SANGOMA TECHNOLOGIES CORPORATION

Condensed consolidated interim financial statements for the three and nine months ended March 31, 2020

(Unaudited in Canadian Dollars)

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

Sangoma Technologies Corporation
March 31, 2020

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Sangoma Technologies Corporation

Condensed consolidated interim statements of financial position

As at March 31, 2020 and June 30, 2019

(Unaudited in Canadian dollars)

	March 31, 2020	June 30, 2019
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 13)	**12,547,743**	11,724,844
Trade receivables (Note 13)	**11,659,910**	11,254,694
Inventories (Note 4)	**14,348,395**	11,114,143
Sales tax receivable	**379,350**	-
Contract assets	**814,578**	789,643
Other current assets	**2,813,640**	1,947,620
	42,563,616	36,830,944
Non-current assets		
Property and equipment (Note 5)	**3,127,157**	2,423,529
Right-of-use assets (Note 15)	**16,734,394**	-
Intangible assets (Note 6)	**55,143,254**	29,453,546
Development costs (Note 7)	**2,480,352**	2,124,503
Deferred income tax assets (Note 10)	**5,056,349**	4,176,043
Goodwill (Note 8)	**45,386,568**	21,405,420
	170,491,690	96,413,985
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	**15,737,771**	14,626,815
Provisions (Note 16)	**588,966**	557,005
Sales tax payable	**-**	259,423
Income tax payable	**3,329,969**	1,422,514
Operating facility and loans - current (Note 9)	**8,228,460**	3,923,775
Contract liabilities - current	**11,894,909**	10,724,357
Derivative liability (Note 9)	**772,181**	-
Lease obligations on right-of-use assets - current (Note 15)	**3,106,138**	-
	43,658,394	31,513,889
Long term liabilities		
Operating facility and loans - long term (Note 9)	**37,028,070**	18,806,583
Contract liabilities - long term	**4,253,191**	4,264,047
Non-current lease obligation on right-of-use assets (Note 15)	**13,773,843**	-
	98,713,498	54,584,519
Shareholders' equity		
Share capital	**63,051,463**	34,860,468
Contributed surplus	**2,753,810**	2,514,154
Warrant reserve (Note 11(i))	**-**	29,348
Accumulated other comprehensive income (loss)	**194,903**	(54,169)
Retained earnings	**5,778,016**	4,479,665
	71,778,192	41,829,466
	170,491,690	96,413,985

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, 2020 and 2019
(Unaudited in Canadian dollars)

	Three-months ended March 31,		Nine-months ended March 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Revenue (Note 17)	**36,310,054**	28,915,228	**96,601,677**	79,574,509
Cost of sales	**12,842,836**	11,017,525	**34,329,928**	31,406,088
Gross profit	**23,467,218**	17,897,703	**62,271,749**	48,168,421
Expenses				
Sales and marketing	**6,571,222**	4,527,389	**16,913,377**	12,437,865
Research and development	**6,606,189**	5,615,522	**17,810,537**	15,136,122
General and administration	**7,126,158**	5,946,413	**20,351,894**	16,093,593
Foreign currency exchange (gain) loss	**(208,848)**	65,337	**66,120**	154,822
	20,094,721	16,154,661	**55,141,928**	43,822,402
Income before interest, income taxes, business integration and acquisition costs	**3,372,497**	1,743,042	**7,129,821**	4,346,019
Interest income (Note 13)	**(5,664)**	(2,335)	**(49,131)**	(9,877)
Interest expense (Note 13, 15)	**625,645**	396,884	**1,836,087**	995,618
Business integration costs	**-**	-	**-**	600,714
Business acquisition costs (Note 18)	**-**	-	**2,599,067**	2,100,375
	619,981	394,549	**4,386,023**	3,686,830
Income before income tax	**2,752,516**	1,348,493	**2,743,798**	659,189
Provision for income taxes				
Current (Note 10)	**1,771,590**	1,232,305	**1,983,193**	1,814,585
Deferred (Note 10)	**(717,561)**	(953,503)	**(513,384)**	(953,503)
Net income / (loss)	**1,698,487**	1,069,691	**1,273,989**	(201,893)
Other comprehensive gain (loss)				
Items to be reclassified to net income				
Change in fair value of interest rate swaps, net of tax (note 9)	**(772,181)**	-	**(772,181)**	-
Foreign currency translation income (loss)	**1,206,158**	202,060	**1,021,253**	253,201
Comprehensive income	**2,132,464**	**1,271,751**	**1,523,061**	**51,308**
Earnings per share				
Basic (Note 11(iii))	**0.023**	0.021	**0.018**	(0.004)
Diluted (Note 11(iii))	**0.022**	0.019	**0.017**	(0.004)
Weighted average number of shares outstanding (Note 11(iii))				
Basic	**73,560,226**	51,531,607	**70,435,148**	50,597,946
Diluted	**76,965,199**	55,934,083	**73,653,844**	54,685,817

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 nine months ended March 31, 2020 and 2019
(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, 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 11(i))	3,943,041	4,868,090	-	-	-	-	4,868,090
Common shares issued for options exercised (Note 11(i))	157,618	75,634	(23,388)	-	-	-	52,246
Common shares issued for broker warrants exercised (Note 11(i))	56,285	82,947	-	(26,662)	-	-	56,285
Share-based compensation expense (Note 11(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
Balance, June 30, 2019	52,962,090	34,860,468	2,514,154	29,348	(54,169)	4,479,665	41,829,466
Net Income	-	-	-	-	-	1,273,989	1,273,989
Other comprehensive gain	-	-	-	-	1,021,253	-	1,021,253
Change in fair value of interest rate swaps, net of tax (Note 9)	-	-	-	-	(772,181)	-	(772,181)
Common shares issued for business combination (Note 11(i))	5,500,417	6,553,938	-	-	-	-	6,553,938
Common shares issued through short form prospectus (Note 11(i))	14,846,500	21,319,720	-	-	-	-	21,319,720
Common shares released from escrow and cancelled (Note 11(i))	(21,673)	(24,362)	-	-	-	24,362	-
Common shares issued for options exercised (Note 11(i))	399,071	250,394	(86,525)	-	-	-	163,869
Common shares issued for broker warrants exercised (Note 11(i))	61,957	91,305	-	(29,348)	-	-	61,957
Share-based compensation expense (Note 11(ii))	-	-	326,181	-	-	-	326,181
Balance, March 31, 2020	**73,748,362**	**63,051,463**	**2,753,810**	**-**	**194,903**	**5,778,016**	**71,778,192**

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, 2020 and 2019
(Unaudited in Canadian dollars)

	2020	2019
	$	$
Operating activities		
Net income (loss)	**1,273,989**	(201,893)
Adjustments for:		
Depreciation of property and equipment (Note 5)	**490,898**	314,737
Depreciation of right-of-use assets (Note 15)	**2,378,746**	-
Amortization of intangible assets (Note 6)	**5,045,327**	3,369,351
Amortization of development costs (Note 7)	**1,083,910**	1,451,591
Income tax expense (Note 10)	**(513,384)**	(953,503)
Income tax paid	**(149,953)**	(683,953)
Income tax refunds	**-**	126,468
Share-based compensation expense (Note 11(ii))	**326,181**	144,639
Interest on obligation on right-of-use assets (Note 15)	**317,919**	-
Unrealized foreign exchange gain	**(2,340,374)**	(354,930)
Changes in item of working capital		
Trade receivables	**793,894**	(2,730,379)
Inventories	**(2,183,571)**	(2,341,643)
Contract assets	**(38,875)**	-
Other current assets	**(336,715)**	931,727
Sales tax payable	**(1,149,782)**	219,870
Accounts payable and accrued liabilities	**(3,296,375)**	1,832,384
Provisions (Note 16)	**(5,842)**	408,124
Income tax payable	**1,686,134**	2,342,272
Contract liabilities	**(930,771)**	(281,514)
	2,451,356	3,593,348
Investing activities		
Purchase of property and equipment (Note 5)	**(458,301)**	(224,621)
Development costs (Note 7)	**(1,489,759)**	(1,687,943)
Business combinations, net of cash and cash equivalents acquired (Note 18)	**(38,003,425)**	(30,420,812)
	(39,951,485)	(32,333,376)
Financing activities		
Proceeds from operating facility and loan (Note 9)	**45,699,360**	21,704,542
Repayments of operating facility and loan (Note 9)	**(26,838,943)**	(1,848,453)
Repayment of right-of-use lease obligation (Note 15)	**(2,239,033)**	-
Issuance of common shares through short form prospectus, net (Note 11(i))	**21,319,720**	-
Issuance of common shares for broker warrants exercised (Note 11(i))	**61,957**	56,285
Issuance of common shares for stock option exercised (Note 11(i))	**163,869**	52,246
	38,166,930	19,964,620
Effect of foreign exchange rate changes on cash and cash equivalents	**156,098**	64,186
Increase in cash and cash equivalents	**822,899**	(8,711,222)
Cash and cash equivalents, beginning of year	**11,724,844**	15,778,191
Cash and cash equivalents, end of period	**12,547,743**	7,066,969

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 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.

2. Significant accounting policies

(i) *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 May 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.

(ii) *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 right-of-use 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 right-of-use asset or the lease term using the straight-line 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.

(Unaudited in Canadian dollars)

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 right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use 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 straight-line 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:

	March 31, 2020	June 30, 2019
	$	$
Finished goods	**9,551,186**	7,946,691
Parts	**4,961,510**	3,323,207
	14,512,696	11,269,898
Provision for obsolescence	**(164,301)**	(155,755)
Net inventory carrying value	**14,348,395**	11,114,143

(Unaudited in Canadian dollars)

5. 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, 2018	1,576,233	266,859	176,482	64,338	163,646	2,247,558
Additions through business combinations (Note 18)	186,072	-	1,381,034	-	138,688	1,705,794
Additions	144,855	20,495	95,712	-	52,106	313,168
Disposals	(25,487)	-	-	-	-	(25,487)
Effects of movements in exchange rates	(6,085)	(2,105)	(10,319)	-	(1,288)	(19,797)
Balance at June 30, 2019	1,875,588	285,249	1,642,909	64,338	353,152	4,221,236
Additions through business combination (Note 18)	307,553	249,585	-	-	-	557,138
Additions	361,028	3,383	42,369	-	51,521	458,301
Effects of movements in exchange rates	92,607	20,199	122,671	-	19,560	255,037
Balance at March 31, 2020	**2,636,776**	**558,416**	**1,807,949**	**64,338**	**424,233**	**5,491,712**
Accumulated depreciation						
Balance at June 30, 2018	922,943	192,451	118,130	47,660	106,683	1,387,867
Depreciation expense	150,663	13,021	247,489	3,094	17,278	431,545
Disposals	(13,414)	-	-	-	-	(13,414)
Effect of movements in exchange rates	(3,254)	(2,105)	(2,736)	-	(196)	(8,291)
Balance at June 30, 2019	1,056,938	203,367	362,883	50,754	123,765	1,797,707
Depreciation expense	214,498	61,069	183,019	1,807	30,505	490,898
Effects of movements in exchange rates	35,449	5,433	30,645	99	4,324	75,950
Balance at March 31, 2020	**1,306,885**	**269,869**	**576,547**	**52,660**	**158,594**	**2,364,555**
Net book value as at:						
June 30, 2019	818,650	81,882	1,280,026	13,584	229,387	2,423,529
March 31, 2020	**1,329,891**	**288,547**	**1,231,402**	**11,678**	**265,639**	**3,127,157**

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

(Unaudited in Canadian dollars)

6. Intangible assets

	Copyright to software	Purchased technology	Website	Customer relationship	Brand	Other purchased intangibles	Total
	$	$	$	$	$	$	$
Cost							
Balance at 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 18)	-	3,744,540	-	12,169,755	5,748,660	1,832,715	23,495,670
Effects of movements on exchange rates	-	(34,259)	(1,348)	(134,480)	(52,195)	(16,432)	(238,714)
Balance at June 30, 2019	2,948,461	7,821,004	227,702	19,179,146	7,996,687	2,274,667	40,447,667
Business combinations (Note 18)	-	3,650,696	-	19,921,244	998,032	1,982,932	26,552,904
Additions	-	-	-	-	-	-	-
Effects of movements on exchange rates	-	702,129	28,392	3,234,775	657,213	341,113	4,963,622
Balance at March 31, 2020	**2,948,461**	**12,173,829**	**256,094**	**42,335,165**	**9,651,932**	**4,598,712**	**71,964,193**
Accumulated amortization							
Balance at June 30, 2018	2,909,616	1,466,827	214,262	1,612,443	273,433	165,680	6,642,261
Amortization expense	6,971	1,287,360	-	1,829,798	776,453	513,000	4,413,582
Effects of movements on exchange rates	-	(10,837)	(1,305)	(33,869)	(8,895)	(6,816)	(61,722)
Balance at June 30, 2019	2,916,587	2,743,350	212,957	3,408,372	1,040,991	671,864	10,994,121
Amortization expense	31,874	990,568	2,141	2,682,774	658,957	679,013	5,045,327
Effects of movements on exchange rates	-	348,049	25,261	770,933	176,289	157,057	781,491
Balance at March 31, 2020	**2,948,461**	**3,385,869**	**240,359**	**6,862,079**	**1,876,237**	**1,507,934**	**16,820,939**
Net book value as at:							
Balance at June 30, 2019	31,874	5,077,654	14,745	15,770,774	6,955,696	1,602,803	29,453,546
Balance at March 31, 2020	**-**	**8,787,960**	**15,735**	**35,473,086**	**7,775,695**	**3,090,778**	**55,143,254**

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

(Unaudited in Canadian dollars)

7. Development costs

	$
Development costs	
Balance at June 30, 2018	20,255,338
Additions	2,143,033
Investment tax credits	(670,925)
Balance at June 30, 2019	21,727,446
Additions	1,489,759
Investment tax credits	(50,000)
Balance at March 31, 2020	**23,167,205**
Accumulated amortization	
Balance at June 30, 2018	(17,716,350)
Amortization	(1,886,593)
Balance at June 30, 2019	(19,602,943)
Amortization	(1,083,910)
Balance at March 31, 2020	**(20,686,853)**

	March 31, 2020	June 30, 2019
	$	$
Net capitalized development costs	**2,480,352**	2,124,503

Each period, additions to development costs are recognized net of investment tax credits accrued. In addition to the above amortization, the Company has recognized $6,242,454 and $16,726,627 of engineering expenditures as an expense during the three and nine-months ended March 31, 2020 (three and nine -months ended March 31, 2019 - $5,128,380 and $13,684,531).

8. Goodwill

The carrying amount and movements of goodwill was as follows:

	$
Balance at June 30, 2018	5,174,981
Addition through business combinations (Note 18)	16,373,896
Effect of movements in exchange rates	(143,457)
Balance at June 30, 2019	21,405,420
Addition through business combinations (Note 18)	21,235,554
Effect of movements in exchange rates	2,745,594
Balance at March 31, 2020	**45,386,568**

The addition to goodwill during the three and nine-months ended March 31, 2020 is from the acquisition of VoIP Innovations LLC on October 18, 2019 and e4 Strategies LLC on February 29, 2020 (Note 18).

9. Operating facility and loans and derivative liability

(a) Operating facility and loans

(i) 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.

(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 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.

(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 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.

(iv) 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.

(v) 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.

(vi) 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

9. Operating facility and loans and derivative liability (continued)

(a) Operating facility and loans (continued)

the applicable margin. Under the terms of these term facilities, the Company may convert the loans from variable to a fixed loan. The Company was required to lock in the interest rate on one half of the term loan within three months of each draw down. 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. 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$8,700,000 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. The balance drawn against this term loan facility as of March 31, 2020 is $45,256,530 CAD ($31,900,000 USD). As at March 31, 2020, term loan facility balance of $8,228,460 is classified as current and $37,028,070 as long-term in the condensed consolidated interim statements of financial position.

(vii) The Company also has 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 were fully available, and the Company had not drawn against either of these facilities as at March 31, 2020.

For the three and nine-months ended March 31, 2020, the Company incurred interest costs to service the borrowing facilities in the amount of $517,017 and $1,518,168 (three and nine-months ended March 31, 2019 - $396,884 and $995,618, respectively).

During the nine-months ended March 31, 2020, the Company borrowed $45,699,360 (nine-months ended March 31, 2019 - $21,704,542) in operating facility and loans and repaid $26,838,943 (nine-months ended March 31, 2019 - $1,848,453).

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, 2020 and June 30, 2019, the Company was in compliance with all covenants related to its credit agreements.

(b) Derivative liability

The Company use derivative financial instruments to hedge its exposure to interest rate risks. All derivative financial instruments are recognized as either assets or liabilities at fair value on the condensed consolidated interim statements of financial position. Upon entering into a hedging arrangement with an intent to apply hedge accounting, the Company formally document the hedge relationship and designate the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge. When the Company determine that a derivative financial instrument qualifies as a cash flow hedge and is effective, the changes in fair value of the instrument are recorded in accumulated other comprehensive loss, net of tax in the condensed consolidated interim statement of financial position and will be reclassified to earnings when the hedged item affects earnings.

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. 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 to manage its exposure to changes in LIBOR-based interest rates. The interest rate swap hedges the variable cash

(Unaudited in Canadian dollars)

9. Operating facility and loans and derivative liability (continued)

(b) Derivative liability (continued)

flows associated with the borrowings under the loan facility, effectively providing a fixed rate of interest for five years of the six-year loan term.

The interest rate swap arrangement with two banks became effective on January 31, 2020, with a maturity date of December 31, 2024. The notional amount of the swap agreement at inception was US $17.4 million and decreases in line with the term of the loan facility. As of March 31, 2020, the notional amount of the interest rate swap was US $16.64 million. The interest rate swap has a weighted average fixed rate of 1.65% and has been designated as an effective cash flow hedge and therefore qualifies for hedge accounting. As of March 31, 2020, the fair value of the interest rate swap liability was valued at $772,181 and was recorded as derivative liability in the condensed consolidated interim statements of financial position. As of March 31, 2020, the change in fair value of the interest rate swaps, net of tax, in the amount of $772,181 is recorded in accumulated other comprehensive income (loss) in the condensed consolidated interim statements of income (loss) and comprehensive income. Any differences between the hedged LIBOR rate and the fixed rate are recorded as interest expense on the same period that the related interest is recorded for the loan facility based on the LIBOR rate.

10. Income tax

The Company income tax expense is determined as follows:

	Three-months ended March 31,		Nine-months ended March 31,	
	2020	2019	**2020**	2019
Statutory income tax rate	**26.50%**	26.50%	**26.50%**	26.50%
	$	$	**$**	$
Net income before income taxes	**2,752,516**	1,348,493	**2,473,756**	659,189
Expected income tax expense	**789,764**	373,357	**727,095**	174,790
Tax rate changes and other adjustments	**48,620**	(138,637)	**76,300**	(21,560)
Share based compensation and non-deductible expenses	**66,860**	74,212	**199,670**	737,982
Business acquisition costs	**74,821**	-	**403,300**	-
Currency translation adjustment and other adjustments	**73,964**	(30,130)	**63,444**	(30,130)
Income tax expense	**1,054,029**	278,802	**1,469,809**	861,082
The Company's income tax expense is allocated as follows:	**$**	$	**$**	$
Current tax expense	**1,771,590**	1,232,305	**1,983,193**	1,814,585
Deferred income tax expense	**(717,561)**	(953,503)	**(513,384)**	(953,503)
Income tax expense	**1,054,029**	278,802	**1,469,809**	861,082

(Unaudited in Canadian dollars)

10. Income tax (continued)

The following table summarizes the components of deferred tax asset:

	March 31, 2020	June 30, 2019
	$	$
Deferred income tax assets (liabilities)		
Non-deductible reserves - Canadian	**115,570**	115,573
Non-deductible reserves - USA	**8,239,460**	1,501,338
SR&ED investment tax credits, net of 12(1)(x)	**1,757,930**	1,757,926
Property and equipment - Canadian	**(331,920)**	(388,859)
Property and equipment - USA	**(455,000)**	(458,970)
Deferred development costs	**(854,550)**	(854,549)
Intangible assets including goodwill - Canadian	**(75,070)**	(75,066)
Intangible assets including goodwill - USA	**(4,703,540)**	(4,759,331)
Non-capital losses carried forward - USA	**16,680**	7,208,503
Non-capital losses carried forward - Canadian	**1,198,499**	-
Capital losses carried forward and other - Canadian	**148,290**	129,478
Net deferred income tax assets	**5,056,349**	4,176,043

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
	$	$
2033	374,636	-
2034	347,033	-
2035	288,821	-
2036	334,585	46,366
2037	300,386	68,347
2038	227,599	50,686
2039	325,159	54,213
	2,198,219	219,612

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.

(Unaudited in Canadian dollars)

11. Shareholders' equity

(i) Share capital

Issued and outstanding common shares consist of the following:

	Three-months ended March 31,		Nine-months ended March 31,	
	2020	2019	**2020**	2019
	#	#	**#**	#
Shares issued and outstanding:				
Outstanding, beginning of the period	**73,499,920**	51,498,037	**52,962,090**	47,460,957
Shares issued for business combinations (Note 18)	**-**		**5,500,417**	3,943,041
Shares issued through short form prospectus	**-**		**14,846,500**	-
Shares returned from escrow	**(21,673)**		**(21,673)**	-
Shares issued upon exercise of options	**270,115**	102,916	**399,071**	157,618
Shares issued upon exercise of broker warrants	**-**	16,948	**61,957**	56,285
Shares issued and outstanding, end of period	**73,748,362**	51,617,901	**73,748,362**	51,617,901

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

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.

During the three and nine-months ended March 31, 2020, 21,673 shares were returned and cancelled, which were held in escrow for working capital adjustment purposes for Digium acquisition (Note 18). As a result of cancellation of common shares, an amount of $24,362 was reclassed from share capital to retained earnings.

During the three and nine-months ended March 31, 2020, a total of 270,115 and 399,071 (three and nine-months ended March 31, 2019 – 102,916 and 157,618) options were exercised for cash consideration of $101,494 and $163,869 (three and nine-months ended March 31, 2019 - $27,025 and $52,246).

During the three and nine-months ended March 31, 2020, a total of nil and 61,957 (three and nine-months ended March 31, 2019 – nil and 56,285) broker warrants were exercised for cash consideration of $nil and $61,957 (three and nine-months ended March 31, 2019 - $nil and $56,285). As at March 31, 2020, 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 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 are terminated, cancelled, exercised, expired or surrendered will be available for a subsequent grant under the plan, subject to regulatory requirements.

(Unaudited in Canadian dollars)

11. Shareholders' equity (continued)

(i) Stock options (continued)

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:

Measurement date	Number of options	Weighted average price
	#	$
Balance, June 30, 2018	5,458,574	0.47
Granted	1,668,000	1.22
Exercised	(1,500,691)	(0.34)
Forfeited	(386,541)	(0.67)
Balance, June 30, 2019	5,239,342	0.58
Exercised	(399,071)	(0.41)
Expired	(192,760)	(0.82)
Balance, March 31, 2020	**4,647,511**	**0.59**

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.

	March 31, 2020	June 30, 2019
Share price	-	\$1.10 - \$1.60
Exercise price	-	\$1.16 - \$1.60
Expected volatility	-	60.79% - 63.73%
Expected option life	-	5 years
Risk-free interest rate	-	1.48% - 1.93%

(Unaudited in Canadian dollars)

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:

	March 31, 2020		June 30, 2019	
Exercise price	**Number of stock options outstanding and exercisable**	**Weighted average remaining contractual life**	Number of stock options outstanding and exercisable	Weighted average remaining contractual life
$0.26 - $0.50	**2,382,409**	**0.73**	2,238,656	1.53
$0.51 - $0.75	**206,897**	**2.75**	160,759	3.50
$1.01 - $1.25	**303,567**	**3.74**	-	-
	2,892,873	**1.19**	2,399,415	1.66

For the three and nine-month periods ended March 31, 2020, the Company recognized share-based compensation expense in the amount of $45,898 and $326,181, respectively (three and nine-month periods ended March 31, 2019 - $79,967 and $144,639, 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 March 31,		Nine-months ended March 31,	
	2020	2019	**2020**	2019
Number of shares:				
Weighted average number of shares used in basic and diluted loss per	**73,560,226**	51,531,607	**70,435,148**	50,597,946
Shares deemed to be issued in respect of options and warrants	**3,404,973**	4,402,476	**3,218,696**	4,087,871
Weighted average number of shares used in diluted earnings per share	**76,965,199**	**55,934,083**	**73,653,844**	**54,685,817**
Net earnings/(loss) for the period	**1,698,487**	1,069,691	**1,273,989**	(201,893)
Earnings/(loss) per share:				
Basic earnings per share	**$ 0.023**	$ 0.021	**$ 0.018**	$ (0.004)
Diluted earings per share	**$ 0.022**	$ 0.019	**$ 0.017**	$ (0.004)

(Unaudited in Canadian dollars)

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 relates to director fees.

The Company had the following balances with related parties:

	March 31, 2020	March 31, 2019
	$	$
Accounts payable and accrued liabilities	**135,000**	120,000

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 or fixed rate loan, which represent market rate.

Cash and cash equivalents are comprised of:

	March 31, 2020	June 30, 2019
	$	$
Cash at bank and on hand	**12,547,743**	11,724,844
	12,547,743	11,724,844

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, 2020 and 2019, 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,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Interest income	**(5,664)**	(2,335)	**(49,131)**	(9,877)
Interest expense (Note 9, 15)	**625,645**	396,884	**1,836,087**	995,618
Net interest expense	**619,981**	394,549	**1,786,956**	985,741

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

(Unaudited in Canadian dollars)

13. Financial instruments (continued)

Credit risk (continued)

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:

	March 31, 2020	June 30, 2019
	$	$
Trade receivables aging:		
0-30 days	**9,328,877**	9,082,221
31-90 days	**2,223,109**	1,787,297
Greater than 90 days	**684,251**	672,548
	12,236,237	11,542,066
Expected credit loss provision	**(576,327)**	(287,372)
Net trade receivables	**11,659,910**	11,254,694

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

	March 31, 2020	June 30, 2019
	$	$
Expected credit loss provision:		
Expected credit loss provision, beginning balance	**(287,372)**	(598,134)
Net change in expected credit loss provision during the period	**(288,955)**	310,762
Expected credit loss provision, ending balance	**(576,327)**	(287,372)

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.

				March 31, 2020
	Total	**Not past due**	**Over 30 days past due**	**Over 60 days past due**
Default rates		0.69%	0.96%	71.70%
Trade receivables	**$ 12,236,237**	$ 9,328,877	$ 2,223,109	$ 684,251
Expected credit loss provision	**$ 576,327**	$ 64,369	$ 21,342	$ 490,616

13. Financial instruments (continued)

Credit risk (continued)

As at June 30, 2019	Total	Not past due	Over 30 days past due	Over 60 days past due
Default rates		0.69%	0.96%	30.83%
Trade receivables	$ 11,542,066	$ 9,082,221	$ 1,787,297	$ 672,548
Expected credit loss provision	$ 287,372	$ 62,891	$ 17,158	$ 207,323

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:

	March 31, 2020	June 30, 2019
	$	$
Accounts payable and accrued liabilities	**15,737,771**	14,626,815
Operating facility and loans	**8,228,460**	3,923,775
Lease obligations on right-of-use assets	**3,106,138**	-
	27,072,369	18,550,590

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 March 31, 2020, a 10% depreciation or appreciation of the U.S. dollar, Euro, and GBP against the Canadian dollar would have resulted in an approximate $803,500 (March 31, 2019 - $384,704) 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 March 31, 2020, a change in the interest rate of 1% per annum would have an impact of approximately $205,712 per annum in finance costs. The Company also entered into an interest rate swap arrangement for its loan facility (Note 9) to manage the exposure to changes in LIBOR-rate based interest rate. The fair value of the interest rate swaps was estimated based on the present value of projected future cash flows using the LIBOR forward rate curve. The model used to value the interest rate swaps included inputs of readily observable market data, a Level 2 input. As described in detail in Note 9, the fair value of the interest rate swaps was a $772,181 liability at March 31, 2020.

(Unaudited in Canadian dollars)

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.

		March 31, 2020
	Right-of-use assets	**Right-of-use liabilities**
	$	$
Present value of leases		
Balance at June 30, 2019	-	-
Aggregate lease commitments	19,123,244	19,123,244
Less: impact of present value	(2,160,584)	(2,160,584)
Opening IFRS 16 lease value as at July 1, 2019	16,962,660	16,962,660
Additions	888,334	888,334
Less: impact of present value	(26,375)	(26,375)
Effects of movements on exchange rates	1,403,370	1,403,370
Balance at March 31, 2020	**19,227,989**	**19,227,989**
Accumulated depreciation and repayments		
Depreciation expense	2,378,746	-
Repayments	-	2,239,033
Effects of movements on exchange rates	114,849	108,975
Balance at March 31, 2020	2,493,595	2,348,008
Net book value as at:		
June 30, 2019	-	-
March 31, 2020	**16,734,394**	**16,879,981**
Right-of-use liabilities - Current		3,106,138
Right-of-use liabilities - Long term		13,773,843
		16,879,981

During the three and nine-months ended March 31, 2020, the Company recorded interest expense of $108,628 and $317,919, respectively.

(Unaudited in Canadian dollars)

16. Provisions

	Warranty provision	Sales returns & allowances provision	Stock rotation provision	Total
	$	$	$	$
Balance at June 30, 2018	165,094	34,596	80,000	279,690
Additional provision recognized	43,387	13,634	220,294	277,315
Balance at June 30, 2019	208,481	48,230	300,294	557,005
Additional provision recognized (used)	**(39,543)**	**4,053**	**67,450**	**31,960**
Balance at March 31, 2020	**168,938**	**52,283**	**367,744**	**588,965**

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 nine-month periods ended March 31, 2020 and 2019 as follows:

	Three-months ended March 31,		**Nine-months ended March 31,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Products	**17,472,575**	18,758,110	**50,778,389**	53,244,622
Services	**18,837,479**	10,157,118	**45,823,288**	26,329,887
Total revenues	**36,310,054**	28,915,228	**96,601,677**	79,574,509

17. Segment disclosures (continued)

The sales, in Canadian dollars, in each of these geographic locations for the three and nine-months ended March 31, 2020 and 2019 were as follows:

	Three-months ended March 31,		**Nine-months ended March 31,**	
	2020	2019	**2019**	2019
	$	$	**$**	$
USA	**28,489,278**	19,590,140	**74,735,769**	57,456,004
Canada	**952,098**	2,377,876	**3,415,038**	4,344,794
All other countries	**6,868,678**	6,947,212	**18,450,870**	17,773,711
Total revenues	**36,310,054**	28,915,228	**96,601,677**	79,574,509

18. Business combinations

a) 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.

During the three and nine-month period ended March 31, 2020, 21,673 shares were returned and cancelled, which were held in escrow for working capital adjustment purposes for Digium acquisition.

(Unaudited in Canadian dollars)

18. Business combinations (continued)

Consideration	**USD**	**CAD**
Cash consideration on closing	$23,850,246	$31,446,549
Cash held in escrow for working capital	$96,177	$126,809
Cash held in escrow for indemnification	$123,431	$162,744
Common shares issued on closing	$246,841	$325,460
Common shares held in escrow for working capital	$1,240,396	$1,635,462
Common shares held in escrow for indemnification	$1,399,156	$1,844,787
	$26,956,247	**$35,541,811**

Purchase price allocation	**USD**	**CAD**
Cash	$291,835	$384,784
Accounts receivable	$1,248,095	$1,645,614
Inventory	$2,574,131	$3,393,992
Prepaids and other deposits	$1,380,647	$1,820,383
Property and equipment	$1,293,738	$1,705,794
Deferred tax asset	$1,881,013	$2,480,116
Accounts payable and accrued liabilities	(2,812,511)	(3,708,296)
Other liabilities	(12,393)	(16,341)
Contract liabilities	(9,126,887)	(12,033,801)
Customer relationships	$9,230,000	$12,169,755
Backlog	$1,220,000	$1,608,570
Technology	$2,840,000	$3,744,540
Brand	$4,360,000	$5,748,660
Non-compete	$170,000	$224,145
Goodwill	$12,418,579	$16,373,896
	$26,956,247	**$35,541,811**

b) 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 $45,097,561 ($34,341,731 USD). The discounted purchase price consisted of $38,243,986 ($29,122,743 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 $2,803,938 ($2,135,195 USD) remains in escrow after initial USF adjustments and these amounts have been discounted accordingly for an amount of $66,701 ($50,793 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.

(Unaudited in Canadian dollars)

18. Business combinations (continued)

Consideration	USD	CAD
Cash consideration on closing	$27,038,341	$35,506,749
Net working capital adjustment	$129,281	$169,772
Cash held in escrow for working capital	$885,679	$1,163,074
Cash held in escrow for indemnification	$342,857	$450,240
Cash held in escrow for USF Special Indemnity (1 year)	$565,469	$742,574
Cash held in escrow for USF Special Indemnity (2 year)	$290,397	$381,349
Common shares	$4,990,815	$6,553,938
Contingent payment	$98,892	$129,865
	$34,341,731	**$45,097,561**

Purchase price allocation	USD	CAD
Cash	$1,114,154	$1,463,107
Accounts receivable	$420,663	$552,415
Prepaids and other deposits	$256,095	$336,304
Property and equipment	$424,260	$557,138
Accounts payable and accrued liabilities	($1,486,038)	($1,951,465)
Other liabilities	($978,715)	($1,285,249)
Contract liabilities	($628,728)	($825,646)
Customer relationships	$15,170,000	$19,921,244
Technology	$2,780,000	$3,650,696
Brand	$760,000	$998,032
Non-compete	$1,510,000	$1,982,932
Goodwill	$15,000,040	$19,698,053
	$34,341,731	**$45,097,561**

(c) On February 29, 2020, the Company acquired e4 Strategies, LLC in order to strengthen its sales capabilities in its FreePBX® ecosystem. Given the relative size of this transaction, no financial details were publicly disclosed.

19. Subsequent events

On April 3, 2020, Sangoma US Inc. drew down $1,838,460 (US$1,300,000) on the swingline credit facility available under the Credit Agreement. On April 13, 2020, the Company reallocated the $8,000,000 revolver facility available to it under a syndicated loan agreement it entered into on October 17, 2019 (the “Credit Agreement”) to Sangoma US Inc. and on April 17, 2020, Sangoma US Inc. drew down $7,439,610 (US$5,300,000) from this facility. The Company drew down the credit facility to maximize its cash balance in order to take advantage of opportunities that may arise, as well as to fully prepare itself for any further uncertainties during the Covid-19 pandemic.

In December 2019, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the national, provincial and municipal governments around the world regarding travel, business operations and isolation and quarantine orders.

19. Subsequent events (continued)

The Company was designated an essential business in many of the jurisdictions in which it operates and continued to receive factory shipments and make deliveries to customers around the world. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company in the long term as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, quarantine and isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

20. Authorization of the condensed consolidated interim financial statements

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