The negative working capital was primarily due to a $3.5 Million reduction in accounts receivable because of delayed projects, and the use of working capital to fund the investment in the development of our new software product, StageEM.

Efforts to address our working capital needs in 2017 include:

- Closing a debt for shares transaction, to reduce payables by $384,000. This transaction was finalized after year end, in January 2017.
- Increasing our collection activities.
- Investigating alternate sources of raising funds

Cash Flow Provided by Operations

The cash in-flow from operating activities for the year ended December 31, 2016 was $970,275 compared to a cash out-flow of ($988,468) for the same period in 2015. The substantial difference from last year was due to:

- a $5 Million decrease in accounts receivable, coupled with a $2.4 Million increase in accounts payable and accrued liabilities.
- the net loss of ($12,526,486) compared to a net income of $368,443 in 2015.

Cash Flow from Financing Activities

The cash in-flow from financing activities for the year ended December 31, 2016 was $1,113,684 compared to $1,918,267 for the same period in 2015. The substantial in-flow was due to the increased bank indebtedness ($1.4 Million) as we worked to pay our payables with reduced revenue.

Cash Flow from Investing Activities

Cash out-flow from investing activities for the year ended December 31, 2016, was ($2,205,416) compared to ($2,463,078) for the same period in 2015. The ongoing cash out-flow was due to the investment in our software product, StageEM.

As of Q3 2016, we had capitalized $3,995,187 for this project (2015: $2,308,300). Indictors of impairment were present for the year ended December 31, 2016 and an impairment test was performed for each of our assets. There was no impairment for our NTS software, however the impairment was substantial for our StageEM software and the amount of $4,045,326 was recorded as a loss from impairment at year end 2016 as anticipated revenue from sales was delayed.

Commitments and Contractual Obligations

The Corporation is committed under agreements for the rental of office space in Canada (January 1, 2011 to May 31, 2016 and June 1, 2016 to May 31, 2026). Additionally we have short term agreements for the rental of office space in KSA, Oman, Kuwait and Egypt, as well as lease obligations for office equipment. The following table summarizes contractual obligations for future years.

Contractual obligations	2017	2018	2019	2020 and after	Total
Operating line of credit	$ 7,432,537	$ –	$ –	$ –	$ 7,432,537
Accounts payable and accrued liabilities	3,747,835	–	–	–	3,747,835
Operating lease	113,704	112,244	110,784	156,944	493,676

Debt and Credit Facilities

In January 2016, the Corporation had a $6 Million demand credit facility with RBC Royal Bank of Canada, with an annual interest rate ranging from bank prime plus 1.05% to 2.05%. $3 Million of the available credit was an operating line based on marginable receivables and $3 Million was a revolving facility to support pre-shipping costs associated with exports. Facilities are secured by a General Security Agreement over the assets of the Corporation and are supported by EDC. The facilities are secured by a General Security Agreement over the assets of the Corporation and are supported by EDC.

In February 2016, the facilities were renewed, increasing the amounts to $3.2 and 4.5 Million respectively. Subsequent to year end 2016, in March 2017, we signed a Restructuring of Credit Facilities agreement, reducing the limits to $2.7 and $3.1 Million respectively, and opening a new facility with a limit of just over $2.2 Million, to be repaid by September 1, 2017. This agreement is subject to review/renewal in September 2017.

In April 2017, EDC's support for the $1.5 Million USD bonding facility provided by RBC was reduced to $797,000 USD.

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, are 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. Additionally, in Q2 2015, the Board of Directors of the Corporation approved a loan to Ashraf Zaghloul in the amount of $300,000 to be repaid in two years time at an interest rate of 2%.

Basis of Preparation and Significant Accounting Policies

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Significant accounting policies are presented in detail in Note 3 of our audited consolidated financial statements for the year ended December 31, 2016. These are available on SEDAR (www.sedar.com). The policies applied in these statements are based on IFRS issued and outstanding as of April 27, 2017, 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 a short term debt/operating line and trade and other payables.

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

We are exposed to market risk, credit risk, interest rate risk, foreign exchange 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; Ashraf Fayed, SR. VP KSA; and Yaser Yousef, CTO. Though we have worked hard to diversify our customer base, we are dependent on a few large customers. In 2016, 21% (2015: 29%) of the Corporation's revenue was from one customer. As at December 31, 2016, approximately 12% (2015: 28%) of the Corporation's trade accounts receivable balance was from one customer. Management has identified this concentration as a risk and continues to work to diversify the customer base and country concentration.

Additionally, the Corporation mitigates this risk by insuring these receivables with Export Development Canada (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.

Approximately 50% of our revenue comes from work done in the Kingdom of Saudi Arabia (KSA). EDC's latest Country Risk Quarterly (Spring 2017) indicates "..The commercial environment is public sector opportunities which should translate into a more favorable growth trajectory[6]". NTG considers the risks to operating in KSA to be low, however we continue to insure receivables with EDC and are working to retain new customers in other countries. All our KSA customers' invoices are insured to 90% and up to 180 days.

Historically 7-11% of our revenue comes from work done through our subsidiary NTG Egypt, based in Cairo, Egypt. This contribution grew to 13.7% in 2014, 19% in 2015 and is now 16% in 2016. The political and economic difficulties in the region, have impacted the currency, but have positively affected our Egypt operations.

Unconsolidated, NTG Egypt's revenue is similar to last year, and because of the devaluation of the local currency, this means revenues are increasing. There is a continuing increase in professional services provided to tier 1 telecom and utility customers as well as sales of operating system licenses, support, hardware and networks. The telecom industry's challenges in the region continues to have a positive effect on NTG Egypt's revenue.

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 industry's economic conditions 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 does not require collateral from them. Management assesses the need for allowance for potential credit losses by considering the credit risk of specific customers, historical trends and other information.

We also mitigate credit risk through credit insurance coverage with EDC as explained in Note 28. NTG Egypt deals with primarily with tier 1 telecom customers in the region. In September 2015, EDC expanded our receivables insurance policy to now include receivables from NTG Egypt's biggest customers.

The credit quality of all the accounts receivable of the Corporation that are neither past due nor impaired and the age of accounts receivable that are past due but not impaired have been assessed on an individual basis and determined to have a mitigated risk profile as they are insured receivables. As at December 31, 2016, the Corporation has insured receivables in the amount of $2,218,785 (2015: $6,356,217).

The majority of our revenue is derived from the telecom industry and was earned through service contracts from one client, though this percentage has decreased significantly this year. In 2015, 29% (2014: 67%) of our revenue was from one customer. As at December 31, 2016, approximately 12% (2015: 28%) of the Corporation's trade accounts receivable balance was from one customer. Management has identified this concentration as a risk and continues to work to diversify the customer base and country concentration.

The unbilled revenues as of December 31, 2016 were $2,264,345. This amount consisted of professional services resources and managed services, charged on an hourly or monthly basis and recognized once work was performed and signed off by the respective customers. Additionally, some implementation work was completed but not billed.

The legal billing contractual terms with our clients may not match the Corporation's revenue policies. Accordingly we may record earned revenues on the financial statements before the legal terms of collections: this timing difference results in unbilled revenue on the assets of the balance sheet. In 2016, this has resulted in unbilled revenues of $2,264,345 (2015: $3,780,270).

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[6]http://www.edc.ca/EN/Country-Info/Pages/Saudi-Arabia.aspx

There was no impairment of the unbilled revenues of $2,264,345. Our future contracts also provided for collection terms that do not match to the revenue policy. We expect the unbilled revenue to be consistent than this quarter. The risk of exposure to collection is low due to our past history with these Tier 1 customers and EDC insurance on the accounts.

Interest rate risk

The Corporation's exposure to interest rate fluctuations is primarily interest paid on its bank indebtedness and long-term loans. The Corporation has performed sensitivity analysis on interest rates at December 31, 2016 to determine how a change in interest rates would impact equity and net loss. During the year, the Corporation paid $374,523 (2015: $162,896) on its bank loans. An increase or decrease of 100 basis points in the average interest rate paid during the period would have adjusted net earnings by approximately $37,452 (2015: $16,290). This analysis assumes that all other variables remain constant.

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 Corporation'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 the USA to Canadian dollar exchange rate on the December 31, 2016 balances would have an approximate $22,461 (2015: $37,607) impact on net income. A 10% change in the Egyptian pound to Canadian dollar exchange rate would have an approximate $41,181 (2015: $31,009) impact on net income. A 10% change in the Saudi Riyal to Canadian dollar exchange rate would have an approximate $286,950 impact on net income (2015: $722,396). A 10% change in the Omani Riyal to Canadian dollar exchange rate would have an approximate $134,245 (2015: $129,817) impact on net income. A 10% change in the Kuwaiti Dinar to Canadian dollar exchange rate would have an approximate $13,263 (2015: $55,344) impact on net income.

Liquidity risk

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

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial instruments as at December 31, 2016. The contractual maturity of a large part of the accounts payable is within 30-60 days.

Contractual obligations	2017	2018	2019	2020	2021	Total
Operating line of credit	$ 7,432,537	$ –	$ –	$ –	$ –	$ 7,432,537
Accounts payable and accrued liabilities	3,492,418	–	–	–	–	3,492,418
Operating lease	330,467	186,247	152,474	147,291	46,161	862,640
Long term debt	–	–	–	–	–	–

The Corporation manages its capital, which consists of cash provided from operations and long term debt, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets. As at December 31, 2016, the Corporation was pursuing additional capital through the issuance of additional equity or debt financing. There can be no guarantee that they will be successful in raising additional capital.

There have been no changes in the Corporation's approach to capital management during the year ending December 31, 2016. Also, no changes were made in the objectives, policies, or processes during the year ending December 31, 2016. 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 liquidly of capital to enable the internal financing; and

(iii) maintain a capital base to maintain investor, creditor, and market confidence.

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

At December 31, 2016, of the $45,635 in performance bonds (2015: $63,780), $34,445 was for one bid bond and two performance bonds in Saudi Arabia (KSA) to guarantee delivery against work on various projects and $26,487 (2015: $33,037) was for various bid bonds in Egypt. Performance bonds typically remain in place for a period of one year from the start of the project and are released back to the Corporation when the project is completed subsequent to customer acceptance. Bid bonds are typically in place for a 90-120 day period but can be extended. The bonds are non-interest bearing.

Additionally, at December 31, 2016, the Corporation also had one bid bond and one performance bond issued in its name under its $2 Million (2015: $3 Million) EDC-supported bonding facility in the amount of approximately $362,105 USD (2015: $267,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. The performance bond is scheduled to be released in October 2017 and the bid bond will expire in June 2017. Premiums for this bonding facility for the three months and year ended December 31, 2016 were $8,196 and $29,511 (2015: $11,155 and $33,273). The facility was approximately 18% utilized at period end.

Legal claim contingency

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

Guarantees

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

Collateral

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Note 19. The Corporation did not hold collateral at December 31, 2016, and December 31, 2015.

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, 2016 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 April 27, 2017, the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation.

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

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

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

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

As at January 1, 2016, the Corporation has elected to early adopt IFRS 15 Revenue from Contracts with Customers as issued by the IASB. In accordance with the transition provisions in IFRS 15, the new rules have been adopted retrospectively and comparatives for the prior financial periods and year have not been restated, as there was no difference in the application of IFRS 15 and the prior IAS 11 and IAS 18 and the various IFRIC interpretations.

As at January 1, 2016, the Corporation has elected to early adopt IFRS 9 Financial Instruments as issued by the IASB. In accordance with the transitional provisions in IFRS 9.7.2.15, comparative figures have not been restated. When compared to IAS 39 Financial Instruments: Recognition and Measurement, the adoption of IFRS 9 has not resulted in any significant changes to the measurement on the statements of financial position, the statement of comprehensive income (loss), or within the note disclosures.

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