SANGOMA TECHNOLOGIES CORPORATION

Condensed consolidated interim financial statements for

the three and six month periods ended December 31, 2020 and 2019

(Unaudited in Canadian Dollars)

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

Sangoma Technologies Corporation

December 31, 2020

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Sangoma Technologies Corporation
Condensed consolidated interim statements of financial position
As at December 31, 2020 and June 30, 2020
(Unaudited in Canadian dollars)

	December 31, 2020	June 30, 2020
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 13)	92,280,666	27,249,863
Trade receivables (Note 13)	8,924,695	11,234,541
Inventories (Note 4)	11,454,915	12,643,738
Contract assets	1,245,765	1,082,051
Other current assets	2,421,520	2,383,857
	116,327,561	54,594,050
Non-current assets		
Property and equipment (Note 5)	2,666,948	3,001,687
Right-of-use assets (Note 15)	14,620,808	16,178,520
Intangible assets (Note 6)	43,174,017	50,206,378
Development costs (Note 7)	2,390,547	2,452,718
Deferred income tax assets (Note 10)	5,309,235	5,287,207
Goodwill (Note 8)	41,118,734	44,012,418
	225,607,850	175,732,978
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	11,204,850	14,185,737
Provisions (Note 16)	709,666	662,942
Sales tax payable	459,427	808,074
Income tax payable	3,025,792	2,636,159
Operating facility and loans - current (Note 9)	7,384,560	16,898,720
Contract liabilities - current	6,861,051	10,772,900
Derivative liability (Note 9)	628,025	797,380
Lease obligations - current (Note 15)	2,626,810	2,951,616
	32,900,181	49,713,528
Long term liabilities		
Operating facility and loans - long term (Note 9)	27,692,100	33,593,020
Contract liabilities - long term	6,025,071	3,972,730
Non-current lease obligations (Note 15)	12,615,456	13,671,174
	79,232,808	100,950,452
Shareholders' equity		
Share capital	140,042,394	64,628,552
Contributed surplus	2,765,995	2,437,227
Accumulated other comprehensive loss	(9,542,841)	(691,896)
Retained earnings	13,109,494	8,408,643
	146,375,042	74,782,526
	225,607,850	175,732,978

Approved by the Board

(Signed) *Al Guarino* Director

(Signed) *Yves Laliberte* Director

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

Sangoma Technologies Corporation

Condensed consolidated interim statements of income (loss) and comprehensive loss

For the three and six month periods ended December 31, 2020 and 2019

(Unaudited in Canadian dollars)

	Three month periods ended December 31,		Six month periods ende December 31,	
	2020	2019	2020	20
	$	$	$	
Revenue (Note 17)	35,323,956	32,286,479	70,356,830	60,291,6
Cost of sales	11,862,946	10,964,919	23,720,461	21,487,0
Gross profit	23,461,010	21,321,560	46,636,369	38,804,5
Expenses				
Sales and marketing	5,352,446	5,412,946	10,439,584	10,342,1
Research and development	5,424,247	5,721,980	11,507,415	11,204,3
General and administration	8,908,465	7,769,408	17,400,619	13,225,7
Foreign currency exchange (gain) loss	(7,406)	265,482	(26,576)	275,0
	19,677,752	19,169,816	39,321,042	35,047,2
Income before interest, income taxes, business acquisition costs	3,783,258	2,151,744	7,315,327	3,757,2
Interest income (Note 13)	(19,053)	(20,901)	(20,620)	(43,4
Interest expense (Notes 9, 13, 15)	505,417	813,121	1,024,963	1,210,4
Business acquisition costs (Note 18)	-	2,599,067	-	2,599,0
	486,364	3,391,287	1,004,343	3,766,0
Income (loss) before income tax	3,296,894	(1,239,543)	6,310,984	(8,7
Provision for income taxes				
Current (Note 10)	1,640,795	211,603	1,902,159	211,6
Deferred (Note 10)	(806,865)	(120,584)	(292,026)	204,1
Net income (loss)	2,462,964	(1,330,562)	4,700,851	(424,5
Other comprehensive loss				
Items to be reclassified to net income				
Change in fair value of interest rate swaps, net of tax (Note 9)	104,269	-	169,355	
Foreign currency translation loss	(7,335,232)	(32,439)	(9,020,300)	(184,9
Comprehensive loss	(4,767,999)	(1,363,001)	(4,150,094)	(609,4
Earnings per share				
Basic (Note 11(m))	0.022	(0.018)	0.045	(0.0
Diluted (Note 11(m))	0.022	(0.018)	0.044	(0.0
Weighted average number of shares outstanding (Note 11(m))				
Basic	111,199,950	72,349,239	105,439,945	68,881,1
Diluted	112,992,907	72,349,239	107,050,203	68,881,1

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

Sangoma Technologies Corporation

Condensed consolidated statements of changes in shareholders' equity

For the three and six month periods ended December 31, 2020 and 2019

(Unaudited in Canadian dollars)

	Number of common shares	Share capital	Contributed surplus
		$	$
Balance, June 30, 2019	52,962,090	34,860,468	2,514,154
Net loss	-	-	-
Other comprehensive loss	-	-	-
Common shares issued through business combination (Note 11(i))	5,500,417	6,553,938	-
Common shares issued through short form prospectus (Note 11(i))	14,846,500	21,319,720	-
Common shares issued for options exercised (Note 11(i))	128,956	80,509	(18,134)
Common shares issued for broker warrants exercised (Note 11(i))	61,957	91,305	-
Share-based compensation expense (Note 11(ii))	-	-	280,283
Balance, December 31, 2019	73,499,920	62,905,940	2,776,303
Balance, June 30, 2020	76,087,735	64,628,552	2,437,227
Net income	-	-	-
Other comprehensive loss	-	-	-
Change in fair value of interest rate swaps, net of tax (Note 9)	-	-	-
Common shares issued through short-form bought deal prospectus offering, net of costs (Note 11(i))	35,006,000	75,283,264	-
Common shares issued for options exercised (Note 11(i))	265,553	130,578	(46,614)
Share-based compensation expense (Note 11(ii))	-	-	375,382
Balance, December 31, 2020	**111,359,288**	**140,042,394**	**2,765,995**

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

Sangoma Technologies Corporation

Condensed consolidated interim statements of cash flows

For the six month periods ended December 31, 2020 and 2019

(Unaudited in Canadian dollars)

	Six month periods end	
	December 31,	
	2020	2019
	$	
Operating activities		
Net income (loss)	4,700,851	(424,
Adjustments for:		
Depreciation of property and equipment (Note 5)	400,378	291,
Depreciation of right-of-use assets (Note 15)	1,614,773	1,523,
Amortization of intangible assets (Note 6)	3,858,916	3,006,
Amortization of development costs (Note 7)	899,578	720,
Income tax expense (Note 10)	1,610,133	415,
Income tax paid	(1,628,300)	(205,
Share-based compensation expense (Note 11(ii))	375,382	280,
Interest on obligation on right-of-use assets (Note 15)	229,002	209,
Unrealized foreign exchange gain	(113,834)	(52,
Gain on terminated leases	(19,019)	
Changes in working capital		
Trade receivables	1,626,002	297,
Inventories	370,003	(3,037,
Contract assets	(243,045)	(38,
Other current assets	(201,174)	60,
Sales tax payable	(305,825)	(1,054,
Accounts payable and accrued liabilities	(2,117,527)	(497,
Provisions	93,460	(192,
Contract liabilities	(921,065)	(966,
Net cash flows from operating activities	10,228,689	336,
Investing activities		
Purchase of property and equipment (Note 5)	(240,742)	(224,
Development costs (Note 7)	(1,002,895)	(995,
Business combinations, net of cash and cash equivalents acquired (Note 18)	-	(38,324,
Net cash flows used in investing activities	(1,243,637)	(39,543,
Financing activities		
Proceeds from operating facility and loan (Note 9)	-	45,699,
Repayments of operating facility and loan (Note 9)	(12,515,660)	(24,781,
Repayment of right-of-use lease obligation (Note 15)	(1,656,545)	(1,415,
Issuance of common shares through short-form bought deal prospectus offering, net (Note 11(i))	75,283,264	21,319,
Issuance of common shares for broker warrants exercised (Note 11(i))	-	61,
Issuance of common shares for stock options exercised (Note 11(i))	83,964	62,
Net cash flows from financing activities	61,195,023	40,945,
Effect of foreign exchange rate changes on cash and cash equivalents	(5,149,272)	(106,
Increase in cash and cash equivalents	65,030,803	1,632,
Cash and cash equivalents, beginning of the period	27,249,863	11,724,
Cash and cash equivalents, end of the period	92,280,666	13,357,

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

General information

Founded in 1984, Sangoma Technologies Corporation ("Sangoma" or the "Company") is publicly traded on the TSX Venture Exchange (TSX VENTURE: STC). The Company was incorporated in Canada, its legal name is Sangoma Technologies Corporation and its primary operating subsidiaries for fiscal 2021 are Sangoma Technologies Inc., Sangoma US Inc., VoIP Supply LLC, Digium Inc. and VoIP Innovations LLC.

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

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

Significant accounting policies

Statement of compliance and basis of presentation

The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information required for annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2020.

These condensed consolidated interim financial statements were, at the recommendation of the audit committee, approved and authorized for issuance by the Company's Board of Directors on February 4, 2021.

These condensed consolidated interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended June 30, 2020, except for the change in functional currency of Sangoma Technologies Corporation and Sangoma Technologies Inc. from Canadian dollars to US dollars described below:

Change in functional currency for the Company and Sangoma Technologies Inc.

Management assessed the functional currency of the Company and its wholly owned subsidiary Sangoma Technologies Inc. and concluded that the Company and its wholly-owned operating subsidiary should be measured using the US dollar as the functional currency. Effective July 1, 2020, the change in functional currency was applied on a prospective basis. The US dollar translated amounts of nonmonetary assets and liabilities as at July 1, 2020 became the historical accounting basis for those assets and liabilities at July 1, 2020.

Significant accounting judgments, 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, 2020 and which are available at www.sedar.com. They were prepared using the same critical estimates and judgments in applying the accounting policies as those of the audited consolidated financial statements for the year ended June 30, 2020.

4. Inventories

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

	December 31, 2020	**June 30, 2**
	$	
Finished goods	**6,602,833**	8,381,
Parts	**5,145,333**	4,604,
	11,748,166	12,986,
Provision for obsolescence	**(293,251)**	(342,
Net inventory carrying value	**11,454,915**	12,643,

5. Property and equipment

	Office furniture and computer equipment	Software and books	Stockroom and production equipment
Cost	$	$	$
Balance at June 30, 2019	1,875,588	285,249	1,642,909
Additions through business combinations (Note 18)	307,553	249,585	-
Additions	493,749	3,383	59,469
Effects of movements in exchange rates	34,450	24,300	61,876
Balance at June 30, 2020	2,711,340	562,517	1,764,254
Additions	140,083	-	100,659
Effects of movements in exchange rates	(178,264)	(36,984)	(115,994)
Balance at December 31, 2020	**2,673,159**	**525,533**	**1,748,919**
Accumulated depreciation			
Balance at June 30, 2019	1,056,938	203,367	362,883
Depreciation expense	284,223	92,569	286,993
Effect of movements in exchange rates	21,263	8,219	21,177
Balance at June 30, 2020	1,362,424	304,155	671,053
Depreciation expense	191,593	61,163	122,428
Effects of movements in exchange rates	(97,497)	(22,810)	(54,523)
Balance at December 31, 2020	**1,456,520**	**342,508**	**738,958**
Net book value as at:			
Balance at June 30, 2020	1,348,916	258,362	1,093,201
Balance at December 31, 2020	**1,216,639**	**183,025**	**1,009,961**

Depreciation expense is included in general and administration expense in the condensed consolidated interim statements of income (loss) and comprehensive loss. For the three and six month periods ended December 31, 2020, depreciation expenses were $193,543 and $400,378 (three and six month periods ended December 31, 2019 - $174,521 and $291,866).

6. Intangible assets

	Copyright to software	Purchased technology	Website	(rela
	$	$	$	
Cost				
Balance at June 30, 2019	2,948,461	7,821,004	227,702	19
Business combinations (Note 18)	-	3,466,848	-	19
Effects of movements on exchange rates	-	327,516	9,003	1
Balance at June 30, 2020	2,948,461	11,615,368	236,705	40
Effects of movements on exchange rates	(193,852)	(763,676)	(15,563)	(2
Balance at December 31, 2020	**2,754,609**	**10,851,692**	**221,142**	**38**
Accumulated amortization				
Balance at June 30, 2019	2,916,587	2,743,350	212,957	3
Amortization expense	31,874	1,358,513	14,927	3
Effects of movements on exchange rates	-	33,779	8,821	
Balance at June 30, 2020	2,948,461	4,135,642	236,705	7
Amortization expense	-	760,079	-	2
Effects of movements on exchange rates	(193,852)	(301,347)	(15,563)	
Balance at December 31, 2020	**2,754,609**	**4,594,374**	**221,142**	**9**
Net book value as at:				
Balance at June 30, 2020	-	7,479,726	-	33
Balance at December 31, 2020	**-**	**6,257,318**	**-**	**28**

* Other purchase intangibles include non-compete agreements and backlog.

Amortization expense is included in general and administration expense in the condensed consolidated interim statements of income (loss) and comprehensive loss. For the three and six month periods ended December 31, 2020, amortization expenses were $1,910,024 and $3,858,916 (three and six month periods ended December 31, 2019 - $1,813,012 and $3,006,307).

7. Development costs

Cost	
Balance at June 30, 2019	21,727,4
Additions	1,964,6
Investment tax credits	(136,7
Balance at June 30, 2020	23,555,4
Additions	1,002,8
Effects of movements in exchange rates	(1,576,0
Balance at December 31, 2020	**22,982,2**
Accumulated amortization	
Balance at June 30, 2019	(19,602,9
Amortization	(1,499,7
Balance at June 30, 2020	(21,102,6
Amortization	(899,5
Effects of movements in exchange rates	1,410,5
Balance at December 31, 2020	**(20,591,7**

	December 31, 2020	June 30, 2
	$	
Net capitalized development costs	**2,390,547**	2,452,7

Each period, additions to development costs are recognized net of investment tax credits accrued. In addition to the above amortization, the Company has recognized $4,966,695 and $10,607,837 of engineering expenditures as an expense during the three month and six month periods ended December 31, 2020 (three month and six month periods ended December 31, 2019 - $5,363,412 and $10,484,173).

8. Goodwill

The carrying amount and movements of goodwill was as follows:

Balance at June 30, 2019	21,405,4
Addition through business combinations (Note 18)	21,025,4
Effect of movements in exchange rates	1,581,5
Balance at June 30, 2020	44,012,4
Effect of movements in exchange rates	(2,893,6
Balance at December 31, 2020	**41,118,7**

The addition to goodwill for the year ended June 30, 2020 was from the acquisition of VoIP Innovations LLC on October 18, 2019 and .e4 LLC on February 29, 2020 (Note 18).

9. Operating facility and loan and derivative liability

(a) Operating facility and loans

- The Company entered into a new loan facility with two banks and drew down the first tranche of $45,699,360 ($34,800,000 USD) on October 18, 2019. This new loan facility was used to pay down and close all existing loans and to fund part of the purchase of VoIP Innovations LLC. These term facilities are repayable over six years on a straight-line basis.

  The interest rates charged are based on Prime rate, US Base rate, London Inter-bank Offered Rate (LIBOR) or Canadian Dollar Offered Rate (CDOR) plus the applicable margin. Under the terms of these term facilities, the Company may convert the loans from variable to a fixed loan. The Company is required to lock in the interest rate on one half of the term loan within three months of each draw down. On January 21, 2020, the Company converted its US Base Rate loan to a one-month LIBOR loan plus the credit spread based on the syndicated loan agreement entered on October 18, 2019. Separately, as required under the agreement, the Company locked in half of the original loan amount by entering a 5-year interest rate credit swap with the two banks for $8,700,000 USD million each. The swaps together with protection against the 0% LIBOR floor have effectively converted one half of the variable LIBOR rate to a fixed loan of approximately 4.2% for five years of the six-year remaining balance on the loan. The repayment schedule for the loan has not been impacted by either of these changes. The balance outstanding against this term loan facility as of December 31, 2020 is $35,076,660 ($27,550,000 USD) (June 30, 2020 – $41,497,260 ($30,450,000 USD)). As at December 31, 2020, term loan facility balance of $7,384,560 (June 30, 2020 - $7,904,240) is classified as current and $27,692,100 (June 30, 2020 - $33,593,020) as long-term in the condensed consolidated interim statements of financial position.

- The Company also has revolving credit facilities which includes a committed revolving credit facility for up to $8,000,000 and a committed swingline credit facility for up to $2,000,000 both of which may be used for general business purposes. On April 3, 2020, the Company drew down $1,838,460 ($1,300,000 USD) on the swingline credit facility available under the Credit Agreement. On April 17, 2020, the Company drew down $7,439,610 ($5,300,000 USD) from the revolving credit facility. The Company drew down the credit facility to maximize its cash balance in order to take advantage of opportunities that may arise, as well as to fully prepare itself for any further uncertainties during the COVID-19 pandemic. The balances outstanding as at June 30, 2020 for the swingline credit facility and revolving credit facility were $1,771,640 and $7,222,840 respectively and were classified as current. During August 2020, the Company paid back the outstanding amounts of $1,723,020 ($1,300,000 USD) on the swingline credit facility and $6,993,350 ($5,300,000 USD) on the revolving credit facility. The balances outstanding as at December 31, 2020 for the swingline credit facility and revolving credit facility were $nil. Both facilities remain fully available to the Company.

For the three and six month periods ended December 31, 2020, the Company incurred interest costs to service the borrowing facilities in the amount of $386,391 and $795,961 (three month and six month periods ended December 31, 2019 - $708,510 and $1,001,151). During the six month period ended December 31, 2020, the Company borrowed $nil (six month period ended December 31, 2019 - $45,699,360) in operating facility and loans and repaid $12,515,660 (six month period ended December 31, 2019 - $24,781,828).

Under its credit agreements with its lenders, the Company must satisfy certain financial covenants, principally in respect of total funded debt to earnings before interest, taxes and amortization (“EBITDA”), and debt service coverage ratio. As at December 31, 2020 and June 30, 2020, the Company was in compliance with all covenants related to its credit agreements.

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

(b) Derivative liability

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.

On January 21, 2020, the Company converted its US Base Rate loan to a one-month LIBOR loan plus the credit spread based on the syndicated loan agreement entered into on October 18, 2019. Separately, as required under the agreement, the Company locked in half of the original loan amount by entering into a 5-year interest rate credit swap with the two banks for $8,700,000 USD each to manage its exposure to changes in LIBOR-based interest rates. The interest rate swap hedges the variable cash flows associated with the borrowings under the loan facility, effectively providing a fixed rate of interest for five years of the six-year loan term.

The interest rate swap arrangement with two banks became effective on January 31, 2020, with a maturity date of December 31, 2024. The notional amount of the swap agreement at inception was $17,400,000 USD and decreases in line with the term of the loan facility. As of December 31, 2020, the notional amount of the interest rate swap was $14,373,914 USD (June 30, 2020 – 15,886,958 USD). The interest rate swap has a weighted average fixed rate of 1.65% (June 30, 2020 – 1.65%) and has been designated as an effective cash flow hedge and therefore qualifies for hedge accounting. As at December 31, 2020, the fair value of the interest rate swap liability was valued at $628,025 (June 30, 2020 - $797,380) and was recorded as derivative liability in the condensed consolidated interim statements of financial position. For the three and six month periods ended December 31, 2020, the changes in fair value of the interest rate swaps, net of tax, in the amounts of $104,269 and $169,355 (three and six month periods ended December 31, 2019 - $nil and $nil) are recorded in other comprehensive loss in the condensed consolidated interim statements of income (loss) and comprehensive loss. 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 LIBOR rate and the fixed rate are recorded as interest expense on the same period that the related interest is recorded for the loan facility based on the LIBOR rate.

10. Income tax

The Company income tax expense is determined as follows:

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2020	2019	2020	20
Statutory income tax rate	26.30%	26.50%	26.30%	26.50
	$	$	$	
Net income (loss) before income taxes	3,296,894	(1,239,543)	6,310,984	(8,76
Expected income tax expense (recovery)	869,254	(388,827)	1,663,943	(62,66
Tax rate changes and other adjustments	(2,298)	13,150	(2,708)	27,68
Share based compensation and non-deductible expen	(8,580)	95,184	-	132,81
Business acquisition costs	-	328,479	-	328,47
Share issuance costs booked through equity	(1,440,454)	-	(1,440,454)	
Difference in foreign tax rates	(24,446)	-	(51,102)	
Currency translation adjustment and other adjustment	-	43,033	-	(10,52
Changes in tax benefits not recognized	1,440,454	-	1,440,454	
Income tax expense	833,930	91,019	1,610,133	415,78
The Company's income tax expense is allocated as follows:	$	$	$	
Current tax expense	1,640,795	211,603	1,902,159	211,60
Deferred income tax recovery	(806,865)	(120,584)	(292,026)	204,17
Income tax expense	833,930	91,019	1,610,133	415,78

The following table summarizes the components of deferred tax assets:

	December 31, 2020	June 20
	$	
Deferred income tax assets (liabilities)		
Non-deductible reserves - Canadian	109,495	106,8
Non-deductible reserves - USA	3,101,237	2,568,3
SR&ED investment tax credits, net of 12(1)(x)	1,988,793	1,988,6
Property and equipment - Canadian	(260,092)	(310,8
Property and equipment - USA	(574,043)	(679,8
Deferred development costs	(1,001,984)	(1,001,9
Intangible assets including goodwill - Canadian	(95,355)	(89,6
Intangible assets including goodwill - USA	(3,103,480)	(3,812,8
Non-capital losses carried forward - USA	4,326,362	5,551,4
Capital losses carried forward and other - Canadian	4,373	370,6
Non-capital losses carried forward - Canadian	-	127,4
Right of use assets net of obligations - Canadian	25,407	7,8
Right of use assets net of obligations - USA	132,392	103,6
Share issuance costs - Canadian	312,661	357,3
Other - USA	343,469	
Net deferred income tax assets	5,309,235	5,287,2

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. The following table shows the movement in net deferred tax assets:

10. Income tax (continued)

	December 31, 2020	June 20
	$	
Balance at the beginning of the period	5,287,207	4,176,
Recognized in profit/loss	292,026	479,
Recognized in equity	-	432,
Other foreign exchange movement	(269,998)	198,
Balance at the end of the period	**5,309,235**	**5,287,**

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2
Share issuance cost - Canada	4,915,
Non-capital losses carried forward- Canadian	546,1

Share issuance and financing costs will be fully amortized in 2025.

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

Year of expiration	Federal tax credits carry forward	Ontario tax cre carry for
	$	
2033	317,501	
2034	347,033	
2035	288,821	
2036	334,585	12,
2037	300,386	68,
2038	227,599	50,
2039	325,909	54,
2040	334,069	50,
	2,475,903	235,

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

11. Shareholders' equity

- *Share capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2020, the Company's issued and outstanding common shares consist of the following:

	Three-month periods ended December 31,		Six-month perio ended December	
	2020	2019	2020	
	#	#	#	
Shares issued and outstanding:				
Outstanding, beginning of the period	111,096,767	67,871,971	76,087,735	52,96
Shares issued for business combinations (Note 18)	-	5,500,417	-	5,50
Shares issued through short-form bought deal prospectus offering	-	-	35,006,000	14,84
Shares issued upon exercise of options	262,521	127,532	265,553	12
Shares issued upon exercise of broker warrants	-	-	-	6
Shares issued and outstanding, end of the period	111,359,288	73,499,920	111,359,288	73,49

On July 30, 2020, the Company closed its short-form bought deal prospectus offering with 35,006,000 common shares being issued at a price of $2.30 per common share including 4,566,000 common shares sold pursuant to the exercise in full of the over-allotment option grant to the Underwriter for aggregate gross proceeds of $80,513,800 and net proceeds of $75,283,264. The Company intends to use the net proceeds of the offering to fund any future acquisitions, for debt repayment, and for general corporate purposes.

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

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

During the three month and six month periods ended December 31, 2020, a total of 262,521 and 265,553 (three month and six month periods ended December 31, 2019 – 127,532 and 128,956) options were exercised for cash consideration of $82,847 and $83,964 (three month and six month periods ended December 31, 2019 - $61,952 and $62,375), and the Company recorded a charge of $46,065 and $46,614 (three month and six month periods ended December 31, 2019 – $17,908 and $18,134) from contributed surplus to share capital.

During the three month and six month periods ended December 31, 2019, a total of nil and 61,957 broker warrants were exercised for cash consideration of $nil and $61,957 and the Company recorded a charge of $nil and $29,348 from warrant reserve to share capital. As at December 31, 2020, no broker warrants were outstanding.

11. **Shareholders’ equity (continued)**

(ii) Stock options

During the year ended June 30, 2020, the shareholders of the Company amended the stock option plan (the “plan”) for officers, employees and consultants of the Company. The number of common shares that may be set aside for issuance under the plan (and under all other management stock option and employee stock option plans) is limited to 10% of the outstanding common shares of the corporation provided that the Company complies with the provisions of policies, rules and regulations of applicable securities legislation. The maximum number of common shares that may be reserved for issuance to any one person under the plan is 5% of the common shares outstanding at the time of grant (calculated on a non-diluted basis) less the number of common shares reserved for issuance to such person under any stock option to purchase common shares granted as a compensation or incentive mechanism. Any common shares subject to a stock option, which for any reason are terminated, cancelled, exercised, expired, or surrendered will be available for a subsequent grant under the plan, subject to regulatory requirements.

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

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

Measurement date	Number of options	Weighted average price
	#	$
Balance, June 30, 2019	5,239,342	0.58
Exercised	(128,956)	0.3
Expired	(6,392)	0.3
Forfeited	(122,994)	1.1
Balance, December 31, 2019	4,981,000	0.58
Balance, June 30, 2020	4,498,203	1.55
Exercised	(265,553)	(0.32
Expired	(24,002)	(1.50
Forfeited	(253,886)	(2.00
Balance, December 31, 2020	**3,954,762**	**1.60**

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

There were no stock options granted during the three and six month periods ended December 31, 2020 (three and six month periods ended December 31, 2019 – nil).

11. Shareholders' equity (continued)

(ii) Stock options (continued)

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

	December 31, 2020		December 31, 2019	
Exercise price	Number of stock options outstanding and exercisable	Weighted average remaining contractual life	Number of stock options outstanding and exercisable	Weighted aver remain contractual
$0.26 - $0.50	427,673	0.47	2,449,040	1.
$0.51 - $0.75	143,941	1.99	191,721	2.
$1.01 - $1.25	364,456	2.99	293,250	3.
$1.51 - $1.75	42,970	3.41	-	-
	979,040	1.76	2,934,011	1.

For the three month and six month periods ended December 31, 2020, the Company recognized share-based compensation expense in the amount of $169,938 and $375,382 (three month and six month periods ended December 31, 2019 - $138,296 and $280,283).

(iii) Earnings per share

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

	Three-month periods ended December 31,		Six-month periods end December 31,	
	2020	2019	2020	2(
Number of shares:				
Weighted average number of shares used in basic earnings per share	111,199,950	72,349,239	105,439,945	68,881,'
Shares deemed to be issued in respect of options and warrants	1,792,957	-	1,610,258	-
Weighted average number of shares used in diluted earnings per share	112,992,907	72,349,239	107,050,203	68,881,1
Net income for the year	2,462,964	($1,330,562)	$ 4,700,851	($424,5
Earnings per share:				
Basic earnings per share	$ 0.022	$ (0.018)	$ 0.045	$ (0.0
Diluted earings per share	$ 0.022	$ (0.018)	$ 0.044	$ (0.0

12. Related parties

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

The Company had the following balances with related parties excluding key management compensation:

	December 31, 2020	June 3 20
	$	
Accounts payable and accrued liabilities	**7,500**	5,0

13. Financial instruments

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

Cash and cash equivalents are comprised of:

	December 31, 2020	June 3 20
	$	
Cash at bank and on hand	**92,280,666**	27,249,8
	92,280,666	27,249,8

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. On December 1, 2020, the Company invested $56,000,000 USD in a 62 day term deposit of which is maturing on February 1, 2021 at the rate of 0.29%. As of December 31, 2020, the current value of this GIC is $71,316,761 ($56,013,793 USD). The value as at June 30, 2020 was $nil.

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

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2020	2019	2020	2
	$	$	$	
Interest income	**(19,053)**	(20,901)	**(20,620)**	(43,
Interest expense (Notes 9, 15)	**505,417**	813,121	**1,024,963**	1,210,
Net interest expense	**486,364**	792,220	**1,004,343**	1,166,

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Where possible, the Company uses an insurance policy with Export Development Canada ("EDC") for its trade receivables to manage this risk and minimize any exposure.

The Company's maximum exposure to credit risk for its trade receivables is summarized as follows with some of the over 90-day receivable not being covered by EDC:

	December 31, 2020	Jun 2
	$	
Trade receivables aging:		
0-30 days	7,567,345	9,312,
31-90 days	1,242,793	1,838,
Greater than 90 days	797,257	671,
	9,607,395	11,822,
Expected credit loss provision	(682,700)	(588,
Net trade receivables	8,924,695	11,234,

13. Financial instruments (continued)

Credit risk (continued)

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

	December 31, 2020	June 2
	$	
Expected credit loss provision:		
Expected credit loss provision, beginning balance	(588,178)	(287,
Net change in expected credit loss provision during the period	(94,522)	(300,
Expected credit loss provision, ending balance	(682,700)	(588,

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

December 31, 2

	Total	Up to 30 days past due	Over 30 days past due	Ove days p
Default rates		1.79%	11.15%	51.
Trade receivables	$ 9,607,395	$ 7,567,345	$ 1,242,793	$ 797,
Expected credit loss provision	$ 682,700	$ 135,811	$ 138,533	$ 408,

June 30, 2

	Total	Up to 30 days past due	Over 30 days past due	Ove days p
Default rates		1.68%	5.39%	49.
Trade receivables	$ 11,822,719	$ 9,312,820	$ 1,838,303	$ 671,
Expected credit loss provision	$ 588,178	$ 156,043	$ 99,164	$ 332,

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

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

13. Financial instruments (continued)

	December 31, 2020	June 3 2(
	$	
Accounts payable and accrued liabilities	11,204,850	14,185,7
Operating facility and loans	7,384,560	16,898,7
Lease obligations on right-of-use assets	2,626,810	2,951,6
	21,216,220	34,036,0

Foreign currency risk

A portion of the Company's transactions occur in a foreign currency (Canadian dollars (CAD), Euro (EUR), and Great British Pounds (GBP)) and, 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, and operating facility and loans. As at December 31, 2020, a 10% depreciation or appreciation of the CAD, EUR, and GBP against the U.S. dollar would have resulted in an approximate $74,784 (December 31, 2019 - $37,023) 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 9) which bears interest at a floating rate. As at December 31, 2020, a change in the interest rate of 1% per annum would have an impact of approximately $181,499 (December 31, 2019 - $440,000) per annum in finance costs. The Company also entered an interest rate swap arrangement for its loan facility (Note 9) to manage the exposure to changes in LIBOR-rate based interest rate. The fair value of the interest rate swaps was estimated based on the present value of projected future cash flows using the LIBOR forward rate curve. The model used to value the interest rate swaps included inputs of readily observable market data, a Level 2 input. As described in detail in Note 9, the fair value of the interest rate swaps was a $628,025 (June 30, 2020 – $797,380) liability on December 31, 2020.

14. Capital management

The Company's objectives in managing capital are to safeguard the Company's assets, to ensure sufficient liquidity to sustain the future development of the business via advancement of its significant research and development efforts, to conservatively manage financial risk and to maximize investor, creditor, and market confidence. The Company considers its capital structure to include its shareholders' equity 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 year and the Company is not subject to any capital requirements imposed by external parties.

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

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

	Right-of-use asset
Present value of leases	
Balance at June 30, 2019	17,241,77
Additions	1,620,89
Effects of movements on exchange rates	697,73
Balance at June 30, 2020	19,560,40
Additions	1,196,17
Terminations	(400,24
Effects of movements on exchange rates	(1,333,51
Balance at December 31, 2020	19,022,80
Accumulated depreciation and repayments	
Balance at June 30, 2019	
Depreciation expense	3,366,76
Effects of movements on exchange rates	15,11
Balance at June 30, 2020	3,381,88
Depreciation expense	1,614,77
Terminations	(320,33
Effects of movements on exchange rates	(274,31
Balance at December 31, 2020	4,402,00
Net book value as at:	
June 30, 2020	16,178,52
December 31, 2020	**14,620,80**

15. Leases: Right-of-use assets and lease obligations (continued)

	Lease Obliga
Present value of leases	
Balance at June 30, 2019	17,12
Additions	1,62
Repayments	(3,28
Interest expense	48
Effects of movements on exchange rates	68
Balance at June 30, 2020	16,62
Additions	1,19
Repayments	(1,65
Interest expense	22
Terminations	(9
Effects of movements on exchange rates	(1,05
Balance at December 31, 2020	15,24
Lease Obligations - Current	**2,62**
Lease Obligations - Non-current	**12,61**
	15,24

(1) Includes the impact of recognition exemptions including those for short-term and low-dollar value leases; includes th impact of judgment applied with regard to renewal options in the lease terms in which the Company is a lessee.
(2) Right-of-use assets opening balance includes the impact of estimated restoration costs.

16. Provisions

	Warranty provision	Sales returns & allowances provision	Stock rotation provision	T
	$	$	$	
Balance at June 30, 2019	**208,481**	**48,230**	**300,294**	**557,**
Additional provision recognized	**5,676**	**46,227**	**54,034**	**105,**
Balance at June 30, 2020	**214,157**	**94,457**	**354,328**	**662,**
Additional provision recognized	**163,661**	**34,303**	**(151,240)**	**46,**
Balance at December 31, 2020	**377,818**	**128,760**	**203,088**	**709,**

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

17. Segment disclosures

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

Revenues for group of similar products and services can be summarized for the three and six month periods ended December 31, 2020 and 2019 as follows:

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2020	2019	**2020**	20
	$	**$**	**$**	
Products	**15,439,559**	16,231,837	**30,707,094**	33,305,8
Services	**19,884,397**	16,054,642	**39,649,736**	26,985,8
Total revenues	**35,323,956**	32,286,479	**70,356,830**	60,291,6

The sales, in Canadian dollars, in each of these geographic locations for the three and six month periods ended December 31, 2020 and 2019 as follows:

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2020	2019	**2020**	20
	$	**$**	**$**	
USA	**27,839,322**	25,768,497	**56,559,691**	46,246,4
Canada	**1,140,225**	999,380	**2,515,718**	2,462,9
All other countries	**6,344,409**	5,518,602	**11,281,421**	11,582,1
Total revenues	**35,323,956**	32,286,479	**70,356,830**	60,291,6

The non-current assets, in Canadian dollars, in each of the geographic locations as at December 31, 2020 and June 30, 2020 are below:

	December 31, 2020	June 30, 2020
	$	$
Canada	**7,863,260**	7,516,113
USA	**101,417,029**	113,622,815
Total non-current assets	**109,280,289**	121,138,928

18. Business combinations

- On October 18, 2019, Sangoma Technologies US Inc., a wholly owned subsidiary of Sangoma Technologies Inc., acquired all the membership interest of VoIP Innovations LLC, a US based company. The total discounted consideration for the acquisition was $46,028,032 ($35,050,283 USD). The discounted purchase price consisted of $39,171,420 ($29,828,982 USD) in cash paid on
closing and the issuance of 5,500,417 common shares valued at $6,553,938 ($4,990,815 USD) based on a share price of $1.40 ($1.066 USD) per common share on closing and a discount of 14.9% to reflect the 12-month lock up. Post closing the working capital adjustment was finalized at $302,674 ($230,486 USD). Of the cash consideration paid to

the vendors, $4,281,032 ($3,260,000 USD) was paid to an escrow agent to be held for periods ranging from 4 months to 2 years to cover potential working capital, indemnification and USF special indemnity adjustments. The cash held in escrow for working capital and indemnification purposes was discounted using a 5.0% discount for a period of four to twelve months, respectively for an amount of $1,163,074 ($885,679 USD) and $450,240 ($342,857 USD). The cash held in escrow for USF Special Indemnity purposes was discounted using a 1.72% and 1.64% discount for a period of one and two years, respectively for an amount of $2,194,691 ($1,671,254 USD) and $381,349 ($290,397 USD). The Company acquired VoIP Innovations LLC to expand its suite of service offerings and increase recurring revenue.

The Company incurred transaction costs in the amount of $2,581,854 which was expensed and included in the consolidated statements of income and comprehensive income of the fiscal year ended June 30, 2020. The acquisition has been accounted for using the acquisition method under IFRS 3, Business Combinations.

On October 7, 2020, $601,823 ($449,256 USD) was released to the Company from the funds held in escrow in connection with the VoIP Innovations LLC acquisition for further payment by the Company to the Universal Service Fund (“USF”). This was the last payment outstanding and was made in full and final settlement of all amounts due as at December 31, 2019. The remaining USF escrow amount was released to the sellers and the escrow account closed.

18. Business combinations (continued)

Consideration	USD	C
Cash consideration on closing	$26,638,795	$34,982
Net working capital adjustment	$230,486	$302
Cash held in escrow for working capital	$885,679	$1,163
Cash held in escrow for indemnification	$342,857	$450
Cash held in escrow for USF Special Indemnity (1 year)	$1,671,254	$2,194
Cash held in escrow for USF Special Indemnity (2 year)	$290,397	$381
Common shares	$4,990,815	$6,553
	$35,050,283	**$46,028**

Purchase price allocation	USD	C
Cash	$1,513,854	$1,987,
Accounts receivable	$582,676	$765,
Prepaids and other deposits	$294,739	$387,
Property and equipment	$424,260	$557,
Right-of-use assets	$516,648	$678,
Accounts payable and accrued liabilities	($561,890)	($737,
Other liabilities	($978,715)	($1,285,
Contract Liabilities	($628,728)	($825,
Lease obligations on right-of-use assets	($516,648)	($678,
Customer relationships	$15,030,000	$19,737,
Technology	$2,640,000	$3,466,
Brand	$700,000	$919,
Non-compete	$1,010,000	$1,326,
Goodwill	$15,024,087	$19,729,
	$35,050,283	**$46,028**

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

  Goodwill arises primarily from the ability to benefit from the assembled workforce, future growth, and potential synergies in the form of cost savings.

19. Data breach

On December 24, 2020, the Company announced that it had suffered a ransomware cyber attack, had launched a comprehensive investigation to fully ascertain the extent of any data breach, and engaged third-party cybersecurity experts to support these efforts. The investigation so far has confirmed that the attackers encrypted, copied, and published a significant number of confidential files relating to the Company's financial information, its corporate development efforts, certain private employee data, as well as some customer information and ordering history. There continues to be no evidence that the compromised customer information includes bank account or payment card data. Sangoma took immediate action to mitigate and manage the impact of this attack, has filed a report with law enforcement officials and deployed additional security measures to assist in detecting and preventing any future attempts or incidents of unauthorized access to or malicious activity on its corporate network. Further, the Company has updated its employees regularly regarding the incident and the possible impact on the security of their personal data, has provided them with actions they can take to protect their personal information from misuse, and is rolling out 24 months of credit and dark-web monitoring and identity theft insurance at the Company's expense. Finally, Sangoma has been in proactive contact with its customers (as well as other third parties whose data was compromised), to provide clear information as well as appropriate support, and will continue to do so. The analysis of the data believed to have been published is nearing completion and it is expected that most all parties involved will have been notified by March 31, 2021 and that any associated jurisdictional filing will be completed by then as well.

Sangoma has not experienced any service interruptions or outages as a result of the cyber attack that targeted the Company, and all customers continue to use the full suite of Sangoma's products and services, normally. In addition to the Company's own investigation, a highly experienced team of third-party cybersecurity experts has to date, uncovered no indication of security threats related to the cyber attack that could create any additional risk for Sangoma's customers from using its products, nor any evidence to suggest that any intellectual property has been compromised.

20. Subsequent event

On January 29, 2021, the Company announced a definitive agreement to acquire StarBlue Inc. (dba Star2Star Communications, herein "Star2Star") for approximately US$437 million, consisting of US$105 million in cash and 110 million common shares of Sangoma Technologies Corporation valued at approximately US$332 million based on the closing price of the Company's common shares on the TSX Venture Exchange as of January 28, 2021. 22 million shares will be issued at closing, and the remainder are to be issued in instalments commencing on April 1, 2022 and continuing for the next 14 quarters. The transaction is subject to the majority vote of shareholders at a Special Meeting to be held in late March or early April with closing expected shortly after the Meeting if the transaction is approved. Further details of the contemplated transaction are available on Sedar at www.sedar.com and on the Company's website. The cash portion of the purchase price will be funded through a combination of cash on hand and an extension of the existing credit facility with its current lenders.

21. Authorization of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on February 4, 2021.