SANGOMA TECHNOLOGIES CORPORATION

ANNUAL REPORT
YEAR ENDED JUNE 30, 2009

INDEX

i MESSAGE TO SHAREHOLDERS

iii MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. AUDITORS' REPORT

2. FINANCIAL STATEMENTS

5. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MESSAGE TO SHAREHOLDERS

November 5, 2009

The financial crisis that engulfed the world in the past year affected capital investment of all kinds and telecom equipment was no exception. Though Sangoma saw a reduction in revenue, the drop was not severe enough or sustained enough to trigger layoffs. In this we were somewhat unique amongst our competitors and others in the industry, all of whom were forced into significant head-count reductions.

I am pleased to be able to report that after a difficult start to the year, in the quarter ended June 30, 2009 revenues recovered to within 2% of our all-time highest quarterly sales. We believe that while there may still be some economic aftershocks to go through, Sangoma is back on the path of growth. The improvement in our financial position has begun to generate gratifying attention again from the investment community.

Sangoma has built up a reputation for quality, reliability and innovation which rests on engineering excellence. We have been building on that reputation by introducing products based on the Paraxip purchase which was completed in July 2008. Our joint products have been well received in the marketplace, resulting in new partnerships with OEM manufacturers and the beginnings of significant revenue streams. Projects underway and contracts signed indicate a bright future for our Unified Communications initiative. Our Toronto-based talented and dedicated engineering and management team has been supplemented by the excellent group who have joined us from Paraxip. It augurs well for the Corporation that integration has been enthusiastically embraced by all parties.

There is a changing landscape in our more traditional Open Source Telephony (OST) market. For the first time credible and well-backed competitors to the incumbent OST platform are emerging. These emerging platforms represent new OST opportunities where Sangoma can compete on a much more level playing field than we currently do.

Sangoma has also begun to develop and release products that are not related to our traditional telephony and WAN data lines. These initiatives provide a path to the long-term future where it is expected that the standard public switched telephone network (PSTN) will start to decline in importance as VoIP takes over.

Data transport continues to be important to Sangoma and we expect to see a return to growth in this segment as the recovery gathers steam.

To complement new technical developments, last year your Corporation's marketing department was reorganized under Serge Forest, President of Paraxip Technologies. Emphasis is being placed on brand building and establishing Sangoma as a center of excellence and resource for voice and data-related technologies. Branding is very important as we move into commercial, non-OST markets with our products.

We look forward to the coming year as one of consolidation, improved corporate visibility and expansion into new markets. Our past investments in money and effort are bearing fruit according to plan. With plenty of cash in hand, we are well positioned to take advantage of the economic recovery and the changing technical landscape.

Sangoma would like to take this opportunity to thank all our employees, both old and new for their enthusiasm and hard work, and our shareholders and directors for their continued support.

David Mandelstam
President and CEO

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

October 26, 2009

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, 2009 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, 2009 and 2008, 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 except as required by law.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Although Sangoma believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct as these expectations are inherently subject to business, economic and competitive uncertainties and contingencies. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in the management's discussion and analysis include, but are not limited to changes in exchange rate between the Canadian Dollar and other currencies, changes in technology, changes in the business climate, changes in the regulatory environment and new competitive pressures. The forward-looking statements contained in the management's discussion and analysis are expressly qualified by this cautionary statement.

DESCRIPTION OF THE BUSINESS

Sangoma manufactures hardware and software that enables computing devices, mainly PC servers, to communicate with high speed Wide Area networks (WANs) and telephone networks. These products consist of hardware cards, software drivers and utilities. Sangoma continues to invest in the development and certification of new products supporting voice and data transport. Sangoma is also developing products that add functionality to telephony systems without directly providing network connectivity.

Sangoma's hardware and software support voice connections 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. Until recently, Sangoma's voice support was confined to support for Open Source Telephony (OST) projects such as the Asterisk® platform. In July 2009 Sangoma acquired Paraxip Technologies Inc. ("Paraxip") of Montreal which has supplied Sangoma with tools and interface programs that allow the Corporation access to new markets that are not based on OST.

Sangoma's WAN products include WANPIPE® internal routing and telephony solutions for Linux, FreeBSD, Windows and other 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 traditional Sangoma products are based on Sangoma's range of communication adapters that support standard telephony interfaces such as T3, E3, T1, E1, ISDN, ADSL and 56kbps DDS, or industry standard serial interfaces such as RS232, V.35 and X.21. New products include hardware and software that is not dependent on traditional WAN or telephony interfaces, providing a growth path into markets based on Unified Communications ("UC").

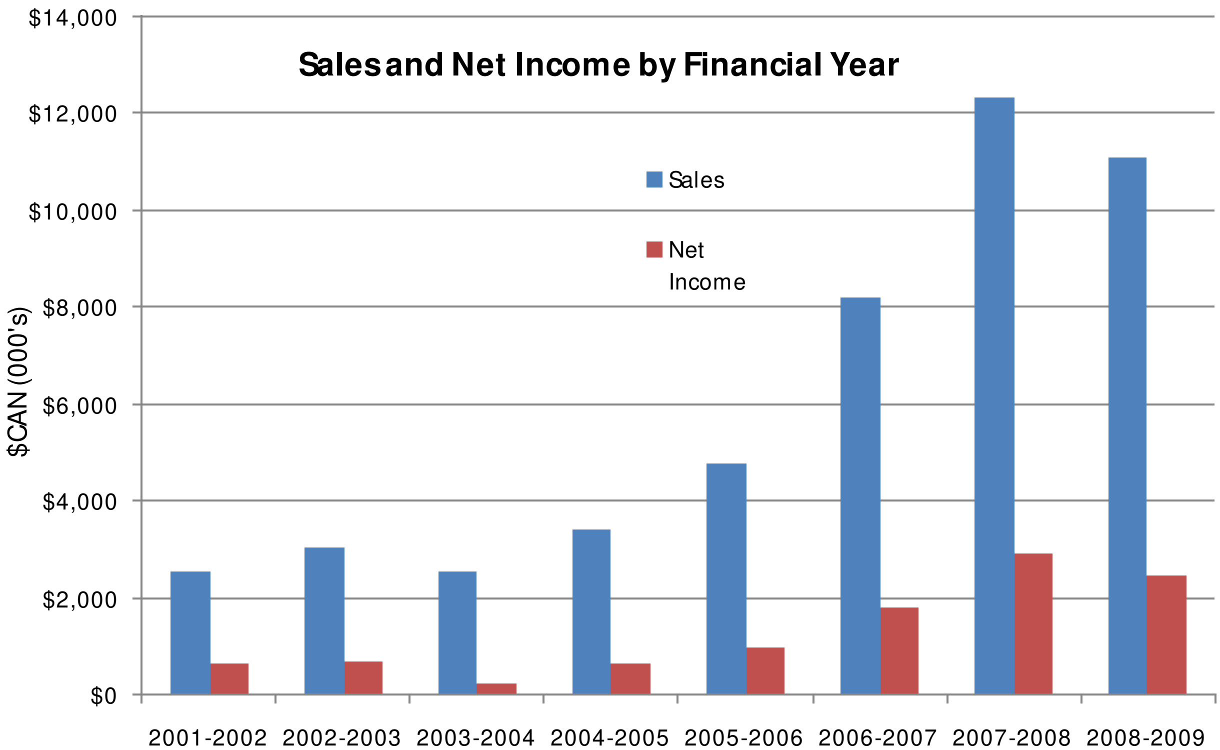
Sangoma's products are in use worldwide in many industry segments such as PBX, call center, and voice monitoring systems as well as Internet services, government and military, banking, retail, entertainment, medical and manufacturing. Most installations are in PC servers running the Linux operating system,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

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 such as X.25, HDLC and BSC. Sangoma recently released a new series of serial cards to service this market.

As part of the Paraxip purchase Sangoma has acquired and is developing technologies that are unrelated to the Corporation's traditional data and voice transmission business. These include a revolutionary Call Progress Analysis system that is used by call centers to distinguish automatically between human respondents and answering machines or voicemail.

Sangoma is investing heavily in the new UC sectors, and we expect that much of our future revenue will flow from these markets.

OVERALL PERFORMANCE



Financial
Sales for the financial year ended June 30, 2009 were $11.12 million as compared with $12.34 million for the financial year ended June 30, 2008, a decrease of 10%. Gross margins were 74% (up from 69% for the financial year ended June 30, 2008), and expenses for the financial year ended June 30, 2009 were 8% higher than those of the previous year at $4.20 million. Net income was $2.49 million ($0.08 per share fully diluted) compared to net income of $2.91 million ($0.10 per share fully diluted) for the year ended June 30, 2008, a decrease of 14%. The decrease in net income was largely due to the presence of non-cash items related to stock-based compensation and the amortization of intangibles acquired as part of the Paraxip purchase. EBITDA for the financial year ended June 30, 2009 were $5.18 million as compared to $5.14 million for financial year ended June 30, 2008.

On June 30, 2009 Sangoma had working capital of $8.97 million, as compared to $8.96 million on June 30, 2008. Working capital included $6.87 million in cash and equivalents.

Operational
Sangoma has earned a reputation for quality, innovation and responsiveness as the supplier of key network connectivity components to the high growth PC-based telephony and data transport

markets. This reputation has served us well in the current financial downturn. The downturn affected capital expenditures particularly hard, and telephony infrastructure was certainly no exception. Most of our competitors suffered substantial layoffs. Sangoma instituted no lay-offs due to the recession, and in fact has been adding employees.

Sangoma's move into the commercial, non-OST space has progressed according to plan. Significant revenue is being generated by products directly related to the purchase of Paraxip Technologies last year. OEM agreements related to the technology have been signed that have the potential to increase revenues in the financial year 2009-2010 and beyond.

Sangoma's traditional OST business is showing signs of healthy recovery. For the first time Digium's dominant Asterisk project is beginning to face a credible challenge as FreeSwitch (supported by Barracuda Networks) and SIPxec (supported by Nortel) are releasing viable alternatives to Asterisk. The emergence of alternative OST projects is important to Sangoma because as Digium is the incumbent Asterisk player, competing with Digium is difficult. The new platforms represent at a minimum a level playing field for PSTN board sales.

It is early days for the FreeSwitch and SIPxec initiatives, but the projects have the potential to generate new demand for Sangoma products that are expected to result in significant sales.

Sangoma continues to provide data transport cards to the router, air traffic control and telephony equipment industries.

As the economy picks up steam, the challenge for Sangoma once again becomes one of driving and managing growth.

Innovation

Sangoma invests heavily in Research and Development, resulting in a continuous stream of new products and improved versions of existing offerings. Sangoma has two teams of engineers based in Toronto and Montreal respectively. The Toronto team specializes in hardware design and hardware-level software interfaces while the Montreal team develops higher level interfaces and applications. The Montreal team has concentrated on enhancements to the NetBorder™ application, adding features, hardening it and making it more specification-compliant. This work continues and is now being driven by the specific demands of a large OEM client.

Among the products acquired as part of the Paraxip purchase is a software application known as Call Progress Analysis (CPA) that can analyze the initial voice traffic on a call and determine to a high degree of confidence whether the call has been answered by a human or automatic answering devices such as voicemail. CPA is important in outbound call centers where automatic dialers only connect calls to agents once a connection is made. Without accurate CPA agents can waste time talking to answering machines or voicemail, and conversely, the people called can be faced with silence on the line if their response is incorrectly classified as voicemail. The Sangoma CPA uses neural network technology for its operation, and its performance is better than that of competing products.

Among the new products released during the year ended June 30, 2009 were an analog version of the NetBorder gateway together with an innovative user interface, an new higher speed ADSL2+ card, an analog device that uses a USB connection rather than PCI, an enhanced clustering version of our SS7 product plus many other improvements and enhancements to our product line. Adaptations to Sangoma interfaces allowed us to provide PSTN support for several new applications and projects.

Sales and Marketing

In the year ended June 30, 2009 Sangoma continued expanding its international marketing activities in spite of the economic downturn. As further business becomes available outside of North America, Sangoma must invest in marketing its products and developing its brand in the different regions to develop these specific markets. We expect this trend to accelerate even more in the coming years, with special emphasis on Europe and Latin America. The Corporation further increased the scope of its marketing activities to include products and markets brought by the Paraxip acquisition. In particular, Sangoma has gone through significant effort to introduce the NetBorder product line, a direct result of the integration of Paraxip products, to the large Sangoma reseller network, analyst and media community, and new prospects in events and conferences throughout the world. Reciprocally, Sangoma and its products have been introduced, or re-introduced, to the traditional Paraxip customers and channels. The Corporation's marketing and PR messages have been re-designed to encompass the much broader product portfolio and addressable market. To better address the opportunities at hand, the marketing team has undergone some re-structuring with the nomination of Mr. Serge Forest, previously CEO of Paraxip, as Sangoma's Vice President of Marketing and Mr. Frederic Dickey, previously Director of Market Development at Paraxip, as Sangoma's Director of Product Management.

Another significant effort initiated last year, and expected to grow in the coming years, is the partner marketing program. Sangoma created a partner portal where approved application partners, distributors and resellers of Sangoma can get access to product information, online pricing/purchasing, co-marketing material, sales tools and other privileged partner information. Today, Sangoma's portal has over 800 active, registered partners. Sangoma's marketing team is putting together programs to further leverage this partner community and adopt a more "partner focused" marketing approach, especially in our international markets. Further, Sangoma has started to exploit the vast number and types of applications deployed with its solution, by more formally promoting its partners' applications to its resellers and distributors, creating true value to all of Sangoma's community, and pulling product sales by the same token.

There was a continued shift toward online marketing last year, with efforts in social media marketing (using social network sites such as Twitter, Facebook and others), production of online multi-media content, blogging and an effort toward Search Engine Optimization (SEO). In the coming years, the Corporation expects to increase the proportion of online marketing expenses compared to other types of marketing programs.

Sangoma has a dual sales path to customers: Direct to large OEMs and two tier distribution to others. Two tier distribution involves Sangoma selling to a distributor, the distributor selling to resellers, and resellers selling to end users. Utilizing regional distributors to cultivate their own network of resellers supported by Sangoma sales and marketing efforts has proven very successful. The impact of lower margins from a two tier distribution model is offset by the net new growth of sales which distributors bring to Sangoma.

Increased professional field sales staff in North America and Europe in 2009 are expected to have a positive impact on Sangoma sales. New staff combined with new products and solutions from the combination of Paraxip and Sangoma continue to bring new opportunities to the Corporation and open up new sales channels.

SELECTED ANNUAL INFORMATION

	Fiscal year ended June 30		
	2009	2008	2007
	($000's, except per share amounts)		
Operating Results			
Sales	$11,124	$12,344	$8,223
Net earnings	$2,493	$2,913	$1,817
Net earnings per share: - non-diluted basis - fully diluted basis	 $0.09 $0.08	 $0.10 $0.10	 $0.07 $0.07
Financial Position			
Total assets	$22,117	$17,042	$12,602
Long term debt	$1,079	$453	nil
Shareholders' Equity	$18,243	$15,126	$11,621
Cash dividends declared per share	0	0	0

RESULTS OF OPERATIONS

Sales

Sales for the year were derived almost entirely from the sale of WAN and telephony adapter cards and software. Sales for the year ended June 30, 2009 were $11.12 million as compared with $12.34 million for the financial year ended June 30, 2008, a decrease of 10%. Most of the decrease occurred during the early quarters of 2008-2009 as a direct result of the deteriorating world financial conditions. Recovery began in the quarter ended March 31, 2009, and the final quarter of the financial year saw revenues at $3.17 million, approaching the record sales levels achieved prior to the financial crisis.

Sales that are directly attributable to the Paraxip purchase are a significant and growing contribution to total revenues, particularly in the fourth quarter where the execution of a contract with a large PC manufacturer resulted in significant licensing revenues.

As compared to the year ended June 30, 2008, during the year ended June 30, 2009 sales in the United States and Canada increased slightly ($5.27 million in the United States and $1.18 million in Canada for the year ended June 30, 2009). However, sales in other foreign countries decreased from $6.17 million for the year ended June 30, 2008 to $4.67 million for the year ended June 30, 2009, a decline of 24%. The relative decline in offshore sales reflects the tougher economic conditions in many European countries as well as the fact that the new Paraxip-based products currently lack some of the features required outside of North America.

As a result of the decline in offshore sales, as a percentage of total sales, sales to the United States has increased to 47% of total sales as compared with 42% in the year ended June 30, 2008. Sales in Canada have increased from 8% in the year ended June 30, 2008 to 11% for the year ended June 30, 2009.

The relative decline in offshore sales is considered to be a temporary phenomenon driven by short term factors. It is expected that much of the growth in the year ended June 30, 2010 will accrue from outside North America.

Revenue is expected to grow as new products are introduced and marketing programs bear fruit.

Cost of Sales and Gross Profit

The cost of sales for the year ended June 30, 2009 was 2.92 million (26% of sales, gross profit margin of 74%), as compared to 3.82 million (31% of sales, gross profit margin of 69%) for the year ended June 30, 2008. The increase in gross margin is partly due to the contribution of sales of Paraxip software, which has a very high gross margin. Gross profit for the year ended June 30, 2009 was $8.21 million, as compared to $8.52 million for the year ended June 30, 2008, a decrease of 4%.

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

Expenses

Administration Expenses

Administration expenses were $1.83 million for the year ended June 30, 2009 an increase of 65% over those for the year ended June 30, 2008 ($1.11 million). The increase is largely due to the additional expenses of the Paraxip organization.

Administration expenses can be expected to increase with revenues, but at a slower rate.

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 Corporation of this size.

All development costs are amortized on a straight-line basis over three years (see Note 2(f) to the Notes to Consolidated Financial Statements). Actual cash expenditure on development was $1.64 million for the year ended June 30, 2009, as compared to $1.02 million for the year ended June 30, 2008, an increase of 61%. The increase is primarily due to the inclusion of the Paraxip R&D team, but there have also been increases in staffing levels in Ontario.

Sangoma is entitled to total investment tax credits of $0.57 million for the year ended June 30, 2009 ($0.33 million in the year ended June 30, 2008) which reduced the net deferred development costs to $1.07 million ($0.69 million for the year ended June 30, 2008), an increase of 55%.

The development costs amortized during the year ended June 30, 2009 were $0.78 million ($0.52 million for the year ended June 30, 2008), the higher amount being due to the Paraxip contribution.

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

Amortization - property, plant and equipment
Amortization of property, plant and equipment increased to $0.13 million for the year ended June 30, 2009 from $0.09 million in the previous financial year. The increase was largely due to the contribution by Paraxip.

Amortization - intangibles
Intangible assets include copyright to software and patent rights acquired as part of the Paraxip purchase. This expense is a non-cash item.

Foreign Exchange
Sangoma experiences foreign exchange losses or gains based on the rate of change of the Canadian/US Dollar exchange rate largely due to the fact that receivables and much of the Corporation's cash is held in US dollars. For the year ended June 30, 2009, the foreign exchange gain was $0.96 million as compared to a foreign exchange loss of $0.10 million for the year ended June 30, 2008. The foreign exchange gain is due to the net increase in the US/Canadian exchange rate during the year ended June 30, 2009 as compared to the previous financial year.

Shareholder information
The cost of providing shareholder information increased 45 % from $0.08 million for the year ended June 30, 2008 to $0.11 million for the year ended June 30, 2009.

Stock Based Compensation
During the year stock options were issued to management and employees. Fair value of the options were estimated using the Black-Scholes option pricing model (see Note 10 of the Notes to Consolidated Financial Statements) at $0.07 million for the year ended June 30, 2009 as compared to $0.34 million for the year ended June 30, 2008, a decrease of 81%. This is a non cash expense for the Corporation.

Selling and Marketing Expenses
Selling and marketing expenses were $1.98 million for the for the year ended June 30, 2009 as compared with $1.74 million for the year ended June 30, 2008, an increase of 14%. Most of the increase was due to an increase in marketing personnel as well as increased trade show participation.

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 has a heavy electronic media component as well participation in trade shows, support for open source development projects, joint marketing initiatives and public relations activity.

Marketing can be expected to increase with sales.

Investment income
Investment income decreased slightly from $0.12 million for the year ended June 30, 2008 to $0.11 million for the year ended June 30, 2009. Despite increased cash holdings, very low interest rates resulted in a decrease in investment income.

Total Expenses
Total expenses were $4.20 million for the year ended June 30, 2009 as compared to $3.88 million for the year ended June 30, 2008, an increase of 8%.

Net Earnings
Income before income taxes was $4.01 million for the year ended June 30, 2009, as compared to income before income taxes for the prior year in the amount of $4.65 million, a decrease of 14%. After taking into account current and future income taxes, the net income was $2.49 million ($0.08 per share fully diluted) for year ended June 30, 2009 as compared to net income after tax of $2.91 million ($0.10 per share fully diluted) for the year ended June 30, 2008, a decrease of

EBITDA
Earnings before interest, taxes, depreciation and amortization for the financial year ended June 30, 2009 were $5.18 as compared to $5.14 million for financial year ended June 30, 2008, an increase of 1%.

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, 2009 together with the audited fiscal year totals ($000's except per share data):

2009	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Sales	$2,599	$2,595	$2,759	$3,170	$11,124
Net earnings	$685	$1,111	$698	($1)	$ 2,494
Net earnings per share: - non-diluted basis - fully diluted basis	$0.024 $0.024	$0.038 $0.036	$0.024 $0.022	$0 $0	$0.086 $0.082
2008	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Net sales	$2,822	$3,070	$3,214	$3,237	$12,344
Net earnings	$489	$757	$963	$ 704	$ 2,913
Net earnings per share: - non-diluted basis - fully diluted basis	$0.017 $0.017	$0.026 $0.026	$0.033 $0.033	$0.025 $0.025	$0.102 $0.102

Sales for the fourth quarter of the year ended June 30, 2009 continued the trend to recovery that began earlier this year. Net income was zero in the quarter ended June 30, 2009, due to year end factors, volatility of the US/Canadian dollar exchange rate and the accounting requirement to amortize the intangible property acquired with the Paraxip purchase.

It is expected that the coming quarters will show continued growth as the recovery gathers strength.

LIQUIDITY

The Corporation completed the financial year ended June 30, 2009 with current assets of $10.81 million and current liabilities of $1.84 million, resulting in working capital of $8.97 million, as compared to $8.96 million at June 30, 2009. The short term obligation to issue shares related to the Paraxip purchase recorded in current liabilities is a non-cash item and is not considered part of working capital

Cash increased by 11% to $6.87 million in spite of the cash outlay required for the purchase of Paraxip in July, 2008.

The average collection period for receivables is approximately 53 days, based on the fourth quarter sales and accounts receivable at June 30, 2009, as compared to 55 days for the financial year ended June 30, 2008.

The inventory turnover rate has dropped from 2.24 times per year for the year ended June 30, 2008 to 1.81 times per year during the year ended June 30, 2009. A turnover rate of approximately 2 is the best that can be achieved under Sangoma's business model of buying and manufacturing in bulk to reduce costs. However, in times of plentiful cash and very low interest rates there is very little cost to holding higher inventories, and there is considerable advantage to being able to supply customers almost always from stock.

The Corporation continues to be profitable with positive cash flow, even after substantial cash outlay for the purchase of Paraxip. Sangoma has long term debt in the form of future income taxes, but no 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.

Cash flow from operations before non-cash working capital balances was positive $3.28 million for year ended June 30, 2009 as compared to positive $4.42 million in the previous year. After taking into account non-cash working capital balances related to operations, cash flow from operations was positive $4.19 million as compared to positive $3.84 million for the year ended June 30, 2008.

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 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 equivalents, accounts receivable, 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 $3.17 million for the quarter ended June 30, 2009, 2% less than the record sales of $3.24 million for the quarter ended June 30, 2008. The gross margin was 74% during the quarter ended June 30, 2009, as compared to 65% for the quarter ended June 30, 2008, the higher gross margin on virtually identical revenues resulting in gross profit of $2.34 million for the quarter ended June 30, 2009 as compared to gross profit of $2.11 million for the quarter ended June 30, 2008, an increase of 11%. The increased gross margins for the quarter ended June 30, 2009 were due to sales of software, which has higher gross margins than hardware. Software licences were sold during the quarter to a large Canadian telecommunications provider as well as a computer manufacturer in the US.

Sales for the quarter ended June 30, 2009 increased quarter-over-quarter by 15% as compared to sales for the quarter ended March 31, 2009.

Expenses for the quarter ended June 30, 2009 were $2.13 million, as compared to $1.09 million for the quarter ended June 30, 2008, an increase of 96%. The bulk of the increase was due to a foreign exchange loss of $0.35 million during the quarter ended June 30, 2009, as compared to a negligible foreign exchange loss during the quarter ended June 30, 2008; and amortization of the intangible assets acquired as part of the Paraxip purchase (a non-cash expense). An additional component of the increase during the quarter was an entry for stock based compensation, another non-cash expense. Real increases also occurred in almost all expense items, largely due to added expenses of the Paraxip operation. The offsetting item of interest income was halved due to very low interest rates in spite of high cash balances.

The income before provision for income taxes for the quarter ended June 30, 2009 was $0.20 million as compared to income before provision for income taxes of $1.03 million for the quarter ended June 30, 2008. Provision for income taxes was almost exactly equal to the income before provision for income taxes, leading to a small loss ($707.22) for the quarter ended June 30, 2009 as compared to $0.70 million for the quarter ended June 30, 2008. The apparently confiscatory taxes during the quarter ended Jun 30, 2009 are due to the fact that the non-cash items of amortization of intangibles and stock based compensation are not recognized as deductible by the tax authorities.

Cash flow was positive by $0.29 million during the quarter ended June 30, 2009, cash increasing from $6.58 million to $6.87 million during the quarter. Positive cash flow was due mainly to EBITDA for the quarter and a decrease in inventory.

NEW ACCOUNTING POLICIES (NOT YET ADOPTED)

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The Corporation has the appropriate resources committed to the development of its IFRS changeover plan during the coming year. Management has yet to identify what if any effects these new standards will have on the Corporation.

Business combinations.

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Corporation’s consolidated financial statements.

Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Corporation’s consolidated financial statements.

Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Corporation's consolidated financial statements.

EVENTS SUBSEQUENT TO JUNE 30, 2009

In July 2009 it was announced that NorelcoTele.com will be distributing Sangoma telephony products to telecom resellers across Canada. In August 2009 Sangoma and Commetrex announced a joint program to address the enterprise FAX market. In September the Corporation announced that the NetBorder gateway product was now available for the Linux platform as well as Windows. Also in September is was announced that Cudatel and Sangoma were partnering in the development of a telephony appliance based on the FreeSwitch open source project. In October Sangoma was ranked among the Deloitte Technology Fast 50™ for Canada. In the same month it was announced that Digivox and Sangoma had delivered an IVR solution to Brazil's largest bank. Also announced in October was an expansion of the Sangoma B600 card to include T1 as well as analog support.

OUTSTANDING SHARE DATA

As at the date hereof, there are 29,522,173 issued and outstanding common shares of Sangoma and 1,614,850 outstanding options to acquire common shares.

ADDITIONAL INFORMATION

All relevant information relating to the Corporation is filed electronically on SEDAR at www.sedar.com.

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

Wasserman
Ramsay

Chartered Accountants

3601 Hwy 7 East, Suite 1008, Markham, Ontario L3R 0M3
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, 2009 and 2008 and the consolidated statements of income and comprehensive income, retained earnings (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, 2009 and 2008 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 18, 2009

Chartered Accountants
Licensed Public Accountants

SANGOMA TECHNOLOGIES CORPORATION

(Continued under the Ontario Business Corporations Act)

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2009

(with comparative figures at June 30, 2008)

	2009	2008
ASSETS		
Current		
Cash and equivalents (Note 3)	$ 6,874,124	$ 6,198,318
Accounts receivable	1,873,505	1,962,621
Income tax credits receivable	235,085	-
Inventory (Note 4)	1,644,405	2,006,703
Prepaid and deposits	182,623	259,660
	10,809,742	10,427,302
Future income taxes (Note 13)	109,933	-
Property, plant and equipment (Note 5)	416,493	389,558
Development costs (Note 6)	1,033,340	682,196
Intangible assets (Note 7)	4,204,888	-
Goodwill	5,542,849	5,542,849
	$ 22,117,245	$ 17,041,905
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 729,009	$ 757,196
Management bonus payable (Note 9)	178,000	100,000
Deferred income	69,012	-
Current portion of Term Loan (Note 8)	17,036	-
Obligation to issue shares-short term (Note 11)	959,851	-
Income taxes payable	842,021	605,242
	2,794,929	1,462,438
Long Term		
Term Loan (Note 8)	119,251	-
Obligation to issue shares-long term (Note 11)	959,847	-
Future income taxes	-	453,263
	1,079,098	453,263
SHAREHOLDERS' EQUITY		
Stated capital (Note 10)	14,170,819	13,531,567
Contributed surplus (Note 15)	506,939	523,152
Retained earnings	3,565,460	1,071,485
	18,243,218	15,126,204
	$ 22,117,245	$ 17,041,905

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 AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Sales	$ 11,124,325	$ 12,343,600
Cost of Sales	2,919,127	3,821,175
Gross profit	8,205,198	8,522,425
Expenses		
Administration	1,830,939	1,114,357
Amortization – development costs	776,733	524,005
Amortization – property, plant, equipment	128,910	92,976
Amortization – intangibles	376,218	-
Foreign exchange (gain) loss	(962,726)	101,534
Shareholder information	114,054	78,353
Stock based compensation (Note 10)	65,363	344,452
Selling and marketing	1,982,108	1,742,550
Investment Income	(111,741)	(122,706)
	4,199,858	3,875,521
Income before provision for income tax	4,005,340	4,646,904
Income tax provision		
Current	1,500,407	865,000
Future income taxes	10,958	869,000
	1,511,365	1,734,000
Net income and Comprehensive income for the period	$ 2,493,975	$ 2,912,904
Basic income per share	$ 0.0858	$ 0.1032
Fully diluted income per share	$ 0.0814	$ 0.1007
Weighted average number of shares outstanding –basic	29,065,501	28,214,973
–diluted	30,621,676	28,935,556

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

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Retained Earnings (Deficit), beginning of year	$ 1,071,485	$ (1,841,419)
Net income for the year	2,493,975	2,912,904
Retained Earnings, end of year	$ 3,465,460	$ 1,071,485

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash provided by (used in) the following activities:		
Operations		
Net income for the period	$ 2,493,975	$ 2,912,904
Add items not requiring an outlay of cash		
Amortization	1,281,862	616,981
Future income taxes related to operations	(563,196)	541,000
Stock based compensation	65,363	344,452
	3,278,004	4,415,337
Net change in non – cash working capital balances related to operations (Note 16)	913,318	(572,578)
Cash flow from operations	4,191,322	3,842,759
Financing		
Issuance of capital stock - net of redemptions and share issue costs	(402,169)	-
Investing		
Amount paid for acquisition of - intellectual property- Paraxip	(1,900,835)	-
Deferred development costs before investment tax credits	(1,636,296)	(1,020,030)
Investment tax credits	574,154	328,000
Investment in Patents and Trademarks	(6,812)	-
Purchase of property, plant and equipment	(143,558)	(298,060)
	(3,113,347)	(990,090)
Increase in cash and cash equivalents during the year	675,806	3,100,469
Cash and equivalents, beginning of year	6,198,318	3,097,849
Cash and equivalents, end of year	$ 6,874,124	$ 6,198,318

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, 2009 AND 2008

1. Description of operations:

Sangoma Technologies Corporation (the "Corporation") is a publicly-held company existing under the Ontario Business Corporations Act.

Sangoma Technologies Inc. ("Sangoma") was incorporated on March 12, 1984. Sangoma is engaged in the manufacturing, distribution and support of PCI cards for the telephony and wide area network industry.

On July 14, 2008, the Corporation acquired all of the issued and outstanding shares of Paraxip Technologies Inc. ("Paraxip"). Paraxip is incorporated under the Canada Business Corporations Act and operates in the area of development and sales of telecommunications products.

2. Summary of significant accounting policies:

The financial statements of the Corporation 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 year ended June 30, 2009, include the accounts of the Corporation's wholly-owned subsidiaries, Sangoma and Paraxip. All intercompany transactions have been eliminated.

(b) Cash and equivalents:

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

(c) Inventory:

Inventories are measured at the lower of cost and net realizable value.

(d) Income taxes:

The Corporation uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Further income tax assets and liabilities are recognized for temporary differences between tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

2. Summary of significant accounting policies (continued):

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is provided at 3 years straight line for website costs and at 20% declining balance for all other property, plant and equipment.

(f) Research and Development costs:

Research costs are expensed in the year 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, which corresponds to the estimated future revenue stream and life of its products. Costs are reduced by government grants and investment tax credits, where applicable.

(g) Intangible assets:

Intangible assets are recorded at acquired cost, and include copyright to software, which is amortized straight line over 10 years and patent rights and trademarks, which are both amortized straight line over 20 years.

(h) Long-lived assets:

The Corporation 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 Corporation's policy is to record an impairment loss in the year 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.

(i) Revenue recognition:

The Corporation recognizes revenue from customers, who are either distributors or resellers of our 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. Significant annual software maintenance revenues are deferred and recognized over the life of the agreements.

(j) Leases:

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):

(k) Stock-based compensation plan:

The Corporation has a stock-based compensation plan that is described in Note 10. 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 Corporation's cash position.

(l) Earnings per share:

The Corporation uses the treasury stock method to compute the dilutive effects of options, warrants and similar instruments.

(m) Foreign currency:

Current monetary assets and current monetary liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets and liabilities as well as revenues and expenses denominated in a foreign currency are translated to Canadian dollars at the prevailing rate of exchange in effect at the time of the transaction. Foreign currency translation gains and losses are included in the statement of income and comprehensive income for the period.

(n) Use of estimates:

The preparation of financial statements in conformity with Canadian 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.

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2007 and were adopted by the Corporation in the current year:

(i) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

2. Summary of significant accounting policies (continued):

(o) Changes in accounting policies (continued):

(ii) Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

(iii) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of (i) Sec 3862 and 3863, have been included in Note 18, Financial instruments and (ii). Sec 1535, have been included in Note 19, Capital management.

(iv) The Corporation adopted the new CICA Handbook Section 3064 "Goodwill", effective July 1, 2008. Under this method, acquired Goodwill is assessed for impairment annually, and if it is determined that impairment exists, the goodwill is written down to the best estimate of fair value. Management has determined that no impairment exists, accordingly no write-down is required for the current year.

(p) New accounting policies (not yet adopted)

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011, although early adoption is permitted. The Corporation will be required to prepare its financial statements using IFRS for the fiscal year commencing July 1, 2011.

The Corporation has the appropriate resources committed to the development of its IFRS changeover plan. Beyond the additional disclosures that will be required by adopting the IFRS, management has yet to quantify any significant financial impact, if any at all, that these new standards will have on the Corporation.

The Corporation plans to complete its assessment of the impact of the changeover to IFRS and to implement any necessary changes by the end of the fiscal year ending June 30, 2010.

(p) New accounting policies (not yet adopted) (continued):

International Financial Reporting Standards (continued):

Business combinations

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Corporation's consolidated financial statements.

Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Corporation's consolidated financial statements.

3. **Cash and equivalents:**

	2009	2008
Cash	$ 524,813	$ 659,700
Demand money market funds and bankers acceptances	6,349,311	5,538,618
	$ 6,874,124	$ 6,198,318

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

4. Inventory:

	2009	2008
Inventory at period end consists of the following:		
Finished goods	$ 1,209,627	$ 1,442,631
Parts	434,778	564,072
	$ 1,644,405	$ 2,006,703

5. Property, plant and equipment:

	Cost	Accumulated Depreciation	2009 Net
Office furniture, fixtures and equipment	$ 1,035,774	$ 619,281	$ 416,493

	Cost	Accumulated Depreciation	2008 Net
Office furniture, fixtures and equipment	$ 863,118	$ 473,560	$ 389,558

6. Development costs:

Balance at June 30, 2007	$ 514,171
Development costs capitalized during the year	1,020,030
Investment tax credits	(328,000)
Amortization	(524,005)
Balance at June 30, 2008	682,196
Development costs capitalized during the year	1,735,547
Investment tax credits	(574,154)
Amortization	(810,249)
Balance at June 30, 2009	$ 1,033,340

7. Intangible assets:

Acquired intangible assets for year ended June 30, 2009 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Copyright to software	$ 2,948,461	$ 294,846	$ 2,653,615
Patents rights	1,587,633	79,381	1,508,252
Trademarks	45,012	1,991	43,021
	$ 4,581,106	$ 376,218	$ 4,204,888

8. Term loan:

Interest–free term loan from Canada Economic Development, repayable in eight semi-annual installments beginning in 2010.

Principal repayments to be made over future years as follows:

2010	$ 17,036
2011	34,072
2012	34,072
2013	34,072
2014	17,035
	$ 136,287

9. Related party balances and transactions:

The Management bonus payable to an individual who is a senior officer and shareholder of the Corporation is payable under his employment contract which entitles him to a bonus in the amount of 5% of the Corporation's annual profits, prior to the effect of foreign exchange, stock based compensation and taxes.

During the year, management salaries in the amount of $269,555 (2008 - $233,305) were paid to a senior officer and shareholder. A portion of these costs in the amount of $54,492 (2008 - $81,017) have been deferred in development costs and are being amortized over a period of three years.

10. Stated capital:

Authorized capital:

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

	#Shares	$Value
Balance June 30, 2007	27,890,000	13,140,273
Exercise of options	470,000	247,800
Transferred from contributed surplus on exercise of stock options	-	143,494
Balance June 30, 2008	28,360,000	13,531,567
Issue of shares	778,084	959,844
Exercise of options	230,000	68,900
Transferred from contributed surplus on exercise of stock options	-	81,577
Normal Course Issuer Bid redemptions	(627,500)	(258,865)
Acquisition fees related to Paraxip	-	(212,204)
Balance June 30, 2009	28,740,584	$ 14,170,819

10. Stated capital (continued):

Normal course issuer bid:

Effective December 11, 2008, the Corporation 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 1,456,904 common shares of the 29,138,084 previously issued and outstanding. The Corporation's bid expires December 10, 2009. Since December 11, 2008, the Corporation has purchased and cancelled 627,500 shares for $258,865 under the bid.

Stock based compensation plan:

The Corporation has a stock option plan (the "Plan") for directors, officers, employees and consultants of the Corporation. 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 Corporation, 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 Corporation and provided that the Corporation 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 subject to applicable regulatory requirements.

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 Corporation 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 there under in the event of the subdivision, consolidation, reclassification or change of the shares, a merger or other relevant changes in the Corporation's capitalization.

10. Stated capital (continued):

Stock based compensation plan (continued):

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.

Options were granted on July 14, 2008 with vesting three years hence at July 14, 2011. No financial statement impact has therefore been recognized during the year.

During the year, options were granted on May 19, 2009 with 25% vesting on each of May 19, 2009, May 19, 2010, May 19, 2011 and May 19, 2012. Stock-based compensation expense has been recorded for the options vesting during the year. In determining the stock-based compensation expense, 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% (2008 - 0%), expected volatility of 113% (2008 - 97%), risk-free interest rate of 2.0% (2008 - 4.25%), and expected life of 5 years.

The weighted average fair value of options granted and vested during the year ended June 30, 2009 is $0.52 (2008 – $0.86).

A summary of the Corporation’s options at June 30, 2009 and 2008 and the changes for the years then ended is presented below:

	Options Outstanding	Weighted-Average Exercise Price
As at June 30, 2007	1,325,000	$ 0.48
Granted	400,000	$ 1.19
Exercised	(470,000)	$ (0.53)
As at June 30, 2008	1,255,000	$ 0.69
Granted	720,000	$ 0.79
Exercised	(230,000)	$ (0.30)
Expired	(120,000)	$ (0.43)
Cancelled	(6,650)	$ (1.10)
As at June 30, 2009	1,618,350	$ 0.81

10. Stated capital (continued):

Stock based Compensation plan (continued):

The following table summarizes information about the options outstanding at June 30, 2009:

Exercise Price	Options Outstanding and Exercisable	Remaining Contractual Life
$0.30	145,000	0.9 years
$0.62	310,000	2.3 years
$0.65	50,000	2.5 years
$1.13	200,000	3.0 years
$1.25	200,000	3.3 years
$1.10	213,350	4.0 years
$0.65	500,000	4.9 years
	1,618,350	3.4 years

The following table summarizes information about the options outstanding at June 30, 2008:

Exercise Price	Options Outstanding and Exercisable	Remaining Contractual Life
$0.43	150,000	0.4 years
$0.28	200,000	0.4 years
$0.30	145,000	1.9 years
$0.62	310,000	3.3 years
$0.65	50,000	3.5 years
$1.13	200,000	4.0 years
$1.25	200,000	4.3 years
	1,255,000	2.6 years

11. Commitments:

The Corporation is committed to the future issuance of two tranches of common shares, subject to set-off for any claim for indemnification, to former shareholders of Paraxip, as detailed in the Share Purchase Agreement relating to the acquisition of Paraxip (see Note 17) and according to the following schedule:

	# shares	Deemed issue price
July 14, 2009	778,089	$ 959,851
July 14, 2010	778,086	959,847
	1,556,175	$ 1,919,698

On July 14, 2009, the first 778,089 of such shares were issued as required.

11. Commitments (continued):

The Corporation is committed to lease payments as follows

2010	$	209,104
2011		109,914
2012		109,914
2013		109,914
2014		36,638
	$	575,484

12. Segment disclosures:

The Corporation 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 Corporation's assets are located in Canada. The Corporation sells into three major geographic centers, 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, 2009	$ 5,272,788	$ 1,178,214	$ 4,673,323	$11,124,325
June 30, 2008	$ 5,172,516	$ 1,002,757	$ 6,168,327	$12,343,600

13. Income Taxes:

The Corporation has deducted all available scientific research and development costs ("SR&D") for federal and provincial purposes and has utilized all federal "SR&D" investment tax credits available to reduce federal income taxes payable.

These financial statements take into account a tax benefit resulting from investment tax credits available to Paraxip to reduce its income for federal tax purposes in future periods as follows:

Year of Investment	Year of Expiration		Carry-Forward Credits
2003	2013	$	15,385
2004	2014		820
2005	2015		355
2006	2026		2,681
2007	2027		2,605
		$	21,846

13. Income Taxes (continued):

The tax benefit of Paraxip's eligible scientific research and development expenses incurred in prior years but not previously utilized have been taken into account in these financial statements.

	Federal	Provincial
Expenses carried forward	$ 255,287	$ 660,807

Also, these financial statements take into account a tax benefit resulting from loss carry forwards, available to Paraxip to reduce its income for tax purposes in future periods, as follows:

Year of Loss	Year of expiration	Federal	Provincial
2003	2010	$ -	$ 30,551
2004	2014	-	84,361
2006	2026	223,998	229,000
2007	2027	374,485	363,418
2008	2028	402,488	397,180
		$ 1,000,971	$ 1,104,510

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

	2009	2008
Statutory tax rate	34.00%	35.00%
Tax effect of non-deductible expenses	0.50%	0.50%
Other miscellaneous differences	3.23%	2.10%
Effective tax rate	37.73%	37.60%

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

	2009	2008
Property, plant and equipment	$ (51,218)	$ (47,000)
Deferred development costs	(149,423)	(239,000)
SR&D Investment Tax Credits	(4,554)	(167,263)
Loss carry forwards	315,128	-
Future tax asset (liability)	$ 109,933	$ (453,263)

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

14. Contingencies:

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

15. Contributed surplus:

Contributed surplus consists of the following:

Balance, June 30, 2007	$ 322,194
Stock-based compensation	344,452
Transferred to common shares on exercise of stock options	(143,494)
Balance, June 30, 2008	523,152
Stock-based compensation	65,363
Transferred to common shares on exercise of stock options	(81,576)
Balance, June 30, 2009	$ 506,939

16. Supplemental cash flow information:

	2009	2008
Net change in non-cash working capital balances related to operations:		
Accounts receivable	$ 89,116	$ (465,378)
Income tax credits receivable/payable	236,779	344,845
Inventory	362,299	(463,419)
Prepaid and deposits	77,037	(125,362)
Accounts payable and accrued liabilities	80,565	136,736
Management bonus payable	78,000	-
Deferred income	(10,478)	-
	$ 913,318	$ (572,578)

Non-cash investing and financing activities:

Net change in non-cash items related to acquisition of Paraxip:

	2009	2008
Intangible assets	$ (2,670,000)	$ -
Shares issued or to be issued for acquisition of Paraxip	2,879,542	-
Assumption of term loan	136,287	-
Property, plant and equipment	(12,287)	-
Development costs	(65,735)	-
	$ 267,807	$ -
Contributed surplus transferred to common shares on exercise of stock options	$ 81,577	$ 143,494

16. Supplemental cash flow information (continued):

	2009	2008
Cash paid for income taxes	$ 1,470,657	$ 520,155

17. Paraxip acquisition:

On July 14, 2008, the Corporation acquired all of the issued and outstanding shares of Paraxip. The results of Paraxip's operations have been included in the consolidated financial statements since that date. Paraxip is a leading developer of IP connectivity software that empowers the deployment of IP Telephony applications.

The aggregate purchase price was $4,780,383, payable as to $1,900,835 in cash and 2,334,259 common shares at a deemed issue price of $1.2336. The cash consideration was paid to sellers on closing along with 778,084 common shares. The balance of the common shares will be issued in two separate tranches with 778,089 common shares being issued to the sellers 12 months after closing and 778,086 common shares being issued to the sellers 24 months after closing. This number of common shares to be issued may be reduced to satisfy any claims for indemnification by the Corporation under the terms of the acquisition agreement. The value of the common shares issued was determined based on the average market price of Sangoma's shares for the period June 6, 2008 to July 4, 2008. In addition, the Corporation has granted options to purchase 220,000 common shares at $1.10 per share, to employees of Paraxip, subject to vesting at 3 years.

Allocation of the purchase price is as follows:

Net assets acquired:	
Intellectual Property	$ 4,574,295
Working capital	264,353
Development costs	65,735
Capital assets	12,287
Long term liabilities	(136,287)
Consideration paid	$ 4,780,383

The acquired intellectual property includes copyright to software $2,948,461, patent rights $1,587,633 and capitalized patent and trademark expenditures of $38,201.

Acquisition fees totaled $212,204 and have been charged to stated capital.

18. Financial instruments:

Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheets and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in net income (loss) in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired. As a result of the adoption of these standards, the Corporation has classified its cash and equivalents as held-for-trading, accounts receivables as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

Fair value of financial assets and liabilities

The carrying value and fair value of financial assets and liabilities as at June 30, 2009 are summarized as follows:

	Carrying Value	Fair Value
Held-for-trading assets	$ 6,874,124	$ 6,874,124
Loans and receivables	2,108,590	2,108,590
Other financial liabilities	1,043,296	1,043,296

The Corporation's financial instruments recognized in the balance sheet consists of cash and equivalents, accounts receivable, income tax credits receivable, accounts payable and accrued liabilities, management bonus payable, and term loan. The fair value of these financial instruments approximate their carrying value due to the short maturity of the current market rate associated with these instruments.

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

Credit risk and concentration of credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Concentration of credit in cash and equivalents is managed by dealing only with major Canadian financial institution and high grade Canadian Chartered Bank money market funds.

18. Financial instruments (continued):

Credit risk and concentration of credit risk (continued):

Concentration of credit risk in accounts receivable is limited, due to the large number of customers the Corporation services. The Corporation performs initial and ongoing credit evaluations of its customers, but does not require collateral to support customer accounts receivable. The Corporation writes off accounts receivable on a specific identification basis as soon as the account is determined not to be collectible, with such write-off charged to net income.

Currency risk:

A large percentage of the Corporation's transactions occur in foreign currency (mainly U.S. dollars) and therefore the Corporation is exposed to risk from currency fluctuations. The Corporation partially compensates for these risks by purchasing materials in US dollars.

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation holds sufficient cash and equivalents and working capital, maintained through stringent cash flow management, to ensure sufficient liquidity is so maintained.

19. Capital management:

The Corporation's objectives in managing capital is to safeguard the Corporation'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 Corporation considers its capital structure to include working capital and shareholders' equity. Working capital is optimized via stringent cash flow policies surrounding disbursement, foreign exchange and investment decision-making.

There were no changes in the Corporation's approach to capital management during the year.

The Corporation is not subject to any capital requirement imposed by external parties.

20. Comparative figures:

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