SANGOMA TECHNOLOGIES CORPORATION

Condensed consolidated interim financial statements for

the three and six months ended December 31, 2019

(Unaudited in Canadian Dollars)

100 Renfrew Drive, Suite 100,
Markham, Ontario,
Canada L3R 9R6

Sangoma Technologies Corporation

December 31, 2019

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Sangoma Technologies Corporation

Condensed consolidated interim statements of financial position
as at December 31, 2019 and June 30, 2019

(Unaudited in Canadian dollars)

	December 31, 2019	June 20
	$	
Assets		
Current assets		
Cash and cash equivalents (Note 13)	13,357,193	11,724,8
Trade receivables (Note 13)	11,454,351	11,254,6
Inventories (Note 4)	14,100,576	11,114,1
Sales tax receivable	342,548	
Contract assets	745,736	789,6
Other current assets	2,218,925	1,947,6
	42,219,329	36,830,9
Non-current assets		
Property and equipment (Note 5)	2,898,389	2,423,5
Right-of-use assets (Note 15)	15,994,899	
Intangible assets (Note 6)	52,538,763	29,453,5
Development costs (Note 7)	2,349,355	2,124,5
Deferred income tax assets (Note 10)	3,995,088	4,176,0
Goodwill (Note 8)	40,713,040	21,405,4
	160,708,863	96,413,9
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	15,348,797	14,626,8
Provisions (Note 16)	364,477	557,0
Sales tax payable	-	259,4
Income tax payable	1,352,587	1,422,5
Operating facility and loans - current (Note 9)	7,533,040	3,923,7
Contract liabilities - current	12,691,724	10,724,3
Lease obligations on right-of-use assets - current (Note 15)	2,898,913	
	40,189,538	31,513,8
Long term liabilities		
Operating facility and loans - long term (Note 9)	35,781,940	18,806,5
Contract liabilities - long term	2,049,862	4,264,0
Non-current lease obligation on right-of-use assets (Note 15)	13,189,229	
	91,210,569	54,584,5
Shareholders' equity		
Share capital	62,905,940	34,860,4
Contributed surplus	2,776,303	2,514,1
Warrant reserve (Note 11(i))	-	29,3
Accumulated other comprehensive loss	(239,074)	(54,1
Retained earnings	4,055,125	4,479,6
	69,498,294	41,829,4
	160,708,863	96,413,9

Approved by the Board

(Signed) *Al Guarino* Director

(Signed) *Yves Laliberte* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Sangoma Technologies Corporation

Condensed consolidated interim statements of loss and comprehensive loss for the three and six months ended December 31, 2019 and 2018

(Unaudited in Canadian dollars)

	Three-months ended December 31,		Six-months ended December 31,	
	2019	2018	2019	2
	$	$	$	
Revenue (Note 17)	32,286,479	29,219,946	60,291,623	50,659,
Cost of sales	10,964,919	11,394,098	21,487,092	20,388,
Gross profit	21,321,560	17,825,848	38,804,531	30,270,
Expenses				
Sales and marketing	5,412,946	4,918,402	10,342,155	7,910,
Research and development	5,721,980	6,011,193	11,204,348	9,520,
General and administration	7,769,408	6,124,103	13,225,736	10,147,
Foreign currency exchange (gain) loss	265,482	(21,787)	275,010	89,
	19,169,816	17,031,911	35,047,249	27,667,
Income before interest, income taxes, business integration and acquisition costs	2,151,744	793,937	3,757,282	2,602,
Interest income (Note 13)	(20,901)	(3,828)	(43,467)	(7,
Interest expense (Note 13, 15)	813,121	411,894	1,210,442	598,
Business integration costs	-	600,714	-	600,
Business acquisition costs (Note 18)	2,599,067	-	2,599,067	2,100,
	3,391,287	1,008,780	3,766,042	3,292,
Income before income tax	(1,239,543)	(214,843)	(8,760)	(689,
Provision for income taxes				
Current (Note 10)	211,603	60,007	211,603	582,
Deferred (Note 10)	(120,584)	-	204,177	
Net loss	(1,330,562)	(274,850)	(424,540)	(1,271,
Other comprehensive gain (loss)				
Items to be reclassified to net income				
Foreign currency translation (income) loss	(32,439)	51,141	(184,905)	54,
Comprehensive loss	(1,363,001)	(223,709)	(609,445)	(1,217,
Loss per share				
Basic and diluted (Note 11([illegible]))	(0.018)	(0.005)	(0.006)	(0.
Weighted average number of shares outstanding (Note 11([illegible]))				
Basic and diluted	72,349,239	51,469,162	68,881,147	50,021,

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Sangoma Technologies Corporation

Condensed consolidated statements of changes in shareholders' equity for the three and six months ended December 31, 2019 and 2018

(Unaudited in Canadian dollars)

	Number of common shares	Share capital	Contributed surplus	Warr rese
		$	$	
Balance, June 30, 2018	47,460,957	29,830,474	2,324,176	186,7
Net loss	-	-	-	
Other comprehensive income	-	-	-	
Common shares issued for business combination (Note 11(i))	3,943,041	4,868,090	-	
Common shares issued for options exercised (Note 11(i))	54,702	25,221	-	
Common shares issued for broker warrants exercised (Note 11(i))	39,337	39,337	-	(39,3
Share-based compensation expense (Note 11(ii))	-	-	64,672	
Balance, December 31, 2018	51,498,037	34,763,122	2,388,848	147,3
Balance, June 30, 2019	52,962,090	34,860,468	2,514,154	29,3
Net loss	-	-	-	
Other comprehensive loss	-	-	-	
Common shares issued for business combination (Note 11(i))	5,500,417	6,553,938	-	
Common shares issued through short form prospectus	14,846,500	21,319,720	-	
Common shares issued for options exercised (Note 11(i))	128,956	80,509	(18,134)	
Common shares issued for broker warrants exercised (Note 11(i))	61,957	91,305	-	(29,3
Share-based compensation expense (Note 11(ii))	-	-	280,283	
Balance, December 31, 2019	73,499,920	62,905,940	2,776,303	

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Sangoma Technologies Corporation

Condensed consolidated interim statements of cash flows
for the three and six-months ended December 31, 2019 and 2018

(Unaudited in Canadian dollars)

	2019
	$
Operating activities	
Net loss	(424,540)
Adjustments for:	
Depreciation of property and equipment (Note 5)	291,866
Depreciation of right-of-use assets (Note 15)	1,523,959
Amortization of intangible assets (Note 6)	3,006,307
Amortization of development costs (Note 7)	720,175
Income tax expense (Note 10)	415,780
Income tax paid	(149,953)
Share-based compensation expense (Note 11(ii))	280,283
Interest on obligation on right-of-use assets (Note 15)	209,291
Unrealized foreign exchange gain	(52,152)
Changes in item of working capital	
Trade receivables	297,108
Inventories	(3,037,015)
Contract assets	(38,577)
Other current assets	60,750
Sales tax payable	(1,054,396)
Accounts payable and accrued liabilities	(497,705)
Provisions (Note 16)	(192,528)
Income tax payable	(55,569)
Contract liabilities	(966,120)
	336,964
Investing activities	
Purchase of property and equipment (Note 5)	(224,217)
Development costs (Note 7)	(995,027)
Business combinations, net of cash and cash equivalents acquired (Note 18)	(38,324,674)
	(39,543,918)
Financing activities	
Proceeds from operating facility and loan (Note 9)	45,699,360
Repayments of operating facility and loan (Note 9)	(24,781,828)
Repayment of right-of-use lease obligation (Note 15)	(1,415,723)
Issuance of common shares through private placement, net (Note 11(i))	21,319,720
Issuance of common shares for broker warrants exercised (Note 11(i))	61,957
Issuance of common shares for stock option exercised (Note 11(i))	62,375
	40,945,861
Effect of foreign exchange rate changes on cash and cash equivalents	(106,559)
Increase in cash and cash equivalents	1,632,348
Cash and cash equivalents, beginning of year	11,724,844
Cash and cash equivalents, end of period	13,357,193

The accompanying notes are an integral part of these condensed consolidated interim financial statements

- **General information**

  Founded in 1984, Sangoma Technologies Corporation (“Sangoma” or the “Company”) is publicly traded on the TSX Venture Exchange (TSX VENTURE: STC). The Company was incorporated in Canada, its legal name is Sangoma Technologies Corporation and its primary operating subsidiaries for fiscal 2020 are Sangoma Technologies Inc., Sangoma US Inc., Digium Inc., VoIP Supply, LLC, Digium Inc., Digium Cloud Services, LLC and VoIP Innovations, LLC.

  Sangoma is a leading provider of hardware and software components that enable or enhance Internet Protocol Communications Systems for both telecom and datacom applications. Enterprises, small to medium sized businesses (“SMBs”) and telecom operators in over 150 countries rely on Sangoma’s technology as part of their mission critical infrastructures. The product line includes data and telecom boards for media and signal processing, as well as gateway appliances and software.

  The Company is domiciled in Ontario, Canada. The address of the Company’s registered office is 100 Renfrew Dr., Suite 100, Markham, Ontario, L3R 9R6 and the Company operates in multiple jurisdictions.

- **Significant accounting policies**

  - *Statement of compliance and basis of presentation*

    The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2019.

    These condensed consolidated interim financial statements were, at the recommendation of the audit committee, approved and authorized for issuance by the Company’s Board of Directors on February 27, 2020.

    These condensed consolidated interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended June 30, 2019, except for the adoption of *IFRS 16 Leases* which has been applied as of July 1, 2019.

    The changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended June 30, 2019 are described below.

  - *Accounting standards implemented as of July 1, 2019*

    Effective July 1, 2019, the Company adopted IFRS 16: Leases (“IFRS 16”) which stipulates how to recognize, measure, present and disclose leases. This new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. The purpose of IFRS 16 is to help users of financial statements to assess the effect of leases on the financial position, financial performance and cash flows of an entity.

    At commencement of the contract, the Company evaluates if the contract is a lease based on whether the contract conveys the right to control the use of a specific asset for a period of time in exchange for a consideration. The Company recognizes a rightofuse asset and a lease liability at the lease commencement date.

The asset is initially measured at cost which comprises of the lease liability, lease payments made at or before the commencement date less any lease incentives. Subsequently the asset is measured at net carrying value, which is cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The assets are depreciated to the earlier of the end of the useful life of the rightofuse asset or the lease term using the straightline method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

2. Significant accounting policies (continued)

The lease liability is initially measured at the present value of the future lease payments discounted using the Company's incremental borrowing rate as the discount rate. Subsequently, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the rightofuse asset or is recorded in profit or loss if the carrying amount of the rightofuse asset has been reduced to zero.

The Company has adopted IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to opening deficit at the date of initial application. The Company has elected to not apply IFRS 16 for short term leases that are 12 months or less and for leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straightline basis over the lease term. Refer to Note 15 for details of the adoption of IRFS 16 which shows the impact on the right of use assets and right of use liabilities.

3. Significant accounting judgments, estimates and uncertainties

These condensed unaudited consolidated interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended June 30, 2019 and which are available at www.sedar.com. They were prepared using the same critical estimates and judgments in applying the accounting policies as those of the audited consolidated financial statements for the year ended June 30, 2019 except for the new standard applied effective July 1, 2019 as noted above.

4. Inventories

Inventories recognized in the condensed consolidated interim statements of financial position are comprised of:

	December 31, 2019	June 30, 2
	$	
Finished goods	8,507,703	7,946,(
Parts	5,747,858	3,323,2
	14,255,561	11,269,8
Provision for obsolescence	(154,985)	(155,7
Net inventory carrying value	14,100,576	11,114,1

5. Property and equipment

	Office furniture and computer equipment	Software and books	Stockroom and production equipment
Cost	$	$	$
Balance at June 30, 2018	1,576,233	266,859	176,482
Additions through business combinations (Note 18)	186,072	-	1,381,034
Additions	144,855	20,495	95,712
Disposals	(25,487)	-	-
Effects of movements in exchange rates	(6,085)	(2,105)	(10,319)
Balance at June 30, 2019	1,875,588	285,249	1,642,909
Additions through business combination (Note 18)	307,552	249,586	-
Additions	153,804	3,383	38,789
Effects of movements in exchange rates	(10,294)	(6,204)	(13,430)
Balance at December 31, 2019	2,326,650	532,014	1,668,267
Accumulated depreciation			
Balance at June 30, 2018	922,943	192,451	118,130
Depreciation expense	150,663	13,021	247,489
Disposals	(13,414)	-	-
Effect of movements in exchange rates	(3,254)	(2,105)	(2,736)
Balance at June 30, 2019	1,056,938	203,367	362,883
Depreciation expense	121,199	29,939	119,908
Effects of movements in exchange rates	(13,013)	(33)	(3,493)
Balance at December 31, 2019	1,165,124	233,273	479,298
Net book value as at:			
June 30, 2019	818,650	81,882	1,280,026
December 31, 2019	1,161,526	298,741	1,188,969

Depreciation expense is included in general and administration expense in the condensed consolidated interim statements of loss and comprehensive loss.

6. Intangible assets

	Copyright to software	Purchased technology	Website	re
	$	$	$	
Cost				
Balance at June 30, 2018	2,948,461	4,110,723	229,050	
Business combinations (Note 18)	-	3,744,540	-	1
Effects of movements on exchange rates	-	(34,259)	(1,348)	
Balance at June 30, 2019	2,948,461	7,821,004	227,702	1
Business combinations (Note 18)	-	3,650,696	-	1
Effects of movements on exchange rates	-	(76,004)	(1,648)	
Balance at December 31, 2019	**2,948,461**	**11,395,696**	**226,054**	3
Accumulated amortization				
Balance at June 30, 2018	2,909,616	1,466,827	214,262	
Amortization expense	6,971	1,287,360	-	
Effects of movements on exchange rates	-	(10,837)	(1,305)	
Balance at June 30, 2019	2,916,587	2,743,350	212,957	
Amortization expense	31,874	596,703	1,424	
Effects of movements on exchange rates		(10,693)	(1,607)	
Balance at December 31, 2019	**2,948,461**	**3,329,360**	**212,774**	
Net book value as at:				
Balance at June 30, 2019	31,874	5,077,654	14,745	1
Balance at December 31, 2019	-	**8,066,336**	**13,280**	3

Amortization expense is included in general and administration expense in the condensed consolidated interim statements of loss and comprehensive loss.

7. Development costs

Development costs	
Balance at June 30, 2018	20,25
Additions	2,14
Investment tax credits	(67
Balance at June 30, 2019	21,72
Additions	99
Investment tax credits	(5
Balance at December 31, 2019	22,67

Accumulated amortization	
Balance at June 30, 2018	(17,71
Amortization	(1,88
Balance at June 30, 2019	(19,60
Amortization	(72
Balance at December 31, 2019	(20,32

	December 31, 2019	June 30,
	$	
Development costs, net	2,349,355	2,12

Each period, additions to development costs are recognized net of investment tax credits accrued. In addition to the above amortization, the Company has recognized $5,363,412 and $10,484,173 of engineering expenditures as an expense during the three and six-months ended December 31, 2019 (three and six -months ended December 31, 2018 - $5,509,492 and $8,556,151).

8. Goodwill

The carrying amount and movements of goodwill was as follows:

Balance at June 30, 2018	5,174,9
Addition through business combinations (Note 18)	16,373,8
Effect of movements in exchange rates	(143,4
Balance at June 30, 2019	21,405,4
Addition through business combinations (Note 18)	19,673,0
Effect of movements in exchange rates	(365,4
Balance at December 31, 2019	40,713,0

The addition to goodwill during the three and six-months ended December 31, 2019 is from the acquisition of VoIP Innovations LLC on October 18, 2019 (Note 18).

9. Operating facility and loan

- A demand operating line of credit of up to $3,500,000 to ensure sufficient cash for operations. This facility was governed by a general security agreement and standard operating covenants. The demand operating line of credit carried an interest rate of prime plus 0.80%. This operating line credit was cancelled as part of the new debt agreement effective October 18, 2019. As at June 30, 2019, the full value of the $3,500,000 was available.

- A term loan facility of up to $1,297,700 ($1,000,000 USD) which was used to finance the acquisition of VoIP Supply LLC. This facility was governed by the general security agreement and standard operating covenants. The term loan facility had a maturity date of June 2022 and carried an interest rate of 6.75%, consisting of base rate of 5.50% and a loan spread of 1.25%. This term loan was fully paid off and cancelled as part of the new debt agreement effective October 18, 2019. The balance drawn against this term loan facility as of June 30, 2019 was $588,915. As at June 30, 2019, term loan facility balance of $196,305 (June 30, 2018 - $296,280) was classified as current and $392,610 as long-term in the condensed consolidated interim statements of financial position.

- A second term loan facility of up to $4,128,640 ($3,200,000 USD) which was used to finance the acquisition of the Converged Communications Division ("CCD") from Dialogic Corporation. This facility was governed by a general security agreement and standard operating covenants. This term loan facility had a maturity date of January 2023 and carried a fixed interest rate of 5.38% as at June 30, 2019. This term loan was fully paid off and cancelled as part of the new debt agreement effective October 18, 2019. The balance drawn against this term loan facility as of June 30, 2019 was $3,112,086. As at June 30, 2019, term loan facility balance of $808,082 was classified as current and $2,304,004 as long-term in the condensed consolidated interim statements of financial position.

- A third term loan facility of up to $5,274,000 ($4,000,000 USD) which was used to finance the acquisition of Digium Inc. This facility was governed by a general security agreement and standard operating covenants. This term loan facility had a maturity date of August 2023 and carried an interest rate of 6.75% as at June 30, 2019, consisting of base rate of 5.50% and a loan spread of 1.25%). This term loan was fully paid off and cancelled as part of the new debt agreement effective October 18, 2019. The balance drawn against this term loan facility as of June 30, 2019 was $4,701,895. As at June 30, 2019, term loan facility balance of $814,995 was classified as current and $3,886,900 as long-term in the condensed consolidated interim statements of financial position.

- A fourth term loan facility of up to $15,822,000 ($12,000,000 USD) which was used to finance the acquisition of the Digium Inc. This facility was governed by a general security agreement and standard operating covenants. This term loan facility had a maturity date of August 2023 and carried a fixed interest rate of 6.18% as at June 30, 2019. This term loan was fully paid off and cancelled as part of the new debt agreement effective October 18, 2019. The balance drawn against this term loan facility as of June 30, 2019 was $14,327,462. As at June 30, 2019, term loan facility balance of $2,104,393 is classified as current and $12,223,069 as long-term in the condensed consolidated interim statements of financial position.

- The Company entered into a new loan facility with two banks and drew down first tranche of $45,699,360 CAD ($34,800,000 USD) on October 18, 2019. This new loan facility was used to pay down and close all existing loans and to fund part of the purchase of VoIP Innovations LLC. A further $7,700,584 CAD ($6,000,000 USD) is available and may be drawn in a second tranche to pay any contingent consideration arising from the VoIP

Innovations transaction at the end of the one-year assessment period. These term facilities are repaid over six years on a straight-line basis. The interest rates charged are based on Prime rate, US Base rate, LIBOR or CDOR plus the applicable margin. Under the terms of these term facilities, the Company may convert the loans from variable to a fixed loan. The interest rate during the three-month period ended December 31, 2019 was at US Base Rate plus 1.25% for an effective interest rate of approximately 6.5%. The Company is required to lock in the interest rate on one half of the term loan within three months of

9. Operating facility and loan

each draw down. The balance drawn against this term loan facility as of December 31, 2019 is $43,314,980. As at December 31, 2019, term loan facility balance of $7,533,040 is classified as current and $35,781,940 as long-term in the condensed consolidated interim statements of financial position.

- The Company also have revolving credit facilities which includes a committed revolving credit facility for up to $8,000,000 and a committed swingline credit facility for up to $2,000,000 both of which may be used for general business purposes. These credit facilities are fully available and the Company has not drawn against either of these facilities.

For the three and six-months ended December 31, 2019, the Company incurred interest costs to service the borrowing facilities in the amount of $708,510 and $1,001,151 (three and six-months ended December 31, 2018 - $411,894 and $598,734, respectively).

During the six-months ended December 31, 2019, the Company borrowed $45,699,360 (six-months ended December 31, 2018 - $21,704,542) in operating facility and loans and repaid $24,781,828 (six-months ended December 31, 2018 - $1,060,028).

Under its credit agreements with its lenders, the Company must satisfy certain financial covenants, principally in respect of total funded debt to earnings before interest, taxes and amortization (“EBITDA”), and debt service coverage ratio. As at December 31, 2019 and June 30, 2019, the Company was in compliance with all covenants related to its credit agreements.

10. Income tax

The Company income tax expense is determined as follows:

	Three-months ended December 31,		Six-months ended December 3	
	2019	2018	2019	
Statutory income tax rate	26.50%	26.50%	26.50%	26
	$	$	$	
Net loss before income taxes	(1,239,543)	(214,843)	(8,760)	(689
Expected income tax recovery	(388,827)	(72,835)	(62,669)	(198
Tax rate changes and other adjustments	13,150	42,639	27,680	117
Share based compensation and non-deductible expenses	95,184	90,203	132,810	107
Business acquisition costs	328,479	-	328,479	556
Currency translation adjustment and other adjustments	43,033	-	(10,520)	
Income tax expense	91,019	60,007	415,780	582
The Company's income tax expense is allocated as follows:	$	$	$	
Current tax expense	211,603	60,007	211,603	582
Deferred income tax expense (recovery)	(120,584)	-	204,177	
Income tax expense	91,019	60,007	415,780	582

10. Income tax (continued)

The following table summarizes the components of deferred tax asset:

	December 31, 2019	June 30, 2
	$	
Deferred income tax assets (liabilities)		
Non-deductible reserves - Canadian	115,570	115,5
Non-deductible reserves - USA	1,505,130	1,501,3
SR&ED investment tax credits, net of 12(1)(x)	1,757,930	1,757,9
Property and equipment - Canadian	(350,970)	(388,8
Property and equipment - USA	(437,760)	(458,9
Deferred development costs	(854,550)	(854,5
Intangible assets including goodwill - Canadian	(75,070)	(75,0
Intangible assets including goodwill - USA	(4,553,780)	(4,759,3
Non-capital losses carried forward - USA	6,327,940	7,208,5
Non-capital losses carried forward - Canadian	412,370	
Capital losses carried forward and other - Canadian	148,278	129,4
Net deferred income tax assets	3,995,088	4,176,0

The Company has deducted available scientific research and experimental development ("SR&ED") for federal and provincial purposes and unutilized SR&ED tax credits. These condensed consolidated interim financial statements take into account an income tax benefit resulting from tax credits available to the Company to reduce its net income for federal and provincial income tax purposes in future years as follows:

Year of expiration	Federal tax credits carry forward	Ontario tax cre carry forw
	$	
2033	374,636	
2034	347,033	
2035	288,821	
2036	334,585	46,
2037	300,386	68,
2038	227,599	50,
2039	325,159	54,
	2,198,219	219,

The income tax benefit of eligible SR&ED costs incurred in prior years but not utilized have been taken into account in these condensed consolidated interim financial statements.

11. Shareholders' equity

- *Share capital*

Issued and outstanding common shares consist of the following:

	Three-months ended December 31,		Six-months ended December 3	
	2019	2018	2019	2
	#	#	#	
Shares issued and outstanding:				
Outstanding, beginning of the period	67,871,971	51,450,335	52,962,090	47,460,
Shares issued for business combinations (Note 18)	5,500,417	-	5,500,417	3,943,
Shares issued through short form prospectus	–	-	14,846,500	-
Shares issued upon exercise of broker warrants	–	-	61,957	39,
Shares issued upon exercise of options	127,532	47,702	128,956	54,
Shares issued and outstanding, end of period	73,499,920	51,498,037	73,499,920	51,498,

On July 16, 2019, the Company closed a short-form bought deal prospectus offering of 14,846,500 common shares, including 1,936,500 common shares issued upon the exercise in full of the over-allotment option granted to the Underwriters, at a price of $1.55 per common share for aggregate gross proceeds of $23,012,075 and net proceeds of $21,319,720.

On October 18, 2019, the Company acquired VoIP Innovations LLC and issued 5,500,417 shares as part of the consideration (Note 18).

During the three and six-months ended December 31, 2019, a total of nil and 61,957 (three and six-months ended December 31, 2018 – nil and 39,337) broker warrants were exercised for cash consideration for proceeds of $nil and $61,957 (three and six-months ended December 31, 2018 - $nil and $39,337). As at December 31, 2019, there were no broker warrants outstanding (June 30, 2019 – 61,957).

(ii) Stock options

On December 19, 2019, the shareholders of the Company amended the stock option plan (the “plan”) for officers, employees and consultants of the Company. The number of common shares that may be set aside for issuance under the plan (and under all other management stock option and employee stock option plans) is limited to 10% of the outstanding common shares of the corporation provided that the Company complies with the provisions of policies, rules and regulations of applicable securities legislation.

The maximum number of common shares that may be reserved for issuance to any one person under the plan is 5% of the common shares outstanding at the time of grant (calculated on a nondiluted basis) less the number of common shares reserved for issuance to such person under any stock option to purchase common shares granted as a compensation or incentive mechanism.

Any common shares subject to a stock option, which for any reason are terminated, cancelled, exercised, expired or surrendered will be available for a subsequent grant under the plan, subject to regulatory requirements.

The stock option price of any common shares cannot be less than the closing price or the minimum price as determined by applicable regulatory authorities of the relevant class or series of shares, on the day immediately preceding the day on which the stock option is granted. Stock options granted under the plan may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination on the termination of the optionee’s employment, on the optionee’s ceasing to be an employee, officer or director of the Company or any of its subsidiaries, as applicable, or on the optionee’s retiring, becoming permanently disabled or dying, subject to certain grace periods to allow the optionee or his or her personal representative time to exercise such stock options. The stock options are non-transferable. The plan contains provisions for adjustment in the number of common shares issuable thereunder in the event of the subdivision, consolidation, reclassification or change of the common shares, a merger or other

11. Shareholders’ equity (continued)

(ii) Stock options (continued)

relevant changes in the Company’s capitalization. The board of directors may, from time to time, amend or revise the terms of the plan or may terminate the plan at any time.

The following table shows the movement in the stock option plan:

Measurement date	Number of options	Weig average p
	#	
Balance, June 30, 2018	5,458,574	[illegible]
Granted	1,668,000	[illegible]
Exercised	(1,500,691)	[illegible]
Forfeited	(386,541)	[illegible]
Balance, June 30, 2019	5,239,342	[illegible]
Exercised	(128,956)	[illegible]
Expired	(6,392)	[illegible]
Forfeited	(122,994)	[illegible]
Balance, December 31, 2019	4,981,000	[illegible]

The Company uses the fair value method to account for all share-based awards granted to employees, officers and directors. The estimated fair value of stock options granted is determined using the Black-Scholes option pricing model and is recorded as a charge to income over the vesting period of the stock options, with a corresponding increase to contributed surplus. Stock options are granted at a price equal to or above the fair value of the common shares on the day immediately preceding the date of the grant. The consideration received on the exercise of stock options is added to stated capital at the time of exercise.

	December 31, 2019	June 2
Share price	–	$1.10 - $1
Exercise price	–	$1.16 - $1
Expected volatility	–	60.79% - 63.7
Expected option life	–	5 ye
Risk-free interest rate	–	1.48% - 1.9

11. Shareholders' equity (continued)

(ii) Stock options (continued)

The following table summarizes information about the stock options outstanding and exercisable at the end of each period:

	December 31, 2019		June 30, 2019	
Exercise price	Number of stock options outstanding and exercisable	Weighted average remaining contractual life	Number of stock options outstanding and exercisable	Weigh aver remain contractual
$0.26 - $0.50	2,449,040	1.01	2,238,656	1.
$0.51 - $0.75	191,721	2.99	160,759	3.
$0.76 - $1.00	–	–	-	-
$1.01 - $1.25	293,250	3.99	-	-
	2,934,011	1.44	2,399,415	1.

For the three and six-month periods ended December 31, 2019, the Company recognized share-based compensation expense in the amount of $138,296 and $280,283, respectively (three and six-month periods ended December 31, 2018 - $32,622 and $64,672, respectively).

(iii) Earnings per share

Both the basic and diluted loss per share have been calculated using the net loss attributable to the shareholders of the Company as the numerator.

		Three-months ended December 31,			Six-months ended December 31,	
		2019		2018	2019		2
Number of shares:							
Weighted average number of shares							
used in basic and diluted loss per share		72,349,239		51,469,162	68,881,147		50,021,
Net loss for the period		(1,330,562)		(274,850)	(424,540)		(1,271,5
Loss per share:							
Basic and diluted loss per share	$	(0.018)	$	(0.005)	$ (0.006)	$	(0.0

12. Related parties

The Company's related parties include key management personnel and directors. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances payable are usually settled in cash and relate to director fees.

The Company had the following balances with related parties:

	December 31, 2019	December 2
	$	
Accounts payable and accrued liabilities	101,250	56,

13. Financial instruments

The fair values of the cash and cash equivalents, trade receivables, contract assets, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments and fair values of operating facility and loans approximate their carrying values due to variable interest loans.

Cash and cash equivalents are comprised of:

	December 31, 2019	June 2
	$	
Cash at bank and on hand	13,357,193	11,724,
	13,357,193	11,724,

Cash includes demand deposits with financial institutions and cash equivalents consist of short-term,
highly liquid investments purchased with original maturities of three months or less. As at December 31, 2019 and 2018, the Company had no cash equivalents.

Total interest income and interest expense for financial assets or financial liabilities that are not at fair value through profit or loss can be summarized as follows:

	Three-months ended December 31,		Six-months ended December 31,	
	2019	2018	2019	20
	$	$	$	
Interest income	(20,901)	(3,828)	(43,467)	(7,5
Interest expense (Note 9)	813,121	411,894	1,210,442	598,7
Net interest expense	792,220	408,066	1,166,975	591,1

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, foreign currency risk, interest rate risk and market risk.

13. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Where possible, the Company uses an insurance policy with Export Development Canada ("EDC") for its trade receivables to manage this risk and minimize any exposure. The Company's maximum exposure to credit risk for its trade receivables is summarized as follows with some of the over 90-day receivable not being covered by EDC:

	December 31, 2019	June 2
	$	
Trade receivables aging:		
0-30 days	8,896,813	9,082,
31-90 days	2,157,482	1,787,
Greater than 90 days	754,198	672,
	11,808,493	11,542,
Expected credit loss provision	(354,142)	(287,
Net trade receivables	11,454,351	11,254,

The movement in the provision for expected credit losses can be reconciled as follows:

	December 31, 2019	Jun 2
	$	
Expected credit loss provision:		
Expected credit loss provision, beginning balance	(287,372)	(598,
Net change in expected credit loss provision during the period	(66,770)	310,
Expected credit loss provision, ending balance	(354,142)	(287,

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate for each aging category of trade receivables.

			As at December 31, 2	
	Total	Not past due	Over 30 days past due	Ove days p
Default rates		0.69%	2.79%	30.8
Trade receivables	$ **11,808,493**	$ 8,896,813	$ 2,157,482	$ 754,
Expected credit loss provision	$ **354,142**	$ 61,388	$ 60,235	$ 232,

13. Financial instruments (continued)

Credit risk (continued)

	Total	Not past due	Over 30 days past due	Ove days
				As at June 30, 2
Default rates		0.69%	0.96%	30.
Trade receivables	$ 11,542,066	$ 9,082,221	$ 1,787,297	$ 672,
Expected credit loss provision	$ 287,372	$ 62,891	$ 17,158	$ 207,

All of the Company's cash and cash equivalents are held with major financial institutions and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to trade receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process.

The Company holds sufficient cash and cash equivalents and working capital, maintained through stringent cash flow management, to ensure sufficient liquidity is maintained. Maturity analysis of liabilities which are due in next twelve months can be summarized as follows:

	December 31, 2019	June 2
	$	
Accounts payable and accrued liabilities	15,348,797	14,626,8
Operating facility and loans	7,533,040	3,923,7
Lease obligations on right-of-use assets	2,898,913	
	25,780,750	18,550,5

Foreign currency risk

A large portion of the Company's transactions occur in a foreign currency (mainly in US dollars) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its foreign denominated cash, trade receivables, accounts payable and operating facility and loans. As at December 31, 2019, a 10% depreciation or appreciation of the U.S. dollar, Euro, and GBP against the Canadian dollar would have resulted in an approximate $844,393 (December 31, 2018 - $256,408) increase or decrease, respectively, in total comprehensive income (loss).

Interest rate risk

The Company's exposure to interest rate fluctuations is with its credit facility (Note 9) which bears interest at a floating rate. As at December 31, 2019, a change in the interest rate of 1% per annum would have an impact of approximately $440,000 per annum in finance costs.

14. Capital management

The Company's objectives in managing capital are to safeguard the Company's assets, to ensure sufficient liquidity to sustain the future development of the business via advancement of its significant research and development efforts, to conservatively manage financial risk and to maximize investor, creditor and market confidence. The Company considers its capital structure to include its shareholders' equity. Working capital is optimized via stringent cash flow policies surrounding disbursement, foreign currency exchange and investment decision-making.

There have been no changes in the Company's approach to capital management during the year and the Company is not subject to any capital requirements imposed by external parties.

15. Leases: Right-of-use assets and liabilities

The Company adopted IFRS 16 effective July 1, 2019 and on initial application, the Company elected to record right-of-use assets based on the corresponding lease liability. When measuring lease liabilities, the Company discounted lease payments using the Company's incremental borrowing rates for similar assets. The Company's incremental borrowing rate varies by country and term of the lease and ranges from 2.34% - 8.00%. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after July 1, 2019.

The following table reconciles the Company's operating lease obligations to the lease obligations recognized on initial application of IFRS 16 at July 1, 2019.

	Right-of-use assets	Right-of-use liabiliti
	$	
Present value of leases		
Balance at June 30, 2019	-	
Aggregate lease commitments	19,123,244	19,123,2
Less: impact of present value	(2,160,584)	(2,160,5
Opening IFRS 16 lease value as at July 1, 2019	16,962,660	16,962,6
Additions	706,548	706,5
Less: impact of present value	(18,043)	(18,0
Effects of movements on exchange rates	(137,422)	(137,4
Balance at December 31, 2019	**17,513,743**	**17,513,7**
Accumulated depreciation and repayments		
Depreciation expense	1,523,959	
Repayments	-	1,415,7
Effects of movements on exchange rates	(5,115)	9,8
Balance at December 31, 2019	**1,518,844**	**1,425,6**
Net book value as at:		
June 30, 2019	-	
December 31, 2019	**15,994,899**	**16,088,1**

During the three and six-months ended December 31, 2019, the Company recorded interest expense of $104,611 and $209,291, respectively.

16. Provisions

	Warranty provision	Sales returns & allowances provision	Stock rotation provision	T
	$	$	$	
Balance at June 30, 2018	165,094	34,596	80,000	279,
Additional provision recognized	43,387	13,634	220,294	277,
Balance at June 30, 2019	208,481	48,230	300,294	557,
Provision used	(37,962)	–	(154,566)	(192,
Balance at December 31, 2019	**170,519**	**48,230**	**145,728**	**364,**

The provision for warranty obligations represents the Company's best estimate of repair and/or replacement costs to correct product failures. The sales returns and allowances provision represent the Company's best estimate of the value of the products sold in the current financial period that may be returned in a future period. The stock rotation provision represents the Company's best estimate of the value of the products sold in the current financial period that may be exchanged for alternative products in a future period. The Company accrues for product warranties, stock rotation, and sales returns and allowances at the time the product is delivered.

17. Segment disclosures

The Company operates in one industry segment; development, manufacturing, distribution and support of voice and data connectivity components for software-based communication applications. The majority of the Company's assets are located in Canada and the United States of America ("USA"). The Company sells into three major geographic centers: United States of America ("USA"), Canada and other foreign countries. The Company has determined that it has a single reportable segment as the Company's decision makers review information on a consolidated basis.

Revenues for group of similar products and services can be summarized for the three and six-month periods ended December 31, 2019 and 2018 as follows:

	Three-months ended December 31,		Six-months ended December 31,	
	2019	2018	2019	20
	$	$	$	
Products	16,231,837	19,257,936	33,305,814	34,486,5
Services	16,054,642	9,962,010	26,985,809	16,172,7
Total revenues	32,286,479	29,219,946	60,291,623	50,659,2

17. Segment disclosures (continued)

The sales, in Canadian dollars, in each of these geographic locations for the three and six-months ended December 31, 2019 and 2018 were as follows:

	Three-months ended December 31,		Six-months ended December 31,	
	2019	2018	2019	20
	$	$	$	
USA	25,768,497	23,187,265	46,246,491	37,865,8
Canada	999,380	807,342	2,462,940	1,966,9
All other countries	5,518,602	5,225,339	11,582,192	10,826,4
Total revenues	32,286,479	29,219,946	60,291,623	50,659,2

18. Business combinations

- On September 5, 2018, Sangoma Technologies US Inc., a wholly owned subsidiary of Sangoma Technologies Inc., merged with Digium Inc., a US based company and its wholly owned subsidiary Digium Cloud Services LLC. The total non-discounted agreed upon consideration for the acquisition was $36,297,239 ($27,529,191 USD). The purchase price consisted of $31,446,549 ($23,850,246 USD) in cash paid on closing and issuance of 262,468 common shares valued at $325,460 ($246,841 USD) based on a share price of $1.24 ($0.94 USD) per common share on closing. In addition, the Company issued $128,365 ($97,357 USD) and $ 173,683 ($131,728 USD) in cash, which was held in escrow for working capital and indemnification adjustments, respectively.

  The cash held in escrow for working capital and indemnification adjustments was discounted using a 5.0% discount for a period of three and sixteen months, respectively for an amount of $126,809 ($96,177 USD) and $162,744 ($123,431 USD). The Company also issued 1,454,964 and 1,950,827common shares, which were held in escrow for working capital and indemnification purposes. The fair value of the 1,454,964 common shares, which were held in escrow for working capital adjustments was determined to be $1,635,462 ($1,240,396 USD). The discount related to the fair value of the shares held in escrow for working capital adjustments was determined using Black Scholes Option Pricing model with the following assumptions: share price of $0.941 USD, exercise price of $0.941 USD, expected life of 0.25 years, volatility of 48.0%, risk free rate of 1.49% and dividend yield of nil. The fair value of the 1,950,827 common shares, which were held in escrow for indemnification adjustments was determined to be $1,844,787 ($1,399,156 USD). The discount related to the fair value of the shares held in escrow for indemnification adjustments was determined using Black Scholes Option Pricing model with the following assumptions: share price of $0.941 USD, exercise price of $0.941 USD, expected life of 1.33 years, volatility of 56.0%, risk free rate of 1.995% and dividend yield of nil. The Company acquired Digium Inc. to expand and broaden the suite of service offerings, add key customers and realize synergies by removing redundancies.

  The total transaction costs were $2,265,770 which have been expensed and included in the consolidated statement of income and comprehensive income. The acquisition has been accounted for using the acquisition method under IFRS 3, Business Combinations.

18. Business combinations (continued)

Consideration	USD	
Cash consideration on closing	$23,850,246	$3
Cash held in escrow for working capital	$96,177	
Cash held in escrow for indemnification	$123,431	
Common shares issued on closing	$246,841	
Common shares held in escrow for working capital	$1,240,396	$
Common shares held in escrow for indemnification	$1,399,156	$
	$26,956,247	$3

Purchase price allocation	USD	
Cash	$291,835	
Accounts receivable	$1,248,095	$
Inventory	$2,574,131	$
Prepaids and other deposits	$1,380,647	$
Property and equipment	$1,293,738	$
Deferred tax asset	$1,881,013	$
Accounts payable and accrued liabilities	(2,812,511)	(3
Other liabilities	(12,393)	
Contract liabilities	(9,126,887)	(12
Customer relationships	$9,230,000	$1
Backlog	$1,220,000	$
Technology	$2,840,000	$
Brand	$4,360,000	$
Non-compete	$170,000	
Goodwill	$12,418,579	$1
	$26,956,247	$3

- On October 18, 2019, Sangoma Technologies US Inc., a wholly owned subsidiary of Sangoma Technologies Inc., acquired all the membership interest of VoIP Innovations LLC, a US based company. The total discounted consideration for the acquisition was $46,549,678 ($35,447,516 USD). The discounted purchase price consisted of $39,696,103 ($30,228,528 USD) in cash paid on closing and the issuance of 5,500,417 common shares valued at $6,553,938 ($4,990,815 USD) based on a share price of $1.40 ($1.066 USD) per common share on closing and a discount of 14.9% to reflect the 12 month lock up. In addition, the Company is required to pay additional consideration of up to $7,849,200 ($6,000,000 USD) if certain performance criteria are met and for changes in working capital at closing. The Company expects this potential payment to be at the low end of this range and has estimated this to be $129,865 ($98,892 USD) and the working capital adjustment is expected to be $169,772 ($129,281 USD). Of the cash consideration paid to the vendors, $4,281,032 ($3,260,000 USD) was paid to an escrow agent to be held for periods ranging from 4 months to 2 years to cover potential working capital, indemnification and USF special indemnity adjustments and these amounts have been discounted accordingly for an amount of $91,678 ($69,813 USD). The Company acquired VoIP Innovations LLC to expand its suite of service offerings and increase recurring revenue.

  The initial estimate of transaction costs was $2,599,067 which have been expensed and included in the condensed consolidated interim statements of loss and comprehensive loss. The Company is in the process of finalizing the purchase price allocation and the purchase price allocation below is preliminary and subject to change. The acquisition has been accounted for using the acquisition method under IFRS 3, Business Combinations.

18. Business combinations (continued)

Consideration	USD	C
Cash consideration on closing	$27,038,341	$35,506
Net working capital adjustment	$129,281	$169
Cash held in escrow for working capital	$885,679	$1,163
Cash held in escrow for indemnification	$342,857	$450
Cash held in escrow for USF Special Indemnity (1 year)	$1,671,254	$2,194
Cash held in escrow for USF Special Indemnity (2 year)	$290,397	$381
Common shares	$4,990,815	$6,553
Contingent payment	$98,892	$129
	$35,447,516	$46,549

Purchase price allocation	USD	C
Cash	$1,114,154	$1,463,
Accounts receivable	$420,663	$552,
Prepaids and other deposits	$256,095	$336,
Property and equipment	$424,260	$557,
Accounts payable and accrued liabilities	($361,233)	($474,
Other liabilities	($978,715)	($1,285,
Deferred revenue	($628,728)	($825,
Customer relationships	$15,170,000	$19,921,
Technology	$2,780,000	$3,650,
Brand	$760,000	$998,
Non-compete	$1,510,000	$1,982,
Goodwill	$14,981,020	$19,673,
	$35,447,516	$46,549

19. Subsequent events

On January 21, 2020, the Company converted its US Base Rate loan to a one-month LIBOR loan plus the credit spread based on the syndicated loan agreement entered into on October 18, 2019. This brought the effective rate on the facility to around 4.2% and this will fluctuate according to the monthly LIBOR rate. Separately, as required under the agreement, the Company locked in half of the original loan amount by entering into a 5-year interest rate credit swap with the two banks for US$8.7 million each. The swaps together with protection against the 0% LIBOR floor have effectively converted one half of the variable LIBOR rate to a fixed loan of approximately 4.2% for five years of the six-year remaining balance on the loan. The repayment schedule for the loan has not been impacted by either of these changes.

Subsequent to December 31, 2019, the Company entered into a letter of intent to purchase e4 Strategies LLC at the end of February 2020.

20. Authorization of the consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on February 27, 2020.