SANGOMA TECHNOLOGIES CORPORATION

Condensed consolidated interim financial statements for

the three and nine months ended March 31, 2019

(Unaudited in Canadian Dollars)

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

Sangoma Technologies Corporation
March 31, 2019

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Sangoma Technologies Corporation

Condensed consolidated interim statements of financial position as at March 31, 2019 and June 30, 2018

(Unaudited in Canadian dollars)

	March 31, 2019	June 30, 2018
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 12)	**7,066,969**	15,778,191
Trade receivables (Note 12)	**12,340,505**	7,225,374
Inventories (Note 3)	**12,600,470**	6,726,203
Other current assets	**2,082,271**	1,853,984
	34,090,215	31,583,752
Non-current assets		
Property and equipment (Note 4)	**2,562,691**	859,691
Intangible assets (Note 5)	**31,438,524**	10,548,450
Development costs (Note 6)	**2,550,340**	2,538,988
Deferred income tax assets (Note 9)	**2,317,440**	855,140
Goodwill (Note 7)	**22,168,344**	5,174,981
	95,127,554	51,561,002
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	**13,772,800**	7,919,096
Provisions (Note 15)	**687,814**	279,690
Sales tax payable	**294,927**	21,404
Income tax payable	**933,190**	405,503
Operating facility and loan - current (Note 8)	**3,570,117**	1,076,272
Deferred revenue	**8,810,745**	2,756,899
	28,069,593	12,458,864
Long term liabilities		
Operating facility and loan - long term (Note 8)	**20,419,844**	3,473,662
Deferred revenue	**6,120,943**	283,870
	54,610,380	16,216,396
Shareholders' equity		
Share capital	**34,857,145**	29,830,474
Contributed surplus	**2,445,427**	2,324,176
Warrant reserve	**160,038**	186,700
Accumulated other comprehensive income	**314,933**	61,732
Retained earnings	**2,739,631**	2,941,524
	40,517,174	35,344,606
	95,127,554	51,561,002

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 income (loss)
and comprehensive income
for the three and nine months ended March 31, 2019 and 2018
(Unaudited in Canadian dollars)

	Three-months ended March 31,		Nine-months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Revenue (Note 16)	**28,915,228**	16,244,457	**79,574,509**	39,825,601
Cost of sales	**11,017,525**	7,274,921	**31,406,088**	18,744,926
Gross profit	**17,897,703**	8,969,536	**48,168,421**	21,080,675
Expenses				
Sales and marketing	**4,527,389**	2,189,216	**12,437,865**	5,644,242
Research and development	**5,615,522**	2,418,828	**15,136,122**	5,174,907
General and administration	**5,946,413**	2,870,822	**16,093,593**	7,279,971
Foreign currency exchange (gain) loss	**65,337**	78,865	**154,822**	(84,080)
	16,154,661	7,557,731	**43,822,402**	18,015,040
Income before interest, income taxes, business integration and acquisition costs	**1,743,042**	1,411,805	**4,346,019**	3,065,635
Interest income (Note 12)	**(2,335)**	(690)	**(9,877)**	(1,042)
Interest expense (Note 12)	**396,884**	85,596	**995,618**	169,889
Business integration costs	**-**	-	**600,714**	-
Business acquisition costs (Note 17)	**-**	281,752	**2,100,375**	381,810
	394,549	366,658	**3,686,830**	550,657
Income before income tax	**1,348,493**	1,045,147	**659,189**	2,514,978
Provision for income taxes				
Current (Note 9)	**1,232,305**	295,011	**1,814,585**	760,803
Deferred (Note 9)	**(953,503)**	-	**(953,503)**	-
Net income (loss)	**1,069,691**	750,136	**(201,893)**	1,754,175
Other comprehensive gain/(loss)				
Items to be reclassified to net income				
Foreign currency translation adjustment (gain) / loss	**(202,060)**	(26,000)	**(253,201)**	53,096
Comprehensive income	**1,271,751**	776,136	**51,308**	1,701,079
Earnings (loss) per share				
Basic (Note 10(iii))	**0.021**	0.016	**(0.004)**	0.037
Diluted (Note 10(iii))	**0.019**	0.015	**(0.004)**	0.035
Weighted average number of shares outstanding (Note 10(iii))				
Basic	**51,531,607**	47,140,190	**50,597,946**	47,140,190
Diluted	**55,934,083**	50,153,420	**54,685,817**	49,500,993

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

Sangoma Technologies Corporation

Condensed consolidated interim statements of changes in shareholders' equity
for the three and nine months ended March 31, 2019 and 2018

(Unaudited in Canadian dollars)

	Number of common shares	Share capital	Contributed surplus	Warrant reserve	Accumulated other comprehensive income (loss)	Retained earnings	Total Shareholders' equity
	#	$	$	$	$	$	$
Balance, June 30, 2017	32,519,962	16,521,072	2,285,243	-	41,043	488,029	19,335,387
Net income	-	-	-	-	-	1,754,175	1,754,175
Other comprehensive loss	-	-	-	-	(53,096)	-	(53,096)
Common shares issued through					-		
private placement, net of costs (Note 10(i))	13,138,000	12,140,963	-	-	-	-	12,140,963
Broker warrants issued							-
through private placement (Note 10(i))	-	(186,700)	-	186,700	-	-	-
Common shares issued							
for business combination (Note 10(i))	993,627	824,710	-	-	-	-	824,710
Common shares issued for							
options exercised (Note 10(i))	488,601	269,365	(75,979)	-	-	-	193,386
Share-based compensation expense (Note 10(ii))	-	-	136,207	-	-	-	136,207
Balance, March 31, 2018	47,140,190	29,569,410	2,345,471	186,700	(12,053)	2,242,204	34,331,732
Balance, June 30, 2018	47,460,957	29,830,474	2,324,176	186,700	61,732	2,941,524	35,344,606
Net loss	-	-	-	-	-	(201,893)	(201,893)
Other comprehensive income	-	-	-	-	253,201	-	253,201
Common shares issued							
for business combination (Note 10(i))	3,943,041	4,868,090	-	-	-	-	4,868,090
Common shares issued							
for options exercised (Note 10(i))	157,618	75,634	(23,388)	-	-	-	52,246
Common shares issued							
for warrants exercised (Note 10(i))	56,285	82,947	-	(26,662)	-	-	56,285
Share-based compensation expense (Note 10(ii))	-	-	144,639	-	-	-	144,639
Balance, March 31, 2019	**51,617,901**	**34,857,145**	**2,445,427**	**160,038**	**314,933**	**2,739,631**	**40,517,174**

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 nine-months ended March 31, 2019 and 2018
(Unaudited in Canadian dollars)

	2019	2018
	$	$
Operating activities		
Net income (loss)	**(201,893)**	1,754,175
Adjustments for		
Depreciation of property and equipment (Note 4)	**314,737**	170,614
Amortization of intangible assets (Note 5)	**3,369,351**	900,009
Amortization of capitalized development costs (Note 6)	**1,451,591**	1,252,192
Unrealized foreign exchange gain	**(354,930)**	(1,113,810)
Income tax expense	**861,082**	760,803
Income tax paid	**(683,953)**	-
Income tax refunds	**126,468**	172,016
Share-based compensation expense (Note 10(ii))	**144,639**	136,207
Changes in item of working capital		
Trade receivables	**(2,730,379)**	1,068,280
Inventories	**(2,341,643)**	(1,190,051)
Other current assets	**931,727**	(175,930)
Sales tax payable	**219,870**	142,235
Accounts payable and accrued liabilities	**1,832,384**	925,678
Provisions (Note 15)	**408,124**	15,000
Income tax payable	**527,687**	210,174
Deferred revenue	**(281,514)**	(402,938)
	3,593,348	4,624,654
Investing activities		
Purchase of property and equipment (Note 4)	**(224,621)**	(211,840)
Development costs (Note 6)	**(1,687,943)**	(1,364,702)
Business combinations, net of working capital and fixed assets (Note 17)	**(30,420,812)**	(9,014,113)
	(32,333,376)	(10,590,655)
Financing activities		
Operating facility and loan (Note 8)	**21,704,542**	2,660,403
Repayment of operating facility and loan	**(1,848,453)**	(1,719,820)
Proceeds from exercise of stock options	**52,246**	193,386
Proceeds from exercise of broker warrrants	**56,285**	-
Proceeds from shares issued through private placement	**-**	12,140,963
	19,964,620	13,274,932
Effect of foreign exchange rate changes on cash and cash equivalents	**64,186**	(42,679)
Increase/(decrease) in cash and cash equivalents	**(8,711,222)**	7,266,252
Cash and cash equivalents, beginning of period	**15,778,191**	6,758,889
Cash and cash equivalents, end of period	**7,066,969**	14,025,141

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

1. 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 2019 are Sangoma Technologies Inc., Sangoma US Inc., Digium Inc. and VoIP Supply Inc.

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.

2. Significant accounting policies

Statement of compliance and basis of presentation

The accompanying condensed unaudited consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*. The condensed unaudited 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, 2018.

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 May 27, 2019.

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, 2018, except for the adoption of *IFRS 15 - "Revenue from Contracts with Customers" ("IFRS 15")* and *IFRS 9 - "Financial Instruments" ("IFRS 9")* which have been applied as of July 1, 2018.

The changes in accounting policies from those used in the Company's consolidated financial statements for the year ended June 30, 2018 are described below.

Accounting standards implemented as of July 1, 2018

The Company adopted the following accounting standards which came into effect commencing July 1, 2018:

IFRS 15, Revenue from Contracts with Customers

The Company has adopted IFRS 15 with an initial application date of July 1, 2018. The impact on the Company's condensed consolidated interim financial statements and additional disclosures are detailed as follows:

IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers and replaced the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The core principle of the standard is to recognize revenue to depict the transfer of control of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue.

2. Significant accounting policies (continued)

Accounting standards implemented as of July 1, 2018 (continued)

IFRS 15, Revenue from Contracts with Customers (continued)

The amendments also provide additional transition relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard.

The Company has adopted IFRS 15 Revenue from Contracts with Customers with an initial adoption date of July 1, 2018. The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. In its adoption of IFRS 15, the Company applied a practical expedient that allows the Company to avoid re-considering the accounting for any sales contracts that were completed prior to July 1, 2018 and were previously accounted for under IAS 11 and IAS 18. There was no material impact on the Company's net loss and financial position resulting from the adoption of IFRS 15 and there was no effect to the opening deficit from the application of IFRS 15 to revenue contracts in progress at July 1, 2018.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as right to use and right to access software licenses, hosted software-as-a-service, maintenance and support, and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each performance obligation based on their estimated standalone selling price ("SSP").

The Company recognizes revenue when the transfer of control of the promised products or services has occurred to customers in exchange for consideration the Company expects to receive, net of discounts and taxes. Revenue from the sale of software products is recognized when the product is shipped and received by the customer, and depending on the delivery conditions, title and risk have passed to the customer. Revenues from installation and training relating to the sale of software products are recognized as the services are performed. Software support and maintenance revenue is recognized over the term of the maintenance agreement. Revenues from the Company's hosted software-as-a-service ("SaaS") application are recognized as services are provided. The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as contract liabilities (unearned revenues).

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that such costs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer. The Company does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

(Unaudited in Canadian dollars)

2. Significant accounting policies (continued)

Accounting standards implemented as of July 1, 2018 (continued)

IFRS 9, Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairment model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at July 1, 2018 is as follows:

Financial assets and liabilities	IAS 39	IFRS 9		IFRS 39 / IFRS 9 Carrying value
Cash and cash equivalents	Loans and receivables	Amortized cost	$	15,778,191
Trade receivables	Loans and receivables	Amortized cost	$	7,225,374
Investment tax credits receivable	Loans and receivables	Amortized cost	$	-
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	$	7,919,096
Operating facility and loan	Other financial liabilities	Amortized cost	$	4,549,934

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from July 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Accounting policies

Revenue recognition

The Company determines revenue recognition through the following steps: a) identification of the contract with a customer; b) identification of the performance obligations in the contract; c) determination of the transaction price; d) allocation of the transaction price for the performance obligations in the contract; and e) recognition of revenue when the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration receivable in exchange for those goods or services, net of discounts and sales taxes.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as right to use and right to access software licenses, hosted software-as-a-service, maintenance and support, and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Where a contract consists of more than one performance obligation, revenue is allocated to each performance obligation based on their estimated standalone selling price ("SSP").

2. Significant accounting policies (continued)

Accounting policies (continued)

Revenue recognition (continued)

The Company recognizes revenue when the transfer of control of the promised products or services has occurred to customers in exchange for consideration the Company expects to receive, net of discounts and taxes. Revenue from the sale of software products is recognized when the product is shipped and received by the customer, and depending on the delivery conditions, title and risk have passed to the customer. Revenues from installation and training relating to the sale of software products are recognized as the services are performed. Software support and maintenance revenue is recognized over the term of the maintenance agreement. Revenues from the Company's hosted software-as-a-service ("SaaS") application are recognized as services are provided. The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as contract liabilities (unearned revenues).

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that such costs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer. The Company does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash and cash equivalents, trade receivables, and investment tax credits receivable.

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets mandatorily measured at fair value through profit or loss.

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. The Company applies the simplified approach for trade receivables. Using the simplified

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

(Unaudited in Canadian dollars)

3. Inventories

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

	March 31, 2019	June 30, 2018
	$	$
Finished goods	**8,939,076**	4,307,048
Parts	**3,839,688**	2,597,449
	12,778,764	6,904,497
Provision for obsolescence	**(178,294)**	(178,294)
Net inventory carrying value	**12,600,470**	6,726,203

During the three and nine-month periods ended March 31, 2019, there were no further provisions made against inventory.

(Unaudited in Canadian dollars)

4. Property and equipment

	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow equipment	Leasehold improvements	Total
Cost	$	$	$	$	$	$
Balance at June 30, 2017	1,140,782	257,005	162,873	64,338	135,557	1,760,555
Acquisitions	293,008	39	12,312	-	-	305,360
Additions	126,044	8,580	-	-	26,480	161,104
Effects of movements in exchange rates	16,401	1,235	1,297	-	1,609	20,542
Balance at June 30, 2018	1,576,235	266,859	176,482	64,338	163,646	2,247,560
Acquisitions	186,072	-	1,381,035	-	138,687	1,705,795
Additions	159,290	7,584	4,656	-	53,091	224,621
Effects of movements in exchange rates	6,808	245	75,789	-	4,478	87,320
Balance at March 31, 2019	**1,928,405**	**274,688**	**1,637,962**	**64,338**	**359,902**	**4,265,295**

Accumulated depreciation						-
Balance at June 30, 2017	782,407	175,748	103,234	43,666	84,075	1,189,130
Depreciation expense	139,854	16,549	13,975	3,929	22,008	196,315
Effect of movements in exchange rates	682	154	921	65	600	2,422
Balance at June 30, 2018	922,943	192,451	118,130	47,660	106,683	1,387,867
Depreciation expense	158,006	17,572	113,198	3,163	22,798	314,737
Balance at March 31, 2019	**1,080,949**	**210,023**	**231,328**	**50,823**	**129,481**	**1,702,604**

Net book value as at:						
June 30, 2018	653,292	74,408	58,352	16,678	56,963	859,693
March 31, 2019	**847,456**	**64,665**	**1,406,634**	**13,515**	**230,421**	**2,562,691**

During the three and nine-month periods ended, the Company recognized depreciation expense in the amount of $121,498 and $314,737 (three and nine-months ended March 31, 2018 - $84,189 and $170,614, respectively), which is included in general and administration expense in the condensed consolidated interim statements of income (loss) and comprehensive income.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three and nine months ended March 31, 2019 and 2018

(Unaudited in Canadian dollars)

5. Intangible assets

	Copyright to software	Purchased technology	Website	Customer relationship	Brand	Other purchased intangibles	Total
	$	$	$	$	$	$	$
Cost							
Balance, June 30, 2017	2,948,461	3,197,760	18,362	3,175,544	770,920	243,731	10,354,778
Business combinations (Note 17)	-	880,001	207,632	3,815,332	1,472,585	209,999	6,585,549
Effects of movements on exchange rates	-	32,962	3,056	152,995	56,717	4,654	250,384
Balance, June 30, 2018	2,948,461	4,110,723	229,050	7,143,871	2,300,222	458,384	17,190,711
Business combinations (Note 17)	-	3,744,540	-	12,354,345	5,748,660	1,990,935	23,838,480
Effects of movements on exchange rates	-	(35,921)	(14,722)	67,855	54,687	28,524	100,423
Balance, March 31, 2019	**2,948,461**	**7,819,342**	**214,328**	**19,566,071**	**8,103,569**	**2,477,843**	**41,129,614**
Accumulated amortization							
Balance, June 30, 2017	2,825,988	1,064,126	3,071	702,486	185,469	38,857	4,819,997
Amortization expense	83,628	390,955	205,031	883,416	85,398	123,123	1,771,551
Effects of movements on exchange rates	-	11,746	6,160	26,541	2,566	3,700	50,713
Balance, June 30, 2018	2,909,616	1,466,827	214,262	1,612,443	273,433	165,680	6,642,261
Amortization expense	20,907	1,167,165	85,619	1,244,070	464,657	386,933	3,369,351
Effects of movements on exchange rates	17,938	(73,500)	(86,073)	(133,460)	(27,260)	(18,167)	(320,522)
Balance, March 31, 2019	**2,948,461**	**2,560,492**	**213,808**	**2,723,053**	**710,830**	**534,446**	**9,691,090**
Carrying amount							
Balance, June 30, 2018	38,845	2,643,896	14,788	5,531,428	2,026,789	292,704	10,548,450
Balance, March 31, 2019	**-**	**5,258,850**	**520**	**16,843,018**	**7,392,739**	**1,943,397**	**31,438,524**

During the three and nine-month periods ended, the Company recognized amortization expense in the amount of $1,319,423 and $3,369,351 (three and nine-months ended March 31, 2018 - $337,334 and $900,009, respectively), which is included in general and administration expense in the condensed consolidated interim statements of income (loss) and comprehensive income.

(Unaudited in Canadian dollars)

6. Development costs

	$
Cost	
Balance, June 30, 2017	18,782,853
Additions	1,776,154
Investment tax credits	(303,669)
Balance, June 30, 2018	20,255,338
Additions	1,687,943
Investment tax credits	(225,000)
Balance, March 31, 2019	**21,718,281**
Accumulated amortization	
Balance, June 30, 2017	(16,019,189)
Amortization	(1,697,161)
Balance, June 30, 2018	(17,716,350)
Amortization	(1,451,591)
Balance, March 31, 2019	**(19,167,941)**

	March 31, 2019	June 30, 2018
	$	$
Net capitalized development costs	**2,550,340**	2,538,988

Additions to development costs are recognized net of investment tax credits accrued. In addition to the above amortization, the Company has recognized $5,128,381 and $13,684,531 of engineering expenditures as an expense during the three and nine-month periods ended March 31, 2019 (three and nine-months ended March 31, 2018 - $1,969,859 and $3,922,715, respectively).

7. Goodwill

The carrying amount and movements of goodwill as follows:

	$
Balance as of June 30, 2017	1,638,546
Addition through business combinations (Note 17)	3,411,931
Effect of movements in exchange rates	124,504
Balance as of June 30, 2018	5,174,981
Addition through business combinations (Note 17)	16,687,116
Effect of movements in exchange rates	306,247
Balance as of March 31, 2019	**22,168,344**

8. Operating facility and loan

As at March 31, 2019, the following borrowing facilities are effective:

(i) A Demand Operating Line of Credit of up to $3,500,000 to ensure sufficient cash for operations. This facility is governed by a General Security Agreement and standard operating covenants. The Demand Operating Line of Credit carries an interest rate of prime plus 0.80%. As at March 31, 2019, the full value of the $3,500,000 is available.

(ii) 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 is governed by the General Security Agreement and standard operating covenants. The Term Loan Facility has a maturity date of June 2022 and carries an interest rate of prime plus 1.25%. The balance drawn against this Term Loan Facility as of March 31, 2019 was $651,446 (June 30, 2018 - $773,620). As at March 31, 2019, $200,445 (June 30, 2018 - $296,280) in Term Loan Facility is classified as current and $451,001 (June 30, 2018 - $477,340) is classified as long-term in the condensed consolidated interim statements of financial position.

(iii) A second Term Loan Facility of up to $4,128,640 ($3,200,000 USD) which was used to finance the acquisition of the CCD. This facility is governed by a General Security Agreement and standard operating covenants. This Term Loan Facility has a maturity date of January 2023 and carries a fixed interest rate of 5.38%. The balance drawn against this Term Loan facility as of March 31, 2019, was $3, 376,817 (June 30, 2018 - $3,776,314). As at March 31, 2019, $813,882 (June 30, 2018 - $779,992) in Term Loan Facility is classified as current and $2,562,935 (June 30, 2018 - $2,996,322) is classified as long-term in the consolidated statements of financial position.

(iv) A third Term Loan Facility of up to $5,178,000 ($4,000,000 USD) which was used to finance the acquisition of Digium Inc. This facility is governed by a General Security Agreement and standard operating covenants. This Term Loan Facility has a maturity date of August 2023 and carries a fixed interest rate of 6.25%. The balance drawn against this Term Loan facility as of March 31, 2019 was $4,990,711 (June 30, 2018 - $nil). As at March 31, 2019, $640,863 (June 30, 2018, $nil) in Term Loan Facility is classified as current and $4,349,848 (June 30, 2018 - $nil) is classified as long-term in the consolidated statements of financial position.

(v) A fourth Term Loan Facility of up to $15,561,027 ($12,000,000 USD) which was used to finance the acquisition of the Digium Inc. This facility is governed by a General Security Agreement and standard operating covenant. This Term Loan Facility has a maturity date of August 2023 and carries a fixed interest rate of 6.18%. The balance drawn against this Term Loan facility as of March 31, 2019 was $14,970,987 (June 30, 2018 - $nil). As at March 31, 2019, $1,914,927 (June 30, 2018, $nil) in Term Loan Facility is classified as current and $13,056,060 (June 30, 2018 - $nil) is classified as long-term in the consolidated statements of financial position.

For the three and nine-month periods ended March 31, 2019, the Company incurred interest costs to service the borrowing facilities in the amount of $396,884 and $995,618, respectively (three and nine-months period ended March 31, 2018 - $85,596 and $169,889, respectively).

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 March 31, 2019 and June 30, 2018, the Company was in compliance with all covenants related to its credit agreements.

(Unaudited in Canadian dollars)

9. Income tax

The Company income tax expense is determined as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	**2019**	2018
Statutory income tax rate	**26.50%**	26.50%	**26.50%**	26.50%
	$	$	**$**	$
Net income before income taxes	**1,348,493**	1,045,147	**659,189**	2,514,978
Expected income tax expense	**373,357**	276,964	**174,790**	666,469
Difference in foreign tax rates	**(138,637)**	8,412	**(21,560)**	55,379
Share based compensation and non-deductible expenses	**74,212**	9,635	**737,980**	38,955
Currency translation adjustment and other adjustments	**(30,130)**	-	**(30,130)**	-
Income tax expense	**278,802**	295,011	**861,080**	760,803
The Company's income tax is allocated as follows:	**$**	$	**$**	$
Current tax expense	**1,232,305**	295,011	**1,814,585**	760,803
Deferred tax recovery	**(953,503)**	-	**(953,503)**	-
Income tax expense	**278,802**	295,011	**861,082**	760,803

The following table summarizes the components of deferred tax asset:

	March 31, 2019	June 30, 2018
	$	$
Deferred income tax assets (liabilities)		
Non-deductible reserves - Canadian	**121,510**	117,540
Non-deductible reserves - USA	**643,510**	183,250
SR&ED investment tax credits, net of 12(1)(x)	**1,867,890**	1,839,750
Net operating losses - USA	**-**	-
Property and equipment - Canadian	**(434,200)**	(496,040)
Property and equipment - USA	**(57,570)**	(114,540)
Deferred development costs	**(837,300)**	(837,300)
Intangible assets including goodwill - Canadian	**(77,660)**	(64,290)
Intangible assets including goodwill - USA	**983,320**	226,770
Net operating losses and unrealized foreign exchange	**92,990**	-
Net operating losses - USA	**14,950**	-
Net deferred income tax assets	**2,317,440**	855,140

(Unaudited in Canadian dollars)

9. Income tax (continued)

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 credits carry forward
	$	$
2032	239,832	-
2033	651,641	-
2034	347,033	-
2035	288,821	-
2036	334,585	61,545
2037	300,386	68,347
2038	227,467	50,936
	2,389,765	180,828

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.

10. Shareholders' equity

(i) Share capital

Issued and outstanding common shares consist of the following:

	Three-months ended March 31,		**Nine-months ended March 31,**	
	2019	2018	**2019**	2018
	#	#	**#**	#
Shares issued and outstanding:				
Outstanding, beginning of the period	**51,498,037**	33,910,814	**47,460,957**	32,519,962
Shares issued for business combinations	**-**	-	**3,943,041**	993,627
Shares issued through private placement	**-**	13,138,000	**-**	13,138,000
Shares issued through exercise of broker warrants	**16,948**	-	**56,285**	-
Shares issued upon exercise of options	**102,916**	91,376	**157,618**	488,601
Shares issued and outsanding, end of period	**51,617,901**	47,140,190	**51,617,901**	47,140,190

During the nine-months ended March 31, 2019, the Company issued 3,943,041 common shares valued at $4,868,090 as part of the consideration for the acquisition of Digium Inc as disclosed in Note 17.

During the three and nine-months ended March 31, 2018, the Company completed a private placement of 13,138,000 common shares at a price of $1.00 per share for total gross proceeds of $13,138,000. As part of the private placement, the Company issued 394,140 broker warrants, which are exercisable at $1.00 per common share from the date of issuance for a period of 18 months from the date of closing.

10. Shareholders' equity (continued)

(i) Share capital (continued)

During the three and nine-month periods ended March 31, 2019, 16,948 and 56,285 broker warrants were exercised for cash proceeds of $16,948 and $56,285.

In July 2017 the Company issued 993,627 common shares valued at $824,710 as part of the consideration for the acquisition of VoIP Supply LLC.

(ii) Stock options

The Company has a stock option plan (the "plan") for directors, 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 8,200,000 common shares of the Company, provided that the board of directors has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company and 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 non-diluted 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 is cancelled or terminated prior to exercise, 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 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:

(Unaudited in Canadian dollars)

Measurement date	Number of options	Weighted average price
	#	$
Balance, June 30, 2017	5,892,380	0.31
Granted	401,000	0.69
Exercised	(809,368)	0.30
Expired	(17,000)	0.30
Forfeited	(8,438)	0.30
Balance, June 30, 2018	5,458,574	0.33
Granted	1,448,000	1.16
Exercised	(157,618)	0.32
Expired	(16,858)	0.38
Forfeited	(1,517)	0.43
Balance, March 31, 2019	**6,730,581**	**0.51**

10. Shareholders' equity (continued)

(ii) Stock options (continued)

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.

	2019	2018
Share price	**$ 1.10**	$ 0.69
Exercise price	**$ 1.16**	$ 0.69
Expected volatility	**64.75%**	64.77%
Expected option life	**5 years**	5 years
Expected dividend yield	**-**	-
Expected forfeiture rate	**-**	-
Risk-free interest rate	**2.26%**	1.82%

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

	March 31, 2019		June 30, 2018	
Exercise price	**Number of stock options outstanding**	**Weighted average remaining contractual life**	Number of stock options outstanding	Weighted average remaining contractual life
$0.26 - $0.50	**4,888,081**	**1.44**	5,057,574	2.18
$0.51 - $0.75	**394,500**	**3.75**	401,000	4.50
$1.01 - $1.25	**1,448,000**	**4.75**	-	-
Total	**6,730,581**	**2.29**	5,458,574	2.69

The Company had 3,480,266 options that were exercisable as at March 31, 2019 (June 30, 2018 – 2,737,939).

For the three and nine-month periods ended March 31, 2019, the Company recognized share-based compensation expense in the amount of $79,967 and $144,639, respectively (three and nine-months period ended March 31, 2018 - $62,033 and $136,207, respectively).

(Unaudited in Canadian dollars)

10. Shareholders' equity (continued)

(iii) Earnings per share

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

	Three-months ended March 31,		Nine-months ended March 31,	
	2019	2018	**2019**	2018
Number of shares:				
Weighted average number of shares used in basic earnings per share	**51,531,607**	47,140,190	**50,597,946**	47,140,190
Shares deemed to be issued in respect of options and warrants	**4,402,476**	3,013,230	**4,087,871**	2,360,803
Weighted average number of shares used in diluted earnings per share	**55,934,083**	50,153,420	**54,685,817**	49,500,993
Net income (loss) for the period	**1,069,691**	$750,136	**(201,893)**	$1,754,175
Earnings per share:				
Basic earnings per share	**$ 0.021**	$0.016	**$ (0.004)**	$0.037
Diluted earnings per share	**0.019**	$0.015	**(0.004)**	$0.035

11. 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:

	March 31, 2019	June 30, 2018
	$	$
Accounts payable and accrued liabilities	**120,000**	15,000

Compensation of key management personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and three officers.

The remuneration of directors and other members of key management personnel during the three and nine-month periods ended March 31, 2019 and 2018 were as follows:

(Unaudited in Canadian dollars)

	Three-months ended March 31,		Nine-months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Short-term benefits	**490,822**	348,459	**1,472,465**	1,045,377
Long-term benefits	**9,123**	8,423	**27,369**	25,268
Share-based compensation	**16,969**	26,119	**50,908**	78,358
	516,914	383,001	**1,550,742**	1,149,003

12. Financial instruments

The fair values of the cash and cash equivalents, trade receivables, investment tax credits receivable, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments. The estimated fair values of current and long-term portion of operating facility and loan also approximate carrying values due to the fact that effective interest rates are not significantly different from market rates.

Cash and cash equivalents are comprised of:

	March 31, 2019	June 30, 2018
	$	$
Cash at bank and on hand	**7,066,969**	15,778,191

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 March 31, 2019 and June 30, 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 March 31,		Nine-months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Interest income	**(2,335)**	(690)	**(9,877)**	(1,042)
Interest expense (Note 8)	**396,884**	85,596	**995,618**	169,889
Net interest expense	**394,549**	84,906	**985,741**	168,847

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.

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:

(Unaudited in Canadian dollars)

	March 31, 2019	June 30, 2018
	$	$
Trade receivables aging:		
0-30 days	**9,664,560**	6,710,565
31-90 days	**2,207,495**	822,994
Greater than 90 days	**914,476**	289,949
	12,786,531	7,823,508
Expected credit loss provision	**(446,026)**	(598,134)
Net trade receivables	**12,340,505**	7,225,374

12. Financial instruments (continued)

Credit risk (continued)

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

	March 31, 2019	June 30, 2018
	$	$
Provision for expected credit losses:		
Expected credit loss provision, beginning balance	**(598,134)**	(37,138)
Net provision used (recorded) during the period	**152,108**	(560,996)
Provision for expected credit losses, ending balance	**(446,026)**	(598,134)

The following default rates are used to calculate the expected credit loss provision ("ECLs") on trade receivables as at March 31, 2019:

	Total	**Not past due**	**Over 30 days past due**	**Over 60 days past due**
Default rates		2.20%	4.30%	15.14%
Trade receivables	**$ 12,786,531**	$ 9,664,560	$ 2,207,495	$ 914,476
Expected credit loss provision	**$ 446,026**	$ 212,620	$ 94,922	$ 138,484

All of the Company's cash and cash equivalents are held with a major Canadian financial institution 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:

	March 31, 2019	**June 30, 2018**
	$	$
Accounts payable and accrued liabilities	**13,772,800**	7,919,096
Operating facility and loan	**3,570,117**	1,076,272
	17,342,917	8,995,368

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 U.S. denominated trade receivables, accounts payable and cash. As at March 31, 2019, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate $384,704 (June 30, 2018 - $156,737) decrease or increase, respectively, in total comprehensive income (loss).

(Unaudited in Canadian dollars)

12. Financial instruments (continued)

Interest rate risk

The Company has no significant exposure at March 31, 2019 to interest rate risk through its financial instruments as the operating facility and loan which are due after twelve months from the reporting date are at fixed rates of interest that do not fluctuate during the remaining term.

13. 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 were 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.

14. Commitments

The future minimum lease payments for office space as at March 31, 2019 are as follows:

	$
Not later than one year	**2,807,511**
Later than one year to end of commitments	**15,325,595**
	18,133,106

15. Provisions

	Warranty provision	Sales returns and allowances provision	Stock rotation provision	Total
	$	$	$	$
Balance at June 30, 2017	28,722	24,596	70,000	123,318
Additional provision recognized	136,372	10,000	10,000	156,372
Balance at June 30, 2018	165,094	34,596	80,000	279,690
Additional provision recognized	393,124	15,000	-	408,124
Balance at March 31, 2019	**558,218**	**49,596**	**80,000**	**687,814**

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.

16. 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 ("US"). 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 nine-month periods ended March 31 as follows:

	Three-months ended March 31,		Nine-months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Products	**18,758,110**	12,260,126	**53,244,622**	29,702,516
Services	**10,157,118**	3,984,331	**26,329,887**	10,123,085
Total revenues	**28,915,228**	16,244,457	**79,574,509**	39,825,601

The sales, in Canadian dollars, in each of these geographic locations for the three and nine-month periods ended March 31 are as below:

	Three-months ended March 31,		Nine-months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
USA	**19,590,140**	10,759,099	**57,456,004**	29,299,104
Canada	**2,377,876**	414,587	**4,344,794**	1,391,062
All other countries	**6,947,212**	5,070,771	**17,773,711**	9,135,435
Total revenues	**28,915,228**	16,244,457	**79,574,509**	39,825,601

17. Business combinations

a) Effective July 1, 2017, Sangoma US Inc., a wholly owned subsidiary of Sangoma Technologies Inc., acquired all the membership interests of VoIP Supply LLC for total consideration of $4,687,543 ($3,612,193 USD). The Company paid $3,374,379 ($2,600,276 USD) in cash at closing and issued 993,627 common shares valued at $824,710 ($635,517 USD). In addition, the Company has contingent consideration in the amount of $488,454 ($376,400 USD) payable on the first anniversary of the closing, which has been discounted using a risk-free rate and is contingent upon meeting certain targets. The Company acquired VoIP Supply LLC to expand and broaden the suite of service offerings, add key customers and realize synergies by removing redundancies. The carrying value of the trade receivables acquired approximated fair value. The allowance for doubtful accounts at the acquisition date was $32,443 ($25,000 USD). The Company incurred $100,058 in business acquisition costs, which has been expensed and included in the consolidated statement of income and comprehensive income.

(Unaudited in Canadian dollars)

17. Business combinations (continued)

The acquisition has been accounted for using the acquisition method under IFRS 3, Business Combinations and the purchase price has been allocated to the assets and liabilities as described below:

Consideration	USD	CAD
Cash consideration	$ 3,000,000	$ 3,893,100
Less: working capital adjustments	(399,724)	(518,721)
Share consideration	635,517	824,710
Contingent consideration[1]	376,400	488,454
	$ 3,612,193	$ 4,687,543

[1] The contingent consideration amounts represent the discounted amount estimated to be paid out in accordance with the agreement.

Purchase price allocation	USD	CAD
Working capital	$ 201,412	$ 261,372
Capital assets	41,369	53,685
Customer relationships	1,160,000	1,505,332
Website	160,000	207,632
Brand	1,050,000	1,362,585
Goodwill	999,412	1,296,937
	$ 3,612,193	$ 4,687,543

The Company paid the contingent consideration in full as of July 6, 2018.

b) Effective January 9, 2018, Sangoma Technologies Inc., acquired all the key assets of the Converged Communications Division (“CCD”) from Dialogic Corporation for total consideration of $5,683,038 ($4,516,190 USD) of which $568,304 was held in escrow pending finalization of Working Capital and completion of certain transition plans. The amounts held in escrow was discounted to $561,414 using a 5.0% discount rate. The Company acquired CCD to expand and broaden the suite of service offerings, add key customers and realize synergies by removing redundancies. The carrying value of the trade receivables acquired approximated fair value. The allowance for doubtful accounts at the acquisition date was $698,098 ($554,764 USD). The Company incurred $372,873 in business acquisition costs to close the transaction which has 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 and the purchase price has been allocated to the assets and liabilities as described below:

(Unaudited in Canadian dollars)

Consideration		USD		CAD
Cash consideration	$	4,064,571	$	5,114,734
Amounts held in escrow and paid on May 9, 2018		446,144		561,414
	$	4,510,715	$	5,676,148

Purchase price allocation		USD		CAD
Working capital deficiency assumed	$	(159,349)	$	(200,520)
Property and equipment		200,000		251,674
Customer relationships		1,835,708		2,310,000
Technology		699,318		880,001
Brand		87,415		110,000
Other purchased intangibles		161,407		203,109
Goodwill		1,686,216		2,121,884
	$	4,510,715	$	5,676,148

17. Business combinations (continued)

c) On September 5, 2018, Sangoma Technologies US Inc., a wholly owned subsidiary of Sangoma Technologies Inc., merged with Digium Inc., a US based company. The total consideration for the acquisition was $35,434,804 ($26,875,088). The purchase price consisted of $30,420,812 ($23,064,431) in cash and 3,943,041 Sangoma common shares valued at $4,868,090 ($3,700,000 USD) based on a share price of $1.24 per common share. 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 are currently estimated to be $2,100,375 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. The external valuation of the intangible assets is in the process of being audited but the current estimate is not expected to change materially.

Consideration	**USD**	**CAD**
Initial cash consideration[1]	$23,850,246	$31,446,549
Share consideration (3,943,041 shares)	3,700,000	4,868,090
Working capital adjustment[1]	(675,158)	(879,835)
	$26,875,088	**$35,434,804**

Purchase price allocation	**USD**	**CAD**
Cash[1]	$110,657	$145,902
Working capital	2,358,531	3,109,723
Deferred revenue	(9,232,031)	(12,172,433)
Property and equipment	1,293,738	1,705,794
Deferred tax asset	1,608,056	2,120,222
Customer relationships	9,370,000	12,354,345
Backlog	1,240,000	1,634,940
Technology	2,840,000	3,744,540
Brand	4,360,000	5,748,660
Non-compete	270,000	355,995
Goodwill	12,656,137	16,687,116
	$26,875,088	**$35,434,804**

18. Subsequent events

There were no post-closing and subsequent events.

19. Authorization of the consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on May 27, 2019.