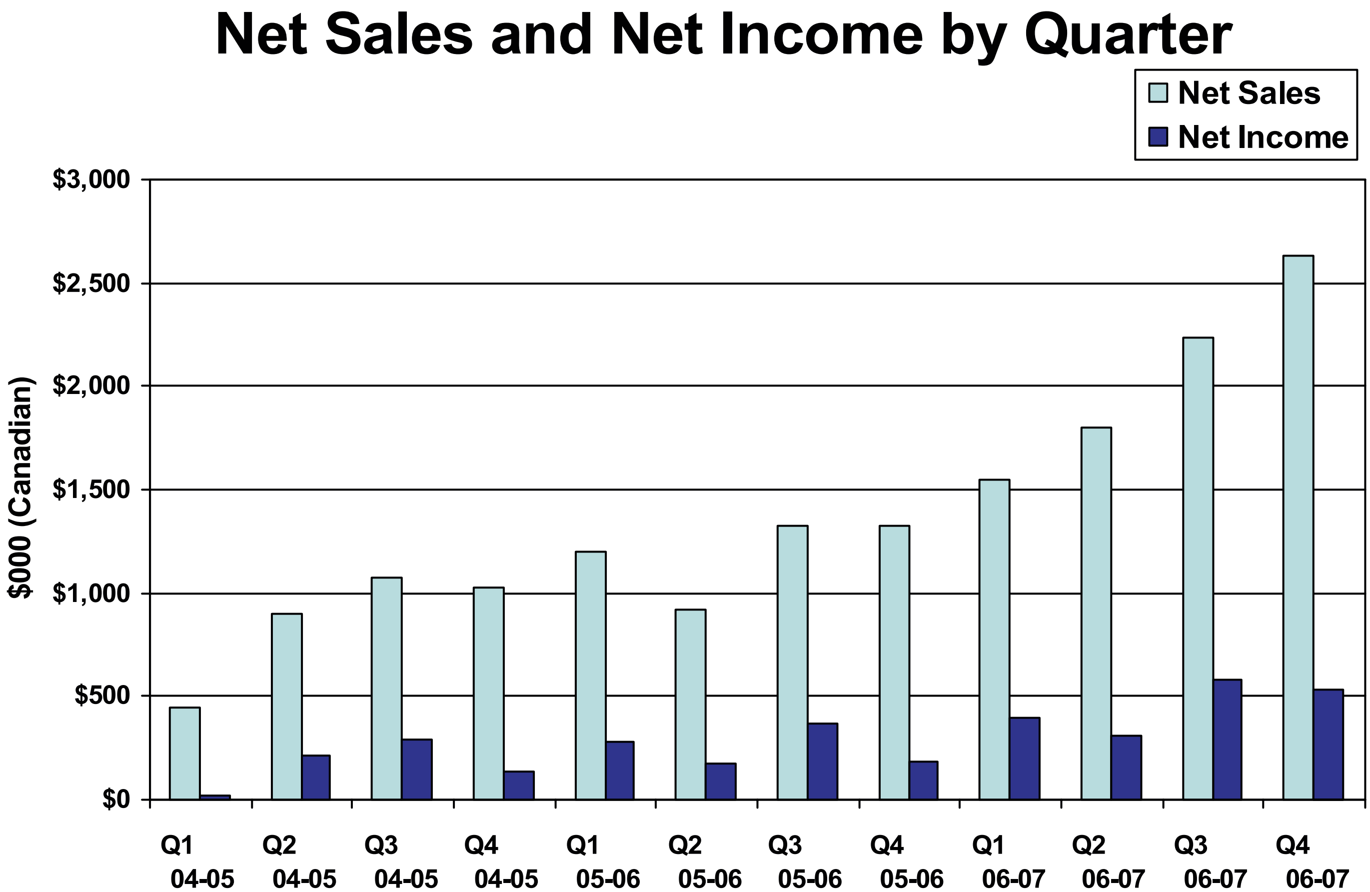
SANGOMA TECHNOLOGIES CORPORATION

ANNUAL REPORT
YEAR ENDED JUNE 30 2007

INDEX

MESSAGE TO SHAREHOLDERS

The financial year 2006-2007 has been quite remarkable for Sangoma Technologies, building on the solid success of the 2005-2006 financial year. Our annualsales growth rate at 72% was over twice that for the previous year. Net income grew even faster at 80%.



These figures in fact represent an understatement of our organic growth because our working currency, the US Dollar, depreciated more than 5% during the financial year relative to the Canadian Dollar, decreasing our apparent growth by approximately that amount. Net income was even more heavily impacted, as the rapid rise in the Canadian Dollar resulted in a foreign exchange loss of over $250,000 in the final quarter of the year, an amount that directly affected the bottom line.

The 2006-2007 financial year was a year of solid achievement at your company. The dedication and talent of our employees has enabled us to meet or exceed expectations at all times, resulting in satisfied customers who represent our most important marketing resource. New products were introduced including the A400 large scale analog card and the A500 Basic Rate ISDN card that opens up large new telephony markets outside of North America. New data-related OEM contacts have been nurtured that are expected to result in significant sales in the coming year. Existing products were refined and improved, adding ease of use features and better voice quality. At the same time new alliances and distribution channels were forged, increasing our market exposure. Our marketing efforts increased, with innovative and aggressive strategies that have helped extend our market presence. New worldwide certifications have opened up opportunities worldwide.

We have invested in new technologies aimed at the emerging unified communications market, and new partnerships developed recently are beginning to provide us with the product mix and market intelligence to be able to address this very large market.

As the data transmission market and the PC-based telephony market have continued to grow, Sangoma's market share has also been increasing, due to aggressive, innovative and focused marketing of products that are simply the best in class. Our products continue to be chosen for the larger projects, which is encouraging as the telephony industry in particular, is in the process of consolidation. As the market grows and larger firms emerge, Sangoma increasingly is the supplier of choice.

During the year, Sangoma began to receive attention from the Canadian investment community. We have seen support from New York investors for some time, but the attention of Canadian investors has given new life to the stock, improving both liquidity and values.

As usual, we would like to take this opportunity to thank our highly talented and motivated employees for their loyalty, commitment and hard work, and our shareholders and directors for their support.

David Mandelstam
President and CEO

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

October 29, 2007

INTRODUCTION

The Management Discussion and Analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations of Sangoma Technologies Corporation (hereinafter referred to as "Sangoma" or the "Corporation") and compares the financial year ended June 30, 2007 financial results with those of previous years. The MD&A should be read in conjunction with Sangoma's consolidated financial statements and related notes for the years ended June 30, 2007 and 2006, which have been prepared in accordance with generally accepted accounting principles in Canada (the "Financial Statements"). All amounts are in Canadian Dollars unless otherwise noted.

Additional information about Sangoma is available at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, including statements regarding the future success of our business, development strategies and future opportunities.

Forward-looking statements include, but are not limited to, statements concerning estimates of expected expenditures, statements relating to expected future production and cash flows, and other statements which are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions indicate forward-looking statements.

Although Sangoma believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date that the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in forward-looking statements. Sangoma undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

DESCRIPTION OF THE BUSINESS

Sangoma manufactures hardware and software that enables computing devices with PCI interface slots, mainly PC servers, to communicate with high speed Wide Area Networks (WANs) and telephone networks. These products consist of hardware cards and software drivers and utilities. Sangoma continues to invest in the development and certification of new of products supporting voice and data transport.

Sangoma's hardware and software supports voice transport to the Public Switched Telephone Network (PSTN), allowing PC servers to be used in Voice over IP (VoIP) gateways, PBX devices, call center systems and other telephony applications. Many of the voice applications supported by Sangoma products are run under Open Source Telephony (OST) applications, such as the popular Asterisk® project. Other related projects include support of the inter-switch telephony market by the development of the SS7 protocol. Sangoma's existing voice related products have been well received, and the development of new products has been driven by customer demand.

Non-voice data transport products include WANPIPE® internal routing solutions for popular operating systems, which allow traditional WAN routing functions to be handled without the cost and complexity of an external router.

Sangoma also provides communication toolkits that allow third parties to build WAN and telephony access into their own products. Most Sangoma products are based on Sangoma's range of communication adapters that support standard telephony interfaces such as T3, E3, T1, E1, ADSL, serial and 56kbps DDS, or industry standard serial interfaces such as RS232, V.35 and X.21. Sangoma also provides PCI cards to support specialized non-standard interfaces, including interfaces to legacy cash register systems.

Sangoma's products are in use worldwide in many industry segments such as PBX, call center and voice monitoring systems as well as Internet services, government and military, banking, retail, entertainment, medical and manufacturing. Most installations are in PC servers running the Linux operating system, although some of Sangoma's larger opportunities use Windows® or FreeBSD.

While the large growth opportunity is in the routing of voice, video or IP data over WAN or telephone interfaces, some of Sangoma's business is related to the support of older legacy protocols like X.25, HDLC and BSC.

Sangoma is expanding into other market segments involving the transport of voice, data and video.

OVERALL PERFORMANCE

Financial

Sales for the financial year ended June 30, 2007 were $8.22 million as compared with $4.78 million for the financial year ended June 30, 2006, an increase of 72%. Gross margins were close to those of the previous year at 71%, and expenses for the financial year ended June 30, 2007 were 58% higher than the previous financial year at $3.02 million. Net income was $1.82 million ($0.07 per share) compared to net income of $1.01 million ($0.04 per share) for the year ended June 30, 2006, an increase of 80%. On June 30, 2007 Sangoma had net working capital of $5.29 million, as compared to $2.83 million on June 30, 2006. Net working capital included over $3 million in cash.

Operational

Sangoma has earned a reputation for responsiveness, innovation and quality as the supplier of key network connectivity components to the high growth PC-based telephony and data transport markets. It is this reputation that is fueling our growth, as these markets expand and Sangoma's market share increases.

The open source telephony market is changing to one in which larger, more professionally managed organizations are emerging. Sangoma has been able to capitalize on its long standing reputation for high quality hardware to become the provider of choice to these companies, resulting in a move by serious volume OEMs to standardize on Sangoma products. As the industry matures, we expect that Sangoma's market share of this segment will increase further. Sangoma's data transport business is also growing, fueled by growth and recovery in the data transport business as a whole. Sangoma products are being used as crucial components of Internet and other network systems throughout the world. Because Sangoma has a modular product design, most of our products are dual use, being suitable for both voice and data transport. This has allowed us to leverage economies of scale in production, which in turn has allowed us to maintain margins in the face of an almost unprecedented rise in the Canadian Dollar.

Innovation
Sangoma reinvests heavily in Research and Development, resulting in a continuous stream of new products and improved versions of existing offerings. During the year ended June 30, 2007 Sangoma released new voice enhanced products targeted towards smaller users, developed a system designed to overcome inherent problems with FAX and modem connections through PC-based telephony systems, and released a new card designed to supply the market outside North America for ISDN Basic Rate support. Continuous improvements in software and hardware have maintained Sangoma's position as the innovation leader in the market in which we operate.

Sangoma has initiated research programs aimed at supplying the emerging unified communications market, where the potential is substantially larger than that of the markets we currently service.

Sales and Marketing
Sangoma's growth has been greatly assisted by the efforts of our talented sales and marketing team. Sales efforts have resulted in the development of new and existing sales channels and OEM relationships.

Marketing emphasis has continued to focus on electronic media and trade shows. Sangoma has also made use of co-marketing and sponsorships to improve awareness of our product line and value proposition.

As the company revenues have grown it has been possible to expand our marketing activities, always with an eye to return on investment.

While North America continues to be the source of much of our revenue, offshore markets are increasingly becoming the focus of our marketing efforts as these markets are experiencing higher growth. As a percentage of our total sales, non-North American markets continue to grow. Sangoma has therefore increased the emphasis on offshore sales both from a product development and sales/marketing perspective.

Sangoma and the rise of the Canadian Dollar
The rise in the Canadian Dollar relative to most currencies, particularly the US Dollar must be an area of concern for investors in all Canadian companies, especially those who, like Sangoma, make the majority of their sales in US currency.

Sangoma has a natural hedge against USD currency rate changes because the majority of the components making up our products are also priced in $US. In addition, nearly all our direct marketing expenses are with US firms so that a large part of our marketing expenses are also effectively hedged.

Thus Sangoma is not severely impacted by the level of the Canadian/US dollar exchange rate; however the *rate of change* of that exchange rate does affect the company's results.

The first effect is that there is a difference in exchange rate between when an invoice is issued and the time the account is collected. To the extent that the value of a US receivable is reduced by the appreciation of the Canadian Dollar, the value of the receivable is reduced causing a net foreign exchange loss.

The second effect is that revenue growth rates are reduced by the increase in the Canadian/US dollar exchange rate. For instance, in the quarter ended June 30, 2007, Sangoma's constant US dollar quarter-over-quarter growth rate would be at least 5% higher than that recorded in the financial statements.

SELECTED ANNUAL INFORMATION

	Fiscal year ended June 30		
	2007	**2006**	**2005**
	($000's, except per share amounts)		
Operating Results			
Net sales	$8,223	$4,776	$3,438
Net earnings (loss)	$1,817	$1,008	$662
Net earnings (loss) per share:			
- non-diluted basis	$0.07	$0.04	$0.03
- fully diluted basis	$0.06	$0.04	$0.03
Financial Position			
Total assets	$12,602	$10,005	$8,934
Long term debt	nil	nil	nil
Shareholders' Equity	$11,621	$9,471	$8,619
Cash dividends declared per share	0	0.011	0.011

RESULTS OF OPERATIONS

Sales

Sales for the year were derived almost entirely from the sale of WAN and telephony adapter cards. Sales for the year ended June 30, 2007 were $8.22 million as compared with $4.78 million for the financial year ended June 30, 2006, an increase of 72%. The rise in sales occurred despite the almost unprecedented increase in the value of the Canadian dollar relative to the US Dollar, Sangoma's working currency, over the 2006-2007 financial year. The increase in sales revenue was due to higher OEM sales of cards for data transport as well as voice-related business. The voice market is growing strongly, and Sangoma's market share is increasing.

Sales increased in all geographic areas, with the most significant increase being in offshore markets where sales increased by 83% from $2.04 million to $3.73 million. The largest percentage increase in sales occurred in Canadian sales which increased 87% to $0.89 million. Canadian sales now account for over 10% of total sales. Sales in the United States grew 59% from $2.26 million for the year ended June 30, 2006 to $3.60 million for the year ended June 30, 2007.

Sangoma is expected to continue to experience growth in the coming quarters, particularly as newly developed products such as the A500 BRI ISDN card reach the market.

Cost of Sales and Gross Profit

The cost of sales for the year ended June 30, 2007 was $2.37 million (29% of sales, gross profit margin of 71%), as compared to $1.37 million (29% of sales, gross profit margin of 71%) for the year ended June 30, 2006. Gross profit for the year ended June 30, 2007 was $5.85 million, as compared to $3.41 million for the year ended June 30, 2006, an increase of 72%. It has been particularly challenging to maintain gross margins considering the continued rise in the Canadian Dollar, notwithstanding the fact that many of our raw materials are priced in $US.

As sales grow Sangoma expects the gross margin percentage to fall somewhat, particularly if we are successful in attracting new larger OEM customers.

General and Administration Expenses

General and administration expenses were $1.44 million for the year ended June 30, 2007 as compared to $0.80 million for the year ended June 30, 2006, an increase of 81%.

Administration expenses increased across the board as the company expanded to service the increase in business.

Notable increases included the following:

Bad debts: Bad debts were impacted by the voluntary receivership of an on-line reseller of our products.

Foreign exchange loss: The unprecedented rise in the Canadian Dollar had an adverse effect because of the time difference between making sales and receiving payment, as well as other smaller effects. Most of the foreign exchange loss of $0.23 million occurred in the fourth quarter when the Canadian/US dollar exchange rate increased more than 10% in less than three months from an average of $0.855 in March of 2007 to $0.943 at the end of June 2007.

Stock based compensation: A non-cash expense of $0.27 million was expensed as new stock options were issued to employees. In determining the stock-based compensation expense, the fair value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0% (2006 - 1.1%), expected volatility of 80% (2006 - 37%), risk-free interest rate of 5% (2006 - 3.5%) and expected life of 5 years.

Administration expenses can be expected to increase in the future as staffing levels grow and activities increase.

Excluding the effect of the foreign exchange loss and stock based compensation expense; administration expenses at Sangoma increased at approximately one third the rate of increase in sales revenue.

Selling and Marketing Expenses

Selling and marketing expenses were $1.04 million for the year ended June 30, 2007 as compared to $0.65 million for the year ended June 30, 2006, an increase of 61%.

Sales commissions have increased with the increase in sales. The other major component of the increase is in the area of travel, entertainment and trade shows. Trade shows have proved to be an effective marketing tool for our line of products. We ran an aggressive trade show program during the financial year ended June 30, 2007, activity that will continue to grow in the future.

Sangoma continually monitors its marketing return on investment. The Corporation believes that its current product set is well suited to the current marketing mix. The mix includes electronic media, selected print advertising, support for open source development initiatives, participation in trade shows, joint marketing initiatives and public relations activity.

Marketing costs will increase as sales continue to grow and marketing becomes more aggressive.

Development Costs

Continuous product development is crucial to maintaining Sangoma's competitive position in the fast-moving data communications and voice market. The Corporation's expenditure on research and development is therefore relatively high for a company of this size.

All development costs are amortized on a straight-line basis over three years (see Note 2(h) to the Financial Statements). Actual cash expenditure on development was $0.86 million for the year ended June 30, 2007, as compared to $0.76 million for the year ended June 30, 2006, an increase of 13%. The increase is primarily due to an increase in salaries and staffing levels. Sangoma has a stable research and development environment with almost no staff turnover in the past several years, and has added new R&D personnel during the past year.

Sangoma is entitled to total investment tax credits of $0.32 million for the year ended June 30, 2007 ($0.32 million in the year ended June 30, 2006) which reduced the net deferred development costs to $0.54 million ($0.44 million for the year ended June 30, 2006).

The development costs amortized during the year ended June 30, 2007 were $0.50 million ($0.43

million for the year ended June 30, 2006).

Development expenditure is expected to increase in the future as staffing levels increase.

Total Expenses

Total expenses were $3.02 million for the year ended June 30, 2007 as compared to $1.91 million for the year ended June 30, 2006, an increase of 58%.

Net Income

Income before income taxes was $2.83 million for the year ended June 30, 2007, as compared to income before income taxes for the prior year in the amount of $1.50 million, an increase of 89%. After taking into account current and future income taxes, the net income was $1.82 million ($0.07 per share) for year ended June 30, 2007 as compared to net income after tax of $1.01 million ($0.04 per share) for the year ended June 30, 2006, a increase of 80%.

Cash flow from operations before non-cash working capital balances was $3.05 million in 2006-2007 as compared to $1.54 million in the previous year, an increase of 98%. Cash was invested in increased inventory and accounts receivables due to the increased level of business, as well as in R&D and equipment purchases. Cash was received as options were exercised.

At June 30, 2007 the company had $3.10 million in cash and equivalents as compared to $1.43 million at June 30, 2006, an increase of 117%.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of selected unaudited quarterly consolidated financial information of the Corporation for each of the eight most recently completed quarters ended June 30, 2007 ($000's except per share data):

2007	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales	$1,546	$1,801	$2,238	$2,637	$8,223
Net earnings (loss)	$401	$307	$579	$530	$1,817
Net earnings (loss) per share: - non-diluted basis - fully diluted basis	 $0.01 $0.01	 $0.02 $0.02	 $0.02 $0.02	 $0.02 $0.02	 $0.07 $0.06
2006	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Net sales	$1,202	$922	$1,330	$1,322	$4,776
Net earnings (loss)	$279	$171	$371	$186	$1,008
Net earnings (loss) per share: - non-diluted basis - fully diluted basis	 $0.01 $0.01	 $0.01 $0.01	 $0.01 $0.01	 $0.01 $0.01	 $0.04 $0.04

Sales show continued strong growth on a quarterly basis, despite the strong rise in the Canadian Dollar, which has the effect of depressing growth rates. The growth rate in sales averaged 19% quarter-over-quarter during the year ended June 30, 2007. Earnings in the Second Quarter were affected by a non-cash expense due to the issue of stock based compensation to employees. Earnings in the Fourth Quarter were reduced by an unprecedented foreign exchange rate loss of $0.29 million as well as the annual payment of management bonuses.

Management of the Corporation believes that these trends will continue during the coming quarters, with quarterly sales records being surpassed on a regular basis.

LIQUIDITY

The Corporation completed the financial year ended June 30, 2007 with current assets of $6.27 million and current liabilities of $0.98 million, resulting in working capital of $5.29 million, compared to $2.84 million in the prior year, representing an increase of 86%. All components of current assets increased, with the largest increases being cash, which increased by 117% to $3.10 million and accounts receivable which increased by 89% to $1.5 million.

The average collection period for receivables is approximately 52 days, based on the fourth quarter sales and accounts receivable at June 30, 2007.

The inventory turnover rate has been increased from 1.46 times per year during the year ended June 30, 2006 to 1.54 times per year during the year ended June 30, 2007. Most of this inventory is in the form of electronic components. Sangoma leverages the modular nature of our hardware designs to standardize components, which in turn allows us to enjoy economies of scale in purchasing. This results in relatively high inventory levels but also better gross margins.

The Corporation continues to be profitable with positive cash flow. Sangoma has neither long term debt nor significant capital leases. There are no existing or anticipated defaults or arrears on dividend payments, lease payments, or interest. Management of the Corporation believes that the current working capital and funds generated from operations will be sufficient to meet the operating and planned capital expenditures of the Corporation for the foreseeable future.

CAPITAL RESOURCES

There are no planned commitments for unusual capital expenditures at this time, nor are there any sources of financing that have been arranged but not yet used.

OFF-BALANCE SHEET ARRANGEMENTS

There are no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Sangoma.

TRANSACTIONS WITH RELATED PARTIES

A discretionary management bonus agreed to by the compensation committee of the Board of Directors of the Corporation was paid to the Chief Executive Officer of the Corporation in accordance with the terms of an employment agreement.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Sangoma has determined the estimated fair value of its financial assets and liabilities based on generally accepted valuation methods.

Short-term financial instruments

Cash and cash equivalents, other receivables, accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying amount on the balance sheet due to their near-term maturities.

FOURTH QUARTER

Sales were $ 2.64 million for the quarter ended June 30, 2007, as compared to $1.32 million for the quarter ended June 30, 2006, an increase of 100%. The gross margin was 71% during the quarter ended June 30, 2007, as compared to 69% for the quarter ended June 30, 2006, resulting in gross profit of $ 1.87 million for the quarter ended June 30, 2007 as compared to gross profit of $0.91 million for the quarter ended June 30, 2006.

Expenses for the quarter ended June 30, 2007 were $1.13 million, as compared to $0.62 million for the quarter ended June 30, 2006, an increase of 82%. Expenses for the quarter ended June 30, 2007 were inflated by a foreign exchange loss of 0.29 million due to the rapid rise of the Canadian Dollar.

The income before provision for income taxes for the quarter ended June 30, 2007 was $0.67 million as compared to income before provision for income taxes of $0.30 million for the quarter ended June 30, 2006. After provision for income taxes, the net income for the quarter ended June 30, 2007 was $0.53 million as compared to $0.19 million for the quarter ended June 30, 2006 an increase of 184%.

Cash flow was positive by $1.01 million during the quarter ended June 30, 2007, cash increasing from $2.09 million to $3.10 million during the quarter. Cash flow was due mainly to income for the quarter and a decrease in inventory and receivables. There was a contribution from proceeds of the exercise of options to purchase common shares in the capital of the Corporation by certain option holders during the quarter.

EVENTS SUBSEQUENT TO JUNE 30, 2007

In July 2007, Sangoma announced the appointment of Evenflow as a new distributor of its products in Southern Africa. In August 2007, Mr. David Macdonald stepped down as a Director and Chairman and Mr. Yves Laliberte joined the Board of Directors of the Company. In the same month it was announced that Paraxip Technologies of Montreal had ported their Windows-based gateway suite to Sangoma cards. In the same month Sangoma was awarded the TMCnet award for the Best Development Tool at the Internet Telephony Conference & EXPO West.

OUTSTANDING SHARE DATA

As of October 31, 2007, the Corporation has 28,050,000 currently issued and outstanding common shares and options to purchase 1,365,000 common shares.

DISCLOSURE CONTROLS AND PROCEDURES

The Board of Directors of the Corporation has adopted a formal Corporate Disclosure Policy relating to disclosure controls and procedures. This policy extends to the conduct of directors, officers, spokespersons and other employees and agents of the Corporation, and all methods that the Corporation uses to communicate to the public. The disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management of the Corporation, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Based on the evaluation of internal control over financial reporting and the assessment of changes in internal control over financial reporting, the certifying officers of Sangoma have concluded that during the fiscal year ended June 30, 2007, to the best of their knowledge and belief, there have been no changes in the Sangoma's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Sangoma's internal control over financial reporting.

Additional Information:
All relevant information related to the Corporation is filed electronically on SEDAR at www.sedar.com.

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

Wasserman Ramsay

Chartered Accountants

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Tel. 905-948-8637 Fax 905.948.8638
email: wram@wassermanramsay.ca

AUDITORS' REPORT

To the Shareholders of
Sangoma Technologies Corporation:

We have audited the consolidated balance sheets of Sangoma Technologies Corporation as at June 30, 2007 and 2006 and the consolidated statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Markham, Ontario
October 5, 2007

Chartered Accountants
Licensed Public Accountants

SANGOMA TECHNOLOGIES CORPORATION

(Continued under the Ontario Business Corporation Act)

CONSOLIDATED BALANCE SHEETS - YEARS ENDED JUNE 30, 2007 AND 2006

ASSETS

	2007	2006
Current		
Cash and equivalents	$ 3,097,849	$ 1,427,457
Accounts receivable	1,497,243	788,554
Income taxes recoverable	-	127,730
Inventory *(Note 3)*	1,543,284	939,121
Prepaid and deposits	134,298	82,510
	6,272,674	3,365,372
Future income taxes *(Note 9)*	87,737	516,737
Property, plant and equipment *(Note 4)*	184,474	108,677
Development costs *(Note 5)*	514,171	471,397
Goodwill, net	5,542,849	5,542,849
	$ 12,601,905	$ 10,005,032

LIABILITIES

	2007	2006
Current		
Accounts payable and accrued liabilities	$ 620,460	$ 459,356
Management bonus payable *(Note 5)*	100,000	74,983
Income taxes payable	260,397	-
	980,857	534,339

SHAREHOLDERS' EQUITY

	2007	2006
Stated capital *(Note 6)*	13,140,273	13,046,873
Contributed surplus *(Note 11)*	322,194	82,644
Deficit	(1,841,419)	(3,658,824)
	11,621,048	9,470,693
	$ 12,601,905	$ 10,005,032

Approved on behalf of the Board:

(signed) "David Mandelstam"
David Mandelstam, Director

(signed) "Jonathan Matthews"
Jonathan Matthews, Director

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Sales	$ 8,223,216	$ 4,775,579
Cost of sales	2,372,030	1,367,964
Gross profit	5,851,186	3,407,615
Expenses:		
General and administration expenses *(Page 5)*	1,442,733	797,675
Selling and marketing expenses *(Page 5)*	1,042,455	647,363
Amortization - development costs	498,781	432,218
Amortization - property, plant and equipment	39,812	30,693
	3,023,781	1,907,949
Income before provision for income tax	2,827,405	1,499,666
Income tax provision		
Current	263,000	-
Future income taxes	747,000	492,000
	1,010,000	492,000
Net income for the year	$ 1,817,405	$ 1,007,666
Basic income per share	$ 0.07	$ 0.04
Fully diluted income per share	$ 0.06	$ 0.04
Weighted average number of shares outstanding - basic	27,702,941	27,211,725
Weighted average number of shares outstanding - diluted	28,633,142	27,312,614

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Deficit, beginning of year	$ (3,658,824)	$ (4,366,410)
Net income for the year	1,817,405	1,007,666
Dividend paid	-	(300,080)
Deficit, end of year	$ (1,841,419)	$ (3,658,824)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash provided by (used in) the following activities:		
Operations:		
Net income for the year	$ 1,817,405	$ 1,007,666
Add items not requiring an outlay of cash		
Amortization	538,593	462,911
Future income taxes related to operations	429,000	69,000
Stock based compensation	266,050	-
	3,051,048	1,539,577
Net change in non-cash working capital balances related to operations *(Note 12)*	(790,394)	(441,571)
Cash flow from operations	2,260,654	1,098,006
Financing:		
Issuance of capital stock	66,900	160,000
Shares purchased for cancellation	-	(16,200)
Dividend paid	-	(300,080)
	66,900	(156,280)
Investing:		
Deferred development costs before investment tax credits	(859,553)	(764,356)
Investment tax credits	318,000	320,000
Purchase of property, plant and equipment	(115,609)	(53,866)
	(657,162)	(498,222)
Increase in cash and cash equivalents during the year	1,670,392	443,504
Cash and equivalents, beginning of year	1,427,457	983,953
Cash and equivalents, end of year	$ 3,097,849	$ 1,427,457

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED SCHEDULE OF EXPENSES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

Administration expenses:

	2007	2006
Bad debts	$ 94,043	$ 4,975
Bank charges and interest	37,051	35,376
Employee benefits	135,596	109,727
Foreign exchange loss	233,799	108,472
Insurance	58,094	58,220
Management salaries *(Note 5)*	152,392	121,385
Management bonus *(Note 5)*	100,000	74,983
Office and general	36,854	21,172
Office salaries	134,745	88,918
Professional fees	103,003	51,281
Rent and occupancy	87,640	86,267
Shareholder information	46,885	48,919
Stock based compensation *(Note 6)*	266,050	-
Telephone and Internet	22,726	16,913
	1,508,878	826,608
Investment income	(66,145)	(28,933)
	$ 1,442,733	$ 797,675

Selling and marketing expenses:

	2007	2006
Advertising and promotion	$ 252,196	$ 207,641
Sales salaries and commissions	453,510	274,021
Travel, entertainment and trade shows	336,749	165,701
	$ 1,042,455	$ 647,363

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

1. Description of operations:

Sangoma Technologies Corporation (the "Company") is a publicly held corporation continued under the Ontario Business Corporations Act. Sangoma Technologies Inc. (the operating company) was incorporated on March 12, 1984 and became public via a reverse takeover of a public company on May 1, 2000. The Company is engaged in the manufacturing, distribution and support of PCI cards for the telephony and wide area network industry.

2. Summary of significant accounting policies:

The financial statements of Sangoma Technologies Corporation [the "Company"] have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Basis of presentation

These consolidated financial statements, for the years ended June 30, 2007 and 2006, include the accounts of the Company's wholly-owned subsidiary, Sangoma Technologies Inc.

(b) Cash and cash equivalents:

Cash and cash equivalents consists of cash and investments in Canadian Chartered Bank demand money market funds.

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is provided using the declining balance method at the rate of 20% per annum.

(d) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

(e) Foreign currency:

Current monetary assets and current monetary liabilities in foreign funds have been translated to Canadian funds at the rate of exchange applicable at the balance sheet date. Revenues and expenses in foreign funds have been translated to Canadian funds using the actual weekly average rate of exchange during the year.

(f) Revenue Recognition:

The Company recognizes revenue from the sale of computer adapter cards and associated software when the risks and benefits of ownership are transferred to the customer, which is upon shipment or customer pick-up. No right of return or exchange privileges are granted, and accordingly, no provision for sales allowances or returns is recorded.

(g) Inventory:

Inventory is valued at the lower of cost or net realizable value.

(h) Research and development:

Research costs are expensed in the period in which they are incurred. Development costs which meet generally accepted criteria, including reasonable assurance regarding future benefits, are deferred and amortized over three years on a straight line basis. Costs are reduced by government grants and investment tax credits, where applicable.

(i) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are recorded as assets and are depreciated on the declining balance method using rates based on the estimated life of the asset. The related capitalized lease obligation is classified as long-term debt. All other leases are accounted for as operating leases and the related lease payments are charged to rental expense as incurred.

2. Summary of significant accounting policies (continued):

(j) Goodwill:

The Company has adopted the provisions of accounting for goodwill as outlined in Section 3062 of the Handbook of the Canadian Institute of Chartered Accountants (the "Handbook"). Under this method goodwill is not amortized and will be assessed for impairment on an annual basis in accordance with the standards, including a transitional impairment test, which is charged to retained earnings. Management had recorded a transitional impairment charge in the amount of $4.05 million, charged to opening retained earnings in a prior year, as required by the transitional provisions of the Handbook section.

(k) Stock-based compensation plan:

The Company has a stock-based compensation plan that is described in Note 6. The Company has adopted the accounting recommendations relating to stock-based compensation and other stock-based payments as detailed in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870. CICA 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. Compensation expense is recognized when the granted options become vested, with the same amount being recorded as contributed surplus. Stock-based compensation calculations have no effect on the Company's cash position.

(l) Income taxes:

The Company uses the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to a future year for tax purposes that are likely to be realized.

(m) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the difference, if any, between basic and diluted EPS.

(n) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(o) Financial instruments:

The Company's financial instruments recognized in the balance sheet consists of accounts receivable, accounts payable and accrued liabilities, income taxes recoverable, due to shareholders and management bonus payable. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

Concentration of credit risk in accounts receivable is limited, due to the large number of customers the Company services. The Company performs ongoing credit evaluations of its customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, historical and other information.

A large percentage of the Company's transactions occur in foreign currencies (mainly U.S. dollars) and therefore the Company is exposed to risk from currency fluctuations.

The Company does not hold or issue financial instruments for trading purposes.

3. Inventory:

Inventory at year end consists of the following:

	2007	2006
Finished goods	$ 812,887	$ 269,496
Parts	730,397	669,625
	$ 1,543,284	$ 939,121

4. Property, plant and equipment:

	Cost	Accumulated Depreciation	2007 Net
Office furniture, fixtures and equipment	$ 565,058	$ 380,584	$ 184,474

	Cost	Accumulated Depreciation	2006 Net
Office furniture, fixtures and equipment	449,449	340,772	108,677

5. Related party balances and transactions:

The management bonus payable to an individual who is a senior officer and shareholder of the Company is payable under his employment contract which entitled him to a bonus in the amount of 5% of pretax profits to a maximum of $100,000 effective July 1, 2006 and will expire June 30, 2011. The current year's management bonus in the amount of $100,000 (2006- $74,983) has been approved by the Company's Compensation Committee.

Included in development costs is consulting fees in the amount of $31,825 (2006 - $43,322) paid to a company controlled by a shareholder who was also a former senior officer and former employee of the Company. The same company was also paid sales commission of $5,831 and consulting fees of $8,628 .

During the year, management salaries in the amount of $258,404 (2006 - $226,595) were paid to a senior officer and shareholder. A portion of these costs in the amount of $106,012 (2006 - $105,210) have been deferred in development costs and are being amortized on a straight line basis over a period of three years.

6. Stated capital:

Authorized capital

The Company is authorized to issue an unlimited number of common shares. The following common shares are outstanding:

	# shares	$ value
Balance June 30, 2005	27,075,000	$ 12,903,073
Shares purchased for cancellation	(45,000)	(16,200)
Exercise of options	640,000	160,000
Balance June 30, 2006	27,670,000	$ 13,046,873
Exercise of options	220,000	93,400
Balance June 30, 2007	27,890,000	$ 13,140,273

Normal course issuer bid

Effective November 8, 2004, the Company received approval from the TSX-V to purchase its own common shares up to a maximum of 5% of the issued and outstanding common shares being 1,355,250 common shares of the 27,105,000 previously issued and outstanding. The Company's bid expired November 8, 2005. Since November 8, 2004, the Company has purchased 75,000 shares for $24,000 under the bid.

6. Stated capital (cont'd):

Stock-based compensation plan:

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company. The number of shares which may be set aside for issue under the Plan (and under all other management options and employee stock option plans) is limited to 2,798,000 common shares of the Company, provided that the board of directors has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company and provided that the Company complies with the provisions of applicable policies, rules and regulations of applicable securities legislation.

The maximum number of shares which may be reserved for issuance to any one person under the Plan is 5% of the shares outstanding at the time of grant (calculated on a non-diluted basis) less the number of shares reserved for issuance to such person under any option to purchase shares granted as a compensation or incentive mechanism. Any shares subject to an option which for any reason is cancelled or terminated prior to exercise will be available for a subsequent grant under the Plan.

The option price of any 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 upon which the option is granted. Options granted under the Plan may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, officer or director of or consultant of the Company or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming permanently disabled or dying, subject to certain grace periods to allow the optionee or his personal representative time to exercise such options. The options are non-transferable.

The Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the 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.

In determining the stock-based compensation expense, the fair value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 1.1% (2006 - 1.1%), expected volatility of 80% (2006 - 37%), risk-free interest rate of 5% (2006 - 3.5%) and expected life of 5 years.

A summary of the Company's options at June 30, 2007 and 2006 and the changes for the years then ended is presented below:

	Options Outstanding	Weighted-Average Exercise price
At June 30, 2005	1,570,000	$ 0.30
Expired	(235,000)	$ (0.35)
Exercised	(640,000)	$ (0.25)
At June 30, 2006	695,000	$ 0.32
Granted	700,000	$ 0.62
Re-instated	150,000	$ 0.28
Exercised	(220,000)	$ (0.30)
At June 30, 2007	1,325,000	$ 0.48

The following table summarizes information about the options outstanding at June 30, 2007:

Exercise Price	Options outstanding and exercisable	Remaining contractual life
$ 0.43	150,000	1.4 years
$ 0.28	300,000	1.4 years
$ 0.30	175,000	2.8 years
$ 0.62	650,000	4.3 years
$ 0.65	50,000	4.5 years
	1,325,000	3.1 years

The following table summarizes information about the options outstanding at June 30, 2006:

Exercise Price	Options outstanding and exercisable	Remaining contractual life
$ 0.43	180,000	2.4 years
$ 0.28	300,000	2.4 years
$ 0.30	215,000	3.8 years
	695,000	2.6 years

7. Commitments

The Company is committed to lease payments and consulting services as follows:

2008	$ 144,557
2009	103,568
2010	95,787
	$ 343,912

8. Segment disclosure

The Company operates in one industry segment, manufacturing, distribution and support of PCI cards for the telephony and wide area network industry and associated software. All of the Company's assets are located in Canada. The Company sells into three major geographic centres, the United States, Canada, and other foreign countries. The sales, in Canadian dollars, in each of these geographic locations are as follows:

	United States	Canada	Other foreign countries	Total
June 30, 2007	$ 3,597,775	$ 892,842	$ 3,732,599	$ 8,223,216
June 30, 2006	$ 2,256,756	$ 478,024	$ 2,040,799	$ 4,775,579

9. Income taxes

The Company has deducted all available scientific research and development costs ("SR&D") for federal and provincial purposes and has "SR&D" investment tax credits of approximately $456,000 available to reduce income taxes payable to expiry in 2013.

The following reconciles the effective tax rate to the statutory rate on a percentage basis:

	2007	2006
Statutory tax rate	35.00 %	35.00 %
Tax effect of non-deductible expenses	0.07	-
Other miscellaneous differences	0.65	(2.19)
Effective tax rate	35.72 %	32.81 %

Future income taxes have been recognized on temporary differences which consist of the following:

	2007	2006
Capital assets	$ (12,000)	$ (12,000)
Deferred development costs	(197,000)	(93,000)
SR&D Investment Tax Credits	296,737	621,737
	$ 87,737	$ 516,737

10. Contingencies:

The Company has no contingencies of a material amount at this time.

11. Contributed surplus:

Contributed surplus consists of the following:

Balance June 30, 2004	$ -
Stock-based compensation - June 30, 2005	22,000
Restatement relating to prior year's stock based-compensation	60,644
Balance June 30, 2006	82,644
Stock-based compensation - December 2006	266,050
Transferred to common shares on exercise of stock options	(26,500)
Balance June 30, 2007	$ 322,194

12. Supplemental cash flow information:

Net change in non-cash working capital related to operations:

	2007	2006
Accounts receivable	$ (708,689)	$ (307,672)
Inventory	(604,163)	(432,339)
Prepaid expenses	(51,788)	(24,065)
Accounts payable and accrued liabilities	161,102	240,384
Management bonus payable	25,017	(20,879)
Income taxes recoverable	388,127	103,000
	$ (790,394)	$ (441,571)

Non-cash investing and financing activities:

	2007	2006
Contributed surplus transferred to common shares on exercise of stock options	$ 26,500	$ -

13. Comparative figures:

Certain comparative figures have been reclassified to agree with the presentation adopted in the current year.

14. Subsequent events:

Subsequent to year end the Company granted options to purchase 200,000 common shares at $1.13 per share to employees and senior officer and director of the Company. Options to purchase 150,000 common shares were exercised after the year end by a director and 10,000 options by a former employee of the Company. In addition a board member resigned as Director of the Company, he has 3 months from date of resignation to exercise his options.

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