SANGOMA TECHNOLOGIES CORPORATION

Condensed consolidated interim financial statements for

the three and nine month periods ended March 31, 2021 and 2020

(Unaudited in Canadian Dollars)

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

Sangoma Technologies Corporation

March 31, 2021

Table of contents

Sangoma Technologies Corporation
Condensed consolidated interim statements of financial position
As at March 31, 2021 and June 30, 2020
(Unaudited in Canadian dollars)

	March 31, 2021	June 30, 2020
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 13)	28,935,293	27,249,863
Trade receivables (Note 13)	19,135,503	11,234,541
Inventories (Note 4)	13,920,397	12,643,738
Contract assets	2,919,327	1,082,051
Other current assets	4,542,115	2,383,857
	69,452,635	54,594,050
Non-current assets		
Property and equipment (Note 5)	9,883,505	3,001,687
Right-of-use assets (Note 15)	17,016,825	16,178,520
Intangible assets (Note 6)	238,851,697	50,206,378
Development costs (Note 7)	2,418,651	2,452,718
Deferred income tax assets (Note 10)	-	5,287,207
Goodwill (Note 8)	330,442,788	44,012,418
Contract assets - long term	4,774,950	-
	672,841,051	175,732,978
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	24,199,874	14,185,737
Provisions (Note 16)	564,800	662,942
Sales tax payable	454,203	808,074
Income tax payable	7,293,954	2,636,159
Operating facility and loans - current (Note 9)	18,298,828	16,898,720
Contract liabilities - current	15,732,328	10,772,900
Derivative liability (Note 9)	466,567	797,380
Lease obligations - current (Note 15)	2,881,984	2,951,616
	69,892,538	49,713,528
Long term liabilities		
Operating facility and loans - long term (Note 9)	80,540,672	33,593,020
Contract liabilities - long term	5,250,653	3,972,730
Non-current lease obligations (Note 15)	14,827,161	13,671,174
Deferred income tax liabilities (Note 10)	45,815,066	-
Other non-current liabilities	1,163,608	-
	217,489,698	100,950,452
Shareholders' equity		
Share capital	210,580,558	64,628,552
Reserve for common shares related to acquisition	241,568,231	-
Contributed surplus	3,530,908	2,437,227
Accumulated other comprehensive loss	(11,070,305)	(691,896)
Retained earnings	10,741,961	8,408,643
	455,351,353	74,782,526
	672,841,051	175,732,978

Approved by the Board

(Signed) Al Guarino Director

(Signed) Allan Brett Director

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

Sangoma Technologies Corporation

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

For the three and nine month periods ended March 31, 2021 and 2020

(Unaudited in Canadian dollars)

	Three month periods ended March 31,		Nine month periods March 31,	
	2021	2020	2021	
	$	$	$	
Revenue (Note 17)	35,437,620	36,310,054	105,794,450	96,
Cost of sales	12,194,324	12,842,836	35,914,785	34,
Gross profit	23,243,296	23,467,218	69,879,665	62,
Expenses				
Sales and marketing	5,689,388	5,670,595	16,128,878	16,
Research and development	6,530,938	6,606,189	18,037,584	17,
General and administration	7,950,608	8,026,785	25,352,091	21,
Foreign currency exchange (gain) loss	(31,394)	(208,848)	(57,971)	
	20,139,540	20,094,721	59,460,582	55,
Income before interest, income taxes, business acquisition costs	3,103,756	3,372,497	10,419,083	7,
Interest income (Note 13)	(44,646)	(5,664)	(65,266)	
Interest expense (Notes 9, 13, 15)	387,539	625,645	1,412,502	1,
Business acquisition costs (Note 18)	4,744,591	-	4,744,591	2,
	5,087,484	619,981	6,091,827	4,
Income (loss) before income tax	(1,983,728)	2,752,516	4,327,256	2,
Provision for income taxes				
Current (Note 10)	564,634	1,771,590	2,466,793	1,
Deferred (Note 10)	(180,829)	(717,561)	(472,855)	(
Net income (loss)	(2,367,533)	1,698,487	2,333,318	1,
Other comprehensive loss				
Items to be reclassified to net income				
Change in fair value of interest rate swaps, net of tax (Note 9)	161,457	(772,181)	330,813	(
Foreign currency translation loss	(1,688,922)	1,206,158	(10,709,222)	1,
Comprehensive loss	(3,894,998)	2,132,464	(8,045,091)	1,
Earnings per share				
Basic (Note 11(iii))	$ (0.021)	$ 0.023	$ 0.022	$
Diluted (Note 11(iii))	$ (0.021)	$ 0.022	$ 0.021	$
Weighted average number of shares outstanding (Note 11(iii))				
Basic	111,380,706	73,560,226	107,391,290	70,
Diluted	113,626,725	76,965,199	109,193,373	73,

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

Sangoma Technologies Corporation
Condensed consolidated statements of changes in shareholders' equity
For the nine month periods ended March 31, 2021 and 2020

(Unaudited in Canadian dollars)

	Number of common shares	Share capital	Share capital reserve	Contribute surplu
		$	$	
Balance, June 30, 2019	52,962,090	34,889,816	-	2,514,15
Net loss	-	-	-	-
Foreign currency translational gain (loss)	-	-	-	-
Change in fair value of interest rate swaps, net of tax (Note 9)	-	-	-	-
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 released from escrow and cancelled (Note 11(i))	(21,673)	(24,362)	-	
Common shares issued for options exercised (Note 11(i))	399,071	250,394	-	(86,52
Common shares issued for broker warrants exercised (Note 11(i))	61,957	61,957	-	-
Share-based compensation expense (Note 11(ii))	-	-	-	326,18
Balance, March 31, 2020	73,748,362	63,051,463	-	2,753,81
Balance, June 30, 2020	76,087,735	64,628,552	-	2,437,22
Net income	-	-	-	-
Foreign currency translational gain (loss)	-	-	-	-
Change in fair value of interest rate swaps, net of tax (Note 9)	-	-	-	-
Common shares reserved for issuance related to business combination (Note 18)	-	-	241,568,231	-
Common shares issued for transaction cost payment (Note 11(i))	129,198	415,568	-	-
Common shares issued through business combination (Note 11(i))	21,130,798	70,039,203	-	-
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))	427,253	213,971	-	(73,26
Share-based compensation expense (Note 11(ii))	-	-	-	1,166,94
Balance, March 31, 2021	132,780,984	210,580,558	241,568,231	3,530,90

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

Sangoma Technologies Corporation

Condensed consolidated interim statements of cash flows

For the nine month periods ended March 31, 2021 and 2020

(Unaudited in Canadian dollars)

	Nine month periods ende	
	March 31,	
	2021	202
	$	
Operating activities		
Net income	2,333,318	1,273,98
Adjustments for:		
Depreciation of property and equipment (Note 5)	591,618	490,89
Depreciation of right-of-use assets (Note 15)	2,295,490	2,378,74
Amortization of intangible assets (Note 6)	5,720,414	5,045,32
Amortization of development costs (Note 7)	1,360,309	1,083,91
Income tax expense (Note 10)	1,993,938	(513,38
Income tax paid	(1,506,401)	(149,95
Share-based compensation expense (Note 11(iii))	1,166,949	326,18
Interest on obligation on right-of-use assets (Note 15)	328,827	317,91
Unrealized foreign exchange gain	(57,970)	(2,340,37
Gain on terminated leases	(10,033)	-
Changes in working capital		
Trade receivables	(1,660,923)	793,89
Inventories	(456,280)	(2,183,57
Contract assets	(342,571)	(38,87
Other current assets	(471,341)	(336,71
Sales tax payable	(301,399)	(1,149,78
Accounts payable and accrued liabilities	2,076,571	(1,819,37
Provisions	(48,523)	(5,84
Income tax payable	1,290,508	1,686,13
Contract liabilities	(840,998)	(930,77
Net cash flows from operating activities	13,461,503	3,928,35
Investing activities		
Purchase of property and equipment (Note 5)	(440,542)	(458,30
Development costs (Note 7)	(1,524,695)	(1,489,75
Business combinations, net of cash and cash equivalents acquired (Note 18)	(129,107,146)	(39,480,42
Net cash flows used in investing activities	(131,072,383)	(41,428,48
Financing activities		
Proceeds from operating facility and loan (Note 9)	66,018,750	45,699,36
Repayments of operating facility and loan (Note 9)	(14,339,760)	(26,838,94
Repayment of right-of-use lease obligation (Note 15)	(1,737,414)	(2,239,03
Issuance of common shares through short-form bought deal prospectus offering, net (Note 11(i))	75,283,264	21,319,72
Issuance of common shares for broker warrants exercised (Note 11(i))	-	61,95
Issuance of common shares for stock options exercised (Note 11(i))	140,703	163,86
Net cash flows from financing activities	125,365,543	38,166,93
Effect of foreign exchange rate changes on cash and cash equivalents	(6,069,233)	156,09
Increase in cash and cash equivalents	1,685,430	822,89
Cash and cash equivalents, beginning of the period	27,249,863	11,724,84
Cash and cash equivalents, end of the period	28,935,293	12,547,74

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., VoIP Innovations LLC and Star2Star Communications 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 May 20, 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:

	March 31, 2021	Jun
	$	
Finished goods	9,064,463	8,381
Parts	5,145,255	4,604
	14,209,718	12,986
Provision for obsolescence	(289,321)	(342
Net inventory carrying value	13,920,397	12,643

The acquisition of Star2Star added $1,812,415 to March 31, 2021 inventories.

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 through business combination (Note 18)	600,530	506,451	6,127,559
Additions	289,476	5,017	146,049
Effects of movements in exchange rates	(209,498)	(43,464)	(136,319)
Balance at March 31, 2021	**3,391,848**	**1,030,521**	**7,901,543**
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	283,371	89,939	181,334
Effects of movements in exchange rates	(119,942)	(28,047)	(61,149)
Balance at March 31, 2021	**1,525,853**	**366,047**	**791,238**
Net book value as at:			
Balance at June 30, 2020	1,348,916	258,362	1,093,201
Balance at March 31, 2021	**1,865,995**	**664,474**	**7,110,305**

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 nine month periods ended March 31, 2021, depreciation expenses were $191,240 and $591,618 (three and nine month periods ended March 31, 2020 - $199,032 and $490,898).

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
Business combinations (Note 18)	-	-	-	
Effects of movements on exchange rates	(227,820)	(897,489)	(18,290)	(3
Balance at March 31, 2021	**2,720,641**	**10,717,879**	**218,415**	**37**
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	-	1,128,886	-	3
Effects of movements on exchange rates	(227,820)	(357,229)	(18,290)	
Balance at March 31, 2021	**2,720,641**	**4,907,299**	**218,415**	**9**
Net book value as at:				
Balance at June 30, 2020	-	7,479,726	-	33
Balance at March 31, 2021	**-**	**5,810,580**	**-**	**27**

*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 nine month periods ended March 31, 2021, amortization expenses were $1,861,497 and $5,720,414 (three and nine month periods ended March 31, 2020 - $2,039,020 and $5,045,327).

7. Development costs

Cost	
Balance at June 30, 2019	21,727,
Additions	1,964,
Investment tax credits	(136,
Balance at June 30, 2020	23,555,
Additions	1,524,
Effects of movements in exchange rates	(1,862,
Balance at March 31, 2021	**23,217,**
Accumulated amortization	
Balance at June 30, 2019	(19,602,
Amortization	(1,499,
Balance at June 30, 2020	(21,102,
Amortization	(1,360,
Effects of movements in exchange rates	1,664,
Balance at March 31, 2021	**(20,798,**

	March 31, 2021	June 30,
	$	
Net capitalized development costs	2,418,651	2,452,

Each period, additions to development costs are recognized net of investment tax credits accrued. In addition to the above amortization, the Company has recognized $6,070,207 and $16,678,044 of engineering expenditures as an expense during the three and nine month periods ended March 31, 2021 (three month and nine month periods ended March 31, 2020 - $6,242,454 and $16,726,627).

8. Goodwill

The carrying amount and movements of goodwill was as follows:

Balance at June 30, 2019	21,405,
Addition through business combinations (Note 18)	21,025,
Effect of movements in exchange rates	1,581,
Balance at June 30, 2020	44,012,
Addition through business combinations (Note 18)	289,831,
Effect of movements in exchange rates	(3,400,
Balance at March 31, 2021	**330,442,**

The addition to goodwill for the nine months ended March 31, 2021 was from the acquisition of StarBlue Inc. on March 31, 2021. For the year ended June 30, 2020 the addition was from the acquisitions 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 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. This term facility is 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 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 March 31, 2021 is $32,820,750 ($26,100,000 USD) (June 30, 2020 – $41,497,260 ($30,450,000 USD)). As at March 31, 2021, term loan facility balance of $7,293,500 (June 30, 2020 - $7,904,240) is classified as current and $25,527,250 (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 repaid 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 and closed both facilities.

- On March 31, 2021, the Company amended its term loan facility with its lender and drew down an additional $66,018,750 ($52,500,000 USD) to fund part of the acquisition of StarBlue Inc. At the time of the draw the following amendments were made to the agreement:

  - The provision for additional funding related to VoIP Innovations under the original agreement was no longer necessary and has been cancelled.
  - The swingline facility was converted from CAD $2,000,000 to USD $1,5000,000.
  - The revolver facility was converted from CAD $8,000,000 to USD $6,000,000.
  - The debt to equity ratio calculation now allows Sangoma to offset up to US $10,000,000 of unrestrained funds against the outstanding amount of the debt.

The interest rates charged continue to be based on Prime rate, US Base rate, London Inter-bank Offered Rate (LIBOR) or Canadian Dollar Offered Rate (CDOR) plus the applicable margin. The incremental draw is repayable, on a straight-line basis, through quarterly payments of $2,187,938 USD and is renewable as at September 30, 2024. As at March 31, 2021, the incremental facility is classified as $11,005,328 ($8,751,752 USD) current and $55,013,422 ($43,748,248 USD) long-term in the condensed consolidated interim statements of financial position.

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

For the three and nine month periods ended March 31, 2021, the Company incurred interest costs to service the borrowing facilities in the amount of $287,714 and $1,083,675 (three and nine month periods ended March 31, 2020 - $517,017 and $1,518,168). During the nine month period ended March 31, 2021, the Company borrowed $66,018,750 (nine month period ended March 31, 2020 - $45,699,360) in operating facility and loans and repaid $14,339,760 (nine month period ended March 31, 2020 - $26,838,943).

Under its credit agreements with its lenders, the Company must satisfy certain financial covenants, principally in respect of total funded debt to earnings before interest, taxes and amortization (“EBITDA”), and debt service coverage ratio. As at March 31, 2021 and June 30, 2020, the Company was in compliance with all covenants related to its credit agreements.

(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 March 31, 2021, the notional amount of the interest rate swap was $13,617,392 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 March 31, 2021, the fair value of the interest rate swap liability was valued at $466,567 (June 30, 2020 - $797,380) and was recorded as derivative liability in the condensed consolidated interim statements of financial position. For the three and nine month periods ended March 31, 2021, the changes in fair value of the interest rate swaps, net of tax, in the amounts of $161,457 and $330,813 (three and nine month periods ended March 31, 2020 was $772,181 and $772,181) 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 March 31,		Nine month perio ended March 31	
	2021	2020	2021	
Statutory income tax rate	26.30%	26.50%	26.30%	26
	$	$	$	
Net income (loss) before income taxes	(1,983,728)	2,752,516	4,327,256	2,473
Expected income tax expense (recovery)	(523,023)	789,764	1,140,920	727
Tax rate changes and other adjustments	33,478	59,140	30,770	76
Share based compensation and non-deductible expenses	302,910	66,860	302,910	199
Business acquisition costs	571,198	74,821	571,198	403
Difference in foreign tax rates	(758)	-	(51,860)	
Currency translation adjustment and other adjustments	-	63,444	-	63
Income tax expense	383,805	1,054,029	1,993,938	1,469
The Company's income tax expense is allocated as follows:	$	$	$	
Current tax expense	564,634	1,771,590	2,466,793	1,983
Deferred income tax recovery	(180,829)	(717,561)	(472,855)	(513
Income tax expense	383,805	1,054,029	1,993,938	1,469

The following table summarizes the components of deferred tax assets:

	March 31, 2021	June 2
	$	
Deferred income tax assets (liabilities)		
Non-deductible reserves - Canadian	110,810	106,
Non-deductible reserves - USA	3,015,310	2,568,
SR&ED investment tax credits, net of 12(1)(x)	1,988,790	1,988,
Property and equipment - Canadian	(238,630)	(310,
Property and equipment - USA	(2,376,170)	(679,
Deferred development costs	(1,001,980)	(1,001,
Intangible assets including goodwill - Canadian	(98,230)	(89,
Intangible assets including goodwill - USA	(52,330,570)	(3,812,
Non-capital losses carried forward - USA	4,255,300	5,551,
Capital losses carried forward and other - Canadian	4,370	370,
Non-capital losses carried forward - Canadian	-	127,
Right of use assets net of obligations - Canadian	37,070	7,
Right of use assets net of obligations - USA	138,880	103,
Share issuance costs - Canadian	342,154	357,
Other - USA	337,830	
Net deferred income tax assets (liabilities)	(45,815,066)	5,287,

10. Income tax (continued)

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:

	March 31, 2021	Jun
	$	
Balance at the beginning of the period	5,287,207	4,176
Recognized in profit/loss	472,855	479
Recognized in goodwill	(51,319,548)	
Recognized in equity	60,980	432
Other foreign exchange movement	(316,560)	198
Balance at the end of the period	(45,815,066)	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:

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

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 forv
	$	
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 March 31, 2021, the Company's issued and outstanding common shares consist of the following:

	Three month periods ended March 31,		Nine month period ended March 31,	
	2021	2020	**2021**	
	#	#	**#**	
Shares issued and outstanding:				
Outstanding, beginning of the period	**111,359,288**	73,499,920	**76,087,735**	52,96
Shares issued for business combinations (Note 18)	**21,130,798**	-	**21,130,798**	5,50
Shares issued for acquisition costs (Note 18)	**129,198**	-	**129,198**	
Shares issued through short-form bought deal prospectus offering	**-**	-	**35,006,000**	14,84
Shares returned from escrow	**-**	(21,673)	**-**	(21
Shares issued upon exercise of options	**161,700**	270,115	**427,253**	39
Shares issued upon exercise of broker warrants	**-**	-	**-**	6
Shares issued and outstanding, end of the period	**132,780,984**	73,748,362	**132,780,984**	73,748

On March 31, 2021, the Company acquired StarBlue Inc. and issued 21,130,798 shares as part of the consideration, and 129,198 shares as part of the acquisition costs (Note 18). Under the terms of the agreement a further 88,869,202 shares will be issued in instalments over the fourteen quarters commencing on April 1, 2022 which would bring the total shares to 221,650,186. The $241,568,231 discounted value of the 88,869,202 shares not yet issued is shown in the Reserve for common shares related to acquisition.

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 nine month periods ended March 31, 2021, a total of 161,700 and 427,253 (three month and nine month periods ended March 31, 2020 – 270,115 and 399,071) options were exercised for cash consideration of $56,739 and $140,703 (three month and nine month periods ended March 31, 2020 - $101,494 and $163,869), and the Company recorded a charge of $26,654 and $73,268 (three month and nine month periods ended March 31, 2020 – $68,391 and $86,525) from contributed surplus to share capital.

During the three month and nine month periods ended March 31, 2020, 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 March 31, 2021, no broker warrants were outstanding (June 30, 2020 - $nil).

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	Weight average pri
	#	
Balance, June 30, 2019	**5,239,342**	**0.**
Exercised	**(399,071)**	**(0.**
Expired	**(192,760)**	**(0.**
Balance, March 31,2020	**4,647,511**	**0.**
Balance, June 30, 2020	**4,498,203**	**1.**
Granted	**5,700,000**	**4.**
Exercised	**(427,253)**	**(0.**
Expired	**(24,002)**	**(1.**
Forfeited	**(258,886)**	**(2.**
Balance, March 31, 2021	**9,488,062**	**3.**

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.

11. Shareholders’ equity (continued)

(ii) Stock options (continued)

On February 9, 2021, the Company granted 5,700,000 stock options to employees, officers, and directors at a strike price of $4.90 vesting over a period of four years.

	March 31, 2021	June 2
Share price	$4.90	$2
Exercise price	$4.90	$2
Expected volatility	65.58%	61.
Expected option life	4 years	5 ye
Risk-free interest rate	0.33%	0.

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

	March 31, 2021		March 31,2020	
Exercise price	Number of stock options outstanding and exercisable	Weighted average remaining contractual life	Number of stock options outstanding and exercisable	Weighted aver remai contractual
$0.26 - $0.50	308,028	0.23	2,382,409	0.
$0.51 - $0.75	159,789	1.75	206,897	2.
$1.01 - $1.25	393,496	2.74	303,567	3.
$1.51 - $1.75	48,830	3.17	-	-
	910,143	1.74	2,892,873	1.

For the three month and nine month periods ended March 31, 2021, the Company recognized share-based compensation expense in the amount of $786,849 and $1,166,949 (three month and nine month periods ended March 31, 2020 - $45,898 and $326,181).

(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 March 31,		Nine month periods ended March 31,	
		2021	2020	2021	2
Number of shares:					
Weighted average number of shares used in basic earnings per share		111,380,706	73,560,226	107,391,290	70,435,
Shares deemed to be issued in respect of options and warrants		2,246,019	3,404,973	1,802,083	3,218,
Weighted average number of shares used in diluted earnings per share		113,626,725	76,965,199	109,193,373	73,653,
Net income (loss) for the year		($2,367,533)	$1,698,487	$2,333,318	$1,273,
Earnings per share:					
Basic earnings per share	$	(0.021)	$ 0.023	$ 0.022	$ 0.
Diluted earings per share	$	(0.021)	$ 0.022	$ 0.021	$ 0.

11. Shareholders' equity (continued)

(iii) Earnings per share (continued)

Under the terms of the StarBlue Inc. share purchase agreement a further 88,869,202 shares will be issued in instalments over the fourteen quarters commencing on April 1, 2022.

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:

	March 31, 2021	June 2
	$	
Accounts payable and accrued liabilities	10,000	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:

	March 31, 2021	June 2
	$	
Cash at bank and on hand	28,935,293	27,249,8
	28,935,293	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 term deposit for a period of 91 days at the rate of 0.29% which matured on March 3, 2021(June 30, 2020 - $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 March 31,		Nine month periods ended March 31,	
	2021	2020	2021	2
	$	$	$	
Interest income	(44,646)	(5,664)	(65,266)	(49,
Interest expense (Notes 9, 15)	387,539	625,645	1,412,502	1,836,
Net interest expense	342,893	619,981	1,347,235	1,786,

13. Financial instruments (continued)

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:

	March 31, 2021	June 20
	$	
Trade receivables aging:		
0-30 days	15,299,212	9,312,8
31-90 days	3,908,771	1,838,3
Greater than 90 days	1,203,234	671,5
	20,411,217	11,822,7
Expected credit loss provision	(1,275,715)	(588,1
	19,135,503	11,234,5

* The inclusion of Star2Star added $7,163,020 of receivables in the quarter.

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

	March 31, 2021	June 2
	$	
Expected credit loss provision:		
Expected credit loss provision, beginning balance	(588,178)	(287,3
Net change in expected credit loss provision during the period	(687,537)	(300,8
Expected credit loss provision, ending balance	(1,275,715)	(588,1

*Net change includes credit loss provision of $563,274 of Star2Star

.

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.

13. Financial instruments (continued)

March 31, 2

	Total	Up to 30 days past due	Over 30 days past due	Over days p
Default rates		2.25%	11.36%	40.4
Trade receivables	$ 20,411,217	$ 15,299,212	3,908,771	1,203,2
Expected credit loss provision	$ 1,275,715	$ 344,485	$ 443,987	$ 487,2

June 30, 2

	Total	Up to 30 days past due	Over 30 days past due	Over days p
Default rates		1.68%	5.39%	49.5
Trade receivables	$ 11,822,719	$ 9,312,820	$ 1,838,303	$ 671,5
Expected credit loss provision	$ 588,178	$ 156,043	$ 99,164	$ 332,9

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:

	March 31, 2021	June 2(
	$	
Accounts payable and accrued liabilities	24,199,874	14,185,7
Operating facility and loans	18,298,828	16,898,7
Lease obligations on right-of-use assets	2,881,984	2,951,6
	45,380,686	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 March 31, 2021, a 10% depreciation or appreciation of the CAD, EUR, and GBP against the U.S. dollar would have resulted in an approximate $78,456 (March 31, 2020 - $63,722) increase or decrease, respectively, in total comprehensive loss.

13. Financial instruments (continued)

Interest rate risk

The Company's exposure to interest rate fluctuations is with its credit facility (Note 9) which bears interest at a floating rate. As at March 31, 2021, a change in the interest rate of 1% per annum would have an impact of approximately $824,291 (March 31, 2020 - $205,712) 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 liability of $466,567 on March 31, 2021(June 30, 2020 – $797,380).

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 assets
	$
Present value of leases	
Balance at June 30, 2019	17,241,779
Additions	1,620,892
Effects of movements on exchange rates	697,732
Balance at June 30, 2020	19,560,403
Additions	1,196,170
Addition through business combination	3,507,844
Terminations	(1,038,970
Effects of movements on exchange rates	(1,579,053
Balance at March 31, 2021	21,646,394
Accumulated depreciation and repayments	
Balance at June 30, 2019	-
Depreciation expense	3,366,767
Effects of movements on exchange rates	15,116
Balance at June 30, 2020	3,381,883
Depreciation expense	2,295,490
Terminations	(705,823
Effects of movements on exchange rates	(341,981
Balance at March 31, 2021	4,629,569
Net book value as at:	
June 30, 2020	16,178,520
March 31, 2021	17,016,825

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

	Lease Obligati
Present value of leases	
Balance at June 30, 2019	17,123,
Additions	1,620,
Repayments	(3,285,
Interest expense	481,
Effects of movements on exchange rates	682,
Balance at June 30, 2020	16,622,
Additions	1,196,
Addition through business combination	3,507,
Repayments	(1,737,
Interest expense	328,
Terminations	(343,
Effects of movements on exchange rates	(1,865,
Balance at March 31, 2021	**17,709,**
Lease Obligations - Current	**2,881,**
Lease Obligations - Non-current	**14,827,**
	17,709,

(1) Includes the impact of recognition exemptions including those for short-term and low-dollar value leases; includes the impac 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.

(3) Addition through business combination represents the Right-of-use asset and leased obligation of the leased office buildin Star2Star that was acquired on March 31, 2021.

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	17,919	37,684	(153,744)	(98,1
Balance at March 31, 2021	**232,076**	**132,141**	**200,584**	**564,8**

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 nine month periods ended March 31, 2021 and 2020 as follows:

	Three month periods ended March 31,		Nine month periods ended March 31,	
	2021	2020	2021	2
	$	$	$	
Products	15,404,091	17,472,575	46,111,185	50,778,[illegible]
Services	20,033,529	18,837,479	59,683,265	45,823,[illegible]
Total revenues	35,437,620	36,310,054	105,794,450	96,601,[illegible]

The sales, in Canadian dollars, in each of these geographic locations for the three and nine month periods ended March 31, 2021 and 2020 as follows:

	Three month periods ended March 31,		Nine month periods ended March 31,	
	2021	2020	2021	2[illegible]
	$	$	$	
USA	28,594,831	28,489,278	85,154,522	74,735,[illegible]
Canada	978,229	952,098	3,493,947	3,415,[illegible]
All other countries	5,864,560	6,868,678	17,145,981	18,450,[illegible]
Total revenues	35,437,620	36,310,054	105,794,450	96,601,[illegible]

The non-current assets, in Canadian dollars, in each of the geographic locations as at March 31, 2021 and June 30, 2020 are below:

	March 31, 2021	June 30, 2020
	$	$
Canada	6,535,597	7,516,113
USA	596,852,819	113,622,815
Total non-current assets	603,388,416	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.

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,

18. Business combinations (continued)

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.

- On March 31, 2021, the Company acquired all of the shares of StarBlue Inc. (dba Star2Star Communications, herein “Star2Star”). The Company paid an aggregate of 110,000,000 common shares at a discounted value of $311,607,434 ($247,799,152 USD), and paid cash consideration of CAD$133,923,456 (US$106,499,767, adjusted from US$105,000,000 as a result of initial closing adjustments). Share Consideration of 22,000,000 shares (less 869,202 shares representing a holdback for indemnification purposes) were issued on closing of the acquisition, with the remaining shares to be issued and distributed in quarterly installments commencing on April 1, 2022.

  The estimated purchase price allocation below remains subject to an independent valuation and audit of the initial balance sheet of Star2Star.

Consideration	USD	C
Cash consideration on closing	101,010,064	127,020,
Net working capital adjustment	248,386	312,
Cash held in escrow for working capital	987,877	1,242,
Cash held in escrow for PPP loan forgiveness	4,253,440	5,348,
Common shares issued on closing	55,697,179	70,039,
Common shares reserved in escrow for indemnification	2,129,067	2,677,
Common shares reserved for future issuance	189,972,906	238,890,
	354,298,919	445,530,

18. Business combinations (continued)

Purchase price allocation	USD	C
Cash	3,830,067	4,816,3
Accounts receivable	5,696,238	7,163,0
Inventory	1,441,284	1,812,4
Contract assets	5,061,304	6,364,5
Property and equipment	5,753,114	7,234,5
Other current assets	1,500,355	1,886,6
Accounts payable and accrued liabilities	(5,741,321)	(7,219,7
Income tax payable	(2,873,010)	(3,612,8
Contract Liabilities	(6,612,484)	(8,315,1
Other liabilities	(925,334)	(1,163,6
Intangible assets	157,500,000	198,056,2
Deferred tax liability on intangible	(40,813,278)	(51,322,6
Goodwill	230,481,984	289,831,0
	354,298,919	445,530,8

The Company incurred estimated transaction costs in the amount of $4,744,591 which was expensed and included in the consolidated statements of income and comprehensive income of the three and nine month periods ended March 31, 2021. These costs are including 129,198 shares issued at closing to an advisor. The acquisition has been accounted for using the acquisition method under IFRS 3, Business Combinations.

19. Authorization of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on May 20, 2021.