



Simplifying Software Solutions

QUARTERLY REPORT

NTG CLARITY NETWORKS INC.

FOR THE THREE MONTHS ENDING March 31, 2018 AND 2017

Table of Contents

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS .	4
Forward-Looking Statements.....	4
Business Overview	4
Outlook.....	5
Summary of Quarterly Results	6
Quarterly Results of Operations	6
Revenue.....	6
Costs of Sales and Gross Margin	7
Operating Expenses.....	7
Other Expenses	9
Net Income (Loss).....	9
Assets and non-current liabilities.....	10
Intangible asset	10
Property and equipment.....	10
Non-current liabilities.....	10
Liquidity and Capital Resources	11
Cash Flow Provided by Operations.....	11
Cash Flow from Financing Activities.....	11
Cash Flow from Investing Activities.....	11
Off-Balance Sheet Arrangements.....	11
Commitments and Contractual Obligations	11
Transactions with Related Parties.....	12
Basis of Preparation and Significant Accounting Policies	12
Proposed Transactions.....	13
Business Risk and Management.....	13
Market risk	13
Interest rate risk	14
Credit risk	14
Foreign currency risk	14
Liquidity risk	15
Capital Management	15
Legal claim contingency	16
Guarantees	16
Collateral	16
Disclosure Controls and Procedures and Internal Controls over Financial Reporting	16
Standards issued but not yet effective	17
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	19
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	20
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS & OTHER COMPREHENSIVE INCOME.....	21
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	22
1. CORPORATE INFORMATION	23
2. GOING CONCERN.....	23
3. BASIS OF PRESENTATION.....	23
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	24
5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS	40

6.	STANDARDS ISSUED BUT NOT YET EFFECTIVE.....	42
7.	OPERATING SEGMENT INFORMATION.....	43
8.	INCOME TAXES	45
9.	EARNINGS PER SHARE	45
10.	CASH AND CASH EQUIVALENTS	46
11.	TRADE AND OTHER RECEIVABLES	46
12.	PREPAID EXPENSES AND DEPOSITS	47
13.	PERFORMANCE/BID BONDS	47
14.	PROPERTY AND EQUIPMENT	48
15.	INTANGIBLE ASSETS	49
16.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	50
17.	OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES	50
18.	EQUITY INSTRUMENTS	52
19.	CONTRIBUTED SURPLUS	54
20.	DIVIDENDS PAID AND PROPOSED	55
21.	COST OF SALES	55
22.	EXPENSES: DISCLOSURE OF FUNCTION EXPENSES	55
23.	RELATED PARTY DISCLOSURES	55
24.	FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	57
25.	COMMITMENTS, CONTINGENCIES, AND GUARANTEES	60
26.	COLLATERAL	61
27.	COMPARATIVE FIGURES	61
28.	EVENTS AFTER THE REPORTING PERIOD	61



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 24, 2018, for the three months ended March 31, 2018 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, 2017.

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 Q1 2018, we continue to work to optimize costs and increase cash flow.

Subsequent to quarter end, in May 2018 we were awarded a \$963,400 CAD grant to develop an autonomous vehicle user interface. The two year software project will work with cutting edge technology.

This and a small amount of work being done with a new Canadian customer, sets the path back to work in North America.

Egypt

As many international companies are reluctant to do business in the local currency and are leaving the marketplace, the service gap has provided significant growth opportunities for NTG.

NTG Egypt's revenue contribution continues to be significant (12% compared to 18% in Q1 2017). Unconsolidated, NTG Egypt's revenue increased 11% over Q1 2017 with the increased revenue coming from both new and existing customers. We continue to insure the receivables and work in progress for three of NTG Egypt's tier 1 telecom customers through EDC. These customers were responsible for approximately 66% of NTG Egypt's revenue and 54% of Egypt's receivables at March 31, 2018. Additionally, we have Foreign Funds Insurance, supported by EDC, which insures against possible asset and bank deposit appropriation in Egypt.

Finally we are implementing/customizing our StageEM software product in two customer locations.

Saudi Arabia

The Saudi Arabia (KSA) economy is rebounding due to the increase in the price of oil, and though work announced with a new customer (systems integrator) is slow to start, recurring revenue is steady.

Ongoing initiatives continue to show returns with 53% of our professional service work and revenue being from KSA. NTG has developed good brand recognition and a solid track record over the years, which will be an asset in our work in the region.

Kuwait and Oman

From our office in Kuwait, we are actively pursuing new opportunities with existing and potential new customers.

- We continue work on a Smart Building Systems project valued at approximately \$753,000. Projection completion has been delayed, however we anticipate this to finalize in Q2 2018. We've received some changes in some areas in the project that contributed to an increase in the project's revenue.
- We are now providing professional services to a new customer in Kuwait. This customer accounted for 14% of NTG's revenue in Q1 2018.

Kuwait has contributed 34% to NTG's revenue in Q1 2018 (Q1 2017: 25%). We continue to work on a list of opportunities for services and products in the telecom, smart building and government sectors.

In Q1 2018, we continued work for our customer in Oman, who is using our NTS Network Inventory and Project Management modules. Work includes change requests, ongoing maintenance/support and new user licenses. We anticipate additional work in the form of requests for new systems and modules and customer support in mobility. The product sales in the region assist with recurring revenues from maintenance and support, and extra licenses. Oman contributed 6% to revenue in Q1 2018 (Q1 2017: 7%).

Outlook

Looking towards the future, we are committed to bring NTG back to profitability in 2018. 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 2018's revenue was higher than the average revenue over the last four years. 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).

2018	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$4,049,061	\$ 160,482	\$ 0.003	\$ 0.003	\$ 8,587,262
TOTAL	\$4,049,061	\$ 160,482	\$ 0.003	\$ 0.003	\$ 8,587,262

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
Quarter Two	4,148,957	(85,539)	(0.002)	(0.002)	8,511,716
Quarter Three	3,309,135	131,308	0.003	0.003	8,954,443
Quarter Four	3,893,502	(409,372)	(0.008)	(0.008)	8,463,198
TOTAL	\$ 14,359,523	\$ (1,116,183)	\$ (0.02)	\$ (0.02)	\$ 8,463,198

2016	Revenue	Net Income (Loss)	Profit (Loss) 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)	(0.024)	(0.022)	15,944,009
Quarter Four	599,251	(8,649,236)	(0.25)	(0.22)	8,397,344
TOTAL	\$ 11,372,455	\$ (12,526,487)	\$ (0.354)	\$ (0.312)	\$ 8,397,344

Quarterly Results of Operations

Financial Highlights for the three months ended March 31, 2018:

Revenue

Consolidated revenue for the three months ended March 31, 2018 increased 34% to \$4,049,061 compared to \$3,007,929 for the same period in 2017 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 (86%). The contribution of product-related revenue was lower in Q1 2018,

however we anticipate this to increase going forward as we work to make product sales a more balanced part of NTG's revenue stream. 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.

Consolidated revenues for the Egypt operating segment, for the three months ended March 31, 2018 were \$480,037 (Q1 2017: \$545,659). Unconsolidated, Egypt revenues were up 11% over Q1 2017. For the Canadian operating segment, revenues for Q1 2018 were \$3,538,024 (Q1 2017: \$1,951,549).

Business development efforts in Egypt have resulted in a consistent contribution to NTG's consolidated revenue. With professional services provided to tier 1 telecom and utility customers in the country, and sales of operating system licenses, support, and networks, Egypt contributed 12% of the Corporation's revenue in Q1 2018 (Q1 2017: 18%).

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 \$3,110,639 at March 31, 2018 compared to \$3,458,652 at December 31, 2017. 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, 2018	March 31, 2017
Salaries and wages	\$ 2,235,628	\$ 2,343,447
Travel	118,448	53,210
Other	147,154	27,202
Total	\$ 2,501,230	\$ 2,423,859

Gross margin for Q1 2018 was \$1,547,831 or 38% compared to \$584,070 for the same period in 2017. 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 \$1,053,459 in Q1 2018 compared to \$1,327,924 in the same period last year as we continue to optimize staff, salary, selling and travel reductions to bring expenses 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. We have worked to maintain salaries, travel and other marketing costs in Q1 2018.

Selling	March 31, 2018	March 31, 2017
Salary and wages	\$ 287,259	\$ 283,167
Marketing and advertising	127,607	139,487
Professional services	8,227	4,836
Meals and entertainment	430	9,065
Total	\$ 423,523	\$ 436,555

Selling and marketing costs for the Egypt operating segment, for the Q1, 2018 stayed steady at \$107,633 (Q1 2017: \$102,748). For the Canadian operating segment, Q1 2018 costs were slightly lower at \$315,890 (Q1 2017: \$333,807).

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, 2018 were \$621,086 compared to \$735,076 in Q1 2017, as management worked to reduce expenses. This 16% reduction was due to the continued reduction of salaries as we reduce staff and salaries as contracts allow.

General and Administrative	March 31, 2018	March 31, 2017
Salary and wages	\$ 342,770	\$ 484,258
Occupancy	88,546	87,909
Consulting	24,228	10,880
Professional fees	50,397	41,521
Insurance	78,833	53,258
Dues and subscriptions	10,527	10,201
Penalties and fees	5,732	30,527
Telecommunication	18,880	15,144
Office equipment	1,174	1,378
Total	\$ 621,086	\$ 735,076

G&A for the Egypt operating segment, for the three months ended March 31, 2018 was \$57,070 compared to \$68,956 for the same period in 2017. For the Canadian operating segment, G&A for Q1 2018 was \$564,016 (Q1 2017: \$666,120).

The significant decrease was primarily the result of reduced staff and salaries. We continue to work to optimize the G&A for the revenue amounts.

Foreign Exchange Gain/Loss

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

Transactions in foreign currencies are initially recorded in respective functional currency rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. Differences are taken to the statement of profit or loss and comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

1. Assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
2. Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
3. All resulting exchange differences shall be recognized in other comprehensive income.

For the period ended March 31, 2018, the Corporation recognized a foreign currency exchange loss of \$8,850, compared to a loss of \$156,293, in the same period in 2017.

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 2018 was \$91,104 (Q1 2017: \$91,104). Indictors of impairment were present for the year ended December 31, 2017 and an impairment test was performed and no impairment was found.

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, 2018, the interest expense was \$133,069 compared to \$104,585 for the same period last year. The 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 2018 totalled 677,000 (Q1 2017: 50,000), primarily to replace expired options. 3,129,000 options have vested and there are 3,806,000 issued. The difference of 677,000 will vest in the foreseeable future (within the next 8 months) and the expense will be charged in the future quarters.

No options were exercised in Q1 2018, most likely due to the low market price for shares.

Income Taxes

There are no income taxes for Q1 2018 (Q1 2017: \$NIL) as the Corporation has available income tax losses (December 31, 2017: \$5,011,745).

Net Income (Loss)

For Q1 2018, the Corporation recorded a net income of \$160,482 as compared to a net loss of (\$752,579) in Q1 2017. This is a substantial improvement, and we continue to work to optimize costs for our current revenue.

For the Egypt operating segment, for the three months ended March 31, 2018, consolidated net loss was (\$112,237) (Q1 2017: net loss (\$315,129)). On consolidation, Egypt incurred an FX loss of (\$88,997) increasing the net loss for the segment. For the Canadian operating segment, the net income for Q1 2018 was \$272,719 (Q1 2017: net loss (\$437,448)).

Factors contributing to the significant improvement include:

- a 29% decrease in G&A salaries, wages. We continue to optimize G&A and salary costs as contracts allow.
- a significant reduction in the loss on foreign exchange balances and on translation of foreign operations.

Assets and non-current liabilities

As of March 31, 2018, the Corporation had \$302,626 cash on hand (December 31, 2017: \$104,444; Q1 2017: \$97,424), bid/performance bonds of \$118,035 (December 31, 2017: \$120,126; Q1 2017: \$78,528) and prepaid amounts of \$241,830 (December 31, 2017: \$138,835; Q1 2017: \$257,377).

Differences in prepaid amounts are due to the timing of insurance and rental renewals. The increase in bond values occurred compared to 2017, because of increases in bids and contracts in Egypt and KSA.

Intangible asset

Intangible assets relate to the upgrade of our internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS. Expenditures on development of the software were recognized as an asset from the time the Corporation has determined an indefinite future economic benefit exists.

NTS is a retail management software for telecommunication companies. The development costs are determined to have a useful life of 10 years are amortized on a straight line basis. The amount capitalized as at March 31, 2018 is \$NIL (December 31, 2016: \$NIL) in development costs. During the period, and amortization expense of \$91,104 (Q1 2017: \$91,104; December 31, 2015: \$364,417) was recognized. The NTS software will be fully amortized by 2023.

Property and equipment

Property and equipment of \$265,028 as of March 31, 2018 (December 31, 2017: \$259,942; Q1 2017: \$192,173) consists mainly of computer equipment and office furniture with a useful life of 4-10 years. The Corporation is not dependent 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 \$17,941 during Q1 2018 (Q1 2017: \$8,409) and depreciation of \$15,481 (Q1 2017: \$13,003).

Since Q3 2017, leasehold improvements and computer purchases have been made for our subsidiary in Egypt to accommodate the increase in projects/personnel.

Non-current liabilities

As of March 31, 2018, the non-current liabilities consisted of a leasehold liability of \$8,005. This liability arose from the Canadian office rental and will be amortized to income until May 2021.

Liquidity and Capital Resources

NTG's principal requirement for capital is to provide working capital to fund its operations and support its organic growth. Historically, we have funded operations by using profits generated by operations and through the issuance of equity. In Q1 2018, 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, 2018 was (\$4,739,878) compared to (\$4,990,696) at December 31, 2017. Efforts to address our working capital needs include:

- Increasing our collection activities
- Investigating alternate sources of raising funds

Cash Flow Provided by Operations

The total cash in-flow from operating activities for the three months ended March 31, 2018 was \$405,375 compared to cash out-flow of \$453,155 for the same period in 2017. The significant difference from last year was due to:

- a net income of \$160,482 compared to a net loss of (\$752,578) in 2017.
- a \$120K increase in accounts receivable compared to a decrease of 120K in 2017
- a \$150K decrease in accounts payable and accrued liabilities compared to an increase of \$300K in 2017

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

Cash Flow from Financing Activities

The cash out-flow from financing activities for the three months ended March 31, 2018 was \$75,813 compared to a cash in-flow of \$248,415 for the same period in 2017. The difference is primarily due to the shares for debt transaction in Q1 2017, as well as increased interest amounts.

Cash Flow from Investing Activities

The total cash out-flow from investing activities for the three months ended March 31, 2018, was \$20,567 compared to an in-flow of \$67,402 for the same period in 2017.

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 at a monthly rate of \$9,232 for the period from June 1, 2016 to May 31, 2021. Additionally, we are committed under agreements for the rental of office space in Kuwait, Saudi Arabia, and Oman at a monthly rate ranging from \$1,916 to \$5,237 for the period from January 1, 2017 to February 28, 2019.

Contractual obligations	2018	2019	2020	2021 and after	Total
Operating line of credit	\$ 7,546,008	\$ –	\$ –	\$ –	\$ 7,546,008
Accounts payable and accrued liabilities	3,816,243	–	–	–	3,816,243
Operating leases	256,028	214,337	145,485	119,121	734,971

Debt and Credit Facilities

As of March 31, 2018, the Corporation has the following credit facilities with RBC Royal Bank

- \$2.7 million based on marginable receivables (revolving Facility 1)
- \$3.1 million for the pre-shipping (revolving Facility 2)
- \$2,241,890 for the non-revolving Facility 4.

Facility 1 has an annual interest rate of bank prime plus 2.05%. Facility 2 and Facility 4 have an annual interest rate of bank prime plus 1.05%. Facilities 1-3 are secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC).

In February, 2018 the bank extended the Facility 4 repayment deadline to September 1, 2018 and requires NTG to pay down \$60,000 per month from the principal. As of March 31, 2018, the Corporation continues to be in violation of its margin requirements under the Existing Loan Agreement and the amount owing on Facility 4 is \$1,931,890 (Q1 2017: 2,241,890).

Additionally, at March 31, 2018, the Corporation also had one advance payment guarantee and one performance bond issued under its EDC-supported bonding facility in the amount of approximately \$140,087 (Q1 2017: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. Premiums for these bonds for the three months ended March 31, 2018 were \$5,728 (Q1 2017: \$2,243). EDC currently supports bonds for NTG on an as needed basis. The bonds will expire in March 2019.

Transactions with Related Parties

Transactions between the Corporation and its subsidiaries, which are related parties to the Corporation, have been eliminated on consolidation. Related parties include key management, the Board of Directors, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions.

The standard key management compensation is listed in Note 23. In Q2 2015, the Board of Directors of the Corporation approved a loan to Ashraf Zaghoul in the amount of \$300,000 to be repaid in two years time at an interest rate of 2%. In its meeting on May 29, 2017, the Board of Directors approved extending the repayment date for this loan for one year.

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 unaudited interim consolidated financial statements for the period ended March 31, 2018. These are available on SEDAR (www.sedar.com). The policies applied in these statements are based on IFRS issued and outstanding as of May 24, 2018, the date the Board of Directors approved the consolidated financial statements.

Proposed Transactions

There are no Proposed Transactions.

Business Risk and Management

NTG's primary risk management objective is to protect our balance sheet and cash flow. Principal financial liabilities are made up of bank overdraft and trade and other payables.

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, interest rate risk, foreign exchange risk, credit risk, and liquidity risk. Senior management oversees the management of these risks and is supported by a Committee that advises on financial risks and the appropriate financial risk governance framework. The Board of Directors reviews and agrees policies for managing risks.

In addition to risks described elsewhere, the Corporation is subject to a number of risk factors. The Corporation has significant reliance on certain key personnel, some of whom are also key shareholders; Ashraf Zaghloul, CEO; Kristine Lewis, President and Adel Zaghloul, CEO, NTG Egypt; Ashraf Fayed, SR. VP; and Yaser Yousef, CTO. Though we have worked hard to diversify our customer base, we are dependent on a few large customers. In Q1 2018, 25% (Q1 2017: 22%) of the Corporation's revenue was from one customer. As at March 31, 2018, approximately 14% (Q1 2017: 31%) of the Corporation's accounts receivable balance 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.

Approximately 48% of our revenue comes from work done in the Kingdom of Saudi Arabia (KSA). EDC considers KSA as low risk for doing business¹, as does NTG, 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. The contribution percentage has been as high as 18%, however in Q1 2018, NTG Egypt's contribution was 12%. The political and economic difficulties in the region, have impacted the currency, but have positively affected our Egypt operations.

Kuwait contributed 34% of the revenue in Q1 2018, however, 75% of that revenue is concentrated in 2 customers.

Interest rate risk

The Corporation's exposure to interest rate fluctuations is primarily interest paid on its bank indebtedness and liabilities. The Corporation has performed sensitivity analysis on interest rates at March 31, 2018 to determine how a change in interest rates would impact equity and net loss.

During Q1 2018, the Corporation paid \$133,069 (Q1 2017: \$104,585) on its loans and liabilities. An increase or decrease of 100 basis points in the average interest rate paid during the period would have adjusted net earnings by approximately \$13,307 (Q1 2017: \$10,459). This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. NTG's financial instruments that are exposed to credit risk consist primarily of trade receivable. Our exposure to credit risk is impacted by the economic conditions for the industry which could affect the customers' ability to satisfy their obligations. To reduce risks, we perform periodic credit evaluations of the financial conditions of its 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 25. NTG Egypt deals with primarily with tier 1 telecom customers in the region. These customers are responsible for 66% of NTG Egypt's revenue and are insured through EDC.

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 March 31, 2018, the Corporation has insured receivables in the amount of \$2,831,068 (December 31, 2017: \$1,541,889) and unbilled revenue in the amount of \$3,110,639 (December 31, 2017: \$3,675,762).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to operating activities, when revenue or expense are denominated in a different currency from our functional currency, the Canadian dollar.

¹<http://www.edc.ca/EN/Country-Info/Pages/Saudi-Arabia.aspx>

We do 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, 2018 would have the following impacts:

10% impact to:	U.S. Dollar USD	Omani Riyal OMR	Kuwait Dinar KWD	Saudi Riyal SAR	Qatari Riyal QAR	Egyptian Pound LE
P&L in CAD	26,003	71,380	66,836	206,313	821	42,973
Equity in CAD	19,112	52,465	49,125	151,640	603	31,585

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.

Capital Management

NTG 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, 2018, 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, 2018. Also, no changes were made in the objectives, policies, or processes during the period ending March 31, 2018. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

The Corporation's objectives when managing capital are to:

- (i) safeguard the Corporation's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders;
- (ii) fund capital projects for facilitation of business expansion provided there is sufficient liquidity of capital to enable the internal financing; and
- (iii) maintain a capital base to maintain investor, creditor, and market confidence.

NTG considers the items included in the consolidated statements of changes in shareholders' equity as capital. 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. To maintain or adjust the capital structure, we may issue new shares, however we are not subject to externally imposed capital requirements.

At March 31, 2018, of the \$118,035 in performance bonds (December 31, 2017: \$120,126), \$53,967 (December 31, 2017: \$47,588) was for five performance bonds in Saudi Arabia (KSA) to guarantee delivery against work on various projects. \$64,068 (December 31, 2017: \$72,538) was for various bonds and

letters of guarantee 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.

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, 2018, and March 31, 2017.

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, 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 24, 2018, 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.

The IASB issued Disclosure Initiative, amendments to IAS 7 Statement of Cash Flows in January 2016 with an effective date of January 1, 2017. The Corporation adopted the amendments on January 1, 2017, which resulted in no significant changes to the disclosures in the financial statements as the Corporation's financing activities are not subject to fair value adjustments, foreign exchange, the result of acquisitions or other adjustments.

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 Revenue from Contracts with Customers. As at January 1, 2017, the Corporation early adopted Clarifications to IFRS 15 Revenue from Contracts with Customers. There was no impact to the Corporation's financial statements.

The IASB has issued several narrow scope amendments between June 2016 to the date of issuance of these financial statements. One amendment, IFRS 2 Clarification and Measurement of Share based Payment Transactions, issued June 2016 and effective for years beginning on or after January 1, 2018, has been early adopted by the Corporation on January 1, 2017 and there was no impact to the statement of financial position or the statement of comprehensive income. All other new standards and amendments have no impact on the Corporation.

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

NTG Clarity Networks Inc.

Unaudited Interim Consolidated Financial Statement

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended March 31, 2018.

May 24, 2018

MARKHAM, ONTARIO

NTG CLARITY NETWORKS INC.**Unaudited Interim Consolidated Statements of Financial Position**

(In Canadian Dollars)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	302,626	104,444
Trade and other receivables (Note 11)	6,077,028	6,166,032
Bid/Performance bonds (Note 13)	241,830	120,126
Prepaid expenses and deposits (Note 12)	118,035	138,835
Total current assets	\$ 6,739,520	\$ 6,529,437
Non-current assets		
Property, plant and equipment (Note 14)	265,028	259,942
Intangible assets (Note 15)	1,282,714	1,373,819
Due from related parties (Note 24)	300,000	300,000
Total non-current assets	1,847,742	1,933,761
Total Assets	\$ 8,587,262	\$ 8,463,198
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 17)	\$ 7,546,008	\$ 7,488,751
Accounts payable and accrued liabilities (Note 16)	3,816,243	3,885,223
Current portion of leasehold liability	3,693	3,693
Deferred revenue	113,454	142,466
Total current liabilities	\$ 11,479,398	\$ 11,520,133
Leasehold liability	8,005	8,927
Total liabilities	\$ 11,487,403	\$ 11,529,060
SHAREHOLDERS' EQUITY		
Capital stock (Note 18)	9,740,186	9,740,186
Contributed surplus (Note 19)	1,704,199	1,698,960
Foreign exchange account	(595,092)	(506,095)
Deficit	(13,749,434)	(13,998,913)
Total shareholders' equity	(2,900,141)	(3,065,862)
Total liabilities and shareholders' equity	\$ 8,587,262	\$ 8,463,198

Approved on behalf of the Board:

"Ashraf Zaghloul"

Director

"Kristine Lewis"

Director

See accompanying notes to consolidated financial statements.

NTG CLARITY NETWORKS INC.
Unaudited Interim Consolidated Statements of Changes in Equity

For the three month period ended March 31, 2018 and December 31, 2017

(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Foreign Exchange Reserve	Total Shareholders' Equity
Balance, December 31, 2016	\$ 8,894,064	\$ 1,673,940	\$ (12,913,040)	\$ (475,785)	\$ (2,820,821)
Income from continuing operations	—	—	(964,471)	—	(964,471)
Other comprehensive income	—	—	425,172	—	425,172
Other comprehensive loss	—	—	—	(213,280)	(213,280)
Share-based compensation	—	11,925	—	—	11,925
Issuance of share capital	25,000	—	—	—	25,000
Reallocation of contributed surplus	5,000	(5,000)	—	—	—
Shares for debt	384,122	—	—	—	384,122
Balance, March 31, 2017	\$ 9,308,186	\$ 1,680,865	\$ (13,452,339)	\$ (689,065)	\$ (3,152,353)
Income from continuing operations	—	—	(546,574)	—	(546,574)
Other comprehensive income	—	—	—	182,970	182,970
Share-based compensation	—	30,095	—	—	30,095
Issuance of share capital (Note 18)	60,000	—	—	—	60,000
Reallocation of contributed surplus (Note 18)	12,000	(12,000)	—	—	—
Shares for debt (Note 18)	360,000	—	—	—	360,000
Balance, December 31, 2017	\$ 9,740,186	\$ 1,698,960	\$ (13,998,913)	\$ (506,095)	\$ (3,065,862)
Income from continuing operations	—	—	249,479	—	249,479
Other comprehensive deficit	—	—	—	(88,997)	(88,997)
Share-based compensation (Note 18)	—	5,239	—	—	5,239
Balance, March 31, 2018	\$ 9,740,186	\$ 1,704,199	\$ (13,749,434)	\$ (595,092)	\$ (2,900,141)

NTG CLARITY NETWORKS INC.**Unaudited Interim Consolidated Statements of Profit and Loss & Other Comprehensive Income**

(In Canadian Dollars)

For the three months ended March 31,	2018	2017
REVENUE (Note 7)	\$ 4,049,061	\$ 3,007,929
COST OF SALES (Note 21)	2,501,230	2,423,859
GROSS MARGIN	1,547,831	584,070
OPERATING EXPENSES		
General and administration (Note 22)	621,086	735,076
Selling (Note 22)	423,523	436,555
Loss (gain) on foreign exchange	8,850	156,293
Total expenses	1,053,459	1,327,924
INCOME (LOSS) FROM OPERATIONS	494,372	(743,854)
OTHER EXPENSES		
Amortization (Note 15)	91,104	91,104
Depreciation (Note 14)	15,481	13,003
Interest	133,069	104,585
Provision for bad debt	—	—
Share based compensation (Note 18)	5,239	11,925
Total other expenses	244,893	220,617
NET INCOME (LOSS) BEFORE TAXES	249,479	(964,471)
INCOME TAXES (Note 8)		
Current income tax expense	—	—
Deferred income tax expense	—	—
Other comprehensive income:		
Exchange (loss) arising on translation of foreign operations	(88,997)	(213,280)
Reversal of impairment of unbilled revenues	—	425,172
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	160,482	(752,579)
Earnings per share (Note 9)		
Basic	\$ 0.003	\$ (0.018)
Diluted	\$ 0.003	\$ (0.017)
Weighted average number of shares outstanding		
Basic	48,562,355	41,962,355
Diluted	52,368,355	45,179,523

See accompanying notes to consolidated financial statements.

NTG CLARITY NETWORKS INC.**Unaudited Interim Consolidated Statements of Cash Flows**

(In Canadian Dollars)

For the three months ended March 31,	2018	2017
Cash provided by (used in)		
OPERATION ACTIVITIES		
Net income for the period	\$ 160,482	\$ (752,578)
Add-Items not affecting cash:		
Amortization (Note 15)	91,104	91,104
Depreciation (Note 14)	15,481	13,003
Interest expense	133,069	104,585
Share based payment (Note 18)	5,239	11,925
	405,375	(531,961)
Net change in non-cash working capital items,		
(Increase) decrease in accounts receivable	89,058	(124,008)
(Increase) in deferred revenue	(29,012)	–
Decrease (increase) in performance bonds	2,091	(32,893)
Decrease in prepaid expenses and other assets	(103,050)	(65,318)
(Decrease) in leasehold liability	(922)	(923)
Increase (decrease) in accounts payable and accrued liabilities	(68,980)	301,948
TOTAL CASH IN-FLOW (OUT-FLOW) FROM OPERATING ACTIVITIES	294,561	(453,155)
FINANCING ACTIVITIES		
Issuance of common shares (Note 18(a))	–	414,122
Other reserve (Note 18(a))	–	(5,000)
Interest paid	(133,069)	(104,585)
Increase (decrease) in bank indebtedness (Note 17)	57,257	(56,121)
TOTAL CASH IN-FLOW (OUT-FLOW) FROM FINANCING ACTIVITIES	(75,813)	248,415
INVESTING ACTIVITIES		
Purchase (disposal) of property, plant and equipment (Note 14)	(20,567)	67,402
(Additions) to intangible assets (Note 15)	–	–
TOTAL CASH IN-FLOW (OUT-FLOW) FROM INVESTING ACTIVITIES	(20,567)	67,402
NET INCREASE (DECREASE) IN CASH	198,182	(137,337)
Cash and cash equivalents balance, beginning of period	104,444	234,761
Cash and cash equivalents balance, end of period	\$ 302,626	\$ 97,424

See accompanying notes to consolidated financial statements.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**March 31, 2018 and 2017

1. CORPORATE INFORMATION

NTG Clarity Networks Inc. (the "Corporation") is domiciled in Canada and its shares are traded publicly on the TSX Venture Exchange under ticker symbol NCI.V. The Corporation is domiciled in Canada and was incorporated on May 15, 2001 under the laws of Alberta. The Corporation's principal and registered office is Suite 202, 2820 14th Avenue, Markham, Ontario, L3R 0S9.

NTG provides network, telecom, IT and infrastructure solutions to medium and large network service providers. The Corporation specializes in providing telecommunications engineering, networking and related software solutions and has developed niche software products directed at the telecom service providers. In 2010, NTG began the development phase to move its Operations Support System/Business Support System (OSS/BSS) product called NTS to a new technology platform and to add new and upgrade existing functionality. NTG continues to offer professional telecom services in the North American and Middle Eastern markets.

The telecom industry is subject to rapid and substantial technological change which could reduce marketability of the Corporation's technology and services.

2. GOING CONCERN

The Corporation prepared consolidated financial statements on a going concern basis which presume the realization of assets and discharge of liabilities in a normal course of business for the foreseeable future. The Corporation's ability to continue operations and realize assets at their carrying values is dependent upon generating revenue sufficient to cover its operating costs, obtaining additional financing aid, and the continued support of its shareholders.

As at March 31, 2018, the Corporation had a working capital deficit of \$4,739,878 (December 31, 2017: deficit of \$4,990,696), an operating income of \$494,372 (March 31, 2017: loss of \$743,854; December 31, 2017: loss of \$323,160) and accumulated losses since inception of \$13,749,434 (December 31, 2017: loss of \$13,998,913).

At period end, the Corporation was in violation of its margin requirements in the amount of \$1,931,890. In February 2018, the bank extended the due date for the repayment to September 1, 2018 and as of March 2018, requires NTG to pay down \$60,000 per month against the outstanding principal.

The financial statements have been prepared under the assumption that the Corporation is a going concern and will continue to be in operation for the foreseeable future.

3. BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

3. BASIS OF PRESENTATION (cont'd)

Statement of Compliance

The unaudited interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), London, IAS 34 *Interim Financial Reporting*, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in effect at the closing date of May 24, 2017.

Management of the Corporation prepared the unaudited interim consolidated financial statements of the Corporation during April and May 2018, and the Board of Directors approved them. The Audit Committee of the Corporation discussed the audited consolidated financial statements at its meeting on May 24, 2018, and the Board of Directors approved them at its meeting on May 24, 2018.

The unaudited interim consolidated financial statements of the Corporation are drawn up in Canadian dollars. Amounts are stated in and recorded to the nearest Canadian dollars except where otherwise indicated. The financial statements of the individual companies is prepared as of the closing date of the Corporation's financial statements using the same accounting policies.

In the unaudited interim consolidated statement of profit and loss and comprehensive income, unaudited interim consolidated statement of financial position, unaudited interim consolidated statement of cash flows, and unaudited interim consolidated statement of changes in equity, certain items are combined for the sake of clarity. These are explained within the notes. The unaudited interim consolidated statement of profit and loss and comprehensive income is prepared using the cost of sales method. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Corporation.

The normal business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods or services produced in that process. Trade accounts receivable and payable, claims for tax refunds, and tax liabilities are always presented as current items; deferred tax assets and liabilities, if any, are presented as non-current items. Provisions (if any), debt and other liabilities are shown between current and non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The unaudited interim consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at March 31, 2018.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiary is prepared for the same reporting period as the parent company using consistent accounting policies.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All intra-group balances, income and expenses, unrealized gains and losses, and dividends resulting from intra group transactions, if any, are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

The subsidiary of the Corporation as of March 31, 2018 is its 95% owned subsidiary, NTG Egypt Advanced Software, and its wholly owned U.S. subsidiary, NTG Clarity Networks US Inc.

(b) Foreign currency translation

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. 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.

Translation to the presentation currency

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.

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency. For example, when a group contains individual entities with different functional currencies, the results and financial position of each entity are expressed in a common currency so that consolidated financial statements may be presented.

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:

4. 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;
5. 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
6. All resulting exchange differences shall be recognized in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For practical reasons, a rate that approximates the exchange rates at the dates of the transactions, for example an average rate for the period, is often used to translate income and expense items. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate.

The exchange differences referred to in IAS 21.39(c) result from:

1. Translating income and expenses at the exchange rates at the dates of the transactions and assets and liabilities at the closing rate.
2. Translating the opening net assets at a closing rate that differs from the previous closing rate.

These exchange differences are not recognized in profit or loss because the changes in exchange rates have little or no direct effect on the present and future cash flows from operations. The cumulative amount of the exchange differences is presented in a separate component of equity until disposal of the foreign operation. When the exchange differences relate to a foreign operation that is consolidated but not wholly owned, accumulated exchange differences arising from translation and attributable to non controlling interests are allocated to, and recognized as part of, non controlling interests in the consolidated statement of financial position.

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

1. All amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that
2. When amounts are translated into the currency of a non hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

When an entity's functional currency is the currency of a hyperinflationary economy, the entity shall restate its financial statements in accordance with IAS 29.39 before applying the translation method set out in IAS 21, except for comparative amounts that are translated into a currency of a non hyperinflationary economy (see IAS 21.42(b)). When the economy ceases to be hyperinflationary and the entity no longer restates its financial statements in accordance with IAS 29, it shall use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date the entity ceased restating its financial statements.

Translation of a foreign operation

IAS 21.–47, in addition to IAS 21.–43, apply when the results and financial position of a foreign operation are translated into a presentation currency so that the foreign operation can be included in the financial statements of the reporting entity by consolidation or the equity method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency translation (cont'd)

The incorporation of the results and financial position of a foreign operation with those of the reporting entity follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary (see Unaudited Interim Consolidated Financial Statements).

However, an intragroup monetary asset (or liability), whether short term or long term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements of the reporting entity, such an exchange difference is recognized in profit or loss or, if it arises from the circumstances described in IAS 21, it is recognized in other comprehensive income and accumulated in a separate component of equity until the disposal of the foreign operation.

When the financial statements of a foreign operation are as of a date different from that of the reporting entity, the foreign operation often prepares additional statements as of the same date as the reporting entity's financial statements. When this is not done, allows the use of a different date provided that the difference is no greater than three months and adjustments are made for the effects of any significant transactions or other events that occur between the different dates. In such a case, the assets and liabilities of the foreign operation are translated at the exchange rate at the end of the reporting period of the foreign operation. Adjustments are made for significant changes in exchange rates up to the end of the reporting period of the reporting entity in accordance with IFRS 10. The same approach is used in applying the equity method to associates and joint ventures in accordance with.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate in accordance with IAS 21 and IAS 21.42.

Disposal or partial disposal of a foreign operation

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized (see Presentation of Financial Statements).

In addition to the disposal of an entity's entire interest in a foreign operation, the following partial disposals are accounted for as disposals:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency translation (cont'd)

1. When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, regardless of whether the entity retains a non controlling interest in its former subsidiary after the partial disposal; and
2. When the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non controlling interests shall be derecognized, but shall not be reclassified to profit or loss.

On the partial disposal of a subsidiary that includes a foreign operation, the entity shall reattribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

A partial disposal of an entity's interest in a foreign operation is any reduction in an entity's ownership interest in a foreign operation, except those reductions in paragraph that are accounted for as disposals.

An entity may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. A write down of the carrying amount of a foreign operation, either because of its own losses or because of an impairment recognized by the investor, does not constitute a partial disposal. Accordingly, no part of the foreign exchange gain or loss recognized in other comprehensive income is reclassified to profit or loss at the time of a write-down.

(c) Revenue Recognition

The Corporation derives revenue from fees charged to customers for licenses for software products and professional services: support, consulting, development, training, and other services. Some of the Corporation's software arrangements include product sales and may also include professional services.

If, for any of the Corporation's product or service offerings, the Corporation determines at the outset of an arrangement that the amount of revenue cannot be measured reliably, the Corporation concludes that the inflow of economic benefits associated with the transaction is not probable and defers revenue until the arrangement fee becomes due and payable by the customer.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue Recognition (cont'd)

If, at the outset of an arrangement, it is determined that collectability is not probable, the Corporation concludes that the inflow of economic benefits associated with the transaction is not probable, and recognition of revenue is deferred until the earlier of when collectability becomes probable or payment is received.

If collectability becomes unlikely before all revenue from an arrangement is recognized, revenue is recognized only to the extent of the fees that are successfully collected unless collectability becomes reasonably assured again. If a customer is specifically identified as a bad debtor, the Corporation stops recognizing revenue from this customer except to the extent of the fees that have already been collected.

Software revenue represents fees earned from the sale or license of software to customers for use on the customer's premises, in other words, where the customer has the right to take possession of the software for installation on the customer's premises (on premise software). Revenue is recognized in line with the requirements for selling goods stated in IAS 18 (Revenue) when evidence of an arrangement exists, delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue and associated costs can be measured reliably, and collection of the related receivable is reasonably assured. The fee of the sale is recognized net of returns and allowances, trade discounts, and volume rebates.

In general, the Corporation's software license agreements do not include acceptance testing provisions. If an arrangement allows for customer acceptance testing of the software, revenue is deferred until the earlier of customer acceptance or when the acceptance right lapses. The Corporation may enter into customer specific on premise software development agreements. Software revenue in connection with these arrangements is recognized using the percentage of completion method based on contract costs incurred to date as a percentage of total estimated contract costs required to complete the development work. If there is no sufficient basis to reasonably measure the progress of completion or to estimate the total contract revenue and costs, revenue is recognized only to the extent of the contract costs incurred for which recoverability is believed to be probable. When it becomes that total contract costs exceed total contract revenue in an arrangement, the expected losses are recognized immediately as an expense based on the costs attributable to the contract.

On-premise software may combine software and support service elements, as under these contracts the customer is provided with current software products, rights to receive unspecified future software products, and rights to services during the on premise software subscription term. Customers pay a periodic fee for a defined subscription term, and such fees are recognized ratably over the term of the arrangement beginning with the delivery of the first product.

Support revenue represents fees earned from providing customers with unspecified future software updates, upgrades, and enhancements, and technical product support for on premise software products.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue Recognition (cont'd)

Support revenue is recognized based on the Corporation's performance under the support arrangements. Under the major support services the Corporation's performance obligation is to stand ready to provide technical product support and to provide unspecified updates and enhancements on a when and if available basis. For these support services revenue is recognized ratably over the term of the support arrangement. Consulting and other service revenue is recognized when the services are performed.

Consulting revenue primarily results from implementation contracts to install and configure our software products and offerings. Other service revenue consists of fees from training services. Training services provide educational services to customers and partners regarding the use of our software products. Training revenue is recognized when the services are rendered.

Some arrangements contain multiple elements. Software, consulting and other service deliverables are accounted for as separate units of accounting and allocate revenue based on fair value. Fair value is determined by establishing either corporation specific objective evidence, or an estimated stand alone selling price. Revenue from multiple element arrangements is allocated to the different elements based on their individual fair values. The revenue amounts allocated to the individual elements are recognized when the revenue recognition criteria described above have been met for the respective element.

The Corporation determines the fair value of and allocate revenue to each element based on its corporation specific objective evidence of fair value, which is the price charged when that element is sold separately or, for elements not yet sold separately, the price established by management if it is probable that the price will not change before the element is sold separately.

Revenue from the sale of medical equipment is recognized when there is evidence of arrangement, the amount is fixed or determinable, products are shipped to the customer, and collection is reasonably assured.

(d) Taxes

Current income tax

Current income tax assets and liabilities for the respective and prior years are measured at the amount expected to be recovered from or paid to the Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss and comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Taxes (cont'd)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in the subsidiary, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Taxes (cont'd)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses, liabilities and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(e) Government grants and assistance and investment tax credit

Government grants and assistance are recognized where there is reasonable assurance that the grant or assistance will be received and all attached conditions will be complied with.

When the grant or assistance relates to an expense item, it is recognized as income over the period necessary to match the grant or assistance on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenditures are incurred. The Corporation has been engaged in the Industrial Research Assistance Program (IRAP). The IRAP recorded in the accounts is based on management's interpretation of the respective provisions which govern their eligibility. The claims are subject to review by the respective agencies before the refunds can be released. To the extent that collection is reasonably assured, IRAP is recorded as a reduction to the underlying expense or asset to which it is attributable.

(f) Financial instruments - initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized costs or FVTOCI are included with the carrying amount of such instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial instruments - initial recognition and subsequent measurement (cont'd)

Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the consolidated statements of comprehensive income.

(i) Financial assets

The Corporation classifies its financial assets in the following measurement categories: those to be measured at amortized cost and those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial Assets at Amortized Cost

Financial assets that meet the following conditions are measured at amortized cost less impairment losses: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and the financial asset was not acquired principally for the purpose of selling in the near term or for short term profit taking (held for trading).

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as fair value through profit or loss. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the consolidated statements of comprehensive income.

The method of measurement of instruments in debt instruments will depend on the business model in which the instrument is held. For instruments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Financial liabilities

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held for trading financial liabilities are recognized in profit or loss within the consolidated statements of comprehensive income. Such gains or losses recognized in profit or loss includes any interest paid on the financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial instruments - initial recognition and subsequent measurement (cont'd)

Financial liabilities that are not held for trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest rate method.

(ii) Financial liabilities (cont'd)

The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost.

Impairment

The Corporation assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Corporation has applied IFRS 9 retrospectively, but has elected not to restate comparative information as there is no impact on the financial statements of the Corporation from adopting IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Corporation's previous accounting policy which reflects the same measurement of IFRS 9.

The accounting policies were changed to comply with the full requirements of IFRS 9 as issued by the IASB. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures. The total impact on retained earnings due to classification and measurement of financial instruments as at January 1, 2016 and the date of these financial statements was Nil.

(iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Compound Instruments

The component parts of compound instruments (e.g., debt issued with warrants) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without warrants.

This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date.

The warrants classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. Warrants classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the warrants. Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

(h) Derivative financial instruments and hedge accounting

The Corporation has not entered into any derivative financial instruments and has not applied hedge accounting for the periods ending March 31, 2018 and March 31, 2017.

(i) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit and loss and comprehensive income on the purchase, sale, issue, or cancellation of the Corporation's own equity instruments. Any difference between the carrying amount and the consideration is recognized in capital reserves.

(j) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses (if any). Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long term construction projects if the recognition criterion are met. When significant parts of property and equipment are required to be replaced in intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(j) Property and equipment (cont'd)**

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit and loss and comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset, if any, after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Computer software	Straight-line 1-2 years
Computer equipment	Straight-line 2-4 years
Office equipment	Straight-line 4-10 years
Leasehold improvements	Straight-line over the lesser of the expected term of the lease or the useful life of the asset

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss and comprehensive income when the asset is derecognized.

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(k) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit and loss and comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. For the periods ending March 31, 2018 and March 31, 2017, the Corporation did not hold any finance leases.

Operating lease payments are recognized as an expense in the statement of profit and loss and comprehensive income on a straight line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds. For the periods ending March 31, 2018 and March 31, 2017, the Corporation did not capitalize any borrowing cost.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Certain internally generated intangible assets are capitalized, as they meet the criterion under IAS 38.

(n) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Product development costs

Research and product development costs include out of pocket cost and direct overhead. Research costs are expensed as incurred. Product development costs are expensed as incurred unless they meet the IAS 38 criterion for deferral and amortization.

Development activities involve a plan or design for the production of a new core of substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. All other development expenditure is recognized in statement of profit and loss and comprehensive income as incurred.

Capitalized development costs (intangible asset) with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually. Intangible assets are tested for impairment as required by IAS 38 and IAS 36 if there are indicators of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the intangible assets or the cash-generating unit exceeds their recoverable amount. Impairment losses are recognized in the statements of comprehensive income. Amortization is provided on a straight line basis over 10 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset or cash generating unit (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's (CGU) recoverable amount. An asset's (CGU) recoverable amount is the higher of its fair value less costs of disposal and its value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU). In determining fair value less costs of disposal, an appropriate valuation model is used. The Corporation has cash generating units which impairment could be tested against. The Corporation had no goodwill or indefinite life intangible assets for the periods ending March 31, 2018 and March 31, 2017.

Impairment losses of continuing operations are recognized in the statement of profit and loss and comprehensive income in those expense categories consistent with the function and nature of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non-financial asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non financial asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the non financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non financial asset in prior periods. Such reversal is recognized in the statement of profit and loss and comprehensive income.

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. The Corporation uses the indirect method of reporting cash flow from operating activities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of profit and loss and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the expected warranty data and an expected weighting of all possible outcome against their associated probabilities.

A provision for restructuring is recognized when the Corporation has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provision is made for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost net cost of continuing with the contract.

Before a provision is established, the Corporation recognizes any impairment loss on the asset associated with the contract.

(s) Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing the income for the year by the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and other dilutive securities.

Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted income per share assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Share-based compensation

The Corporation has a share based compensation plan. The Corporation accounts for share based compensation options granted to employees and consultants using the fair value method. Under this method, compensation expense for share based compensation granted is measured at the fair value at the grant date, using the Black-Scholes option valuation model. In accordance with the fair value method, the Corporation recognizes estimated compensation expense related to share based compensation over the vesting period of the options granted, with the related credit being charged to capital reserves. Consideration paid by employees on the exercise of share based compensation is recorded as capital stock and the related share based compensation is transferred from capital reserves to capital stock.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting years. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

In the process of applying the Corporation's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Revenues

The Corporation derives revenue from fees charged to customers for licenses for software products and for professional services (support, consulting, development, training, etc.). Some of the software arrangements may contain multiple elements (product sales and professional services). The Corporation accounts for software, consulting and other service deliverables as separate units of accounting and allocate revenue based on their individual fair values. The revenue amounts allocated to the individual elements are recognized when the revenue recognition criteria have been met for the respective element.

When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single element.

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. 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Impairment of non-financial assets

Impairment exists when the carrying value of a non financial asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's budget and do not include restructuring activities, if any, that the Corporation is not yet committed to or significant future investments that will enhance the non financial asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units may include a sensitivity analysis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Corporation may establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Share-based compensation

The Company has a share based compensation plan. The Corporation accounts for share based compensation options granted to employees and consultants using the fair value method determined using the Black-Scholes option valuation model. The estimated compensation expense related to share based compensation is recognized over the vesting period of the options granted, with the related credit being charged to contributed surplus.

Consideration paid by employees on the exercise of share based compensation is recorded as capital stock and the related share based compensation is transferred from capital reserves to capital stock.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at May 24, 2018, 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.

The IASB issued Disclosure Initiative, amendments to IAS 7 Statement of Cash Flows in January 2016 with an effective date of January 1, 2017. The Corporation adopted the amendments on January 1, 2017, which resulted in no significant changes to the disclosures in the financial statements as the Corporations financing activities are not subject to fair value adjustments, foreign exchange, the result of acquisitions or other adjustments.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

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 Revenue from Contracts with Customers. As at January 1, 2017, the Corporation early adopted Clarifications to IFRS 15 Revenue from Contracts with Customers. There was no impact to the Corporation's financial statements.

As at January 1, 2016, the Corporation has elected to early adopt IFRS 9 Financial Instruments as issued by the IASB. 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.

The IASB has issued several narrow scope amendments between June 2016 to the date of issuance of these financial statements. One amendment, IFRS 2 Clarification and Measurement of Share-based Payment Transactions, issued June 2016 and effective for years beginning on or after January 1, 2018, has been early adopted by the Corporation on January 1, 2017 and there was no impact to the statement of financial position or the statement of comprehensive income. All other new standards and amendments have no impact on the Corporation

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

7. OPERATING SEGMENT INFORMATION

For management purposes, the Corporation is organized into two operating segments.

The Corporation's chief decision makers; the Chief Executive Officer, the President and the Chief Financial Officer, tracks the Corporation's operations by country. These country segments represent the Corporation's reportable operating segments, which are used to manage the business. The Corporation analyzes the performance of its operating segments based on expenditures and revenue growth.

Statement of profit and loss for the period ending March 31, 2018

For the three months ending March 31, 2018	NTG Canada		NTG Egypt		Consolidated Total
Revenue	\$	3,538,024	\$	480,037	\$ 4,049,061
Total revenue	\$	3,538,024	\$	480,037	\$ 4,049,061
Gross margin	\$	1,401,006	\$	146,826	\$ 1,845,650
Expenses		(893,995)		(253,702)	(1,395,264)
Depreciation / Amortization		(101,223)		(5,362)	(106,585)
Interest		(133,069)		—	(133,069)
Net income (loss) before taxes	\$	272,719	\$	(112,237)	\$ 160,482
Taxes		—		—	—
Net income (loss) after taxes	\$	272,719	\$	(112,237)	\$ 160,482

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

7. OPERATING SEGMENT INFORMATION (cont'd)**Statement of profit and loss for the year ending March 31, 2017**

For the three months ending March 31, 2017	NTG Canada	NTG Egypt	Consolidated Total
Revenue	\$ 2,462,270	\$ 545,659*	\$ 3,007,929
Total revenue	\$ 2,462,270	\$ 545,659*	\$ 3,007,929
Gross margin	\$ 510,721	\$ 73,350	\$ 584,070
Expenses	(742,973)	(384,983)	(1,127,956)
Depreciation / Amortization	(100,611)	(3,496)	(104,107)
Interest	(104,585)	—	(104,585)
Net income (loss) before taxes	\$ (437,448)	\$ (315,129)	\$ (752,578)
Taxes	—	—	—
Net income (loss) after taxes	\$ (437,448)	\$ (315,129)	\$ (752,578)

* Q1 2017 Revenue for NTG Egypt was similar to Q1 2016 in the local currency (Egyptian pound) however, on consolidation, shows as less due to the currency devaluation that occurred in November 2016.

All of the Corporation's assets are located in Canada and the Middle East.

Long term asset additions for the year ended March 31, 2018

	NTG Canada	NTG Egypt	Consolidated Total
Asset additions for the year ending December 31, 2017			
Property and equipment	\$ 1,455	\$ 16,486	\$ 17,941
Intangible assets	—	—	—
	\$ 1,455	\$ 16,486	\$ 17,941

Long term assets additions for the three months ended March 31, 2017

	NTG Canada	NTG Egypt	Consolidated Total
Asset additions for the year ending December 31, 2016			
Property and equipment	\$ 2,256	\$ 6,152	\$ 8,408
Intangible assets	—	—	—
	\$ 2,256	\$ 6,152	\$ 8,408

The Corporation determines the geographic location of revenues based on the location of its customers.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

7. OPERATING SEGMENT INFORMATION (cont'd)

Sales by geographic location for the three months ending March 31,	2018	2017
Canada	\$ —	\$ —
Saudi Arabia	1,998,770	1,504,804
Egypt	480,037	545,659
Kuwait	1,539,254	744,804
Oman	—	212,662
	\$ 4,049,061	\$ 3,007,929

The majority of the Corporation's revenue is derived from the telecommunication industry and was earned through service contracts with a few large clients, though the distributions are improving. In Q1 2018, 14% (Q1 2017: 22%) of the Corporation's revenue was derived from one customer.

Receivables by segment for the period ending	March 31, 2018	December 31, 2017
Canada	\$ 5,708,938	\$ 5,252,917
Egypt	368,036	913,115
	\$ 6,077,028	\$ 6,166,032

As at March 31, 2018, approximately 22% (December 31, 2017: 21%; March 31, 2017: 43%) of the Corporation's trade accounts receivable balance was from two customers.

8. INCOME TAXES

As of December 31, 2017, The Corporation has available income tax losses in the amounts of \$5,011,745 for the Canadian federal and provincial tax purposes which may be carried forward to reduce future years' taxable income which expire as follows:

2036	\$ 4,258,237
2037	753,508
Deferred tax asset recognized	\$ 5,011,745

9. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects. The outstanding number and type of securities that could potentially dilute basic net income per share in the future but that were not included in the computation of diluted net income per shares because to do so would have reduced the earnings per share (anti-dilutive) for the year presented are as noted below.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

9. EARNINGS PER SHARE (cont'd)

The following outstanding instruments could have a dilutive effect in the future:

As at March 31, 2018

Options – Share-based payments (Note a) 3,806,000

Note a: Of which 3,129,000 had vested as of March 31, 2018.

The following reflects the earnings and unit data used in the basic and diluted earnings per share computations:

March 31,	2018	2017
Net earnings (loss) attributable to ordinary equity holders of the parent for basic earnings	\$160,482	\$(752,578)
Net earnings (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	\$160,482	\$(752,578)
March 31,	2018	2017
Weighted average number of common shares outstanding for basic earnings per share	48,562,355	41,962,355
Weighted average number with the effect of dilution on common shares	52,368,355	45,179,523
Income per share (basic)	\$0.004	(\$0.018)
Income per share (diluted)	\$0.004	(\$0.017)

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash at banks and on hand in the amount of \$302,626 as at March 31, 2018 (December 31, 2017: \$104,444; March 31, 2017: \$97,424).

11. TRADE AND OTHER RECEIVABLES

December 31,	March 31, 2018	December 31, 2017
Trade receivables	\$ 2,971,001	\$ 2,705,130
Less: Impaired	(13,693)	(13,231)
Trade receivables after impairment	2,957,308	2,691,899
Unbilled revenue	3,110,639	3,458,652
Less: Impaired	–	–
Unbilled revenue after impairment	3,110,639	3,458,652
Total trade receivables and unbilled revenue after impairment	6,067,947	6,150,551
Receivables from tax authorities	–	–
HST and foreign tax receivable (payable)	(44,839)	(42,595)

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

December 31,	March 31, 2018	December 31, 2017
Cash Advance	44,323	48,533
Income tax receivable	—	—
Other receivables	9,543	9,543
Total trade and other receivables	\$ 6,077,028	\$ 6,166,032

Trade receivables are non-interest bearing and are generally on 30-180 day terms.

Neither past due nor impaired	March 31, 2018	December 31, 2017
Current	\$ 1,014,355	\$ 1,180,571
30 – 60 days	1,383,964	541,141
61 – 90 days	197,577	287,805
91 – 180 days	299,565	630,382
Past due but not impaired		
Greater than 180 days	75,541	52,000
	\$ 2,971,001	\$ 2,691,899

Unbilled revenue consists of service revenue that has already been rendered as at March 31, 2018 and recognized in accordance with the Corporation's revenue recognition policy from Note 3.

12. PREPAID EXPENSES AND DEPOSITS

	March 31, 2018	December 31, 2017
Prepaid rent	\$ 127,101	\$ 33,399
Prepaid insurance	93,060	79,852
Deposits on subcontracting consulting work	—	—
Other prepaids	21,669	25,584
	\$ 241,830	\$ 138,835

13. PERFORMANCE/BID BONDS

At March 31, 2018, of the \$118,035 in performance bonds (December 31, 2017: \$120,126), \$53,967 (December 31, 2017: \$47,588) was for five performance bonds in Saudi Arabia (KSA) to guarantee delivery against work on various projects. \$64,068 (December 31, 2017: \$72,538) was for various bonds and letters of guarantee 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 March 31, 2018, the Corporation also had one advance payment guarantee and one performance bond issued under its EDC-supported bonding facility in the amount of approximately \$140,087 (December 31, 2017 and Q1 2017: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. Premiums for these bonds for the three months ended March 31, 2018 were \$5,728 (Q1 2017: \$2,243). EDC currently supports bonds for NTG on an as needed basis. Bonds will expire in March 2019.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

14. PROPERTY AND EQUIPMENT

The amount of borrowing costs capitalized during the period ending March 31, 2018 was \$NIL (March and December 31, 2017: \$NIL).

	Furniture and Equipment	Computer Equipment	Computer Software	Total
Cost:				
At December 31, 2015	\$528,006	\$712,204	\$389,048	\$1,629,258
Additions	38,423	30,109	11,948	80,480
Disposals	—	—	—	—
At December 31, 2016	\$566,429	\$742,313	\$400,996	\$1,709,738
Additions	3,662	43,432	—	47,094
Disposals	—	—	—	—
At December 31, 2017	\$570,091	\$785,745	\$400,996	\$1,756,832
Additions	710	17,231	—	17,941
Disposals	—	—	—	—
At March 31, 2018	\$570,801	\$802,976	\$400,996	\$1,774,773
Depreciation and impairment:				
At December 31, 2015	\$365,993	\$665,601	\$313,216	\$1,344,810
Depreciation for the period	26,517	23,447	42,385	92,349
Impairment	—	—	—	—
Disposals	—	—	—	—
At December 31, 2016	\$392,510	\$689,048	\$355,601	\$1,437,159
Depreciation for the period	20,309	38,715	708	59,732
Impairment	—	—	—	—
Disposals	—	—	—	—
At December 31, 2017	\$412,819	\$727,763	\$356,309	\$1,496,891
Depreciation for the period	2,457	10,397	—	12,854
Impairment	—	—	—	—
Disposals	—	—	—	—
At March 31, 2018	\$415,276	\$738,160	\$356,309	\$1,509,745
Net book value:				
At March 31, 2018	\$155,525	\$64,816	\$44,687	\$265,028
At December 31, 2017	\$157,272	\$57,982	\$44,687	\$259,942
At March 31, 2017	\$92,436	\$54,415	\$45,322	\$192,173

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

15. INTANGIBLE ASSETS

Intangible assets related to the upgrade of the internally developed NTS software product and to the new software product (StageEM) in 2016. Expenditures on development of the software are recognized as an asset from the time the Corporation has determined an indefinite future economic benefit exists.

NTS is a retail management software for telecommunication companies. The development costs are determined to have a useful life of 10 years are amortized on a straight line basis. The amount capitalized as at March 31, 2018 is \$NIL (December 31, 2016: \$NIL) in development costs. During the period, and amortization expense of \$91,104 (Q1 2017: \$91,104; December 31, 2015: \$364,417) was recognized. The NTS software will be fully amortized by 2023.

StageEM is a goal-focused integrated software solution that improves organizational efficiency. During Q1 2018, \$NIL was capitalized, amortized or written off (Q1 2017: \$NIL).

	NTS Development Costs		StageEM Development Costs		Total
Cost:					
At January 1, 2017	\$	3,644,168	\$	4,433,136	\$ 8,077,304
Additions		—		—	—
Disposals		—		—	—
At December 31, 2017	\$	3,644,168	\$	4,433,136	\$ 8,077,304
Additions		—		—	—
Disposals		—		—	—
At March 31, 2018	\$	3,644,168	\$	4,433,136	\$ 8,077,304
Amortization and impairment:					
At January 1, 2017	\$	1,905,933	\$	4,433,136	\$ 6,339,069
Amortization for the year		364,417		—	364,417
Impairment		—		—	—
Disposals		—		—	—
At December 31, 2017	\$	2,270,350	\$	4,433,136	\$ 6,703,486
Amortization charge for the period		91,104		—	91,104
Impairment		—		—	—
Disposals		—		—	—
At March 31, 2018	\$	2,361,454	\$	4,433,136	\$ 6,794,590
Net book value:					
At March 31, 2018	\$	1,282,714	\$	—	\$ 1,282,714
At December 31, 2017	\$	1,373,819	\$	—	\$ 1,373,819

The Corporation had no indicators of impairment of the NTS development costs for the period ended March 31, 2018. An impairment test is performed on non-current assets at year end, or when indicators warrant it.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
Trade payables	\$ 3,012,782	\$ 2,716,634
Accrued liabilities	195,066	519,251
Related parties payable	87,257	67,878
Taxes payable	38,659	71,385
Other accounts payable	482,479	510,075
	\$ 3,816,243	\$ 3,885,223

Terms and conditions of the above financial liabilities:

- Trade payables are non interest bearing
- Accrued liabilities are non interest bearing
- Related parties payables are non-interest bearing and have no specified terms of repayment
- Other accounts payable are non-interest bearing

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES**(a) Other financial liabilities****Bank indebtedness**

	March 31, 2017	December 31, 2017
	\$ 7,546,008	\$ 7,488,751

As of March 31, 2018, the Corporation has the following credit facilities with RBC Royal Bank

- \$2.7 million based on marginable receivables (revolving Facility 1)
- \$3.1 million for the pre-shipping (revolving Facility 2)
- \$2,241,890 for the non-revolving Facility 4.

Facility 1 has an annual interest rate of bank prime plus 2.05%. Facility 2 and Facility 4 have an annual interest rate of bank prime plus 1.05%. Facilities 1-3 are secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC).

As of March 31, 2018, the Corporation was in violation of its margin requirements under the Existing Loan Agreement in the amount of \$1,931,890 (Q1 2017: 2,241,890). In February 2018, the bank extended the due date for the facility repayment to September 1, 2018 and requires NTG to pay down \$60,000 per month against the outstanding principal.

Additionally, at March 31, 2018, the Corporation also had one advance payment guarantee and one performance bond issued under its EDC-supported bonding facility in the amount of approximately \$140,087 (Q1 2017: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. Premiums for these bonds for the three months ended March 31, 2018 were \$5,728 (Q1 2017: \$2,243). EDC currently supports bonds for NTG on an as needed basis. The bonds will expire in March 2019.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

At March 31, 2018, the Corporation also had one advance payment guarantee and one performance bond issued in its name and supported by EDC, in the amount of approximately \$140,087 (December 31, 2017: \$267,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. The bonds will expire in March, 2019. Premiums for these bonds for the three months ended March 31, 2018 were \$5,728 (Q1 2017: \$2,243).

(b) Fair values

Set out below is a comparison by class of the carrying amount and fair value of the Corporation's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Financial assets				
Cash and cash equivalents	\$302,626	\$104,444	\$302,626	\$104,444
Trade and accounts receivable	6,077,028	6,166,032	6,077,028	6,166,032
Performance bonds	118,035	120,126	118,035	120,126
Total Financial Assets	\$6,497,689	\$6,390,602	\$6,497,689	\$6,390,602

	Carrying Amount		Fair Value	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2015
Financial liabilities				
Accounts payable and accrued liabilities	\$3,816,243	\$3,885,223	\$3,816,243	\$3,885,223
Operating line	7,546,008	7,488,751	7,546,008	7,488,751
Current long term debt	—	—	—	—
Long term debt	—	—	—	—
Total Financial Liabilities	\$11,362,251	\$11,373,974	\$11,362,251	\$11,373,974

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in an orderly transaction between market participants in an arm's length transaction at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Trade and other accounts receivables, accounts payable and accrued liabilities, other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.
- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities (loans payable) are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)**Fair value hierarchy**

As at March 31, 2018, the Corporation held cash measured at fair value.

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- **Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	March 31, 2018	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 302,626	\$ 302,626	\$ –	\$ –
No liabilities were measured at fair value	\$ –	\$ –	\$ –	\$ –

During the reporting period ending March 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. EQUITY INSTRUMENTS**(a) Common shares**

As at March 31, 2018, the authorized share capital consists of an unlimited number of first preferred shares, second preferred shares and common shares. To date, no first or second preferred shares have been issued. Before any shares of a particular preferred share series are issued the directors of the Corporation, by resolution shall fix the dividend rates, whether the dividends are cumulative and the redemption price of the redeemable shares. Changes in the issued common shares of the Corporation are as follows:

	Common Shares	Amount
Balance, January 1, 2017	36,224,891	\$ 8,894,064
Shares issued on exercise of share options (i)	250,000	25,000
Allocation of contributed surplus (i)	–	5,000
Shares issued on debt for shares transaction (ii)	5,487,464	384,122
Balance, March 31, 2017	41,962,355	\$ 9,308,186
Shares issued on exercise of share options (i)	600,000	60,000
Allocation of contributed surplus (i)	–	12,000
Shares issued on debt for shares transaction (ii)	6,000,000	360,000
Balance, December 31, 2017	48,562,355	\$ 9,740,186
Shares issued on exercise of share options	–	–
Allocation of contributed surplus	–	–
Balance, March 31, 2018	48,562,355	\$ 9,740,186

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**March 31, 2018 and 2017

18. EQUITY INSTRUMENTS (cont'd)

- (i) Over the course of the 2017 fiscal year, employees and consultants exercised a total of 850,000 options, with a total value of \$85,000. These transactions resulted in a re-allocation of contributed surplus to capital stock in the amount of \$17,000.
- (ii) In 2017, the Corporation offered employees and consultants two opportunities to participate in debt for shares private placements.
- Subsequent to TSX approval, on January 13, 2017, the Corporation closed the offering and issued 5,487,464 common shares (at \$0.07 per share) for a total value \$384,122. 1,871,429 of these shares were issued to directors of the Corporation.
 - Subsequent to TSX approval, on December 29, 2017, the Corporation closed the offering and issued 6 million common shares (at \$0.06 per share) for a total value \$360,000. 1,900,000 of these shares were issued to directors of the Corporation.

(b) Share-based payments

The Corporation has a formal stock option plan allowing the Corporation to issue options to its directors, officers, employees and consultants in order to attract and retain qualified and experienced individuals.

The Board of Directors determines the exercise price and the number of options to be granted as well as all the terms of conditions of the options. All options granted by the Corporation are non assignable. The options generally expire three years subsequent to the date of grant and vest over two years.

No options were granted to non employees during Q1 2018. Details of stock options are as follows:

	Options	Weighted average exercise price
Balance, 1 January 2017	4,010,000	\$ 0.19
Granted	1,115,000	\$ 0.23
Exercised	(850,000)	0.10
Expired	(916,000)	0.23
Balance, December 31, 2017	3,359,000	\$ 0.17
Granted	677,000	\$ 0.10
Exercised	--	0.00
Expired	(230,000)	0.28
Balance, March 31, 2018	3,806,000	\$ 0.19

The stock options expire at various dates between April 2018 and January 2021.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

18. EQUITY INSTRUMENTS (cont'd)

The weighted average expected contractual lives of outstanding and exercisable options are as follows:

Exercise Price	Options Outstanding		Options Exercisable	
	Number of outstanding Mar 31/18	Expected life of option (years)	Number of outstanding Mar 31/18	Expected life of option (years)
\$ 0.10	2,440,000	2.23	1,763,000	1.74
0.15	80,000	0.65	80,000	0.65
0.16	50,000	0.98	50,000	0.98
0.17	266,000	0.77	266,000	0.77
0.26	220,000	0.18	220,000	0.18
0.27	50,000	0.18	50,000	0.18
0.30	700,000	0.07	700,000	0.07
Total	3,806,000	0.73	3,129,000	0.66

Activity related to share based compensation is as follows:

For the period ending March 31, 2018 the Corporation recorded \$5,239 (Q1 2017: \$11,925) as contributed surplus and compensation expense, which is measured at fair value at the date of grant and is expensed over the option's vesting year. The weighted average fair value of options granted during the period ending March 31, 2018 is \$0.07 (Q1 2017: \$0.07).

In determining the amount of share based compensation, the Corporation used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions:

March 31	2018	2017
Stock price	\$0.04	\$0.07
Risk-free interest rate	1.14%	0.49%
Expected life (years)	3 years	3 years
Expected dividend yield	0%	0%
Expected volatility	108.88%	120.63%
Fair value of options issued in the period	0.02	0.07

19. CONTRIBUTED SURPLUS

Contributed surplus for the period ending March 31, 2018 consisted of \$5,239 (Q1 2017: 11,925; December 31, 2017: \$42,020) for share-based payments and re-allocation of contributed surplus on exercise of share options \$NIL (Q1 2017: \$5,000).

Opening balance January 1, 2018	\$ 1,698,960
Share-based payments	5,239
Reallocation on exercise of share options	—
Balance as at March 31, 2018	\$ 1,704,199

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

20. DIVIDENDS PAID AND PROPOSED**Cash dividends**

The Corporation's practice is to not make dividend payments to shareholders.

21. COST OF SALES

The details of the Corporation's cost of sales are as follows:

	March 31, 2018	March 31, 2017
Salaries	\$ 2,235,628	\$ 2,343,447
Travel	118,448	53,210
Other	147,154	27,202
Total	\$ 2,501,230	\$ 2,423,859

22. EXPENSES: DISCLOSURE OF FUNCTION EXPENSES

The details of the Corporation's function expenses are as follows:

Selling	March 31, 2018	March 31, 2017
Salary and wages	\$ 287,259	\$ 283,167
Marketing and advertising	127,607	139,487
Professional services	8,227	4,836
Meals and entertainment	430	9,065
Total	\$ 423,523	\$ 436,555

General and Administrative	March 31, 2018	March 31, 2017
Salary and wages	\$ 342,770	\$ 484,258
Occupancy	88,546	87,909
Consulting	24,228	10,880
Professional fees	50,397	41,521
Insurance	78,833	53,258
Dues and subscriptions	10,527	10,201
Penalties and fees	5,732	30,527
Telecommunication	18,880	15,144
Office equipment	1,174	1,378
Total	\$ 621,086	\$ 735,076

23. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of the Corporation and the subsidiaries listed in the following table:

Name	Country of Incorporation	Equity Interest
NTG Egypt Advanced Software (subsidiary)	Egypt	95%
NTG Clarity Networks US Inc. (subsidiary)	USA	100%

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

23. RELATED PARTY DISCLOSURES (cont'd)

The following tables provide the balances owing to key management and key management compensation for the periods:

	Interest Received	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Key management personnel of the Corporation:			
March 31, 2018	–	\$300,000	\$ 650,565
March 31, 2017	–	\$300,000	\$ 439,455
Key management compensation			
		March 31, 2018	March 31, 2017
Short term employee benefits		\$ 130,087	\$ 250,763
Share-based payments		–	–
Total		\$ 130,087	\$ 250,763

The Ultimate Parent

The Corporation is the ultimate parent entity.

Related Party Transactions

Certain intercompany transactions between the Corporation and its subsidiaries, which are related parties to the Corporation, have been eliminated.

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.

Entity with significant influence over the Corporation

No single entity or party has significant influence over the Corporation. As at March 31, 2018 the Corporation has 48,562,355 common shares outstanding. Related parties (direct and indirect) holdings are as follows:

Ashraf Zaghoul, CEO	6,748,729
Kristine Lewis, CFO	4,226,749
Mohamed Adel Zaghoul	1,400,000
Mohammad Zafar Farooqui	804,762
Nick Hamilton-Piercy	160,714

Terms and conditions of transactions with related parties

Outstanding balances with related parties at the period end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

All transactions with the related parties are carried out in the normal course of operations, and are recorded at fair value.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's primary risk management objective is to protect the Corporation's balance sheet and cash flow.

The Corporation's principal financial liabilities comprise of bank overdraft, long term debt and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Corporation's operations.

The Corporation is exposed to market risk, interest rate risk, foreign exchange risk, credit risk, and liquidity risk.

The Corporation's senior management oversees the management of these risks. The Corporation's senior management is supported by a Committee that advises on financial risks and the appropriate financial risk governance framework for the Corporation.

The Committee provides assurance to the Corporation's senior management that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

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.

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, 2018 to determine how a change in interest rates would impact equity and net loss.

During Q1 2018, the Corporation paid \$133,069 (Q1 2017: \$104,585) on its loans and liabilities. An increase or decrease of 100 basis points in the average interest rate paid during the period would have adjusted net earnings by approximately \$13,307 (Q1 2017: \$10,459). This analysis assumes that all other variables remain constant.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue or expense are denominated in a different currency from the Corporation's functional currency. The parent entity's functional currency is the Canadian dollar.

The Corporation does not hedge the risk related to fluctuations of the exchange rate between USA and Canadian dollars from the date of the sales transactions to the collection date due to the short-term nature of this exposure.

A 10% change in exchange rates on March 31, 2018 would have the following approximate impacts:

10% impact to:	USD	Omani Riyal OMR	Kuwait Dinar KWD	Saudi Riyal SAR	Qatari Riyal QAR	Egyptian Pound LE
P&L in CAD	26,003	101,380	53,386	192,863	821	42,973
Equity in CAD	19,112	74,515	39,239	141,754	603	31,585

A 10% change in exchange rates on March 31, 2017 would have the following approximate impacts:

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

Commodity price risk

The Corporation is not subject to price risk from fluctuations in market prices of commodities.

Equity price risk

The Corporation has no exposure to equity price risk.

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. The Corporation's financial instruments that are exposed to credit risk consist primarily of trade receivable. The Corporation's exposure to credit risk is impacted by the economic conditions for the industry which could affect the customers' ability to satisfy their obligations. In order to reduce risks, the Corporation performs periodic credit evaluations of the financial conditions of its 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. The Corporation also mitigates credit risk through credit insurance coverage with Export Development Canada as explained in Note 26.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

March 31, 2018 and 2017

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The aging of trade accounts receivable is shown in Note 11.

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 March 31, 2018, the Corporation has insured receivables in the amount of \$2,831,068 (December 31, 2017: \$1,541,889) and insured unbilled revenue in the amount of \$3,110,639 (December 31, 2017: \$3,458,652).

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, 2018:

Contractual obligations	2018	2019	2020	2021 and after	Total
Operating line of credit	\$ 7,546,008	\$ –	\$ –	\$ –	\$ 7,546,008
Accounts payable and accrued liabilities	3,816,243	–	–	–	3,816,243
Operating leases	256,028	214,337	145,485	119,121	734,971

Long term debt is calculated by adding the current portion of long term debt and the interest due in 2018. The interest due ranges from prime + 1.05% to prime + 2.05%. The Corporation accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date.

The contractual maturity of the majority of accounts payable is within one month. The aging of trade accounts payable are as follows:

	March 31, 2018	December 31, 2017
Current	\$ 1,166,043	\$ 482,645
31 – 60 days	185,070	140,484
61 – 90 days	249,182	211,177
91 – 180 days	241,205	398,662
More than 180 days	1,171,281	1,483,666
	\$ 3,012,782	\$ 2,716,634

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Capital management

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, 2018, 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 March 31, 2018. Also, no changes were made in the objectives, policies, or processes during the period ending March 31, 2018. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business. The Corporation's objectives when managing capital are to:

- (i) safeguard the Corporation's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders;
- (ii) fund capital projects for facilitation of business expansion provided there is sufficient liquidity of capital to enable the internal financing; and
- (iii) maintain a capital base to maintain investor, creditor, and market confidence.

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.

25. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

Export Development Canada

The Corporation has an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide ninety percent (90%) insurance coverage for the Corporation's invoiced sales and 75% of pre-shipment costs. All coverage is based on approved customers by EDC. The premium paid ranges based on the customer and the customer's country of residence.

For the three months ending March 31, 2018, the premiums paid ranged from \$0.00626 to \$0.0104 per \$100 of monthly invoiced amount (Q1 2017: range of \$0.00462 to \$0.00942). The policy period is from April 1, 2017 to March 31, 2018 with an annual renewal unless the policy is terminated by the Corporation. The policy was renewed for another year until March 31, 2019.

During Q1 2018, the Corporation recorded total premiums of \$5,728 included in general and administration expenses (Q1 2017: \$8,196).

The Corporation is committed under agreements for the rental of office space in Canada at a monthly rate of \$9,232 for the period from June 1, 2016 to May 31, 2021.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**March 31, 2018 and 2017

25. COMMITMENTS, CONTINGENCIES, AND GUARANTEES (cont'd)**Operating lease commitments – Corporation as lessee**

The Corporation is committed under agreements for the rental of office space in Canada, Kuwait, Saudi Arabia, and Oman at a monthly rate ranging from \$2,127 to \$9,232 for the period from January 1, 2017 to May 31, 2021. The lease commitments for the office premises are as follows:

	March 31, 2018	December 31, 2017
2018	256,028	337,729
2019	214,337	214,337
2020	145,485	145,485
2021	80,866	80,866
2022 and thereafter	38,255	38,255
	<u>\$ 734,971</u>	<u>\$ 816,672</u>

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.

26. COLLATERAL

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Notes 16. The Corporation did not hold collateral at March 31, 2018, and March 31, 2017.

27. COMPARATIVE FIGURES

Certain of the 2017 figures have been reclassified to conform with the current year's financial statement presentation.

28. EVENTS AFTER THE REPORTING PERIOD

On April 1, 2018, the Company renewed their insurance coverage policy with EDC for the period April 1, 2018 to March 31, 2019.

Subsequent to quarter end, in May 2018 NTG was awarded a \$963,400 CAD grant to develop an autonomous vehicle user interface. This is a two year project.