



SANGOMA TECHNOLOGIES CORPORATION

**Condensed consolidated interim financial statements for the
three and nine month periods ended March 31, 2024 and 2023
(Unaudited in thousands of US dollars)**

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

Sangoma Technologies Corporation

Three and nine month periods March 31, 2024 and 2023

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Sangoma Technologies Corporation

Condensed consolidated interim statements of financial position

As at March 31, 2024, and June 30, 2023

(Unaudited in thousands of US dollars, except per share data)

	Note	March 31, 2024	June 30, 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	18,389	11,156
Trade and other receivables	4	19,717	21,905
Inventories	6	16,175	17,970
Sales tax receivable		341	273
Income tax receivable		616	3,192
Contract assets		1,522	1,762
Derivative assets	15	879	1,218
Other current assets		3,960	4,420
		61,599	61,896
Non-current assets			
Property and equipment	7	8,259	9,152
Right-of-use assets	8	10,857	13,152
Intangible assets	9	132,463	157,437
Development costs	10	7,624	6,569
Deferred income tax assets		2,322	3,210
Goodwill	12	187,502	187,502
Contract assets		2,577	2,911
Derivative assets	15	391	768
Other non-current assets		481	422
		414,075	443,019
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	21,722	24,077
Provisions	13	436	237
Sales tax payable		6,855	5,867
Income tax payable		136	61
Consideration payable	14	—	1,894
Operating facility and loans	15	17,700	17,700
Contract liabilities	16	9,630	10,909
Lease obligations on right-of-use assets	8	2,824	2,719
		59,303	63,464
Long term liabilities			
Operating facility and loans	15	69,850	83,125
Contract liabilities	16	3,171	3,642
Non-current lease obligations on right-of-use assets	8	9,184	11,612
Deferred income tax liabilities		10,167	14,295
Other non-current liabilities		1,489	766
		153,164	176,904
Shareholders' equity			
Share capital		380,944	379,924
Contributed surplus		19,394	18,132
Accumulated other comprehensive income		800	1,335
Accumulated deficit		(140,227)	(133,276)
		260,911	266,115
		414,075	443,019

Approved by the Board

(Signed) Al Guarino Director

(Signed) Allan Brett Director

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

Sangoma Technologies Corporation

Condensed consolidated interim statements of loss and comprehensive loss

For the three and nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

	Note	Three month periods ended		Nine month periods ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
		\$	\$	\$	\$
Revenue	19	61,046	62,764	186,350	188,850
Cost of sales		18,046	18,340	55,336	58,300
Gross profit		43,000	44,424	131,014	130,550
Expenses					
Sales and marketing		13,653	14,990	44,822	46,251
Research and development		10,189	9,497	29,509	28,153
General and administration		10,652	10,309	32,978	31,901
Amortization of intangible assets	9	8,251	8,572	24,974	25,727
Interest expense (net)	4,15	1,718	1,666	5,175	4,876
Restructuring and business integration costs		—	2,188	1,491	2,595
Loss (gain) on change in fair value of consideration payable	14	—	(1,854)	202	(3,785)
Loss before income tax		(1,463)	(944)	(8,137)	(5,168)
Provision for income taxes					
Current	11	1,135	730	1,799	1,515
Deferred	11	(1,330)	(989)	(2,985)	(1,287)
Net loss		(1,268)	(685)	(6,951)	(5,396)
Other comprehensive income (loss)					
Items to be reclassified to net income (loss)					
Change in fair value of interest rate swaps, net of tax	15	39	(357)	(535)	292
Comprehensive loss		(1,229)	(1,042)	(7,486)	(5,104)
Loss per share					
Basic and diluted	17(iii)	\$ (0.04)	(0.02)	\$ (0.21)	(0.17)
Weighted average number of shares outstanding					
Basic and diluted	17(iii)	33,156,525	31,114,541	33,249,351	31,866,365

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

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Condensed consolidated interim statements of changes in shareholders' equity

For the nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

	Note	Number of common shares	Share capital	Shares to be issued	Contributed surplus	Accumulated other comprehensive earnings	Retained earnings (accumulated deficit)	Total shareholders' equity
			\$	\$	\$	\$	\$	\$
Balance, July 1, 2022		21,439,632	203,032	179,132	15,055	839	(104,250)	293,808
Net loss		—	—	—	—	—	(5,396)	(5,396)
Change in fair value of interest rate swaps, net of tax	15	—	—	—	—	292	—	292
Common shares issued as installment for shares to be issued	17(i)	2,695,601	40,785	(40,785)	—	—	—	—
Common shares issued for options exercised	17(i)	11,024	67	—	(23)	—	—	44
Common shares purchased and cancelled	17(i)	(108,622)	(605)	—	—	—	—	(605)
Common shares returned from escrow	4	(142,124)	(1,702)	—	—	—	—	(1,702)
Share-based compensation expense	17(ii)	—	—	—	2,738	—	—	2,738
Balance, March 31, 2023		23,895,511	241,577	138,347	17,770	1,131	(109,646)	289,179
Balance, July 1, 2023		33,038,367	379,924	—	18,132	1,335	(133,276)	266,115
Net loss		—	—	—	—	—	(6,951)	(6,951)
Change in fair value of interest rate swaps, net of tax	15	—	—	—	—	(535)	—	(535)
Common shares issued for RSU exercised	17(i)	294,500	1,020	—	(1,020)	—	—	—
Share-based compensation expense	17(ii)	—	—	—	2,282	—	—	2,282
Balance, March 31, 2024		33,332,867	380,944	—	19,394	800	(140,227)	260,911

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

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Condensed consolidated interim statements of cash flows

For the nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

		Nine month periods ended	
	Note	March 31, 2024	March 31, 2023
		\$	\$
Operating activities			
Net loss		(6,951)	(5,396)
Adjustments for:			
Depreciation of property and equipment	7	3,292	3,634
Depreciation of right-of-use assets	8	2,206	2,917
Amortization of intangible assets	9	24,974	25,727
Amortization of development costs	10	3,200	1,812
Income tax expense (recovery)	11	(1,186)	228
Income tax refunds (paid)		1,374	(3,984)
Share-based compensation expense	17(ii)	2,282	2,738
Unrealized foreign exchange gain (loss)		(144)	161
Accretion expense	8,14	303	802
Gain on lease modification	8	—	(36)
Loss on disposal of property and equipment	7	296	307
Loss (Gain) on change in fair value of consideration payable	14	202	(3,785)
Changes in working capital			
Trade and other receivables		2,188	(946)
Inventories		1,795	(1,227)
Sales tax receivable		(68)	43
Contract assets		574	(893)
Other assets		401	101
Sales tax payable		988	(745)
Accounts payable and accrued liabilities		(2,355)	(5,031)
Provisions		199	46
Other non current liabilities		723	(120)
Contract liabilities		(1,750)	(721)
Net cash provided by operating activities		32,543	15,632
Investing activities			
Purchase of property and equipment	7	(2,695)	(3,207)
Development costs	10	(4,819)	(5,450)
Net cash flows used in investing activities		(7,514)	(8,657)
Financing activities			
Proceeds from operating facility and loan	15	—	5,300
Repayments of operating facility and loan	15	(13,275)	(13,275)
Repayment of lease obligations on right-of-use assets	8	(2,425)	(3,133)
Payment of consideration payable	14	(2,096)	—
Common shares purchased and cancelled	17(i)	—	(605)
Issuance of common shares for stock options exercised	17(i)	—	44
Net cash flows used in financing activities		(17,796)	(11,669)
Increase in cash and cash equivalents		7,233	(4,694)
Cash and cash equivalents, beginning of the period		11,156	12,702
Cash and cash equivalents, end of the period		18,389	8,008

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

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Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

1. General information

Founded in 1984, Sangoma Technologies Corporation (“Sangoma” or the “Company”) is publicly traded on the Toronto Stock Exchange (TSX: STC) and NASDAQ (NASDAQ: SANG). The Company was incorporated in Canada, its legal name is Sangoma Technologies Corporation and its primary operating subsidiaries for fiscal 2024 are Sangoma Technologies Inc., Sangoma US Inc., Digium Inc., NetFortris Corporation, Star2Star Communications LLC, VoIP Supply 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 globally 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

These interim financial statements for the three and nine month periods ended March 31, 2024 and 2023 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

These interim financial statements do not include all of the disclosures required by International Financial Reporting Standards (“IFRS Accounting Standards”) for annual consolidated financial statements and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2023 (“annual financial statements”) prepared in accordance with IFRS Accounting Standards.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 8, 2024.

3. Significant accounting judgements, estimates and uncertainties

These unaudited 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, 2023. 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, 2023.

The preparation of the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported assets, liabilities, revenue and expenses, consistent with those described in the Company’s annual financial statements and as described in these interim financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with the corresponding effect on profit or loss, when, and if, better information is obtained.

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(Unaudited in thousands of US dollars, except per share data)

4. Financial instruments

The fair values of the cash, trade and other receivables, other current assets, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments. The fair values of operating facility and loans approximate their carrying values due to variable interest loans or fixed rate loan, which represent market rate.

Derivative assets and liabilities and consideration payable are recorded at fair value.

Cash and cash equivalents are comprised of:

	March 31, 2024	June 30, 2023
	\$	\$
Cash at bank and on hand	18,389	11,156

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, 2024 and June 30, 2023 the Company had no demand deposits and cash equivalents.

Interest expense (net) comprises of total interest income and interest expense for financial assets or financial liabilities that are not at fair value through profit or loss, and can be summarized as follows:

	Note	Three month periods ended		Nine month periods ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
		\$	\$	\$	\$
Interest income		(5)	(4)	(19)	(34)
Interest expense	15	1,630	1,470	4,891	4,108
Accretion expense	8, 14	93	200	303	802
Interest expense (net)		1,718	1,666	5,175	4,876

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.

	March 31, 2024	June 30, 2023
	\$	\$
Trade receivables	15,446	16,060
Receivable related to working capital adjustment	4,271	5,845
Trade and other receivables	19,717	21,905

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Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

During the period ended March 31, 2024, the Company received \$1,574 (March 31, 2023 - \$nil) cash from the escrow account for the working capital provision related to certain indemnification assets recorded in respect of liabilities assumed on the acquisition of NetFortris. The remaining balance is \$4,271 as at March 31, 2024 (June 30, 2023 - \$5,845).

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, 2024	June 30, 2023
	\$	\$
Trade receivables aging:		
0-30 days	11,574	11,759
31-90 days	2,629	3,313
Greater than 90 days	2,625	2,554
	16,828	17,626
Expected credit loss provision	(1,382)	(1,566)
	15,446	16,060

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

	March 31, 2024	June 30, 2023
	\$	\$
Expected credit loss provision:		
Expected credit loss provision, beginning balance	(1,566)	(2,281)
Net change in expected credit loss provision during the period	184	715
Expected credit loss provision, ending balance	(1,382)	(1,566)

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.

Substantially all of the Company's cash and cash equivalents are held with major Canadian and US 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 and aligns this planning and budgeting process with its financing activities through its capital management process.

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The Company holds sufficient cash and cash equivalents and working capital, maintained through stringent cash flow management, to ensure sufficient liquidity is maintained. The following are the undiscounted contractual maturities of significant financial liabilities of the Company as at March 31, 2024:

	within 12 months	12-24 months	24-36 months	>36 months	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	21,722	—	—	—	21,722
Sales tax payable	6,855	—	—	—	6,855
Operating facility and loans	17,700	23,500	20,600	25,750	87,550
Lease obligations on right of use assets	3,135	2,390	1,713	5,973	13,211
Other non-current liabilities	—	—	—	1,489	1,489
	49,412	25,890	22,313	33,212	130,827

Foreign currency risk

A portion of the Company's transactions occur in a foreign currency (Canadian Dollars (CAD), Euros (EUR), Great British Pounds (GBP), Indian Rupees (INR), Philippine Peso (PHP), Australian Dollar (AUD), and Columbia Peso (COP) , therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its foreign denominated cash, trade receivables, contract assets, accounts payable and accrued liabilities. As at March 31, 2024, a 10% depreciation or appreciation of the CAD, EUR, GBP, INR, PHP, AUD and COP currencies against the U.S. dollar would have resulted in an approximate \$96 (June 30, 2023 - \$76) increase or decrease, respectively, in total comprehensive loss.

Interest rate risk

The Company's exposure to interest rate fluctuations is with its credit facility (Note 15) which bears interest at a floating rate. As at March 31, 2024, a change in the interest rate of 1% per annum would have an impact of approximately \$701 (March 31, 2023 - \$719) per annum in finance costs. The Company also entered an interest rate swap arrangement for its loan facility (Note 15) to manage the exposure to changes in SOFR-rate based interest rate. As described in detail in Note 15, the fair value of the interest rate swaps are a current asset of \$879 and non-current asset of \$391 on March 31, 2024 (June 30, 2023 - current asset of \$1,218 and non-current asset of \$768).

5. Capital management

The Company's objectives in managing capital is to safeguard the Company's assets, to ensure sufficient liquidity to sustain the viability of 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 and operating facilities and loans. 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 period, and apart from the financial covenants as discussed in Note 15, the Company is not subject to any other capital requirements imposed by external parties.

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Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

6. Inventories

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

	March 31, 2024	June 30, 2023
	\$	\$
Finished goods	11,774	13,860
Components and parts	5,536	5,234
	17,310	19,094
Provision for obsolescence	(1,135)	(1,124)
Net inventory carrying value	16,175	17,970

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Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended March 31, 2024 and 2023

(Unaudited in thousands of US dollars, except per share data)

7. Property and equipment

	Office furniture and computer equipment	Software	Stockroom and production equipment	Tradeshaw equipment	Leasehold improvements	Total
Cost	\$	\$	\$	\$	\$	\$
Balance at July 1, 2022	4,737	458	10,451	47	475	16,168
Additions	846	—	3,170	—	—	4,016
Disposals	(217)	—	(754)	—	(25)	(996)
Balance at June 30, 2023	5,366	458	12,867	47	450	19,188
Additions	514	42	2,079	—	60	2,695
Disposals	—	—	(464)	—	—	(464)
Balance at March 31, 2024	5,880	500	14,482	47	510	21,419
Accumulated depreciation						
Balance at July 1, 2022	2,452	413	2,759	47	223	5,894
Depreciation expense	976	21	3,670	—	62	4,729
Disposals	(64)	—	(523)	—	—	(587)
Balance at June 30, 2023	3,364	434	5,906	47	285	10,036
Depreciation expense	624	14	2,546	—	108	3,292
Disposals	—	—	(168)	—	—	(168)
Balance at March 31, 2024	3,988	448	8,284	47	393	13,160
Net book value as at:						
Balance at June 30, 2023	2,002	24	6,961	—	165	9,152
Balance at March 31, 2024	1,892	52	6,198	—	117	8,259

For the three and nine month periods ended March 31, 2024, depreciation expenses of \$390 and \$882 (three and nine month periods ended March 31, 2023- \$235 and \$759) were recorded in general and administration expense in the condensed consolidated interim statements of loss and comprehensive loss. Depreciation expenses in the amounts of \$779 and \$2,410 were included in cost of sales for the three and nine month periods ended March 31, 2024 (three and nine month periods ended March 31, 2023 - \$900 and \$2,875).

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Notes to the condensed consolidated interim financial statements

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(Unaudited in thousands of US dollars, except per share data)

8. Leases: Right-of-use assets and lease obligations

The Company's lease obligations and right-of-use assets are presented below:

	Right-of-use assets
	\$
Present value of leases	
Balance as at July 1, 2022	23,230
Additions	41
Terminations	(1,089)
Balance at June 30, 2023	22,182
Additions	457
Terminations	(2,414)
Balance at March 31, 2024	20,225
Accumulated depreciation and repayments	
Balance as at July 1, 2022	6,256
Depreciation expense	3,778
Terminations	(1,004)
Balance at June 30, 2023	9,030
Depreciation expense	2,206
Terminations	(1,868)
Balance at March 31, 2024	9,368
Net book value as at:	
June 30, 2023	13,152
March 31, 2024	10,857

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(Unaudited in thousands of US dollars, except per share data)

	Lease Obligations
	\$
Present value of leases	
Balance as at July 1, 2022	17,989
Additions	41
Adjustments due to lease modification	(36)
Repayments	(4,072)
Accretion expense	476
Terminations	(54)
Effects of movements on exchange rates	(13)
Balance at June 30, 2023	14,331
Additions	457
Repayments	(2,425)
Accretion expense	303
Terminations	(656)
Effects of movements on exchange rates	(2)
Balance at March 31, 2024	12,008
Lease Obligations - Current	2,824
Lease Obligations - Non-current	9,184
	12,008

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Notes to the condensed consolidated interim financial statements

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(Unaudited in thousands of US dollars, except per share data)

9. Intangible assets

	Note	Purchased technology	Customer relationships	Brand	Other purchased intangibles	Total
		\$	\$	\$	\$	\$
Cost						
Balance at July 1, 2022		110,123	126,456	6,787	2,748	246,114
Balance at June 30, 2023		110,123	126,456	6,787	2,748	246,114
Balance at March 31, 2024		110,123	126,456	6,787	2,748	246,114
Accumulated amortization						
Balance at July 1, 2022		23,906	25,464	2,820	2,555	54,745
Amortization expense		17,670	15,357	766	139	33,932
Balance at June 30, 2023		41,576	40,821	3,586	2,694	88,677
Amortization expense		13,225	11,250	470	29	24,974
Balance at March 31, 2024		54,801	52,071	4,056	2,723	113,651
Net book value as at:						
Balance at June 30, 2023		68,547	85,635	3,201	54	157,437
Balance at March 31, 2024		55,322	74,385	2,731	25	132,463

Amortization of intangible assets for the three and nine month periods ended March 31, 2024 were \$8,251 and \$24,974 (three and nine month periods ended March 31, 2023 - \$8,572 and \$25,727).

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Notes to the condensed consolidated interim financial statements

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(Unaudited in thousands of US dollars, except per share data)

10. Development costs

Cost	\$
Balance at July 1, 2022	5,969
Additions	7,250
Cost fully amortized	(380)
Investment tax credits	(788)
Balance at June 30, 2023	12,051
Additions	4,819
Investment tax credits	(564)
Balance at March 31, 2024	16,306
Accumulated amortization	
Balance at July 1, 2022	(3,108)
Amortization	(2,705)
Cost fully amortized	331
Balance at June 30, 2023	(5,482)
Amortization	(3,200)
Balance at March 31, 2024	(8,682)

	March 31,	June 30,
	2024	2023
	\$	\$
Net capitalized development costs	7,624	6,569

Each period, additions to development costs are recognized net of investment tax credits accrued. In addition to the above amortization, the Company has recognized \$9,019 and \$26,309 of engineering expenditures as expenses during the three and nine month periods ended March 31, 2024 (three and nine month periods ended March 31, 2023- \$8,709 and \$26,341).

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(Unaudited in thousands of US dollars, except per share data)

11. Income tax

The Company income tax expense is determined as follows:

	Three month periods ended		Nine month periods ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Statutory income tax rate	25.62%	26.15%	25.62%	26.15%
	\$	\$	\$	\$
Loss before income tax	(1,463)	(944)	(8,137)	(5,168)
Expected income tax expense	(376)	(247)	(2,085)	(1,351)
Difference in foreign tax rates	6	2	19	(8)
Share based compensation	196	142	585	716
Other non deductible expenses	(34)	(29)	(96)	(62)
Changes in estimates	4	—	5	23
Scientific Research and Experimental Development (SR&ED)	(20)	20	24	56
Gain on consideration payable	—	(486)	51	(992)
Stock options deduction revaluation adjustment	—	304	—	1,654
Earn-out amortization	—	22	—	114
Changes in tax benefits not recognized	29	13	311	78
Income tax expense	(195)	(259)	(1,186)	228
The Company's income tax expense is allocated as follows:				
	\$	\$	\$	\$
Current tax expense	1,135	730	1,799	1,515
Deferred income tax expense	(1,330)	(989)	(2,985)	(1,287)
Income tax expense	(195)	(259)	(1,186)	228

12. Goodwill

The carrying amount and movements of goodwill was as follows:

	\$
Balance at July 1, 2022	210,009
Goodwill Impairment	(22,507)
Balance at June 30, 2023	187,502
Balance at March 31, 2024	187,502

There is no addition to goodwill for the three and nine month periods ended March 31, 2024. The Company has evaluated for triggers of impairment at March 31, 2024 and has not identified any indicators of impairment.

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13. Provisions

	\$
Balance at July 1, 2022	200
Additional provision recognized	37
Balance at June 30, 2023	237
Additional provision recognized	199
Balance at March 31, 2024	436

The provisions 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.

14. Consideration payable

During the three and nine month periods ended March 31, 2024, the Company made payments of \$nil and \$2,096 (March 31, 2023 - \$nil and \$nil). As of March 31, 2024, the Company's has no outstanding balance of consideration payable.

The fair value of consideration payable as at March 31, 2024 is summarized below:

	\$
Opening balance, July 1, 2022	12,768
Payments	(8,334)
Accretion during the period	435
Remeasurement during the period	(2,975)
Ending balance, June 30, 2023	1,894
Payments	(2,096)
Remeasurement during the period	202
Ending balance, March 31, 2024	—

15. Operating facility and loan and derivative assets and liabilities

(a) Operating facility and loan

(i) On October 18, 2019, the Company entered into a loan facility with two banks and drew down \$34,800. This loan is repayable on a straight-line basis through quarterly installment of \$1,450, and will be fully repaid on September 30, 2025. Separately, as required under the agreement, the Company locked in half of the original loan amount by entering a five year interest rate credit swap with the two banks for \$8,700 each. The balance outstanding against this term loan facility as of March 31, 2024 is \$8,700 (June 30, 2023 - \$13,050). As at March 31, 2024, term loan facility balance of \$5,800 (June 30, 2023 - \$5,800) is classified as current and \$2,900 (June 30, 2023 - \$7,250) as long-term in the condensed consolidated interim statements of financial position.

(ii) On March 31, 2021, the Company amended its term loan facility with its lenders and drew down a second loan of \$52,500 to fund part of the acquisition of StarBlue Inc.

The second loan is repayable, on a straight-line basis, through quarterly payments of \$2,188 and matures on February 28, 2027. As at March 31, 2024, \$8,750 (June 30, 2023 - \$8,750) is classified as current and \$17,500 (June 30, 2023 - \$24,063) is classified as long-term in the condensed consolidated interim statements of financial position.

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- (iii) On March 28, 2022, the Company amended its term loan facility with its lenders and drew down a third loan of \$45,000 to fund part of the acquisition of NetFortris Corporation. The loan is repayable, on a straight-line basis, through quarterly payments of \$1,875 and is due to mature on March 28, 2027. On June 28, 2022, the Company amended its term loan facility with its lenders, the amended repayment for the first twelve quarterly payments of \$788 and \$2,963 thereafter. As at March 31, 2024, \$3,150 (June 30, 2023 - \$3,150) is classified as current and \$35,550 (June 30, 2023 - \$37,912) is classified as long-term in the condensed consolidated interim statements of financial position.
- (iv) On April 6, 2023 the Company increased the amount of the revolving credit facility from \$6,000 to \$20,000 and the amount of the swingline credit facility from \$1,500 to \$5,000. As of March 31, 2024, the amount of \$13,900 (June 30, 2023 - \$13,900) remains outstanding and is classified as long term in the condensed consolidated interim statements of financial position.

For the three and nine month periods ended March 31, 2024, the Company incurred interest costs to service the borrowing facilities in the amount of \$1,630 and \$4,891 (for the three and nine month periods ended March 31, 2023 - \$1,470 and \$4,108). During the nine month period ended March 31, 2024, the Company borrowed \$nil (nine month period ended March 31, 2023 - \$nil) in operating facility and loans and repaid \$13,275 (nine month period ended March 31, 2023 - \$13,275).

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, 2024, and June 30, 2023 the Company was in compliance with all covenants related to its credit agreements.

(b) Derivative assets and liabilities

The Company uses 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 documents the hedge relationship and designates the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge. When the Company determines 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 statements of financial position and will be reclassified to earnings when the hedged item affects earnings.

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 \$17,400 and decreases in line with the term of the loan facility. Effective March 31, 2022, Sangoma US Inc. entered into a fixed rate swap transaction worth \$43,750 over a five year period and terminating on February 28, 2027. As of March 31, 2024, the notional amount of the interest rate swap was \$32,261 (June 30, 2023 – \$39,621). The interest rate swap has a weighted average fixed rate of 1.80% (June 30, 2023 – 1.80%) and have been designated as an effective cash flow hedge and therefore qualifies for hedge accounting.

As at March 31, 2024, the fair value of the interest rate swap assets were valued at current of \$879 (June 30, 2023 - \$1,218) and non-current \$391 (June 30, 2023 – \$768). The current and non-current derivative assets were recorded in the condensed consolidated interim statements of financial position.

For the three and nine month periods ended March 31, 2024, the change in fair value of the interest rate swaps, net of tax, were a gain of \$39 and a loss of \$535 (March 31, 2023 – a loss of \$357 and a gain of \$292) recorded in other comprehensive loss in the condensed consolidated interim statements of loss and comprehensive loss.

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The fair value of interest rate swap is determined based on the market conditions and the terms of the interest rate swap agreement using the discounted cash flow methodology. Any differences between the hedged SOFR 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 SOFR rate.

16. Contract liabilities

Contract liabilities, which includes deferred revenues, represent the future performance obligations to customers in respect of services or customer activation fees for which consideration has been received upfront and is recognized over the expected term of the customer relationship.

Contract liabilities as at March 31, 2024, and June 30, 2023 are below:

	\$
Opening balance, July 1, 2022	15,067
Revenue deferred during the period	23,839
Deferred revenue recognized as revenue during the period	(24,355)
Ending balance, June 30, 2023	14,551
Revenue deferred during the period	28,890
Deferred revenue recognized as revenue during the period	(30,640)
Ending balance, March 31, 2024	12,801
Contract liabilities - Current	9,630
Contract liabilities - Non-current	3,171
	12,801

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17. Shareholders' equity

(i) Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at March 31, 2024 and 2023, the Company's issued and outstanding common shares consist of the following:

	Three month periods ended		Nine month periods ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	#	#	#	#
Shares issued and outstanding:				
Outstanding, beginning of the period	33,325,575	23,066,378	33,038,367	21,439,632
Shares issued as installment for shares to be issued	—	857,143	—	2,695,601
Shares purchased and cancelled	—	(29,800)	—	(108,622)
Shares returned from escrow and cancelled	—	—	—	(142,124)
Shares issued upon exercise of options	—	1,790	—	11,024
Shares issued upon exercise of RSUs	7,292	—	294,500	—
Outstanding, end of the period	33,332,867	23,895,511	33,332,867	23,895,511

During the nine month period ended March 31, 2024, a total of 294,500 (March 31, 2023 – nil) shares were issued upon the exercise of Restricted Share Units, and the Company recorded a charge of \$1,020 (March 31, 2023 – \$nil) from contributed surplus to share capital.

(ii) Share based payments

On December 13, 2022, the Company's shareholders approved the Omnibus Equity Incentive Plan (the "Plan"), which replaces the previous share option plan (the "Legacy Plan"). No further grants will be made under the Legacy Plan.

Under the Plan, the Company may grant participants Options, Performance Share Units (PSUs), Restricted Share Units (RSUs) and Deferred Share Units (DSUs). The PSUs, RSUs and DSUs are redeemable either for one common share or for an amount in cash equal to the fair market value of one common share (at the option of the Company and as set out in the participant's equity award agreement). All PSUs, RSUs and DSUs are accounted for as equity-settled awards.

DSUs generally vest immediately and become redeemable once a director no longer serves on the board of the Company. RSUs vest over a three-year period after the date of grant. The expense is measured based on the fair value of the awards at the grant date.

PSUs vest in full at the end of a three-year period and the final amount is based 50% on market-based performance targets being met and 50% on non-market-based performance targets, with the conversion ratio for vested PSUs being from 0% to 150%. The expense related to the PSUs is measured (i) based on the fair value of the awards at the grant date using the Monte Carlo simulation, with respect to the 50% based on the market-based performance targets, and (ii) based on the fair value of the awards at the grant date using the volume weighted average trading price per share on the TSX during the immediately preceding five trading days.

For the three and nine month periods ended March 31, 2024, the Company recognized share-based compensation expense in the amount of \$764 and \$2,282 (March 31, 2023 - \$541 and \$2,738).

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Stock Options

Under the Plan (and previously under the Legacy Plan), employees are periodically granted share options to purchase common shares at prices not less than the market price of the common shares on the day prior to the date of grant or the volume weighted average trading price per share on the TSX during the five trading days immediately preceding the grant date. The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. Expected volatility is determined by the amount the Company's daily share price fluctuated over a period commensurate with the expected life of the options. During the nine month period ended March 31, 2024 and March 31, 2023, the Company did not grant any options.

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

	Number of options	Weighted average price
	#	\$
Balance, July 1, 2022	1,207,908	14.02
Exercised	(11,024)	(3.97)
Expired	(100,517)	(14.16)
Forfeited	(273,932)	(16.37)
Balance, March 31, 2023	822,435	13.36
Balance, July 1, 2023	723,051	13.58
Forfeited	(239,764)	(10.30)
Balance, March 31, 2024	483,287	15.21

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

Exercise price	March 31, 2024			March 31, 2023		
	Number of stock options outstanding	Number of stock options outstanding and exercisable	Weighted average remaining contractual life	Number of stock options outstanding	Number of stock options outstanding and exercisable	Weighted average remaining contractual life
\$5.01 - \$7.00	—	—	0.00	67,338	57,054	0.74
\$7.01 - \$9.00	122,189	53,652	3.25	226,500	—	4.25
\$9.01 - \$12.00	81,463	62,214	1.18	151,551	105,061	2.18
\$12.01 - \$15.00	45,000	22,510	3.00	55,000	13,750	4.00
\$15.01 - \$18.00	124,369	85,706	2.25	176,692	77,960	3.25
\$18.01 - \$20.00	22,856	14,308	2.25	39,375	25,099	3.41
\$20.01 - \$27.00	87,410	65,723	1.86	105,979	53,095	2.86
	483,287	304,113	2.32	822,435	332,019	3.13

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Share Units

The following table summarizes information about the DSUs, RSUs and PSUs granted, exercised and forfeited during the nine month period ended March 31, 2024.

	DSU	PSU	RSU	Total
Awards outstanding July 1, 2022	—	—	—	—
Awards granted during the period	62,728	302,500	352,500	717,728
Awards forfeited during the period	—	(172,500)	(208,593)	(381,093)
Awards outstanding March 31, 2023	62,728	130,000	143,907	336,635
Awards outstanding July 1, 2023	66,391	130,000	130,000	326,391
Awards granted during the period	105,695	404,800	797,700	1,308,195
Awards exercised during the period	—	—	(294,500)	(294,500)
Awards forfeited during the period	—	(42,500)	(26,251)	(68,751)
Awards outstanding March 31, 2024	172,086	492,300	606,949	1,271,335

During the nine month period ended March 31, 2024, 105,695 DSU were granted (March 31, 2023 – 62,728). The fair value of each DSU issued during the nine month period ended March 31, 2024 is \$3.07 per share (March 31, 2023 – \$4.20).

During the nine month period ended March 31, 2024, 404,800 PSU were granted (March 31, 2023 – 302,500). The average fair value tied to market-based performance targets for each of PSU issued during the nine month period ended March 31, 2024 is \$4.03 per share (March 31, 2023 –\$3.69) using the Monte Carlo simulation.

The key assumptions used in the Monte Carlo simulation are:

	March 31 2024	March 31 2023
Share price	\$3.44 - \$4.69	3.69
Expected volatility	64.00%	60.00%
Time to expiry	2.36 years - 2.83 years	2.52 years
Risk-free interest rate	4.40%	4.08%

During the nine month period ended March 31, 2024, 797,700 RSU were granted (March 31, 2023 – 352,500). The average fair value of each RSU issued during the nine month period ended March 31, 2024 is \$2.62 per share (March 31, 2023 –\$4.20).

During the nine month period ended March 31, 2024, 294,500 RSU were exercised and settled through the issuance of common shares (March 31, 2023 – nil).

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(iii) Loss 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 month periods ended		Nine month periods ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Number of shares:				
Weighted average number of shares outstanding	33,156,525	21,971,685	33,249,351	22,723,509
Shares to be issued	—	9,142,856	—	9,142,856
Weighted average number of shares used in basic and diluted earnings per share	33,156,525	31,114,541	33,249,351	31,866,365
Net loss	\$ (1,268)	\$ (685)	\$ (6,951)	\$ (5,396)
Loss per share				
Basic and diluted loss per share	\$ (0.04)	\$ (0.02)	\$ (0.21)	\$ (0.17)

18. 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 incurred no related party transactions and had no outstanding balance with related parties for the nine month periods ended March 31, 2024 and 2023.

19. Segment disclosures

The Company operates as one operating segment in the 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 two major geographic centers: USA and Others. 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, 2024 and 2023 as follows:

	Three month periods ended		Nine month periods ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Products	10,692	12,221	34,137	40,552
Services	50,354	50,543	152,213	148,298
Total revenues	61,046	62,764	186,350	188,850

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The sales in each of these geographic locations for the three and nine month periods ended March 31, 2024 and 2023 as follows:

	Three month periods ended		Nine month periods ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
USA	57,093	57,518	173,796	174,363
Others	3,953	5,246	12,554	14,487
Total revenues	61,046	62,764	186,350	188,850

The non-current assets, in US dollars, in each of the geographic locations as at March 31, 2024, and June 30, 2023 are below:

	March 31, 2024	June 30, 2023
	\$	\$
USA	347,047	374,814
Others	5,429	6,309
Total non-current assets	352,476	381,123

Non-current assets included in Others primarily consists of assets held in Canada.

20. Authorization of the consolidated financial statements

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 8, 2024.