Condensed interim consolidated financial statements

Converge Technology Solutions Corp.

For the three months ended March 31, 2019 and 2018

(Unaudited)

Converge Technology Solutions Corp.

Condensed interim consolidated statements of financial position

[expressed in thousands of Canadian dollars, except share amounts]

[unaudited]

As at	Note	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash		**$ 9,046**	$ 10,482
Restricted cash	8	**5,512**	4,240
Trade and other receivables		**158,639**	129,979
Inventories		**15,358**	12,392
Prepaid expenses and other assets		**6,388**	5,758
		194,943	162,851
Long-term assets			
Property and equipment, net	5	**20,277**	7,357
Intangible assets, net	6	**55,533**	46,033
Goodwill	7	**49,375**	32,614
Other non-current assets		**6,226**	7,443
		$ 326,354	$ 256,298
Liabilities			
Current liabilities			
Trade and other payables		**161,390**	136,208
Borrowings	8	**102,272**	75,993
Other financial liabilities	12	**14,111**	19,487
Deferred revenue		**8,191**	4,632
Income taxes payable		**1,399**	390
		287,363	236,710
Long-term liabilities			
Other financial liabilities	12	**21,921**	7,864
Borrowings	8	**7,559**	4,382
Debentures	9	**3,226**	3,151
Convertible debenture	10	**5,003**	4,966
Deferred tax liability		**3,247**	3,729
		$ 328,319	$ 260,802
Shareholders' deficiency			
Common shares	11	**18,178**	17,826
Warrants	11	**488**	493
Contributed surplus		**319**	319
Exchange rights	4	**5,120**	-
Foreign exchange translation reserve		**(748)**	(715)
Deficit		**(25,322)**	(22,427)
		(1,965)	(4,504)
		$ 326,354	$ 256,298

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

On behalf of the Board:

"Signed"
Director - Shaun Maine

"Signed"
Director - Brian Phillips

Converge Technology Solutions Corp.

Condensed interim consolidated statements of loss and comprehensive loss

[expressed in thousands of Canadian dollars, except share amounts]

[unaudited]

	Notes	For the three months ended March 31, 2019	2018
Revenues	14	**$ 164,762**	$ 119,785
Cost of sales	14	**127,570**	102,699
Gross profit		**37,192**	17,086
Selling, general and administrative expenses		**29,631**	11,735
Income before the following		**7,561**	5,351
Depreciation and amortization	5,6	**2,608**	812
Finance expense, net		**3,381**	1,248
Change in fair value of contingent consideration		**-**	3,013
Transaction costs - acquisitions, including retention bonuses	4,12	**3,178**	334
Other expense (income)		**234**	(78)
Income (loss) before income taxes		**(1,840)**	22
Income tax expense		**1,055**	1,490
Net loss		**$ (2,895)**	$ (1,468)
Other comprehensive loss			
Item that may be reclassified subsequently to income:			
Exchange loss on translation of foreign operations		**33**	47
		33	47
Net comprehensive loss		**$ (2,928)**	$ (1,515)
Net loss per share - basic		**$ (0.04)**	$ (0.03)
Net loss per share - diluted		**$ (0.04)**	$ (0.03)
Weighted average number of shares outstanding - basic (in 000's)		**75,731**	56,259
Weighted average number of shares outstanding - diluted (in 000's)		**75,731**	56,259

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

Converge Technology Solutions Corp.

Condensed interim consolidated statements of changes in shareholders' deficiency

[expressed in thousands of Canadian dollars, except share amounts]

[unaudited]

	Common shares		Warrants		Contributed surplus	Exchange rights	Foreign exchange transaction reserve	Deficit	Total
	#	$	#	$	$	$	$	$	$
Balance, December 31, 2017	**48,896,450**	**1**	**-**	**-**	**-**	**-**	**(24)**	**(4,191)**	**(4,214)**
Issuance of common shares and warrants (*note 11)*	10,652,055	3,424	10,652,055	586	-	-	-	-	4,010
Broker warrants *(note 11)*	-	-	353,745	21	-	-	-	-	21
Net income and comprehensive income	-	-	-	-	-	-	(47)	(1,468)	(1,515)
Balance, March 31, 2018	**60,148,505**	**3,425**	**11,005,800**	**607**	**-**	**-**	**(71)**	**(5,659)**	**(1,698)**
Common shares issued pursuant to business acquisition, included as a derivative liability *(note 12)*	**600,000**	-	-	-	-	-	-	-	-
Balance, March 31, 2018	**60,748,505**	**3,425**	**11,005,800**	**607**	**-**	**-**	**(71)**	**(5,659)**	**(1,698)**
Balance, December 31, 2018	**75,683,159**	**17,826**	**7,908,365**	**493**	**319**	-	**(715)**	**(22,427)**	**(4,504)**
Broker warrants excercised	12,500	6	(12,500)	(5)	-	-	-	-	1
Shares issued from treasury	160,000	102	-	-	-	-	-	-	102
Expiry of the right to repurchase shares *(note 12)*	-	244	-	-	-	-	-	-	244
Issuance of exchange rights *(note 4)*	-	-	-	-	-	5,120	-	-	5,120
Net loss and comprehensive loss	-	-	-	-	-	-	(33)	(2,895)	(2,928)
Balance, March 31, 2019	**75,855,659**	**18,178**	**7,895,865**	**488**	**319**	**5,120**	**(748)**	**(25,322)**	**(1,965)**

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

Converge Technology Solutions Corp.

Condensed interim consolidated statements of cash flows

[expressed in thousands of Canadian dollars, except share amounts]

[unaudited]

For the three months ended March 31,	Notes	2019	2018
Cash flows from operating activities			
Net loss		**$ (2,895)**	$ (1,468)
Adjustments to reconcile net loss to net cash from operating activities			
Depreciation and amortization	5,6	**3,514**	990
Finance expense, net	9,10	**3,381**	1,248
Change in fair value of contingent consideration	12	**-**	3,013
Income tax expense		**1,055**	1,490
		5,055	5,273
Changes in non-cash working capital items			
Trade and other receivables		**(10,809)**	(58,103)
Inventories		**(3,025)**	425
Prepaid expenses and other assets		**651**	(1,057)
Trade and other payables		**4,638**	50,553
Deferred revenue and customer deposits		**3,175**	(309)
Cash used in operating activities		**(315)**	(3,218)
Cash flows from investing activities			
Purchase of property and equipment		**(1,175)**	(750)
Proceeds on disposal of property and equipment	5	**27**	-
Purchase of computer software	6	**101**	-
Business combinations, net of cash acquired	4	**(14,483)**	(183)
Cash used in investing activities		**(15,530)**	(933)
Cash flows from financing activities			
Transfers to restricted cash	8	**(1,297)**	-
Interest paid		**(2,247)**	(943)
Income tax installments paid		**(517)**	-
Payments on finance lease		**(1,303)**	(77)
Proceeds from issuance of common shares and warrants	11	**103**	4,031
Repayment of borrowings	8	**(169,499)**	(2,870)
Proceeds from borrowings	8	**200,691**	-
Repayment of notes payable	12	**(1,994)**	-
Repayment of contingent consideration	12	**(9,742)**	-
Cash from financing activities		**14,195**	141
Net change in cash during the period		**(1,650)**	(4,010)
Effect of foreign exchange on cash		**214**	59
Cash, beginning of period		**10,482**	7,786
Cash, end of period		**$ 9,046**	$ 3,835

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

Converge Technology Solutions Corp.

Notes to the condensed interim consolidated financial statements

(expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

For the three months ended March 31, 2019 and 2018

1. Nature of business

Converge Technology Solutions Corp. (the “Company” or “Converge”) is a North American platform of regionally focused IT infrastructure firms in the United States of America (“US”) and Canada connecting best-of-breed services and solutions to clients.

The Company was incorporated on November 29, 2016. The Company’s head office is located at 161 Bay Street, Suite 2325, Toronto, Ontario M5J 2S1.

The Company has the following wholly owned subsidiaries as at March 31, 2019:

Corus Commercial Finance, LLC, Corus Group, LLC Corus Managed Services, LLC, Corus Careers, LLC OHC International, LLC, Corus 360 Limited	Lighthouse Computer Services, Inc., Creative Computing LLC, Lighthouse Middleware, LLC, Acumetrics Business Intelligence Inc.
Northern Micro Inc.	10084182 Canada Inc. o/a Becker-Carroll
Key Information Systems, Inc.	BlueChip Tek, Inc.
Converge Acquisition, LLC	SIS Holding Company, LLC, Software Information Systems, LLC
Converge Canada Finance Corp.	Converge Technology Partners Inc.
Converge NE Commercial Finance, LLC	Converge West Commercial Finance, LLC

2. Basis of preparation

The unaudited condensed interim consolidated financial statements (“financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended December 31, 2018, except as disclosed below. These condensed interim consolidated financial statements have been prepared in compliance with IAS 34 – *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018.

The timely preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements, and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 22, 2019.

3. New standards, amendments and interpretations

The following new accounting standards were applied or adopted during the period ended March 31, 2019:

[i] IFRS 16 – Leases (“IFRS 16”)

IFRS 16 *Leases* (“IFRS 16”) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, with certain exemptions. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events such as a change in lease term. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The new standard was effective for annual periods beginning on or after January 1, 2019.

(expressed in thousands of Canadian dollars, except share amounts)

The Company adopted IFRS 16 using the modified retrospective transition approach and elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the lease commencement date and the lease contracts where the underlying asset is of low value.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/(decrease)) was as follows:

	January 1, 2019 $
Assets	
Right-of-use asset (included in property and equipment)	7,209
Liabilities	
Lease liabilities (included in other liabilities)	7,209

The Company recognized a right-of-use asset based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. The lease liability was recognized based on the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period as incurred.

The Company also applied the following available practical expedients:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

In addition to the office lease that was transitioned as at January 1, 2019, office and equipment leases acquired as part of the acquisition of Software Information Systems LLC, ("SIS") was recognized under IFRS 16 during the three months ended March 31, 2019. These leases resulted in the recognition of a right-of-use asset and corresponding lease liability of $7,563.

The carrying amounts of the Company's right-of-use assets and lease liabilities and movements during the period were as follows:

	Right-of-use assets $	Lease liabilities $
Balance, January 1, 2019	7,209	7,209
Additions	7,563	7,563
Depreciation expense	(802)	-
Interest expense	-	219
Payments	-	(1,171)
Balance, March 31, 2019	13,970	13,820

(expressed in thousands of Canadian dollars, except share amounts)

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The adoption of this interpretation did not have an impact on the consolidated financial statements.

4. Business combinations

Lighthouse

On November 30, 2018, the Company acquired all of the issued and outstanding membership interests of Lighthouse Computer Services Inc., Creative Computing LLC, Lighthouse Middleware, LLC, Acumetrics Business Intelligence Inc. (collectively, "Lighthouse"). Lighthouse, excluding Acumetrics Business Intelligence Inc., is incorporated and is domiciled in the state of Rhode Island in the US. Acumetrics Business Intelligence Inc. is incorporated and is domiciled in the province of Ontario in Canada.

Lighthouse is an information technology professional services organization that specializes in analytics, hybrid cloud, infrastructure, and security solutions. The purpose of the acquisition was to enhance the Company's buying power and to provide a platform to grow in the US with local expertise.

The acquisition of Lighthouse qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of Lighthouse have been included in the consolidated financial statements of the Company from the date of the acquisition. The acquisition accounting for this transaction has not yet been finalized and requires the Company to complete its determination of the fair values of identifiable intangible assets and contingent consideration.

The total consideration for the purchase of Lighthouse was $24,271 ($18,247 USD). Purchase consideration consisted of $16,493 in cash and $7,778 in contingent consideration. The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Fair value recognized on acquisition $
Cash	9,020
Trade and other receivables	17,886
Prepaid expenses and deposits	431
Inventories	949
Property and equipment	397
Customer relationships	6,435
Trade name and trademarks	2,683
Goodwill	13,028
Trade and other payables	(22,099)
Deferred revenue and customer deposits	(977)
Note payable	(3,482)
Finance lease payable	-
Purchase consideration transferred	**24,271**

Goodwill arising on the acquisition reflects the benefits attributable to synergies, revenue growth, future market development and the estimated fair value of an assembled workforce. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. This goodwill is not deductible for income tax purposes.

As part of consideration for the acquisition, the Company issued $3,420 ($2,618 USD) of promissory notes. The promissory notes are non-interest bearing and are payable $500 USD per month with the first such installment on January 1, 2019, the second such installment on February 1, 2019, the third such installment on March 1, 2019, the fourth such installment on April 1, 2019 and the fifth such installment on May 1, 2019 in an amount equal to the balance due under the promissory notes. The final payment of the promissory notes will be adjusted for the final working capital balance. As at March 31, 2019, $1,346 remained outstanding on the promissory note (December 31, 2018 - $3,420). The remainder of the balance has been fully repaid as at May 1, 2019.

Contingent consideration comprises earn-out payments due to sellers for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $7,778 as at the date of acquisition (see note 12). The initial fair value of the contingent consideration was valued at $3,496 as at December 31, 2018.

Total transaction costs for the acquisition of Lighthouse were $1,045. All transaction costs were expensed as incurred.

Software Information Systems, LLC

On January 18, 2019, the Company acquired all of the issued and outstanding Class A shares, which represents 100% control of Software Information Systems, LLC (“SIS”) located in Kentucky, USA. There are 8,000,000 Class B shares issued and outstanding, which have no voting rights, no dividends, or equity participation. SIS is a 36-year-old technology solutions and services company, collaborating with customers on innovative data center strategy, technology solutions in the cloud or on-premise to help customers drive impactful business results.

Consideration for the purchase consisted of (i) $11,500 USD in cash; plus (ii) the issuance of a right to exchange 8,000,000 Class B shares for an aggregate of 8,000,000 common shares of the Company. No exchange will be permitted until at least six months from the acquisition date, at which point 1,500,000 common shares will become eligible for issuance pursuant to the agreement. An additional 1,500,000 common shares will become eligible for exchange on each six-month anniversary of the completion of the transaction thereafter, such that all 8,000,000 common shares will only be available for exchange following the three-year anniversary of the acquisition. The fair value of the exchange right consideration issued is $5,120 calculated as 8,000,000 common shares at $0.64 per share as at the date of acquisition. The acquisition accounting for this transaction has not yet been finalized and requires the Company to complete its determination of the fair values of identifiable tangible and intangible assets acquired.

The acquisition of SIS qualified as a business combination and was accounted for using the acquisition method of accounting. Accordingly, the results of SIS have been included in the consolidated financial statements of the Company from the date of the acquisition.

The allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

Notes to the condensed interim consolidated financial statements

(expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

For the three months ended March 31, 2019 and 2018

	Fair value recognized on acquisition $
Cash	768
Trade and other receivables	18,278
Prepaid expenses and deposits	101
Property and equipment	7,693
Backlog	1,110
Customer relationships	7,431
Trade name and trademarks	3,127
Goodwill	12,086
Trade and other payables	(18,030)
Lease liabilties	(7,563)
Deferred vendor rebates	(3,020)
Deferred revenue and customer deposits	(313)
Note payable	(1,521)
Purchase consideration transferred	**20,147**

Goodwill arising on the acquisition reflects the benefits attributable to synergies, revenue growth, future market development and the estimated fair value of an assembled workforce. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. This goodwill is not deductible for income tax purposes.

Total transaction costs for the acquisition of SIS was $1,409. All transaction costs were expensed as incurred.

Pro forma results of operations

The following pro forma results of operations assume SIS was acquired by the Company on January 1, 2019:

	For the three months ended March 31, 2019 $
Revenue	**10,975**
Net loss	**(901)**

The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2019. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in a subsequent period or periods.

(expressed in thousands of Canadian dollars, except share amounts)

The net cash outflow related to the acquisition of SIS was as follows:

	$
Consideration paid in cash	**15,251**
Less: cash balance acquired	**768**
	14,483

5. Property and equipment

	Computer Hardware	Furniture and Fixtures	Equipment	Leasehold Improvements	Leased Building	Total
Cost	$	$	$	$	$	$
As at December 31, 2017	3,098	62	308	59	-	3,527
Acquired from acquisitions	2,976	234	511	71	-	3,792
Additions	2,755	52	302	162	-	3,271
Dispositions	(17)	-	(79)	(29)	-	(125)
Foreign currency translation	557	10	(202)	18	-	383
As at December 31, 2018	**9,369**	**358**	**840**	**281**	**-**	**10,848**
Acquired from acquisitions	-	3	2,760	-	3,824	6,587
Additions	451	-	724	-	7,178	8,353
Dispositions	90	(115)	(57)	(13)	-	(95)
Foreign currency translation	(185)	(7)	16	(4)	61	(119)
As at March 31, 2019	**9,725**	**239**	**4,283**	**264**	**11,063**	**25,574**

	Computer Hardware	Furniture and Fixtures	Equipment	Leasehold Improvements	Leased Building	Total
Accumulated depreciation	$	$	$	$	$	$
As at December 31, 2017	294	12	23	11	-	340
Depreciation	2,760	55	156	75	-	3,046
Reversal of depreciation on dispositions	(5)	-	(49)	-	-	(54)
Foreign currency translation	158	4	(8)	5	-	159
As at December 31, 2018	**3,207**	**71**	**122**	**91**	**-**	**3,491**
Depreciation	874	16	394	125	596	2,005
Reversal of depreciation on dispositions	-	(24)	(44)	-	-	(68)
Foreign currency translation	(60)	(2)	(6)	(105)	42	(131)
As at March 31, 2019	**4,021**	**61**	**466**	**111**	**638**	**5,297**

	Computer Hardware	Furniture and Fixtures	Equipment	Leasehold Improvements	Leased Building	Total
Net book value	$	$	$	$	$	$
As at December 31, 2018	6,162	287	718	190	-	7,357
As at March 31, 2019	5,704	178	3,817	153	10,425	20,277

As at March 31, 2019, the Company has included $906 (three months ended March 31, 2018 - $178) of depreciation expense related to service equipment in cost of sales in the consolidated statements of loss and comprehensive loss.

Notes to the condensed interim consolidated financial statements

(expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

For the three months ended March 31, 2019 and 2018

6. Intangible assets

Cost	Customer Relationships	Trade Name & Trademarks	Computer Software	Managed Service Contracts	Total
	$	$	$	$	$
As at December 31, 2017	18,673	5,789	-	-	24,462
Acquired from acquisitions	17,054	6,280	586	-	23,920
Additions	-	-	135	-	135
Foreign currency translation	1,342	623	36	-	2,001
As at December 31, 2018	**37,069**	**12,692**	**757**	**-**	**50,518**
Acquired from business combinations	7,431	3,127	-	1,110	11,667
Dispositions	-	-	(101)	-	(101)
Foreign currency translation	(447)	(197)	(18)	8	(653)
As at March 31, 2019	**44,053**	**15,622**	**638**	**1,118**	**61,431**

Accumulated amortization	Customer Relationships	Trade Name & Trademarks	Computer Software	Managed Service Contracts	Total
	$	$	$	$	$
As at December 31, 2016	-	-	-	-	-
Amortization	322	116	-	-	438
Foreign currency translation	(2)	(1)	-	-	(3)
As at December 31, 2017	320	115	-	-	435
Amortization	2,664	859	387	-	3,910
Foreign currency translation	81	41	18	-	140
As at December 31, 2018	**3,065**	**1,015**	**405**	**-**	**4,485**
Amortization	1,060	367	(97)	136	1,466
Foreign currency translation	(30)	(14)	(9)	-	(53)
As at March 31, 2019	**4,095**	**1,368**	**299**	**136**	**5,898**

Net book value	Customer Relationships	Trade Name & Trademarks	Computer Software	Managed Service Contracts	Total
	$	$	$	$	$
As at December 31, 2018	34,004	11,677	352	-	46,033
As at March 31, 2019	**39,958**	**14,254**	**339**	**982**	**55,533**

7. Goodwill

	$
As at December 31, 2017	14,550
Acquired from acquisitions	16,620
Foreign currency translation	1,444
As at December 31, 2018	**32,614**
Acquired from acquisitions	17,181
Foreign currency translation	(420)
As at March 31, 2019	**49,375**

The Company performs a goodwill impairment test annually on December 31 and whenever there is an indication of impairment.

(expressed in thousands of Canadian dollars, except share amounts)

8. Borrowings

The borrowings repayment as at March 31, 2019 was as follows:

	$
2019	**91,888**
2020	**13,226**
2021	**2,861**
2022	**1,856**
Total	**109,831**

a) On October 9, 2017, Corus Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018 (see f) below). This agreement, which is an asset-based loan (“ABL”), provides a line of credit secured by the assets of Corus360. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $15,000 (December 31, 2018 - $15,000). Interest is payable weekly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3%-8.3%. In addition to general security over all assets of Corus360, the Company was required to deposit $750 (December 31, 2018 - $750) into a cash reserve account controlled by the lender. Therefore, the $750 deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

   Initial term of this agreement was one year and the term may be extended in six-month increments with consent of both the Company and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $15,027 (December 31, 2018 - $13,173). For the three months ended March 31, 2019, the Company recognized interest expense of $338 (for the three months ended March 31, 2018 - $620)

b) On November 9, 2017, Northern Micro entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018 (see f) below). This agreement, which is an ABL, provides a line of credit secured by the assets of Northern Micro. The ABL can be drawn to a percentage of the eligible trade receivables and eligible inventory balances to a maximum of $7,500 (December 31, 2018 - $7,500). Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.8%. In addition to general security over all assets of Northern Micro, the Company was required to deposit 5% of the facility limit, which was $375 as at March 31, 2019 (December 31, 2018 - $375), into a cash reserve account controlled by the lender. Therefore, the $375 deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

   Initial term of this agreement was one year and the term may be extended in six-month increments with consent of both Northern Micro and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $7,500 (December 31, 2018 – $5,797). For the three months ended March 31, 2019, the Company recognized interest expense of $167(for the three months ended March 31, 2018 – $284).

c) On April 3, 2018, Corus Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018 (see f) below). This agreement, which is an ABL, provides a line of credit secured by the assets of the

Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $5,000. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables. In addition to general security over all assets of the Company, the Company was required to deposit $250 (December 31, 2018 – $250) into a cash reserve account controlled by the lender. Therefore, the $250 deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

Initial term of this agreement was one year and the term may be extended in six-month increments with consent of both the Company and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $4,936 (December 31, 2018 – $4,402). For the three ended March 31, 2019, the Company recognized interest expense of $108 (for the three months ended March 31, 2018 – nil).

d) On May 18, 2018, Converge West Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender, which was amended on October 5, 2018 (see f) below). This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $2,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables. In addition to general security over all assets of the Company, the Company was required to deposit 5% of the facility limit, which was $125 as at March 31, 2019 (December 31, 2018 – $125), into a cash reserve account controlled by the lender. Therefore, the $125 deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

Initial term of this agreement was one year and the term may be extended in six-month increments with consent of both the Company and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $2,504 (December 31, 2018 – nil). For the three months ended March 31, 2019, the Company recognized interest expense of $54 (for the three months ended March 31, 2018 – nil).

e) On May 18, 2018, Corus Group, LLC, a wholly owned subsidiary of the Company, entered into a three-year credit agreement with a third party. The lender advanced cash of $8,164 ($6,200 USD) with an interest rate of 7% per annum. As per the agreement, BCT will transition a minimum of $32,920 ($25,000 USD) of business purchases to the lender. Should there be a shortfall in such arrangement, Corus Group, LLC will transition the remainder of the business purchase amount to the lender. As at March 31, 2019, the balance owing to the lender under the facility was $6,319 (December 31, 2018 – $7,109). For the three months ended March 31, 2019, the Company recognized interest expense of $175 (for the three months ended March 31, 2018 – nil).

f) On October 11, 2018, Converge Canada Finance Corp., a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provide a line of credit secured by assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables and eligible inventory balances to a maximum of $52,500. From time to time, the maximum amount of the credit facility may be increased to $62,500 at the discretion of the lender. Interest is payable weekly at a rate of the higher of 9.25% and the published TD Bank prime rate plus 5.3%. In addition to general security over all assets of the Company, the Company was required to deposit 5% of the facility limit, which was $2,625 as at March 31, 2019 (December 31, 2018 – $2,000), into a cash reserve account controlled by the lender. Therefore, the $2,865 (December 31, 2018 - $2,240) deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

Amendments were also made to the revolving credit agreements with the Canadian lender described in the paragraphs above with Corus Commercial Finance, LLC, Northern Micro, Corus Commercial Finance, LLC and Converge West Commercial Finance, LLC resulting in limits being revised to $15,000, $7,500, $5,000 and $2,500, respectively, and the cash reserve amount revised to 5%.

The initial term of this agreement is one year, and the term may be extended in six-month increments with consent of both the Company and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $51,202 (December 31, 2018 – $37,361). For the three months ended March 31 2019, the Company recognized interest expense of $1,273 (for the three months ended March 31, 2018 – nil).

g) On November 30, 2018, Converge NE Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $10,000. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables. In addition to general security over all assets of the Company, the Company was required to deposit 5% of the facility limit, which was $500 as at March 31, 2019 (December 31, 2018 – $500), into a cash reserve account controlled by the lender. Therefore, the $500 deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

The initial term of this agreement is one year, and the term may be extended in six-month increments with consent of both the Company and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $7,862 (December 31, 2018 – $6,551). For the three months ended March 31, 2019, the Company recognized interest expense of $168 (for the three months ended March 31, 2018 – nil).

h) On January 18, 2019, Converge NE Commercial Finance, LLC, a wholly owned subsidiary of the Company, entered into a revolving credit agreement with a Canadian lender. This agreement, which is an ABL, provides a line of credit secured by the assets of the Company. The ABL can be drawn to a certain percentage of the eligible trade receivables to a maximum of $12,500. Interest is payable monthly at a rate of the higher of 9.25% or the published TD Bank prime rate plus 5.3% - 8.3% based on the advance rate of the trade receivables. In addition to general security over all assets of the Company, the Company was required to deposit 5% of the facility limit, which was $625 as at March 31, ,2019 (December 31, 2018 – nil), into a cash reserve account controlled by the lender. Therefore, the $625 deposited into the cash reserve account has been classified as restricted cash in the condensed interim consolidated statements of financial position.

The initial term of this agreement is one year, and the term may be extended in six-month increments with consent of both the Company and the lender. As at March 31, 2019, the balance owing to the lender under this facility was $9,450 (December 31, 2018 – nil). For the three months ended March 31, 2019, the Company recognized interest expense of $220 (for the three months ended March 31, 2018 – nil).

i) On March 1, 2019, the Company entered into a three-year credit agreement with a third party. The lender advanced cash of $5,457 ($4,000 USD) with an interest rate of 7% per annum. As at March 31, 2019, the balance owing to the lender under the facility is $5,031 (December 31, 2018 – nil). For the three months ended March 31, 2019, the Company recognized interest expense of $73 (for the three months ended March 31, 2018 – nil).

(expressed in thousands of Canadian dollars, except share amounts)

9. Debentures

On September 30, 2017 (“Closing Date”), the Company issued 3,896,450 unsecured debentures with face value of $3,896 and 3,896,450 common shares for total cash proceeds of $3,896 cash and issuance of 60,323 common share warrants to the brokers (note 11). Debentures bear an interest rate of 12% per annum and interest is payable quarterly in arrears within 10 days of each quarter end. The debentures have a maturity date of September 2020 and can be extended to September 2021 at the option of the Company. If the maturity date is extended to September 2021, the interest rate for the extension term will be increased to 18% per annum.

The Company recognized an interest expense of $189 during the three months ended March 31, 2019 (March 31, 2018 - $176) with a corresponding increase in debentures using the effective interest rate method.

The balance of debentures as at March 31, 2019 and December 31, 2018 consists of the following:

	March 31, 2019 $	December 31, 2018 $
Principal balance	3,896	3,896
Less:		
Issuance costs	(63)	(63)
Common shares derivative liability	(884)	(884)
Interest paid	(703)	(585)
Interest and accretion expense	1,095	904
	3,341	3,268
Current	115	117
Non-current	3,226	3,151

The current portion of $115 (December 31, 2018 - $117) represents the amount of cash interest payable and has been included in trade and other payables.

10. Convertible debenture

On October 30, 2018, the Company issued a $5,250 principal amount secured convertible debenture due October 30, 2020 and bearing interest at 8% per annum to a third party. The principal amount of the debenture is convertible into common shares at a conversion price of $1.00 per common share. Pursuant the terms of the debenture, on October 30, 2018, the Company loaned $5,250 to another third-party borrower, which will be payable on demand by the Company and earn interest of 10% per annum. The loan is secured by a pledge of the shares of a wholly owned subsidiary of the borrower.

The Company calculated the fair value of the liability portion of the convertible debenture, using a discount rate of 11.75% with the difference between the fair value and the proceeds being ascribed to the conversion feature. The fair value of the liability portion was calculated to be $4,943, resulting in $307 being allocated to the conversion feature, which was recognized in contributed surplus. Interest expense of $140 was recognized during the three months ended March 31, 2019 (three months ended March 31, 2018 – nil) with a corresponding increase in convertible debenture using the effective interest rate method.

(expressed in thousands of Canadian dollars, except share amounts)

11. Share capital

[a] Authorized

The authorized share capital of the Company consists of an unlimited number of common shares. Reconciliation of common shares is below.

[b] Issued and outstanding

Reconciliation of the Company's share capital is as follows:

	Common shares		Warrants	
	#	$	#	$
Balance, December 31, 2017	**48,956,773**	**1**	**-**	**-**
Issuance of common shares and warrants (note i)	10,652,055	3,424	10,652,055	586
Private placement - issuance of common shares, net of transaction costs (note ii)	6,918,756	5,254	186,690	52
Broker warrants (note i)	-	-	353,745	21
Shares issued on exercise of warrants (note iii)	3,331,000	1,850	(3,331,000)	(184)
Shares issued on qualifying transaction (note v)	1,328,125	1,063	46,875	18
Shares issued on conversion of common shares derivative liability (note iv)	3,896,450	6,234	-	-
Common shares issued pursuant to business acquisition	600,000	-	-	-
Balance, December 31, 2018	**75,683,159**	**17,826**	**7,908,365**	**493**
Broker warrants excercised	12,500	6	(12,500)	(5)
Shares issued from treasury	160,000	102	-	-
Expiry of the right to repurchase shares (note 12)	-	244	-	-
Balance, March 31, 2019	**75,855,659**	**18,178**	**7,895,865**	**488**

[i] On January 31, 2018, the Company issued 10,652,055 common shares and 10,652,055 common share purchase warrants for total proceeds of $4,261. Each warrant is exercisable to acquire one common share at an exercise price of $0.60 per common share for a period of two years from the date of issuance. Fair value of the common share purchase warrants was determined to be $0.06 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.34, a risk-free interest rate of 1.84%, an expected annualized volatility of 60% and expected dividend yield of 0%. Gross proceeds of $4,261 were allocated to common shares and common share purchase warrants in the amount of $3,637 and $623, respectively.

Transaction costs consisted of $230 in cash and reissuance of 353,745 common share warrants to the brokers. Each warrant is exercisable to acquire one common share at an exercise price of $0.60 per common share for a period of two years from the date of issuance. Fair value of the common share purchase warrants was determined to be $0.06 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.34, a risk-free interest rate of 1.84%, an expected annualized volatility of 60% and expected dividend yield of 0%.

[ii] On July 31, 2018, the Company issued 6,668,756 common shares for total proceeds of $5,335. Transaction costs consisted of $230 in cash and issuance of 169,190 common share warrants to the brokers. Each warrant is exercisable to acquire one common share at an exercise price of $0.80 per common share for a period of two years from the date of listing on a public exchange. Fair value of the common share purchase warrants was determined to be $0.27 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.80, a risk-free interest rate of 2.07%, an expected annualized volatility of 60% and expected dividend yield of 0%.

On August 17, 2018, the Company issued 250,000 common shares for total proceeds of $200. Transaction costs consisted of issuance of 17,500 common share warrants to the brokers. Each warrant is exercisable to acquire one common share at an exercise price of $0.80 per common share for a period of two years from the date of listing on a public exchange. Fair value of the common share purchase warrants was determined to be $0.27 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.80, a risk-free interest rate of 2.07%, an expected annualized volatility of 60% and expected dividend yield of 0%.

[iii] On July 31, 2018, 3,331,000 common share warrants were exercised to acquire one common share at an exercise price of $0.50 per common share for total proceeds of $1,666. Transaction costs consisted of $31 in cash. Fair value of the common share purchase warrants was determined to be $0.06 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.34, a risk-free interest rate of 1.84%, an expected annualized volatility of 60% and expected dividend yield of 0%.

[iv] In accordance with the terms of the debentures issued in September 2017, the Company is required to create a liquidity event at or above a specific valuation. This liquidation event was accounted for as a derivative liability. The fair value of the derivative liability as at the date of the liquidity event was $6,234. Issuance of 3,896,450 common shares settled this derivative liability resulting in reclassification of the derivative liability of $6,234 as common shares.

[v] On August 28, 2018, the Company entered into the agreement with Norwick Capital Corporation ("Norwick") to combine Converge and Norwick via the amalgamation of Norwick Acquisition Corp. and Converge, which constitutes a reverse takeover of Norwick by the shareholders of Converge. On November 7, 2018, the Company completed the amalgamation. Immediately prior to the transaction, Norwick completed a consolidation of its share capital on a 3.2-to-1 basis (the "Consolidation"). The total number of Norwick common shares, stock options and warrants outstanding pre-Consolidation was 4,250,000, 150,000 and 100,000, respectively. Post-Consolidation, the total number of Norwick common shares, stock options and warrants was 1,328,125, 46,875 and 31,250, respectively.

The difference between the fair value of consideration attributed to Norwick of $1,093 and the estimated fair value of the net assets of Norwick of $140 amounts to a listing expense of $953. An additional $1,328 was incurred as transaction costs.

(expressed in thousands of Canadian dollars, except share amounts)

12. Other financial liabilities

Other financial liabilities as at March 31, 2019 and December 31, 2018 comprise of the following:

	March 31, 2019 **$**	December 31, 2018 **$**
Notes payable	**6,141**	6,676
Deferred consideration	**609**	-
Contingent consideration	**14,577**	19,286
Lease liability	**14,705**	1,389
	36,032	27,351
Current liabilities	**14,111**	19,487
Non-current liabilities	**21,921**	7,864
	36,032	27,351

Notes payable

As part of consideration to acquire Northern Micro, the Company issued $6,000 of notes. The notes bear an interest rate of 8% per annum and are payable quarterly. The Company was required to make partial repayments of $1,500 on or before May 9, 2018, and $1,500 on or before November 9, 2018. The remaining $3,000 is due on November 9, 2020. As general and continuing security for the notes and contingent consideration, the Company has pledged all the equity instruments of Northern Micro to the sellers.

During the three months ended March 31, 2019, the Company recognized interest expense of $59 (three months ended March 31, 2018 - $118).

As part of consideration to acquire BCT, the Company issued $255 of notes to a related party. The notes bear an interest rate of 7% per annum. The notes payable and interest accrued was paid on May 17, 2019.

As part of the consideration to acquire Lighthouse, the Company issued $3,420 [$2,612 USD] of notes payable to the sellers. The notes payable are non-interest bearing and are to be repaid in five monthly installments of $500 USD per month with the first installment due January 1, 2019. In the event that the principal is not repaid, interest shall accrue at 7% per annum. As at March 31, 2019, $1,346 remains outstanding on the promissory note (December 31, 2018 - $3,420). The remaining balance was fully repaid as at May 1, 2019.

As at March 31, 2019, SIS had $286 in notes payable to third party for the purchase of equipment (December 31, 2018 – nil).

Contingent consideration – Northern Micro

Contingent consideration comprises earn-out payments due to sellers of Northern Micro for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $4,446 as at the date of acquisition. The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 17.8% and a volatility factor of 22%.

As at March 31, 2019, the fair value of contingent consideration was $5,518 (December 31, 2018 - $8,018), with $1,250 repaid in 2018 and $2,500 paid during the three months ended March 31, 2019. No expense was recognized in the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2019 (three months ended March 31, 2018 - $3,013).

Contingent consideration – Becker-Carroll

As part of the purchase consideration for the acquisition of Becker-Carroll, the Company issued 600,000 common shares to the selling shareholders of Becker-Carroll. The Company had the right to repurchase the common shares for nil consideration equivalent to the amount of short-fall in certain gross margin and net income targets over the 12 months following the date of acquisition. Therefore, the number of common shares issued as part of consideration for the acquisition was variable, resulting in their being classified as a derivative liability. The fair value of the contingent consideration was $244 as at the date of acquisition and nil as at March 31, 2019, as the share repurchase option has expired.

Contingent consideration – KeyInfo

Contingent consideration comprises earn-out payments due to sellers of KeyInfo for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of the contingent consideration was $1,848 as at the date of acquisition. The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 27.5% and a volatility factor of 45%.

As at March 31, 2019, the fair value of contingent consideration was $827 (December 31, 2018 - $7,014) with expense of nil recognized in the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2019 (three months ended March 31, 2018 – nil). As at December 31, 2018, the fair value of contingent consideration was $867 with a reversal of $1,120 recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2018. The reversal of the contingent consideration as at December 31, 2018 is due the resignation of a key employee subsequent to year end, forfeiting that employee's right to the earnout.

As part of the purchase consideration for the acquisition of KeyInfo, the Company entered into a post-closing employee retention bonus agreement, which was paid on March 1, 2019 to employees of KeyInfo. The total bonus payments were $7,242 ($5,500 USD). The Company has recognized in the condensed interim consolidated statements of operations and comprehensive loss $1,246 for the three months ended March 31, 2019 (three months ended March 31, 2018 – nil).

Contingent consideration – BlueChip Tek

Contingent consideration comprises earn-out payments due to key employees of BCT for meeting certain EBITDA conditions over the three years following the date of acquisition. The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 25.1% and a volatility factor of 45.0%.

The contingent consideration of nil was recognized in the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2019 (three months ended March 31, 2018 – nil).

Contingent consideration – Lighthouse

Contingent consideration comprises earn-out payments due to key employees of Lighthouse for meeting certain EBITDA conditions over the three years following the date of acquisition (see note 4). The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and was determined based on a Monte Carlo simulation using various assumptions including EBITDA forecast, a discount rate of 18.0% and a volatility factor of 30.0%. As at March 31, 2019, the fair value of contingent consideration was $7,815 (December 31, 2018 - $3,585).

(expressed in thousands of Canadian dollars, except share amounts)

13. Financial instruments

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company’s valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. When the fair value of financial assets and financial liabilities, including contingent consideration, recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The table below presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques used to determine such fair values:

Fair value as at March 31, 2019	Total	Level 1	Level 2	Level 3
Loan receivable	5,250	-	-	5,250
Contingent consideration	14,577	-	-	14,577

Fair value as at December 31, 2018	Total	Level 1	Level 2	Level 3
Loan receivable	5,250			5,250
Contingent consideration	19,286	-	-	19,286

There have been no transfers between any levels of the fair value hierarchy during the three months ended March 31, 2019 or during fiscal 2018. There were also no changes in the purpose of any financial liability that subsequently resulted in a different classification of that liability.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company’s exposure to liquidity risk is dependent on the Company’s ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

The Company’s objective in managing liquidity risk is to ensure that there are sufficient committed borrowings in order to meet its liquidity requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, taking into account its anticipated cash flows from operations and its borrowing capacity. The primary sources of liquidity are the Company's borrowings and cash flow from operating activities. Based on current funds available and expected cash flow from operating activities, management believes that the Company has sufficient funds available to meet its liquidity requirements for the foreseeable future. However, if cash from operating activities is significantly lower than expected, if the Company incurs major unanticipated expenses or the Company's borrowings are called, it may be required to seek additional capital in the form of debt or equity or a combination of both. The outcome of these matters cannot be predicted at this time.

(expressed in thousands of Canadian dollars, except share amounts)

14. Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment. The following table presents details on revenue derived for the three month periods ended March 31, 2019 and 2018 from the following geographical locations:

March 31, 2019	**United States**	**Canada**	**Total**
	$	**$**	**$**
Product revenue	**78,024**	**56,405**	**134,429**
Service revenue	**28,533**	**1,379**	**29,912**
Other revenue	**421**	**-**	**421**
Total revenue	**106,978**	**57,784**	**164,762**
Cost of sales	**78,015**	**49,555**	**127,570**
Gross profit	**28,963**	**8,229**	**37,192**
Selling, general and administrative expenses	**23,712**	**5,919**	**29,631**
Income before the following	**5,251**	**2,310**	**7,561**
Depreciation and amortization			**2,608**
Finance expense, net			**3,381**
Change in fair value of contingent consideration			**-**
Transaction costs - acquisitions, including retention bonuses			**3,178**
Other expense			**234**
Loss before income taxes			**(1,840)**

Converge Technology Solutions Corp.

Notes to the condensed interim consolidated financial statements

(expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

For the three months ended March 31, 2019 and 2018

March 31, 2018	**United States**	**Canada**	**Total**
	$	**$**	**$**
Product revenue	28,902	84,425	113,327
Service revenue	6,458		6,458
Other revenue	-		-
Total revenue	35,360	84,425	119,785
Cost of sales	26,928	75,771	102,699
Gross profit	8,432	8,654	17,086
Selling, general and administrative expenses	8,299	3,436	11,735
Income before the following:	133	5,218	5,351
Depreciation and amortization			812
Finance expense, net			1,248
Change in fair value of contingent consideration			3,013
Transaction costs - acquisitions, including retention bonuses			334
Other expense (income)			(78)
Loss before income taxes			22