



*Simplifying Business Solutions*

# NTG Clarity Networks Inc.

*Simplifying Business Solutions*



[www.stageem.com](http://www.stageem.com)

## ANNUAL REPORT 2017



### Customers

Acquire, Retain, Grow



### Innovation

Products, Model



### Markets

Regions, Segments

New Product Suite

Partnerships

Cloud-Based OSS/BSS

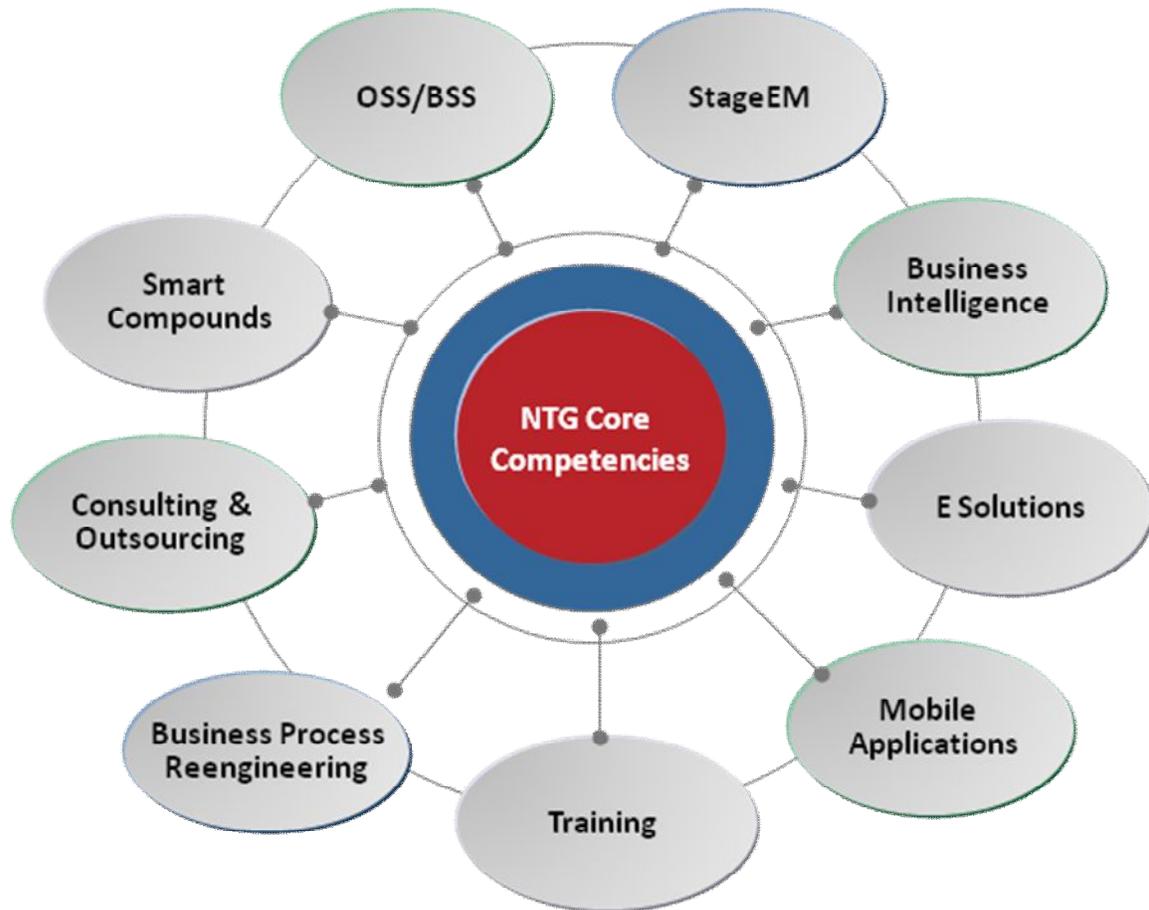
Cloud-Based StageEM

Mobile Apps & M-Commerce

Support New Telecom Services

## Our Vision

To be the leading provider of high quality systems and solutions while creating an environment of success for our customers, employees and shareholders.



## Our Value Proposition

NTG Clarity partners with groups who design, build, manage, and support networks and network software applications.

We are the experts in applying technology, methodology, process, and people to provide quality and on time network services; on your premises or ours. We help you, our customer, to increase revenue, improve customer satisfaction, and focus on your bottom line.

**“We are your software and network services partner!”**

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## Letter to our Shareholders

2017 has been a year of challenges and improvements for NTG Clarity. The Company made some significant headway during the year as we worked to optimize costs and increase cash flow while at the same time increasing our revenue by 26%. The aggressive cost reduction strategy initiated by management in Q3 2016, began to show results in the second half of 2017, and the focus on collections has helped to steady our cash flow. We anticipate that these measures will continue to lead to improvement throughout 2018.

Some key accomplishments in 2017 include:

- a 26% increase in corporate revenues.
- a 16% decrease in selling and marketing costs.
- a 29% decrease in G&A costs as we reduced staff, salaries and consulting costs in Canada and KSA as well as rental space costs in KSA, Kuwait and Oman.
- improvement in operating margins to 35% from 17% in 2016 and 31% in 2015.

We continue to pursue new growth opportunities in our core operating area of Saudi Arabia, in Egypt where many competitors are reluctant to do business in the local currency, as well as in Kuwait and Oman. Many of our recent contract announcements have come from outside Saudi Arabia and these areas are expected to contribute a larger percentage of revenue moving forward.

We remain committed to bringing NTG back to profitability and providing additional growth in 2018. We are currently working on a number of new initiatives which we expect will build on our business model and open up new revenue streams in the second half of this year. We will also focus on capitalizing on the goodwill we have with our existing customers to expand our business and increase our margins. We will concentrate on marketing our products; NTS, StageEM and Voice Over WiFi, which are currently in high demand and have higher margins.

I would like to thank our shareholders for their continued support as we work to place the Company back on a solid foundation of growth and financial stability. While both internal and external challenges remain, the economy is strengthening in the Middle East due largely to a resurgence in oil prices, and NTG is making positive steps toward returning to profitable operations. The hard work and loyalty of our employees will see us emerge a much stronger company and I look forward to a positive year in 2018.

*"Ashraf Zaghloul"*

Ashraf Zaghloul, Chair and Chief Executive Officer  
NTG Clarity Networks Inc.





## **Management’s Discussion & Analysis of Financial Conditions and Results of Operations**

This management discussion and analysis focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications and consulting industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations has been prepared as of April 27, 2018, for the year ended December 31, 2017 and should be read in conjunction with the audited consolidated financial statements and related notes and material contained in other parts of this annual report.

Additional information related to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

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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**

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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, Oman and Kuwait; and the Egypt segment, which is our software development group and now provides professional services to customers in Egypt.

2017 has been a challenge as we worked to optimize costs and increase cash flow, while increasing our revenue by 26% over last year. The aggressive cost reduction strategy initiated by management in Q3

2016, began to show results in the second half of 2017 and the focus on collections has helped to steady our cash flow. We anticipate these measures will continue to show in 2018.

### **Egypt**

Egypt continues to be a challenging place to do business with ongoing restrictions on using foreign currency for business operations, and on moving funds out of the country. The inflation rate has continued to drop from a high of 32% in July to 21.9%<sup>1</sup> at the end of 2017. Interest rates have remained steady for the last 5 months at 18.75%.<sup>2</sup> Export Development Canada's (EDC) Country Risk Quarterly report continues to give Egypt a high risk rating for short-term, however a substantial IMF program has assisted in providing stability despite a reduction of foreign investment<sup>3</sup>. Payment experience remains positive.

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.

Despite the continuing economic challenges in the region and the significant devaluation of the EGP at end of 2016, NTG Egypt's revenue contribution continues to be significant. In 2017, the subsidiary contributed 18% of the Corporation's revenue (2016: 16%). Unconsolidated, NTG Egypt's unconsolidated revenue increased 68% over 2016. The increased revenue came from both new and existing customers, with 50% increase in professional services (outsourced staff) and an almost doubling of sales of hardware and network equipment.

In December 2017, we announced new work going forward:

- a \$178,000 agreement with one of the biggest fertilizer companies in the Middle East, for a total for Oracle Database Appliance (ODA) implementation, data migration and software upgrade. Though Oracle work is not new to NTG, this is a new customer/implementation.
- a \$188,000 implementation of NTG's StageEM product for a large telecom provider scheduled to begin in January 2018. NTG's product will provide service fulfillment and inventory management for the services provided by this customer.
- a \$144,000 extension of a StageEM implementation announced early this year. This is to implement business processes and StageEM on the customer's cloud.
- a \$70,000 extension of professional services with an existing customer.

Additionally, a significant increase in support contract prices was implemented during 2017 and continues for all contracts upon renewal.

We mitigate some of the risks of doing business in the country as our expenses and the majority of our contracts in Egypt are both in the local currency. 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 71% of NTG Egypt's revenue and 54% of NTG Egypt's receivables at year end 2017 (2016: 65% and 69% respectively). Additionally, we have Foreign Funds Insurance, supported by EDC, which insures against possible asset and bank deposit appropriation in Egypt.

### **Saudi Arabia**

Saudi Arabia (KSA) continues to have challenges with lower oil prices and is expected to see minimal growth. Saudi now has a medium short term risk rating from EDC. Despite the fiscal deficit, "FX reserves

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<sup>1</sup> <http://www.tradingeconomics.com/egypt/inflation-cpi>

<sup>2</sup> <http://www.tradingeconomics.com/egypt/interest-rate>

<sup>3</sup> <https://www.edc.ca/EN/Country-Info/Pages/Egypt.aspx>

are expected to cover 27 months of imports in 2018 , more than enough to support the riyal's peg to the USD..”<sup>4</sup>. Though KSA did obtain international financing in 2016, “..the Kingdom’s external debt remains at negligible levels, and foreign exchange reserves exceed the country’s total stock of private and public foreign debt by a factor of two.”<sup>5</sup> In the medium-long term, commercial risk remains low.

NTG has been doing business in KSA for over 10 years, and ongoing initiatives continue to show returns with 55% of our professional service work and 44% of revenue being from KSA (2016: 49% and 51% respectively). With the implementation of many new initiative, including increasing the price of oil locally and relaxing restrictions on entertainment and tourism, KSA’s economy is changing as it searches for new revenue streams.

We anticipate new opportunities going forward as NTG has developed good brand recognition and a solid track record over the years.

### **Kuwait and Oman**

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

- In Q4 2017, we continued work on a Smart Building Systems project valued at approximately \$753,000. Projection completion has been delayed, however we anticipate this to finalize in Q1 2018. We’ve received some changes in some areas in the project that contributed to an increase in the project’s revenue.
- In October 2017, we signed a significant Frame Agreement contract with an operator in the Gulf region, to provide professional services to this new customer. Estimated at \$4.5 Million over a three-year period, this customer accounted for 2% of NTG’s revenue in 2017, and we anticipate this to increase in 2018.

Kuwait has contributed 31% to NTG’s revenue in 2017 (2016: 22%). We continue to work on a list of opportunities for services and products in the telecom, smart building and government sectors.

In 2017, we continued work for our customer in Oman, who is using our NTS Network Inventory and Project Management modules. Work includes change requests and ongoing maintenance/support. We anticipate additional work into 2018 with change requests, ongoing support and additional product licenses, and request for new systems and modules and support customers in mobility. Oman contributed 7% to NTG’s revenue in 2017 (2016: 3%). The product sales in the region assist with recurring revenues from maintenance and support, and extra licenses.

### **Outlook**

In 2017, management has worked to optimize costs for the incoming revenue. Focused collection activities have resulted in a more balanced cash flow, though legacy debt remains a challenge. These activities, along with new customers in Kuwait and KSA, and expanded projects in Egypt, have resulted in returning the Corporation to profitability in the second half of 2017.

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

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<sup>4</sup> <https://exportwise.ca/crq-country-profiles/>, select Saudi Arabia

<sup>5</sup> IBID

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. 2017 has followed this trend and we expect it to continue.

Quarter over quarter revenues remained reasonably consistent with previous years, with the exception of Q4 2016, which had a significant bad debt issue.

The lower revenue in Q1 2017 was mainly due to a longer lead time to close new projects for new customers. Delayed revenues appeared in Q2 2017. This trend was similar to 2016 and 2014.

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 eight most recent quarters (in Canadian dollars).

2017	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 3,007,929	\$ (752,579)	\$ (0.017)	\$ (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
<b>TOTAL</b>	<b>\$ 14,359,523</b>	<b>\$ (1,116,183)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ 8,463,198</b>

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
<b>TOTAL</b>	<b>\$ 11,372,455</b>	<b>\$ (12,526,487)</b>	<b>\$ (0.354)</b>	<b>\$ (0.312)</b>	<b>\$ 8,397,344</b>

## Quarterly and Annual Results of Operations

Financial Highlights for the three months and year ended December 31, 2017:

### Revenue

Consolidated revenues for the three months ended December 31, 2017 was \$3,893,502 compared to \$599,251 for the same period in 2016. Revenue for the year increased 26% to \$14,359,523 compared to \$11,372,455 reported in the prior year and is primarily made up of product-related revenue, professional services and hardware sales.

Professional service revenue continues to be an important strategic source of revenue for us, given its generally recurring nature (77%). The contribution of product-related revenue was lower in 2017,

however we anticipate this to increase going forward as we work to make product sales a more balanced part of NTG's revenue stream. Hardware sales in Egypt and Kuwait made up 7% of overall revenue.

Consolidated revenues for Q4 2017 for the Egypt operating segment were \$955,354 compared to a negative amount for 2016, due to the 55% depreciation in currency in November 2016. For the year ended December 31, 2017 revenues were \$2,583,468 (2016: \$1,776,746). Unconsolidated, revenues for Egypt increased by 68% over the previous year.

For the Canadian operating segment, revenues for the three months ended and year ended December 31, 2017 were \$2,938,148 and \$11,776,056 (2016: \$1,295,964 and \$9,595,709). This 23% year to date increase was due to the doubling of revenue contributions from both Kuwait and Oman.

The Middle East continues to be where the majority of NTG's revenue comes from and as of December 31, 2017, represents substantially all of total revenue. Though sales and marketing efforts in Kuwait, Oman, and KSA have been reduced due to cash flow restrictions, we are hopeful 2018 will continue to see results from our past efforts with both existing and new customers.

Despite the economic difficulties in Egypt, business development efforts have resulted in a consistent revenue contribution to NTG's consolidated revenue. With a significant increase in professional services provided to tier 1 telecom and utility customers in the country, and sales of operating system licenses, support, and networks, Egypt contributed 18% of the Corporation's revenue in 2017 (2016: 16%).

#### **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 \$3,458,652 at December 31, 2017 compared to \$2,264,345 at December 31, 2016. This is due to the timing of billing for contracts. For many contracts, revenue is recognized each month, but billed on a quarterly basis and we anticipate this to continue.

#### **Cost of Sales and Gross Margin**

Cost of sales consists of the expense of personnel providing professional services, and services to implement and provide technical support for our solutions. In addition, it includes an allocation of certain direct and indirect costs attributable to these activities. Cost of sales for the three months and year ended December 31, 2017 were \$2,573,075 and \$9,318,018 respectively.

<b>Cost of sales</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Salaries and wages	\$ 8,008,277	\$ 8,356,835
Travel	187,721	190,246
Hardware	776,349	309,944
Medical inventory	--	164,580
Other expenses	345,671	415,681
<b>Total</b>	<b>\$ 9,318,018</b>	<b>\$ 9,437,286</b>

The small overall reduction in cost of sales was primarily due to reduction in salaries in KSA and Oman as we work to optimize our offerings. At the same time, revenue increased by 26%, validating management's cost cutting strategy.

Cost of sales for the Egypt operating segment were \$1,628,040 compared to \$1,165,615 in 2016. This 40% increase was because of:

- the significant increase in outsourced personnel at customer sites, and therefore increased salary costs.
- a 47% increase in hardware sales to customers.

At the same time, revenue for Egypt has increased by 45% over last year.

For the Canadian operating segment, cost of sales for the three months and year ended December 31, 2017 were \$2,062,143 and \$7,689,978 (2016: \$3,260,344 and \$8,271,671). Canada's 7% cost of sales decrease was mainly due to a reduction in staff/salaries in Oman and KSA, and the fact that there were no Qatar projects in 2017 (compared to 2016).

Gross margin for Q4 2017 was 34% or \$1,320,428 compared to (\$2,394,476) in 2016. Gross margin for the year ending December 31, 2017 was 35% compared to 17% in 2016. Margins are stronger based on our continuing efforts to optimize costs to our revenue. Realistic margins are anticipated to be between 35-40%, based on the product mix.

### **Operating Expenses**

The Corporation's operating expenses were down 28% to \$5,364,665 in 2017 compared to \$7,401,310 in the prior fiscal year and included:

- a 16% decrease in selling and marketing activities that included fewer trade shows, elimination of activities in the US, and significantly less travel for sales personnel.
- a 29% decrease in G&A costs as we reduced:
  - staff, salaries and consulting costs in Canada and KSA
  - rental space costs in KSA, Kuwait and Oman
- a significantly smaller loss on foreign exchange, as currencies stabilize.

### **Selling and Marketing**

Selling and marketing expenses consist primarily of sales staff remuneration, commissions, travel, advertising, consulting, and trade show costs. Sales and marketing expenses for the three months and year ended December 31, 2017 were \$573,916 and \$2,152,153 respectively (2016: \$551,239 and \$2,559,928). Year to date selling expenses decreased by 16%, as we work to optimize our salaries and marketing efforts, as contracts allow.

<b>Selling</b>	<b>For the twelve months ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Salary and wages	\$ 1,462,414	\$ 1,848,432
Marketing and advertising	509,325	531,833
Mailing and courier	5,859	23,863
Professional services	15,759	18,083
Meals and entertainment	134,751	137,717
Miscellaneous	24,045	--
<b>Total</b>	<b>\$ 2,152,153</b>	<b>\$ 2,559,928</b>

### **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 and year ended December 31, 2017 were \$819,940 and \$3,170,997 respectively compared to \$637,528 and \$4,488,100 in 2016. Year to date G&A costs were 29% lower than

in 2016 as we reduced staff, salaries and consultants in Canada and KSA. We also reduced the occupancy costs in Kuwait.

<b>General and Administrative</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Salary and wages	\$ 1,813,222	\$ 2,062,467
Occupancy	335,596	577,161
Consulting	109,577	511,086
Professional fees	128,538	149,946
Insurance	443,006	486,127
Performance bond fees	23,594	29,511
Foreign withholding taxes	--	190,818
Dues and subscriptions	31,916	52,246
Penalties and fees	130,722	73,955
Telecommunication	63,249	37,513
Office equipment	20,353	27,411
Miscellaneous	71,224	289,859
<b>Total</b>	<b>\$ 3,170,997</b>	<b>\$ 4,488,100</b>

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

### **Foreign Exchange Gain/Loss**

The Corporation's consolidated financial statements are presented in Canadian dollars. Each entity in the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency and the presentation currency of the parent entity is the Canadian dollar. 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 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:

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

For the quarter ended December 31, 2017, the Corporation recognized a foreign currency exchange loss of \$59,021, compared to a gain of \$495,616, in the same period in 2016. For the year ended December 31,

2017, the Corporation recognized a foreign currency exchange loss of \$35,341, compared to a loss of \$353,282 in the year ended 2016. The larger 2016 loss was the result of the devaluation of the Egyptian pound in relation to the Canadian dollar.

For more information on foreign exchange, see Note 4(b): Foreign currency translation.

### **Other Expenses**

With the exception of interest paid, other expenses were lower than in 2016:

- share-based compensation decreased 60% over 2016 as not as many options were issued.
- amortization costs were lower by 47% because of the impairment/write down of the intangible asset (StageEM) in 2016.
- depreciation costs were lower as fewer assets were purchased.
- intangible asset impairment was present in 2016, but not in 2017.

### **Research and Development**

Research and development, other than for the StageEM product, is paid for by customer requests and is therefore, included in cost of sales.

### **Provision for Bad Debt**

The provision for bad debt of \$13,231 was for impaired receivables in Egypt from previous years. Q4 2016 was affected by a high bad debt expense of \$1,698,654.

### **Amortization of Intangible Assets**

Intangible assets relate to the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS.

The amortization cost for 2017 was \$364,417 (2016: \$681,354). 2017 contained no amortization of StageEM, as the amount of \$4,045,326 was recorded as a loss from impairment at year end 2016.

### **Interest Expense**

As at December 31, 2017, the interest expense was \$512,318 in 2017 as compared to \$374,523 in 2016. The significant increase was due to carrying a high balance in our credit facility and credit card balances.

### **Foreign Taxes**

Foreign taxes are primarily taxes paid by NTG as a foreign entity working in Saudi Arabia, and some taxes paid by NTG Egypt. Foreign tax expense for the three months and year ended December 31, 2017 were \$20,189 and \$55,383 compared to \$21,147 and \$91,855 during the same period in 2016. This amount varies due to the timing of project execution.

### **Share-based Compensation**

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

Stock options granted in Q4 2017 totalled 890,000 (2016: 1,355,000). Stock options granted during the year ended December 31, 2017 totalled 1,115,000 (2016: 1,868,000) of which, 100,000 were granted to the new Board of Director member. Substantially all options were granted to replace expired options for employees, consultants, and directors. We do not anticipate that many options will be exercised in 2018 due to the current reduced share price.

The weighted average expected contractual lives of outstanding and exercisable options are shown in Note 18(b). 3,259,000 options have vested and there are 3,359,000 issued. The difference of 100,000 will vest in March 2018.

During the year, 850,000 share options were exercised for a cash in-flow of \$85,000 and we reallocated \$17,000 from Contributed Surplus to Share Capital.

### **Income Taxes**

The Corporation has taxes payable of \$NIL (2016: \$ NIL) for the taxation year ending December 31, 2017.

### **Net Gain (Loss)**

For Q4 2017, the Corporation recorded a net loss of (\$409,372) compared to (\$8,649,235) for the same period in 2016. For the year ending December 31, 2017, the Corporation recorded a net loss of (\$1,116,183) compared to (\$12,526,486) in 2016.

Factors contributing to the significant improvement include the following:

- a 16% decrease in selling and marketing activities that included fewer trade shows, elimination of activities in the US, and significantly less travel for sales personnel.
- a 29% decrease in G&A costs which included:
  - a decrease in salaries and wages and consulting costs for staff in Canada and KSA
  - a reduction in rental expenses for our offices/accommodations in KSA, Oman and Kuwait
- a significantly smaller loss on foreign exchange balances and on translation of foreign operations, as currencies stabilize.

Management continues to work to optimize costs with revenues.

### **Assets and non-current liabilities**

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As of December 31, 2017, the Corporation closed the year with \$104,444 cash on hand (2016: \$234,761), performance bonds of \$120,126 (2016: \$45,635) and prepaid amounts of \$138,835 (2016: \$192,059).

#### **Intangible assets**

Intangible assets relate to the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS.

As per IFRS, development expenditures are capitalized as development costs can be measured reliably, the products are technically and commercially feasible, future economic benefits exist, and the Corporation intends to have sufficient resources to use or sell the assets. Assets are being amortized over a 10 year period. The amortization cost for 2017 was \$364,417 (2016: \$681,354).

Management considers NTS to be a valuable asset; however the percentage of product-related revenue varies depending on the timing of product licenses and support billing. In 2017, product-related revenue was responsible for approximately 15% of the Corporation's revenue (2016: 25%). Development expenditures continue to be amortized at a consistent rate for the remainder of the life of the asset.

An impairment test is performed on the non-current assets at year end, or when indicators warrant it. A test was performed at year end 2017 and there was no impairment. The Corporation will continue to assess on a quarterly basis for indicators of impairment.

### **Property and equipment**

Property and equipment of \$259,942 as of December 31, 2017 (2016: \$272,579) consists mainly of computer equipment and office furniture with a useful life of 4-10 years. The Corporation is not dependant on tangible assets and expects the purchase and disposal of property and equipment to be consistently modest in the foreseeable future. The Corporation had additions of \$16,197 during 2017 (2016: \$80,480) and depreciation of \$59,732 (2016: \$92,349).

### **Non-current liabilities**

As of December 31, 2017, there are no non-current liabilities.

### **Liquidity and Capital Resources**

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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 2017, we funded operations, changes in non-cash working capital and capital expenditures using internally generated cash flows, our credit facility, cash on hand, and the closing of two private placements.

Working capital as at December 31, 2017 was (\$4,990,696) compared to (\$5,119,015) at December 31, 2016. The working capital is improving with an increase in receivables, and bonds. The negative number was primarily due to last year's \$3.5 Million reduction in accounts receivable, and the use of working capital to fund the investment in the development of our new software product (StageEM).

Efforts to address our working capital needs in 2017 included:

- closing two shares for debt transactions in January and December 2017, to reduce payables by \$384,000 and \$360,000 respectively.
- increasing our collection activities.
- investigating alternate sources of raising funds. This has been difficult due to last year's results and the low share price.
- eliminating the use of working capital to fund StageEM.

### **Cash Flow Provided by Operations**

The cash out-flow from operating activities for the year ended December 31, 2017 was (\$449,705) compared to a cash in-flow of \$970,275 for the same period in 2016. The substantial difference from last year was due to:

- a \$551,957 increase in accounts receivable, compared to a \$5.3 Million decrease in accounts receivable in 2016
- a smaller \$137,388 increase in accounts payable, compared to a \$2.4 Million increase in accounts payable and accrued liabilities in 2016.
- 2016 included a loss from impairment of \$4 Million
- a much improved net loss of (\$1,116,183) compared to a net loss of (\$12,526,486) in 2016.

### **Cash Flow from Financing Activities**

The cash in-flow from financing activities for the year ended December 31, 2017 was \$366,482 compared to \$1,113,684 for the same period in 2016.

The substantial change in in-flow compared to 2016 was due to:

- the issuance of common shares from the private placements and the exercising of options
- the lower increase in bank indebtedness of \$56,214 compared to \$1.4 Million in 2016

### **Cash Flow from Investing Activities**

Cash out-flow from investing activities for the year ended December 31, 2017, was (\$47,094) compared to (\$2,205,416) for the same period in 2016.

The significantly larger cash out-flow in 2016 was due to the investment in our software product, StageEM. In 2016, an impairment test indicated substantial impairment for the capitalization of StageEM and the amount of \$4,045,326 was recorded as a loss from impairment at year end 2016.

### **Commitments and Contractual Obligations**

The Corporation is committed under agreements for the rental of office space in Canada (June 1, 2016 to May 31, 2021). Additionally we have short term agreements for the rental of office space in KSA, Oman, Kuwait and Egypt, as well as lease obligations for office equipment. The following table summarizes contractual obligations for future years.

<b>Contractual obligations</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and after</b>	<b>Total</b>
Operating line of credit	\$ 7,488,751	\$ –	\$ –	\$ –	\$ 7,488,751
Accounts payable and accrued liabilities	3,885,223	–	–	–	3,885,223
Operating leases	337,729	214,337	145,485	119,121	816,672

### **Debt and Credit Facilities**

As of December 31, 2017, the Corporation has credit facilities with RBC Royal Bank: an operating line based on marginable receivables, a revolving facility to support pre-shipping costs associated with exports, a \$1.5 Million performance/bid bond facility, and a non-revolving facility that supports overages.

In April 2017, the facility was restructured and the credit limits were changed to:

- \$2.7 million based on marginable receivables (revolving Facility 1)
- \$3.1 million for the pre-shipping (revolving Facility 2)
- \$1.5 million for the Letters of Guarantee (LGs) (Facility 3); and
- \$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 September, 2017 the bank extended the Facility 4 repayment deadline to March 1, 2018 and requiring NTG to pay down \$50,000 per month from the principal. As of December 31, 2017, the Corporation continues to be in violation of its margin requirements under the Existing Loan Agreement and the amount owing on Facility 4 is \$2,041,890 (2016: 2,241,890).

Subsequent to year end, in February 2018, the bank extended the repayment deadline to September 1, 2018 and requires NTG to pay down \$60,000 per month from the principal.

Additionally, at December 31, 2017, the Corporation also had one advance payment guarantee, and two performance bonds issued in its name and supported by EDC, in the amount of approximately \$474,558 (2016: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. One performance bond was released in January, 2018 and the other bonds will expire in March, 2019. Premiums for these bonds for the three months and year ended December 31, 2017 were \$1,590 and \$23,594 respectively (2016: \$8,196 and \$29,511, respectively).

EDC currently supports bonds for NTG on an as needed basis. We currently have \$474,558 in performance bonds, which will expire in March 2019.

### **Off-Balance Sheet Arrangements**

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

### **Transactions with Related Parties**

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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**

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

Significant accounting policies are presented in detail in Note 3 of our audited consolidated financial statements for the year ended December 31, 2017. These are available on SEDAR ([www.sedar.com](http://www.sedar.com)). The policies applied in these statements are based on IFRS issued and outstanding as of April 27, 2018, the date the Board of Directors approved the consolidated financial statements.

### **Proposed Transactions**

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There are no proposed transactions.

### **Business Risk and Management**

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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 KSA; and Yaser Yousef, CTO. Though we have worked hard to diversify our customer base, we are dependent on a few large customers. In 2017, 23% (2016: 21%) of the Corporation's revenue was from one customer. As at December 31, 2017, approximately 14% (2016: 12%) 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 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 45% of our revenue comes from work done in the Kingdom of Saudi Arabia (KSA). EDC's latest Country Risk Quarterly (Winter 2017-2018) indicates "...The commercial environment is public sector opportunities which should translate into a more favorable growth trajectory<sup>6</sup>". NTG considers the risks to operating in KSA to be low, however we continue to insure receivables with EDC and are working to retain new customers in other countries. All our KSA customers' invoices are insured to 90% and up to 180 days.

Historically 7-11% of our revenue comes from work done through our subsidiary NTG Egypt, based in Cairo, Egypt. Since 2014, the contribution percentage has grown from 13.7% to 18% in 2017. The political and economic difficulties in the region, have impacted the currency, but have positively affected our Egypt operations.

Unconsolidated, NTG Egypt's revenue has increased by 38.5% over to last year. There is a continuing increase in professional services provided to tier 1 telecom and utility customers as well as sales of

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<sup>6</sup><http://www.edc.ca/EN/Country-Info/Pages/Saudi-Arabia.aspx>

operating system licenses, support, hardware and networks. The telecom industry's challenges in the region continues to have a positive effect on NTG Egypt's revenue.

### Interest rate risk

The Corporation's exposure to interest rate fluctuations is primarily interest paid on its bank indebtedness and long-term loans. The Corporation has performed sensitivity analysis on interest rates at December 31, 2017 to determine how a change in interest rates would impact equity and net loss. During the year, the Corporation paid \$515,161 (2016: \$374,523) on its bank loans. An increase or decrease of 100 basis points in the average interest rate paid during the period would have adjusted net earnings by approximately \$51,516 (2016: \$37,452). 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 79% 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 December 31, 2017, the Corporation has insured receivables in the amount of \$1,541,889 (2016: \$1,540,127) and unbilled revenue in the amount of \$3,675,762 (2016: \$2,264,345).

### 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.

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 December 31, 2017 would have the following approximate 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	22,413	86,870	7,116	196,077	786	63,082
Equity in CAD	16,275	63,849	5,230	144,116	578	43,366

## Liquidity risk

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

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial instruments as at December 31, 2017:

<b>Contractual obligations</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and after</b>	<b>Total</b>
Operating line of credit	\$ 7,488,751	\$ –	\$ –	\$ –	\$ 7,488,751
Accounts payable and accrued liabilities	3,885,223	–	–	–	3,885,223
Operating lease	337,729	214,337	145,485	119,121	816,672

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

There have been no changes in the Corporation's approach to capital management during the year ending December 31, 2017. Also, no changes were made in the objectives, policies, or processes during the year ending December 31, 2017. We 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 December 31, 2017, of the \$120,126 in performance bonds (2016: \$45,635), \$56,999 (2016: \$25,651) was for 2 bid bonds and 5 performance bonds in Saudi Arabia (KSA) to guarantee delivery against work on various projects and \$79,259 (2016: \$19,984) was for various bid bonds in Egypt. Performance bonds typically remain in place for a period of one year from the start of the project and are released back to the Corporation when the project is completed subsequent to customer acceptance. Bid bonds are typically in place for a 90-120 day period but can be extended. The bonds are non-interest bearing.

Additionally, at December 31, 2017, we also had one advance payment guarantee, and two performance bonds issued in its name and supported by EDC, in the amount of approximately \$474,558 (2016: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. One performance bond was released in January, 2018 and the other bonds will expire in March, 2019. Premiums for these bonds for the three months and year ended December 31, 2017 were \$1,590 and \$23,594 respectively (2016: \$8,196 and \$29,511, respectively).

### **Legal claim contingency**

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

### **Guarantees**

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

### **Collateral**

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Note 17. The Corporation did not hold collateral at December 31, 2017, and December 31, 2016.

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of 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**

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As at April 27, 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.

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.

## Management's Statement of Responsibility

The management of **NTG Clarity Networks Inc.** is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and are considered by management to present fairly the financial position and operating results of the Corporation.

The Corporation maintains various systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide reliable financial statements.

The Corporation's audit committee is comprised of independent directors and a management representative and is appointed by the Board of Directors annually. The committee meets periodically with the Corporation's management and independent auditors to review the consolidated financial statements and the independent auditors report. The audit committee has approved the consolidated financial statements and reported its findings to the Board of Directors.

The Corporation's independent auditors, NVS Chartered Accountants Professional Corporation, have examined the consolidated financial statements and their report follows.

*"Ashraf Zaghloul"*

**Ashraf Zaghloul**  
Chief Executive Officer  
April 27, 2018

*"Kristine Lewis"*

**Kristine Lewis**  
President  
April 27, 2018

## Independent Auditor's Report

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To the Shareholders of  
**NTG Clarity Networks Inc.:**

We have audited the accompanying consolidated financial statements of **NTG Clarity Networks Inc.**, which comprise the consolidated statements of financial position as at **December 31, 2017 and 2016**, and the consolidated statement of changes in equity, the consolidated statements of profit and loss and comprehensive loss and the consolidated statement of cash flows for the years ended **December 31, 2017 and 2016**, and a summary of significant accounting policies and other explanatory information.

**NVS CHARTERED ACCOUNTANTS PROFESSIONAL CORPORATION**  
100 Allstate Parkway, Suite 303, Markham, Ontario L3R 6H3 Tel: 905.415.2511 Fax: 905.415.2011

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **NTG Clarity Networks Inc.** as at **December 31, 2017 and 2016**, and its financial performance and its cash flows for the years ended **December 31, 2017 and 2016** in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

*NVS Chartered Accountants Professional Corporation*

NVS Chartered Accountants Professional Corporation  
Authorized to practice public accounting by  
the Chartered Professional Accountants of Ontario

Markham, Ontario  
April 27, 2018

**NVS CHARTERED ACCOUNTANTS PROFESSIONAL CORPORATION**  
100 Allstate Parkway, Suite 303, Markham, Ontario L3R 6H3 Tel: 905.415.2511 Fax: 905.415.2011

**NTG CLARITY NETWORKS INC.**  
**Audited Consolidated Statements of Financial Position**

(In Canadian Dollars)

<b>December 31,</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 10)	104,444	234,761
Trade and other receivables (Note 11)	6,166,032	5,614,075
Bid/Performance bonds (Note 13)	120,126	45,635
Prepaid expenses and deposits (Note 12)	138,835	192,059
<b>Total current assets</b>	<b>\$ 6,529,437</b>	<b>\$ 6,086,530</b>
Non-current assets		
Property, plant and equipment (Note 14)	259,942	272,579
Intangible assets (Note 15)	1,373,819	1,738,235
Due from related parties (Note 24)	300,000	300,000
<b>Total non-current assets</b>	<b>1,933,761</b>	<b>2,310,814</b>
<b>Total Assets</b>	<b>\$ 8,463,198</b>	<b>\$ 8,397,344</b>
<b>LIABILITIES</b>		
Current liabilities		
Bank indebtedness (Note 17)	\$ 7,488,751	\$ 7,432,537
Accounts payable and accrued liabilities (Note 16)	3,885,223	3,747,835
Current portion of leasehold liability	3,693	3,690
Deferred revenue	142,466	21,483
<b>Total current liabilities</b>	<b>\$ 11,520,133</b>	<b>\$ 11,205,545</b>
Leasehold liability	8,927	12,620
<b>Total liabilities</b>	<b>\$ 11,529,060</b>	<b>\$ 11,218,165</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 18)	9,740,186	8,894,064
Contributed surplus (Note 19)	1,698,960	1,673,940
Foreign exchange account	(506,095)	(475,785)
Deficit	(13,998,913)	(12,913,040)
<b>Total shareholders' equity</b>	<b>(3,065,862)</b>	<b>(2,820,821)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,463,198</b>	<b>\$ 8,397,344</b>

Approved on behalf of the Board:

*"Ashraf Zaghloul"*

Director

*"Kristine Lewis"*

Director

See accompanying notes to consolidated financial statements.

**NTG CLARITY NETWORKS INC.**  
**Audited Consolidated Statements of Changes in Equity**  
For the years ended December 31, 2017 and December 31, 2016

(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Foreign Exchange Reserve	Total Shareholders' Equity
<b>Balance, January 1, 2016</b>	\$ 8,881,959	\$ 1,572,517	\$ (1,011,922)	\$ 149,583	\$ 9,592,137
Income from continuing operations	–	–	(11,901,118)	–	(11,901,118)
Other comprehensive loss	–	–	–	(625,368)	(625,368)
Share-based compensation	–	106,278	–	–	106,278
Issuance of share capital	7,250	–	–	–	7,250
Reallocation of contributed surplus	4,855	(4,855)	–	–	–
<b>Balance, December 31, 2016</b>	\$ 8,894,064	\$ 1,673,940	\$ (12,913,040)	\$ (475,785)	\$ (2,820,821)
Income from continuing operations	–	–	(1,085,873)	–	(1,085,873)
Other comprehensive loss (Note 4(b))	–	–	–	(30,310)	(30,310)
Share-based compensation (Note 19)	–	42,020	–	–	42,020
Issuance of share capital (Note 18)	85,000	–	–	–	85,000
Reallocation of contributed surplus (Note 18)	17,000	(17,000)	–	–	–
Shares for debt (Note 18)	744,122	–	–	–	744,122
<b>Balance, December 31, 2017</b>	\$ 9,740,186	\$ 1,698,960	\$ (13,998,913)	\$ (506,095)	\$ (3,065,862)

**NTG CLARITY NETWORKS INC.****Audited Consolidated Statements of Profit and Loss and Comprehensive Income**

(In Canadian Dollars)

<b>For the years ended December 31,</b>	<b>2017</b>	<b>2016</b>
<b>REVENUE</b> (Note 7)	\$ 14,359,523	\$ 11,372,455
<b>COST OF SALES</b> (Note 22)	9,318,018	9,437,286
<b>GROSS PROFIT</b>	\$ 5,041,505	\$ 1,935,169
<b>OPERATING EXPENSES</b>		
Selling (Note 23)	2,152,153	2,559,928
General and administration (Note 23)	3,170,997	4,488,100
Loss on foreign exchange	41,515	353,282
Total expenses	5,364,665	7,401,310
<b>INCOME (LOSS) FROM OPERATIONS</b>	\$ (323,160)	\$ (5,466,141)
<b>OTHER EXPENSES</b>		
Amortization (Note 15)	364,417	681,354
Depreciation (Note 14)	59,732	92,348
Bad debt expense	–	1,698,654
Impairment (recovery) of unbilled revenue (Note 11)	(274,000)	–
Interest	515,161	374,523
Foreign taxes	55,383	91,855
Research and development	–	75,014
Share-based compensation (Note 19)	42,020	106,278
Loss from impairment of intangible asset (Note 15)	–	4,045,326
Total other expenses	762,713	7,165,352
<b>NET INCOME (LOSS) BEFORE TAXES</b>	\$ (1,085,873)	\$ (12,631,493)
<b>INCOME TAXES</b> (Note 8)		
Current income tax expense (recoverable)	–	(730,375)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	\$ (1,085,873)	\$ (11,901,118)
Other comprehensive income:		
Exchange gain (loss) arising on translation of foreign operations (Note 4(b))	(30,310)	(625,368)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	\$ (1,116,183)	\$ (12,526,486)
<b>Earnings (loss) per share</b> (Note 9)		
Basic	\$ (0.02)	\$ (0.35)
Diluted	\$ (0.02)	\$ (0.31)
<b>Weighted average number of shares outstanding</b> (Note 9)		
Basic	48,562,355	36,154,891
Diluted	51,377,108	40,250,386

See accompanying notes to consolidated financial statements.

**NTG CLARITY NETWORKS INC.**  
**Audited Consolidated Statements of Cash Flows**

(In Canadian Dollars)

<b>For the years ended December 31,</b>	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used in)</b>		
<b>OPERATION ACTIVITIES</b>		
Net loss for the year	\$ (1,116,183)	\$ (12,526,486)
Add-Items not affecting cash:		
Amortization (Note 15)	364,417	681,355
Depreciation (Note 14)	59,732	92,349
Interest expense	515,161	374,523
Share-based payment (Note 18)	42,020	106,278
Loss from impairment of intangible asset (Note 15)	–	4,045,326
	\$ (134,855)	\$ (7,226,655)
Net change in non-cash working capital items,		
Decrease (increase) in accounts receivable	\$ (551,957)	\$ 5,367,731
Increase in deferred revenue	120,983	21,483
Decrease in inventory	–	188,059
Decrease (increase) in performance bond	(74,491)	18,145
Decrease in prepaid expenses and other assets	53,224	105,978
Increase in accounts payable and accrued liabilities	137,388	2,493,264
Increase in leasehold liability	3	2,270
<b>TOTAL CASH IN-FLOW (OUT-FLOW) FROM OPERATING ACTIVITIES</b>	<b>\$ (449,703)</b>	<b>\$ 970,275</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(515,161)	(374,523)
Issuance of common shares (Note 18) (a)( ii)	85,000	7,250
Issuance of shares for debt (Note 18)(a)( iii)	744,122	–
Increase in bank indebtedness	56,214	1,468,337
Increase in leasehold liability	(3,693)	12,620
<b>TOTAL CASH IN-FLOW FROM FINANCING ACTIVITIES</b>	<b>\$ 366,482</b>	<b>\$ 1,113,684</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment (Note 14)	(47,094)	(80,480)
Capitalization of intangibles (Note 15)	–	(2,124,936)
<b>TOTAL CASH (OUT-FLOW) FROM INVESTING ACTIVITIES</b>	<b>\$ (47,094)</b>	<b>\$ (2,205,416)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(130,317)</b>	<b>(121,457)</b>
Cash balance, beginning of period	234,761	356,218
Cash balance, end of period	\$ 104,444	\$ 234,761

See accompanying notes to consolidated financial statements.

## **1. CORPORATE INFORMATION**

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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**

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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 December 31, 2017, the Corporation had a working capital deficit of \$4,990,696 (2016: \$5,119,015), operating loss of \$323,160 (2016: \$5,466,141) and accumulated losses since inception of \$13,998,913 (2016: \$12,913,040). At year end, the Corporation was in violation of its margin requirements in the amount of \$2,041,890. Subsequent to year end, 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**

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

### **Statement of Compliance**

The audited 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, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in effect at the closing date of April 27, 2018.

## **NTG CLARITY NETWORKS INC.**

### **Notes to the Audited Consolidated Financial Statements**

December 31, 2017 and 2016

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#### **3. BASIS OF PRESENTATION (cont'd)**

Management of the Corporation prepared the consolidated financial statements of the Corporation during January and February 2018, and the Board of Directors approved them. The Audit Committee of the Corporation discussed the audited consolidated financial statements at its meeting on April 27, 2018, and the Board of Directors approved them at its meeting on April 27, 2018.

The audited 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 audited consolidated statement of profit and loss and comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and consolidated statement of changes in equity, certain items are combined for the sake of clarity.

These are explained within the notes. The 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**

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##### **(a) Basis of consolidation**

The audited consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at December 31, 2017.

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. 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 December 31, 2017 is its 95% owned subsidiary, NTG Egypt Advanced Software, and its wholly owned U.S. subsidiary, NTG Clarity Networks US Inc.

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

##### **(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:

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 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.

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

**(b) Foreign currency translation (cont'd)**

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.

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 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.

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

##### **(b) Foreign currency translation (cont'd)**

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:

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.

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

**(b) Foreign currency translation (cont'd)**

On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re attribute 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. 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.

**(c) Revenue Recognition (cont'd)**

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).

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

##### **(c) Revenue Recognition (cont'd)**

Revenue is recognized in line with the requirements for selling goods stated in IFRS 15 (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. 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.

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

**(c) Revenue Recognition (cont'd)**

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.

**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.

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

##### **(d) Taxes (cont'd)**

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.

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.

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

**(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. 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).

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

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

###### **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. 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. 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.

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

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

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.

**(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 years ending December 31, 2017 and December 31, 2016.

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

##### **(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. 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:

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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

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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.

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

**(k) Leases (cont'd)**

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 years December 31, 2017 and December 31, 2016, 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.

**(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 years ending December 31, 2017 and December 31, 2016, the Corporation did not capitalize any borrowing cost.

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

**(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.

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

##### **(o) Product development costs (cont'd)**

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.

##### **(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 years ending December 31, 2017 and December 31, 2016.

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.

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

**(p) Impairment of non-financial assets (cont'd)**

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.

**(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.

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

##### **(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.

##### **(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**

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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.

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

**Unbilled revenues**

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.

**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 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 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**

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As at April 27, 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.

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

December 31, 2017 and 2016

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

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, track 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 year ending December 31, 2017**

	<b>NTG Canada</b>		<b>NTG Egypt</b>		<b>Consolidated Total</b>	
Revenue	\$	11,776,055	\$	2,583,468	\$	14,359,523
Cost of sales		7,689,978		1,628,040		9,318,018
Gross margin	\$	4,086,077	\$	912,388	\$	5,041,505
Expenses		(4,798,867)		(879,290)		(5,678,157)
Depreciation / Amortization		(404,528)		(19,621)		(424,149)
Foreign taxes		(36,621)		(18,762)		(55,383)
<b>Net income (loss) after taxes</b>	<b>\$</b>	<b>(1,153,939)</b>	<b>\$</b>	<b>37,755</b>	<b>\$</b>	<b>(1,116,183)</b>

**7. OPERATING SEGMENT INFORMATION (cont'd)**

**Statement of profit and loss for the year ending December 31, 2016**

	NTG Canada	NTG Egypt	Consolidated Total
Revenue	\$ 9,595,709	\$ 1,776,746	\$ 11,372,455
Cost of sales	8,271,671	1,165,615	9,437,286
Gross margin	\$ 1,324,038	\$ 611,131	\$ 1,935,169
Expenses	(13,141,404)	(1,185,069)	(14,326,473)
Depreciation / Amortization	(722,313)	(51,389)	(773,702)
Foreign taxes	(72,057)	(19,798)	(91,855)
Income taxes	730,375	-	730,375
<b>Net income (loss) after taxes</b>	<b>\$ (11,881,361)</b>	<b>\$ (645,125)</b>	<b>\$ (12,526,486)</b>

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

**Long term asset additions for the year ended December 31, 2017**

	NTG Canada	NTG Egypt	Consolidated Total
<b>Asset additions for the year ending December 31, 2017</b>			
Property and equipment	\$ 30,897	\$ 16,197	\$ 47,094
Intangible assets	-	-	-
	<b>\$ 30,897</b>	<b>\$ 16,197</b>	<b>\$ 47,094</b>

**Long term asset additions for the year ended December 31, 2016**

	NTG Canada	NTG Egypt	Consolidated Total
<b>Asset additions for the year ending December 31, 2016</b>			
Property and equipment	\$ 32,207	\$ 48,273	\$ 80,480
Intangible assets	2,124,936	-	2,124,936
	<b>\$ 2,157,143</b>	<b>\$ 48,273</b>	<b>\$ 2,205,416</b>

**Long term assets for the year ended December 31, 2017**

	NTG Canada	NTG Egypt	Consolidated Total
<b>Assets as at December 31, 2017</b>			
Property and equipment	\$ 145,871	\$ 114,071	\$ 259,942
Intangible assets	1,373,819	-	1,373,819
	<b>\$ 1,596,690</b>	<b>\$ 114,071</b>	<b>\$ 1,633,761</b>

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

December 31, 2017 and 2016

**7. OPERATING SEGMENT INFORMATION (cont'd)****Long term assets for the year ended December 31, 2016**

	NTG Canada	NTG Egypt	Consolidated Total
<b>Assets as at December 31, 2016</b>			
Property and equipment	\$ 155,085	\$ 117,494	\$ 272,579
Intangible assets	1,738,235	-	1,738,235
	<b>\$ 1,893,320</b>	<b>\$ 117,494</b>	<b>\$ 2,010,814</b>

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

<b>Sales by geographic location for the year ending December 31,</b>	<b>2017</b>	<b>2016</b>
Saudi Arabia	\$ 6,294,162	\$ 5,994,171
Egypt	2,583,468	2,111,408
Oman	980,834	227,731
Kuwait	4,501,059	3,014,909
Others	-	24,236
	<b>\$ 14,359,523</b>	<b>\$ 11,372,455</b>

The majority of the Corporation's revenue is derived from the telecommunication industry and was earned through service contracts from one client. In 2017, approximately 27% (2016: 25%) of the Corporation's revenue was derived from one customer.

<b>Receivables by segment for the year ending December 31,</b>	<b>2017</b>	<b>2016</b>
Canada	\$ 5,252,917	\$ 4,405,569
Egypt	913,115	478,131
	<b>\$ 6,166,032</b>	<b>\$ 4,883,700</b>

As at December 31, 2017, approximately 21% (2016: 33%) of the Corporation's trade accounts receivable balance was from one customer.

**8. INCOME TAXES**

The income tax payable differs from the amount which would be obtained by applying the Canadian expected tax rate as follows:

<b>As at</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Income tax rate	26.50%	26.50%
Computed "expected" income tax payable	\$ -	\$ -
Non-deductible items	-	-
Amortization in excess of CCA & CEC deduction	-	-
Foreign income tax credit	-	-
Application of non capital losses	-	-
Taxes recoverable due to losses carryback	-	(730,375)
	<b>\$ -</b>	<b>\$ (730,375)</b>

**8. INCOME TAXES (cont'd)**

The components of the deferred tax assets at December 31, 2017 are as follows:

As at	December 31, 2017	December 31, 2016
Deferred tax asset in relation to:		
Property and equipment	\$ 33,141	\$ 28,338
Non-capital loss carryforwards	1,328,112	1,128,433
<b>Deferred tax assets not recognized</b>	<b>1,361,253</b>	<b>1,156,771</b>
Less: Valuation allowance	1,361,253	1,156,771
Deferred tax asset recognized	\$ –	\$ –

The deferred tax asset has not been recognized in these consolidated financial statements, as management does not consider it probable that those assets will be realized in the carry forward period.

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.

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

**As at December 31, 2017**

Options – Share-based payments (Note a) 3,359,000

Note a: Of which 3,259,000 had vested as of December 31, 2017.

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

December 31, 2017 and 2016

**9. EARNINGS PER SHARE (cont'd)**

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

December 31,	2017	2016
Net earnings (loss) attributable to ordinary equity holders of the parent for basic earnings	(\$1,116,183)	(\$12,526,486)
<b>Net earnings (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution</b>	<b>(\$1,116,183)</b>	<b>(\$12,526,486)</b>
<b>December 31,</b>	<b>2017</b>	<b>2016</b>
Weighted average number of common shares outstanding for basic earnings per share	48,562,355	36,224,891
Weighted average number with the effect of dilution on common shares	51,377,108	40,250,386
<b>Income per share (basic)</b>	<b>(\$0.02)</b>	<b>(\$0.35)</b>
<b>Income per share (diluted)</b>	<b>(\$0.02)</b>	<b>(\$0.31)</b>

**10. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of cash at banks and on hand in the amount of \$104,444 as at December 31, 2017 (2016: \$234,761).

**11. TRADE AND OTHER RECEIVABLES**

December 31,	2017	2016
Trade receivables	\$ 2,705,130	\$ 2,627,577
Less: Impaired	(13,231)	(19,560)
Trade receivables after impairment	2,691,899	2,608,017
Unbilled revenue	3,458,652	3,318,700
Less: Impaired	-	(1,054,355)
Unbilled revenue after impairment	3,458,652	2,264,345
Total trade receivables and unbilled revenue after impairment	6,150,551	4,872,362
Receivables from tax authorities	-	33,862
HST and foreign tax receivable (payable)	(42,595)	(32,067)
Cash Advance	48,533	-
Income tax receivable	-	730,375
Other receivables	9,543	9,543
<b>Total trade and other receivables</b>	<b>\$ 6,166,032</b>	<b>\$ 5,614,075</b>

## 11. TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables are non interest bearing and are generally on 30 180 day terms. The Corporation had a provision for bad debt in the amount of \$Nil (2016: \$1,698,654). The amount relating to impairment of trade receivables is \$Nil (2016: \$644,299) and the amount relating to impairment of unbilled revenues is \$Nil (2016: \$1,054,355).

Neither past due nor impaired	2017		2016	
Current	\$	1,180,571	\$	1,138,361
30 – 60 days		541,141		314,695
61 – 90 days		287,805		811,495
91 – 180 days		630,382		337,557
<b>Past due but not impaired</b>				
Greater than 180 days		52,000		5,909
	\$	<b>2,691,899</b>	\$	<b>2,608,017</b>

Unbilled revenue consists of service revenue that has already been rendered as at December 31, 2017 and recognized in accordance with the Corporation's revenue recognition policy from Note 3.

## 12. PREPAID EXPENSES AND DEPOSITS

December 31,	2017		2016	
Prepaid rent	\$	33,399	\$	100,572
Prepaid insurance		79,852		65,292
Deposits on subcontracting consulting work		–		23,645
Other prepaids		25,584		2,550
	\$	<b>138,835</b>	\$	<b>192,059</b>

## 13. BID/PERFORMANCE BONDS

At December 31, 2017, of the \$120,126 in performance bonds (2016: \$45,635), \$47,588 (2016: \$25,651) was for two bid bonds and five performance bonds in Saudi Arabia (KSA) to guarantee delivery against work on various projects and \$72,538 (2016: \$19,984) was for various bid bonds in Egypt.

Performance bonds typically remain in place for a period of one year from the start of the project and are released back to the Corporation when the project is completed subsequent to customer acceptance. Bid bonds are typically in place for a 90-120 day period but can be extended. The bonds are non interest bearing.

Additionally, at December 31, 2017, the Corporation also had one advance payment guarantee, and two performance bonds issued in its name and supported by EDC, in the amount of approximately \$474,558 (2016: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC.

One performance bond was released in January, 2018 and the other bonds will expire in March, 2019. Premiums for these bonds for the three months and year ended December 31, 2017 were \$1,590 and \$23,594 respectively (2016: \$8,196 and \$29,511, respectively).

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

December 31, 2017 and 2016

**13. BID/PERFORMANCE BONDS (cont'd)**

Performance Bond - Opening Balance January 1	2017	2016
Saudi Arabia	\$ 25,651	\$ 30,744
Egypt	19,984	33,036
Opening Balance - January 1	45,635	63,780
Additions during the year:		
Saudi Arabia	47,588	16,773
Egypt	54,693	16,761
Total additions during the year	102,281	33,534
Refunded during the year:		
Saudi Arabia	(25,651)	(21,866)
Egypt	( 2,139 )	(29,813)
Total refunded during the year	(27,790)	(51,679)
Performance Bond - Ending Balance December 31		
Saudi Arabia	47,588	25,651
Egypt	72,538	19,984
Ending Balance – December 31	\$ 120,126	\$ 45,635

**14. PROPERTY AND EQUIPMENT**

The amount of borrowing costs capitalized during the year ending December 31, 2017 was \$NIL (2016: \$NIL).

	Furniture and Equipment	Computer Equipment	Computer Software	Total
<b>Cost:</b>				
At December 31, 2015	\$528,006	\$712,204	\$389,048	\$1,629,258
Additions	38,423	30,109	11,948	80,480
Disposals	-	-	-	-
<b>At December 31, 2016</b>	<b>\$566,429</b>	<b>\$742,313</b>	<b>\$400,996</b>	<b>\$1,709,738</b>
Additions	3,662	43,432	-	47,094
Disposals	-	-	-	-
<b>At December 31, 2017</b>	<b>\$570,091</b>	<b>\$785,745</b>	<b>\$400,996</b>	<b>\$1,756,832</b>
<b>Depreciation and impairment:</b>				
At December 31, 2015	\$365,993	\$665,601	\$313,216	\$1,344,810
Depreciation for the year	26,517	23,447	42,385	92,349
Impairment	-	-	-	-
Disposals	-	-	-	-
<b>At December 31, 2016</b>	<b>\$392,510</b>	<b>\$689,048</b>	<b>\$355,601</b>	<b>\$1,437,159</b>
Depreciation for the year	20,309	38,715	708	59,732
Impairment	-	-	-	-
Disposals	-	-	-	-
<b>At December 31, 2017</b>	<b>\$412,819</b>	<b>\$727,763</b>	<b>\$356,309</b>	<b>\$1,496,891</b>

**NTG CLARITY NETWORKS INC.**  
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	Furniture and Equipment	Computer Equipment	Computer Software	Total
<b>Net book value:</b>				
At December 31, 2017	\$157,272	\$57,982	\$44,687	\$259,942
At December 31, 2016	\$173,919	\$53,265	\$45,395	\$272,579

## 15. INTANGIBLE ASSETS

Intangible assets related to the upgrade of the internally developed NTS software product and to the new software product (Stage EM) 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 December 31, 2017 is \$3,644,168 (2016: \$3,644,168) in development costs. During the year, and amortization expense of \$364,416 (2016: \$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 by integrating strategic planning, business planning, demand and capacity management, operation optimization, portfolio project management and analytics.

The development costs are determined to have a useful life of 10 years are amortized on a straight line basis. During 2017, \$Nil was capitalized (2016: \$2,124,936), \$Nil was amortized (2016: \$316,938), and \$Nil was written off (2016 \$4,045,326).

	NTS Development Costs	StageEM Development Costs	Total
<b>Cost:</b>			
At January 1, 2016	\$ 3,644,168	\$ 2,308,200	\$ 5,952,368
Additions	-	2,124,936	2,124,936
Disposals	-	-	-
<b>At December 31, 2016</b>	<b>\$ 3,644,168</b>	<b>\$ 4,433,136</b>	<b>\$ 8,077,304</b>
Additions	-	-	-
Disposals	-	-	-
<b>At December 31, 2017</b>	<b>\$ 3,644,168</b>	<b>\$ 4,433,136</b>	<b>\$ 8,077,304</b>
<b>Amortization and impairment:</b>			
At January 1, 2016	\$ 1,541,516	\$ 70,872	\$ 1,612,388
Amortization charge for the year	364,417	316,938	681,355
Impairment	-	4,045,326	4,045,326
Disposals	-	-	-
<b>At December 31, 2016</b>	<b>\$ 1,905,933</b>	<b>\$ 4,433,136</b>	<b>\$ 6,339,069</b>
Amortization charge for the year	364,417	-	364,417

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

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	NTS Development Costs		StageEM Development Costs		Total
Impairment		–		–	–
Disposals		–		–	–
<b>At December 31, 2016</b>	<b>\$</b>	<b>2,270,350</b>	<b>\$</b>	<b>4,433,136</b>	<b>\$ 6,703,486</b>
<b>Net book value:</b>					
At December 31, 2017	\$	1,373,819	\$	–	\$ 1,373,819
At December 31, 2016	\$	1,738,235	\$	–	\$ 1,738,235

The Corporation had no indicators of impairment of the NTS development costs for the period ended December 31, 2016. An impairment test is performed on non-current assets at year end, or when indicators warrant it.

The Corporation had indicators of impairment of the StageEM development costs for the period ended December 31, 2016. An impairment test is performed on non-current assets at year end and the net book value of the development costs was fully impaired.

**16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

December 31,	2017		2016	
Trade payables	\$	2,716,634	\$	3,237,501
Accrued liabilities		519,251		184,455
Related parties payable		67,878		162,331
Taxes payable		71,385		12,208
Other accounts payable		510,075		151,340
	<b>\$</b>	<b>3,885,223</b>	<b>\$</b>	<b>3,747,835</b>

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**

December 31,	2017		2016	
		\$ 7,488,751		\$ 7,432,537

From January until May 2016, the Corporation had a \$3 million demand credit facility ("Facility 1") and a \$3 million bonding facility ("Facility 2") with Royal Bank of Canada, Knowledge Based Industries Banking Group – Ontario.

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

It had an annual interest rate of bank prime plus 2.05%. \$3 million of the available credit is an operating line based on marginable receivables and \$3 million is a revolving facility to support pre-shipping costs associated with exports. The facilities were secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC).

Upon facility renewal in May 2016, the credit limits were increased to \$7.7 million; \$3.2 million based on marginable receivables with an annual interest rate of bank prime plus 2.05%, and \$4.5 million for the revolving facility with an annual interest rate of bank prime plus 1.05%. EDC support remains with the increased facility amounts. The facilities were secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC).

In April 2017, the facility was restructured and the credit limits were changed to; \$2.7 million based on marginable receivables with an annual interest rate of bank prime plus 2.05%; \$3.1 million for the revolving Facility 2 with an annual interest rate of bank prime plus 1.05%; \$1.5 million for the Facility 3 letters of guarantee (LGs), and \$2,241,890 for the non-revolving Facility 4 with 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 December 31, 2017, the Corporation was in violation of its margin requirements under the Existing Loan Agreement in the amount of \$2,041,890 (2016: 2,241,890). Subsequent to year end 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.

At December 31, 2017, the Corporation also had one advance payment guarantee, and two performance bonds issued in its name and supported by EDC, in the amount of approximately \$474,558 (2016: \$362,105).

The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. One performance bond was released in January, 2018 and the other bonds will expire in March, 2019. Premiums for these bonds for the three months and year ended December 31, 2017 were \$1,590 and \$23,594 respectively (2016: \$8,196 and \$29,511, respectively).

**(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.

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

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

	Carrying Amount		Fair Value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Financial assets</b>				
Cash and cash equivalents	\$104,444	\$234,761	\$104,444	\$234,761
Trade and accounts receivable	6,166,032	5,614,075	6,166,032	5,614,075
Performance bonds	120,126	45,635	120,126	45,635
<b>Total Financial Assets</b>	<b>\$6,390,602</b>	<b>\$5,894,471</b>	<b>\$6,390,602</b>	<b>\$5,894,471</b>

	Carrying Amount		Fair Value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$3,885,223	\$3,747,835	\$3,885,223	\$3,747,835
Operating line	7,488,751	7,432,537	7,488,751	7,432,537
Current long term debt	—	—	—	—
Long term debt	—	—	—	—
<b>Total Financial Liabilities</b>	<b>\$11,373,974</b>	<b>\$11,180,372</b>	<b>\$11,373,974</b>	<b>\$11,180,372</b>

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.

**Fair value hierarchy**

As at December 31, 2017, 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.

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

<u>Assets measured at fair value</u>	<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 104,444	\$ 104,444	\$ –	\$ –
<b>No liabilities were measured at fair value</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

During the reporting year ending December 31, 2017, 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 December 31, 2017, 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:

	<b>Common Shares</b>	<b>Amount</b>
Balance, January 1, 2016	36,154,891	\$ 8,881,959
Shares issued (i)	70,000	7,250
Allocation of contributed surplus (i)	–	4,855
<b>Balance, December 31, 2016</b>	<b>36,224,891</b>	<b>\$ 8,894,064</b>
Shares issued on exercise of share options (ii)	850,000	85,000
Allocation of contributed surplus (ii)	–	17,000
Shares issued on debt for shares transaction (iii)	11,487,464	744,122
<b>Balance, December 31, 2017</b>	<b>48,562,355</b>	<b>\$ 9,740,186</b>

- (i) Over the course of the 2016 fiscal year, various employees and consultants exercised a total of 70,000 options, with a total value of \$7,250. These transactions resulted in a re allocation of contributed surplus to capital stock in the amount of \$4,855.
- (ii) 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.
- (iii) 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.

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

December 31, 2017 and 2016

**18. EQUITY INSTRUMENTS (cont'd)**

- 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 2017 and 2016.

Details of stock options are as follows:

	Options	Weighted average exercise price
Balance, 1 January 2016	4,243,000	\$ 0.31
Granted	1,868,000	\$ 0.11
Exercised	(70,000)	0.10
Expired	(2,031,000)	0.36
<b>Balance, December 31, 2016</b>	<b>4,010,000</b>	<b>\$ 0.19</b>
Granted	1,115,000	\$ 0.10
Exercised	(850,000)	0.10
Expired	(916,000)	0.26
<b>Balance, December 31, 2017</b>	<b>3,359,000</b>	<b>\$ 0.16</b>

The stock options expire at various dates between January 2018 and November 2020. The weighted average expected contractual lives of outstanding and exercisable options are as follows:

Exercise Price	Options Outstanding		Options Exercisable	
	Number of outstanding Dec 31/16	Expected life of option (years)	Number of outstanding Dec 31/16	Expected life of option (years)
\$ 0.10	1,793,000	1.98	1,693,000	1.97
0.15	80,000	.90	80,000	.90
0.16	50,000	1.22	50,000	1.22
0.17	266,000	1.01	266,000	1.01
0.26	320,000	.41	320,000	.41
0.27	150,000	.52	150,000	.52
0.30	700,000	.32	700,000	.32
<b>Total</b>	<b>3,359,000</b>	<b>.91</b>	<b>3,259,000</b>	<b>.91</b>

Activity related to share based compensation is as follows:

**18. EQUITY INSTRUMENTS (cont'd)**

For the year ending December 31, 2017 the Corporation recorded \$42,020 (2016: \$106,278) 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 year 2017 is \$0.02 (2016: \$0.05). 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:

December 31	2017	2016
Stock price	\$0.07	\$0.07
Risk-free interest rate	0.49 – 0.95%	0.36 – 0.69%
Expected life (years)	3 years	3 years
Expected dividend yield	0%	0%
Expected volatility	62.77 – 120.63%	83.14 – 105.5%
Fair value of options issued	0.02	0.05

**19. CONTRIBUTED SURPLUS**

Contributed surplus for the year ending consisted of \$42,020 (2016: \$106,278) for share-based payments and re-allocation of contributed surplus on exercise of share options \$17,000 (2016: \$4,855).

Opening balance December 31, 2016	\$ 1,673,940
Share-based payments	42,020
Reallocation on exercise of share options	(17,000)
Balance as at December 31, 2017	\$ 1,698,960

**20. DIVIDENDS PAID AND PROPOSED**

**Cash dividends**

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

**21. GOVERNMENT GRANTS**

In 2017, the balance of the IRAP funding in the amount of \$Nil (2016: \$131,499) was offset against the expenses it related to.

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

December 31, 2017 and 2016

**22. COST OF SALES**

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

<b>Cost of sales</b>	<b>2017</b>	<b>2016</b>
Salaries and wages	\$ 8,008,277	\$ 8,356,835
Travel	187,721	190,246
Hardware	776,349	309,944
Medical inventory	–	164,580
Other expenses	345,671	415,681
<b>Total</b>	<b>\$ 9,318,018</b>	<b>\$ 9,437,286</b>

**23. EXPENSES: DISCLOSURE OF FUNCTION EXPENSES**

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

<b>Selling</b>	<b>2017</b>	<b>2016</b>
Salary and wages	\$ 1,462,414	\$ 1,848,432
Marketing	509,325	531,833
Mailing and courier	5,859	23,863
Professional services	15,759	18,083
Meals and entertainment	134,751	137,717
Miscellaneous	24,045	–
<b>Total</b>	<b>\$ 2,152,153</b>	<b>\$ 2,559,928</b>

<b>General and Administrative</b>	<b>2017</b>	<b>2016</b>
Salary and wages	\$ 1,813,222	\$ 2,062,467
Occupancy	335,596	577,161
Consulting	109,577	511,086
Professional fees	128,538	149,946
Insurance	443,006	486,127
Performance bond fees	23,594	29,511
Foreign withholding tax	–	190,818
Dues and subscriptions	31,916	52,246
Penalties and fees	130,722	73,955
Telecommunication	63,249	37,513
Office equipment	20,353	27,411
Miscellaneous	71,224	289,859
<b>Total</b>	<b>\$ 3,170,997</b>	<b>\$ 4,488,100</b>

## 24. 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%

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

	Interest Received	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Key management personnel of the Corporation:			
December 31, 2017	–	\$300,000	\$599,452
December 31, 2016	–	\$300,000	\$162,331
<b>Key management compensation</b>		<b>2017</b>	<b>2016</b>
Short term employee benefits		\$ 566,111	\$ 457,684
Share-based payments		2,000	36,000
<b>Total</b>		<b>\$ 568,111</b>	<b>\$ 493,684</b>

### 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.

During the year ended December 31, 2017 the directors and key management were awarded share options under the Corporation's incentive stock option plan with a fair value of \$2,000 (2016: \$36,000).

### Entity with significant influence over the Corporation

No single entity or party has significant influence over the Corporation. As at December 31, 2017 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

## **24. RELATED PARTY DISCLOSURES (cont'd)**

### **Terms and conditions of transactions with related parties**

Outstanding amounts owed by related parties in the amount of \$300,000 (2016: \$300,000) are unsecured, bear 2% interest per annum, and the repayment date has been extended by one year to May 2019. All other outstanding balances with related parties at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. All amounts due to and from related parties are due in the ordinary course of business, and will not be repayable within the next year. All transactions with the related parties are carried out in the normal course of operations, and are recorded at fair value.

## **25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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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 December 31, 2017 to determine how a change in interest rates would impact equity and net loss. During the year the Corporation paid \$515,161 (2016 \$303,702) on its bank loans.

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

An increase or decrease of 100 basis points in the average interest rate paid during the period would have adjusted net earnings by approximately \$51,516 (2016 \$30,370). This analysis assumes that all other variables remain constant.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue or expense are denominated in a different currency from the Corporation's functional currency. The 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 December 31, 2017 would have the following approximate impacts:

	U.S. Dollar	Omani Riyal	Kuwait Dinar	Saudi Riyal	Qatari Riyal	Egyptian Pound
<b>10% impact to:</b>	<b>USD</b>	<b>OMR</b>	<b>KWD</b>	<b>SAR</b>	<b>QAR</b>	<b>LE</b>
P&L in CAD	22,413	86,870	7,116	196,077	786	63,082
Equity in CAD	16,275	63,849	5,230	144,116	578	43,366

A 10% change in exchange rates on December 31, 2016 would have the following approximate impacts:

	U.S. Dollar	Omani Riyal	Kuwait Dinar	Saudi Riyal	Qatari Riyal	Egyptian Pound
<b>10% impact to:</b>	<b>USD</b>	<b>OMR</b>	<b>KWD</b>	<b>SAR</b>	<b>QAR</b>	<b>LE</b>
P&L in CAD	22,461	53,802	13,263	151,449	1,145	41,181
Equity in CAD	16,508	39,544	9,748	111,315	842	30,268

**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.

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

December 31, 2017 and 2016

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

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.

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 December 31, 2017, the Corporation has insured receivables in the amount of \$1,541,889 (2016: \$1,540,127) and unbilled revenue in the amount of \$3,675,762 (2016: \$2,264,345).

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions.

The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Corporation continuously reviews both actual and forecasted cash flows to ensure that the Corporation has appropriate capital capacity.

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial instruments as at December 31, 2017:

<b>Contractual obligations</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and after</b>	<b>Total</b>
Operating line of credit	\$ 7,488,751	\$ –	\$ –	\$ –	\$ 7,488,751
Accounts payable and accrued liabilities	3,885,223	–	–	–	3,885,223
Operating lease	337,729	214,337	145,485	119,121	816,672

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:

<b>December 31,</b>	<b>2017</b>	<b>2016</b>
Current	\$ 482,645	\$ 2,113,151
31 – 60 days	140,484	259,347
61 – 90 days	211,177	236,732
91 – 180 days	398,662	272,376
More than 180 days	1,483,666	355,895
	<b>\$ 2,716,634</b>	<b>\$ 3,237,501</b>

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

There have been no changes in the Corporation's approach to capital management during the year ending December 31, 2017. Also, no changes were made in the objectives, policies, or processes during the year ending December 31, 2017. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business. The Corporation's objectives when managing capital are to:

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

## **26. COMMITMENTS, CONTINGENCIES, AND GUARANTEES**

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### **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.

The premium paid ranged from \$0.00569 to \$0.00942 per \$100 of monthly invoiced amount (2016: 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 the year ended December 31, 2017, the Corporation recorded total premiums of \$25,336 included in general and administration expenses (2016: \$29,511).

### **Operating lease commitments – Corporation as lessee**

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. From January to July 31, 2016 there was additional space at a rate of \$1,500. The Corporation is 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.

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

December 31, 2017 and 2016

**26. COMMITMENTS, CONTINGENCIES, AND GUARANTEES (cont'd)**

The lease commitments for the office premises are as follows:

December 31,	2017	2016
2017	\$ --	\$ 113,704
2018	337,729	112,244
2019	214,337	110,784
2020	145,485	110,784
2021	80,866	110,784
2022 and thereafter	38,255	--
	<u>\$ 816,672</u>	<u>\$ 493,676</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.

**27. COLLATERAL**

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Note 16. The Corporation did not hold collateral at December 31, 2017, and December 31, 2016.

**28. COMPARATIVE FIGURES**

Certain of the 2016 figures have been reclassified to conform with the current year's financial statement presentation.

**29. EVENTS AFTER THE REPORTING YEAR**

As of March 24, 2017, the Corporation negotiated a new facility to hold excess amounts advanced under the existing Credit Facilities 1 and 2 and had an initial principal amount of \$2,241,890. Subsequent to year end 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. The balance outstanding at December 31, 2017 was \$2,041,890.

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

## Corporate Information

### **Board of Directors**

Ashraf Zaghloul  
Adel Zaghloul  
Zafar Farooqui  
Kristine Lewis  
Nick Hamilton-Piercy  
Saleem Siddiqi

### **Officers**

Ashraf Zaghloul  
*Chair & Chief Executive Officer*

Kristine Lewis  
*President & Chief Financial Officer*

### **Registrar and Transfer Agent**

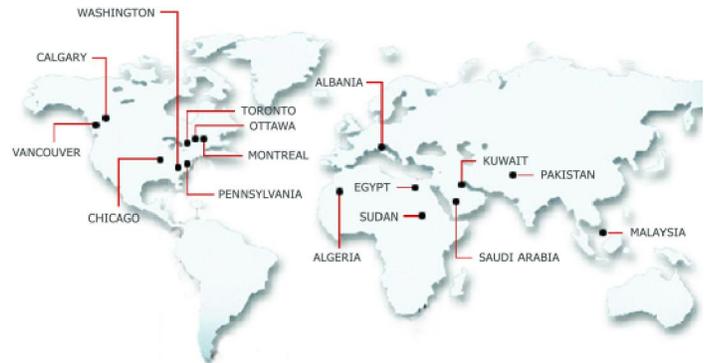
**Computershare Investor Services**  
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Fax: 1-888-453-0330

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Fax: (905) 415-2011

### **Legal Counsel**

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Fax: (403) 266-1395



### **International Work**

### **Stock Exchange Listing**

The TSX Venture Exchange  
Trading Symbol: NCI

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