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 May 29, 2017, for the three months ended March 31, 2017 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, 2016.

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.

In the Gulf region, NTG's main market, lower oil prices continue to affect customer's projects, though revenue numbers are now recovering. The increase in our costs as we expanded in 2015 and the first half of 2016, coupled with the delay in new revenue has posed significant cash flow challenges for the Corporation. Management is continuing the aggressive cost reduction strategy initiated in Q3 2016, to bring the Corporation back to profitability. We are also focusing on collections and increasing sales to relieve this challenge. We can see the beginning of the effects of these measures in Q1 2017, however we still have significant challenges in terms of cash flow and finding additional sources of equity/capital to support ongoing operations.

Though development of our software product, StageEM was discontinued, we are actively promoting StageEM for sale.

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 has increased to 30% at period end, and continues to rise[1]. Interest rates rose and stabilized for several months at 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].

Growth opportunities have arisen as many international companies are reluctant to do business in the local currency. Customers paying for products and services in foreign currencies have found their costs more than doubled and are therefore looking for local vendors, such as NTG, who are much less expensive and who accept local currency. We continue 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 continues to be steady, contributing 18% of the Corporation’s revenue (Q1 2016: 51%. Note this was before the devaluation of the local currency).

We continue to insure the receivables for three of NTG Egypt's tier 1 telecom customers through EDC. These customers were responsible for approximately 75% of NTG Egypt's revenue and 44% of Egypt's receivables at March 31, 2017. 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 lower oil price but is working to reduce subsidies and balance its oil production. Saudi maintains a medium short term risk rating from EDC. Despite the fiscal deficit, "The commercial environment is strengthened by public sector capital investment projects that are generating private sector opportunities.”[4]. Though KSA did obtain international financing in 2016, "..the Kingdom’s external debt remains at negligible levels, and foreign exchange reserves exceed the country’s total stock of private and public foreign debt by a factor of two.”[5] In the medium-long term, commercial risk remains low.

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

Ongoing initiatives continue to show returns with 56% of our professional service work and 68% of revenue being from KSA. The product sales in the region assist with recurring revenues from maintenance and support, and new licenses. 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

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 Q1 2017, we finalized a Purchase Order (PO) for a Smart Building Systems project valued at approximately $753,000. Kuwait has contributed 23% to NTG's revenue in Q1 2017 (Q1 2016: 12%). We also received a PO for CRM and Billing Data Migration expansion project. We have been short listed for a PPM & Strategy and Requirements Management opportunity and started proof of concept. We continue to work on a list of opportunities for services and products in the telecom, smart building and government sectors.

In Q1 2017, our customer in Oman extended some work and requested changes to the NTS Network Inventory and Project Management modules. From our new office in Oman, we are actively pursuing additional business opportunities for our software products and for professional services.

Outlook

Looking towards the future, we are committed to bring NTG back to profitability 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 demand and have higher margins.

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

Summary of Quarterly Results

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

The Q1 2017's revenue was up from Q1 2016 and in line with Q1 2014, but still lower than our record in Q1 2015. We continue to work to reduce G&A costs, as contracts allow, and to optimize marketing and selling costs, based on our revenue. The following table shows a summary of our nine most recent quarters (in Canadian dollars).

2017	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	$ 3,007,929	$ (752,579)	$ (0.018)	$ (0.017)	$ 8,310,716
TOTAL	$ 3,007,929	$ (752,579)	$ (0.018)	$ (0.017)	$ 8,310,716

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 Results of Operations

Financial Highlights for the three months ended March 31, 2017:

Revenue

Consolidated revenue for the three months ended March 31, 2017 increased to $3,007,929 compared to $2,433,333 for the same period in 2016 and is made up of product-related revenue, professional services and a small amount for hardware/office supplies.

Professional service revenue continues to be an important strategic source of revenue for us, given its generally recurring nature. The contribution of product-related revenue was lower in Q1 2017, 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 the Egypt operating segment, for the three months ended March 31, 2017 were $545,659 (Q1 2016: $1,236,541). For the Canadian operating segment, revenues for Q1 2017 were $2,462,270 (Q1 2016: $1,196,792).

The Middle East continues to be where the majority of NTG’s revenue comes from and as of March 31, 2017, represents substantially all of total revenue. Efforts in Kuwait, Oman, and KSA that were increased in 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.

We are working towards reaching a more balanced split between professional services and product related sales, however the revenue mix varies from quarter to quarter. Much of our professional services revenue arises from our product sales.

Unbilled Revenue

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

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

Unbilled revenue was $3,104,084 at March 31, 2017 compared to $2,264,345 at December 31, 2016. This is due to the timing of billing for contracts. For many contracts, revenue is recognized each month, but billed on a quarterly basis and we anticipate this to continue.

Costs of Sales and Gross Margin

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

Cost of Sales	March 31, 2017	March 31, 2016
Salaries and wages	$ 2,343,447	$ 1,460,540
Travel	53,210	217,438
Other	27,202	59,354
Total	**$ 2,423,859**	**$ 1,737,331**

Gross margin for Q1 2017 was $584,070 compared to $696,001, or 19% compared to 29%, for the same period in 2016. We continue to work in all regions to optimize the cost of sales for our revenue growth.

Operating Expenses

The Corporation's operating expenses were reduced to $1,327,924 in Q1 2017 compared to $1,985,235 in the same period last year as we continue staff, salary, selling and travel reductions to bring expenses more in line with revenue.

Selling and Marketing

Selling and marketing expenses consist primarily of sales staff remuneration, commissions, travel, advertising, consulting, and trade show costs. Towards the end of Q3 2016, we discontinued our aggressive marketing strategy due to cash flow constraints and began reducing staff and salaries, and travel for sales personnel. These reductions are reflected in the lower costs in Q1 2017.

Selling	March 31, 2017	March 31, 2016
Salary and wages	$ 283,167	$ 261,325
Marketing and advertising	139,487	224,716
Professional services	4,836	8,167
Meals and entertainment	9,065	11,265
Total	**$ 436,555**	**$ 505,472**

Selling and marketing costs for the Egypt operating segment, for the three months ended March 31, 2017 were $102,748 (Q1 2016: $161,309). For the Canadian operating segment, Q1 2017 costs were $333,807 (Q1 2016: $344,163). The significant decrease was primarily the result of reduced staff and consulting salaries and lower travel and trade show costs.

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 months ended March 31, 2017 were $735,076 compared to $1,465,251 in Q1 2016, as management worked to reduce expenses. This significant reduction was due to:

- Significant reduction of salaries and consulting costs as we reduce staff and salaries as contracts allow.
- Lower occupancy costs as we continue to work on reducing rental costs, as contracts allow.
- Discontinuation of research activities related to our new software product StageEM.

General and Administrative	March 31, 2017	March 31, 2016
Salary and wages	$ 484,258	$ 1,273,606
Occupancy	87,909	114,439
Consulting	10,880	2,537
Professional fees	41,521	15,517
Insurance	53,258	10,706
Dues and subscriptions	10,201	12,567
Penalties and fees	30,527	23,593
Telecommunication	15,144	11,086
Office equipment	1,378	1,200
Total	**$ 735,076**	**$ 1,465,251**

G&A for the Egypt operating segment, for the three months ended March 31, 2017 was $68,956 compared to $63,413 for the same period in 2016. For the Canadian operating segment, G&A for Q1 2017 was $666,120 (Q1 2016: $1,401,838).

The significant decrease was primarily the result of reduced staff and consulting salaries. Due to the delay in new projects and the cash flow constraints, management began reducing staff and salaries for previously retained skilled personnel in Q3 2016. We continue to work to optimize the G&A for the revenue amounts.

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 period ended March 31, 2017, the Corporation recognized a foreign currency exchange loss of $156,293, compared to a loss of $14,512, in the same period in 2016. The loss was primarily due to the weakening of currencies in relation to the Canadian and US dollar.

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.

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.

Amortization of Intangible Assets

The amortization cost for Q1 2017 was $91,104 (Q1 2016: $148,812). 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 March 31, 2017, the interest expense was $104,585 compared to $62,865 for the same period last year. The significant increase was due to carrying a higher balance in our credit facility and credit card balances.

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 Q1 2017 totalled 50,000 (Q1 2016: 70,000). 1,614,000 options have vested and there are 3,419,000 issued. The difference of 1,805,000 will vest in the foreseeable future (within the next 12 months) and the expense will be charged in the future quarters.

During the period ending March 31, 2017, 250,000 share options were exercised for a cash in-flow of $25,000 and we reallocated $5,000 from Contributed Surplus to Share Capital.

Income Taxes

There are no income taxes for this quarter (Q1 2016: $NIL). The income taxes recoverable due to losses carryback from December 31, 2016 is $(730,375).

Net Loss

For Q1 2017, the Corporation recorded a net loss of ($752,579) as compared to a net loss of ($1,986,457) in Q1 2016. This is a substantial improvement as we work to reduce selling and G&A costs, and optimize cost of sales for our current revenue.

For the Egypt operating segment, for the three months ended March 31, 2017, consolidated net loss was ($315,129) (Q1 2016: net loss ($42,188)). On consolidation, Egypt incurred an FX loss of ($213,280) increasing the net loss for the segment. For the Canadian operating segment, the net loss for the Q1 2017 was ($437,448) (Q1 2016: net loss ($1,944,269)).

Factors contributing to the net loss include:

- lower travel/accommodation and trade show costs, compared to 2016, as we work to optimize our expenditures.
- higher insurance costs compared to 2016, particularly in Kuwait and Egypt.
- changes in G&A expenses:
  - lower rental expenses for our offices/accommodations.
  - a significant decrease in salaries, wages and consulting costs. As contracts allow, we are releasing staff in KSA that have not returned to customer projects.
- a substantial loss on foreign exchange balances and on translation of foreign operations.

We continue to work to reduce staff and salary costs. We anticipate this effort to continue going forward.

Assets and non-current liabilities

As of March 31, 2017, the Corporation had $97,424 cash on hand (Q1 2016: $523,593), performance bonds of $78,528 (Q1 2016: $76,773) and prepaid amounts of $257,377 (Q1 2016: $244,888).

Intangible asset

Intangible assets relate to:

- the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS.
- in 2016, 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 Q1 2017 was $91,104 (Q1 2016: $219,684).

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. Development expenditures continue to be amortized at a consistent rate for the remainder of the life of the asset.

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.

Property and equipment

Property and equipment of $192,173 as of March 31, 2017 (Q1 2016: $275,258) consists mainly of computer equipment and office furniture with a useful life of 4-10 years. The Corporation is not dependant on tangible assets and expects the purchase and disposal of property and equipment to be modest in the foreseeable future. The Corporation had additions of $8,409 during Q1 2017 (Q1 2016: $34,824) and depreciation of $13,003 (Q1 2016: $95,371).

Non-current liabilities

As of March 31, 2017, the non-current liabilities consisted of a leasehold liability of $14,465. This liability arose from the Canadian office rental and will be amortized to income until May 2020.

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 through the issuance of equity and by using profits generated by operations. In 2017, we funded operations, changes in non-cash working capital and capital expenditures using internally generated cash flows, cash on hand, and our operating line.

Working capital as at March 31, 2017 was ($5,277,193) compared to ($5,119,015) at December 31, 2016. Efforts to address our working capital needs include:

- Closing a debt for shares transaction, to reduce payables by $384,000. This transaction was finalized January 19, 2017.
- Increasing our collection activities.
- Investigating alternate sources of raising funds.

Cash Flow Provided by Operations

The total cash out-flow from operating activities for the three months ended March 31, 2017 was ($453,155) compared to cash in-flow of $147,936 for the same period in 2016. The difference from last year was due to:

- a $300K increase in accounts payable and accrued liabilities.
- the net loss of ($752,579) compared to a net loss of ($1,986,457) in 2016.
- an income tax recoverable amount of $730,375.
- increasing interest expense as we carry higher outstanding loan and accounts receivable balances.

Management is striving to generate cash from operations by controlling operating costs and driving revenue growth.

Cash Flow from Financing Activities

The cash in-flow from financing activities for the three months ended March 31, 2017 was $248,415 compared to $716,194 for the same period in 2016. This is primarily a result of the debt for shares transaction and increased interest amounts.

Cash Flow from Investing Activities

The total cash in-flow from investing activities for the three months ended March 31, 2017, was $67,402 compared to an out-flow of ($696,755) for the same period in 2016. The change was the elimination of investment in intangible assets.

Off-Balance Sheet Arrangements

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

Commitments and Contractual Obligations

The Corporation is committed under agreements for the rental of office space in Canada (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	$ 7,376,416	$ –	$ –	$ –	$ 7,376,416
Accounts payable and accrued liabilities	4,049,783	–	–	–	4,049,783
Operating lease	85,278	112,244	110,784	156,944	465,250

Debt and Credit Facilities

From May 2016 until March 2017, the Corporation had a $3.2 million demand credit facility ("Facility 1") and a $4.5 million pre-shipping facility ("Facility 2") with Royal Bank of Canada, Knowledge Based Industries Banking Group – Ontario. They have annual interest rates of bank prime plus 2.05% and 1.05% respectively. The facilities are secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC).

As of March 31, 2017, the Corporation was in violation of its margin requirements under the Existing Loan Agreement in the amount of $2,241,890. The Corporation renegotiated the terms of the Credit Facilities as referenced in the restructuring of the Amended Existing Loan Agreement, dated March 24, 2017. The bank has created a new facility to hold the excess amounts advanced under Facility 1 and Facility 2. The new excess debt facility will have an initial principal amount of $2,241,890. While no specific principal payment will be required for this facility, the bank requires NTG to pay down this amount on or before September 1, 2017.

Additionally, at March 31, 2017, the Corporation also had one bid bond and one performance bond issued under its EDC-supported bonding facility in the amount of approximately $362,105 (2016: $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 these bonds for the three months ended March 31, 2017 were $2,243 (Q1 2016: $4,164). In April 2017, EDC's support for the bonding facility was reduced to $797,000 USD.

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. 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%.

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 Q1 2017, 22% (Q1 2016: 15%) of the Corporation’s revenue was from one customer.

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

A portion of our revenue comes from work done in the Kingdom of Saudi Arabia (KSA). 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, 16% in 2016, and is 18% in Q1 2017. The political and economic difficulties in the region, have impacted the currency, but have positively affected our Egypt operations. Unconsolidated, NTG Egypt’s revenue in Q1 2017 is similar to last year. 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. NTG Egypt deals with primarily with tier 1 telecom customers in the region. In September 2015, EDC expanded our receivables insurance policy to 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.

The majority of our revenue is derived from the telecom industry and was earned through service contracts from one client. In Q1 2017, 22% (Q1 2016: 15%) of our revenue was from one customer and approximately 31% (Q1 2016: 15%) of the trade accounts receivable balance was from one customer. Management continues to work to diversify the customer base and manage the risk.

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 Q1 2017, this has resulted in unbilled revenues of $3,104,084 (December 31, 2016: $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 March 31, 2017 to determine how a change in interest rates would impact equity and net loss. During the period, the Corporation paid $104,585 (Q1 2016: $62,865) 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 $10,458 (Q1 2016: $6,287). 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. The Corporation does not hedge the risk related to fluctuations of the exchange rate between USA and Canadian dollars from the date of the sales transactions to the collection date due to the short-term nature of this exposure. A 10% change in exchange rates on the March 31, 2017 would have the following impacts:

	USD	Omani Riyal OMR	Kuwait Dinar KWD	Saudi Riyal SAR	Qatari Riyal QAR	Egyptian Pound LE
10% Impact to Equity in CAD	(31,476)	95,844	(36,912)	264,685	(1,142)	34,877
10% Impact to Equity in CAD	(23,135)	70,445	(27,130)	194,543	(839)	25,634

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 March 31, 2017. The contractual maturity of a large part of the accounts payable is within 30-60 days.

Contractual obligations	2017	2018	2019	2020 and after	Total
Operating line of credit	$ 7,376,416	$ –	$ –	$ –	$ 7,376,416
Accounts payable and accrued liabilities	4,049,783	–	–	–	4,049,783
Operating lease	85,278	112,244	110,784	156,944	465,250

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 March 31, 2017, the Corporation was pursuing additional capital through the issuance of additional equity or debt financing. There can be no guarantee that they will be successful in raising additional capital.

There have been no changes in the Corporation's approach to capital management during the period ending March 31, 2017. Also, no changes were made in the objectives, policies, or processes during the period ending March 31, 2017. 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 March 31, 2017, of the $78,528 in performance bonds (December 31, 2016: $45,635), $48,093 was for several bid/performance bonds in Saudi Arabia (KSA) and $30,434 (December 31, 2016: $19,982) was for various bid bonds in Egypt. The bonds are non-interest bearing.

Additionally, at March 31, 2017, the Corporation also had one bid bond and one performance bond issued under its EDC-supported bonding facility in the amount of approximately $362,105 (2016: $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 these bonds for the three months ended March 31, 2017 were $2,243 (Q1 2016: $4,164).

Prepaid expenses and deposits of $257,377 at March 31, 2017 was related to office rent, insurance, etc. as outlined below. The increase was mainly due to the timing of rental and insurance premiums. The premiums are calculated based on the number of staff in KSA at year end and therefore will vary from year to year.

Legal claim contingency

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

Guarantees

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

Collateral

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Notes 18. The Corporation did not hold collateral at March 31, 2017, and March 31, 2016.

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 March 31, 2017 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 May 29, 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.