

SANGOMA TECHNOLOGIES CORPORATION

Equity Research | Technology

Please see important disclosures at the end of this document

Ticker	Recommendation	12-month Target
TSXV:STC \$1.35	SPEC. BUY (new)	\$2.75 (new)

Value Coming Through Loud and Clear

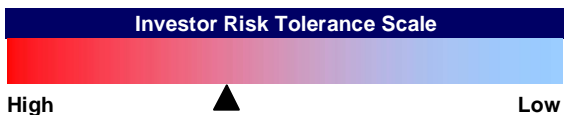
July 17, 2007

Market Data	
52-week High-Low	\$1.72-\$0.36
Shares Outstanding	
– Basic	27.9 million
– Fully diluted	29.3 million
Market Capitalization	\$37.7 million
Cash and Securities ¹	\$2.1 million
Total Debt ¹	Nil
Fiscal Year End	June 30
Major shareholders	Insiders: 26%

¹As at March 31, 2007

Financial Data				
(000, except EPS)	FY06A	FY07E	FY08E	FY09E
Revenue	\$4,776	\$8,030	\$11,171	\$15,220
Gross margin	71.4%	70.7%	69.2%	68.9%
EBITDA	\$1,530	\$3,301	\$4,702	\$6,392
Net Income	\$1,008	\$2,122	\$3,017	\$4,099
EPS	\$0.04	\$0.08	\$0.11	\$0.15
EPS (FD)	\$0.04	\$0.07	\$0.10	\$0.14
Adjusted*				
EBITDA	\$1,518	\$3,292	\$4,532	\$5,907
Net Income	\$996	\$2,112	\$2,848	\$3,614
EPS (FD)	\$0.03	\$0.07	\$0.10	\$0.12

*Adjusted to reflect expensing of development costs



Company Description

Sangoma Technologies Corporation provides connectivity hardware and software products for VoIP, TDM voice, WANs and Internet infrastructure. It develops and manufactures voice and data communication products including Advanced Flexible Telecommunications (AFT) PCI cards.

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Event

Initiating coverage.

Highlights

For over 20 years Sangoma has created products that enable wide area network communications. Seeing the opportunity created by the open source telephony movement, Sangoma has successfully expanded its product line of data transport products to include voice and the results have been impressive.

Sangoma's revenue increased 35% in FY05, 39% in FY06, and 62% for the first nine months of FY07 versus the same period a year ago. Over the same three time periods, growth in net earnings was even greater than that of revenue at 185%, 52% and 90%, respectively.

Microsoft now plans to enter the soft PBX market with its *Unified Communications Server* initiative. **Microsoft's entry stands to open the door to a much larger market for Sangoma.** Sangoma's technology could be used alongside Microsoft software in the same way as it is currently used with open source software, expanding the soft PBX market by taking market share from traditional hardware solutions.

Significant management stake aligns the interests of management and shareholders. Management and Directors own or control approximately 26% of the shares outstanding (27% on a fully diluted basis). We believe this exhibits management's dedication to the Company, and its commitment to driving shareholder value.

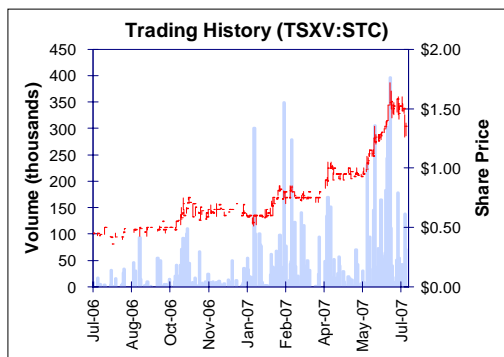
Attractive valuation. We do not believe Sangoma's current share price reflects its financial performance and the future potential of its existing and new initiatives. Sangoma currently trades at 17.7x our fiscal 2007 EPS estimate (June 30 year end) and 12.5x our fiscal 2008 EPS estimate. Given the top and bottom line growth the Company is currently exhibiting, we view current levels as an attractive entry point for investors.

Investment Conclusion

We are initiating coverage on Sangoma Technologies Corporation with a SPECULATIVE BUY recommendation and a 12-month target price of \$2.75. Our valuation is based on a 25.0x multiple to our estimated C2008 adjusted EPS of \$0.11.

Investment Thesis

Sangoma's success has only recently begun to be noticed by the market



Source: Bloomberg

Founded over 20 years ago, Sangoma Technologies Corporation (“Sangoma” or the “Company”), provides Wide Area Network (“WAN”) communications hardware and software products for the PC platform. In recent years a new market opportunity has emerged for the Company in the form of Voice over IP (“VoIP”).

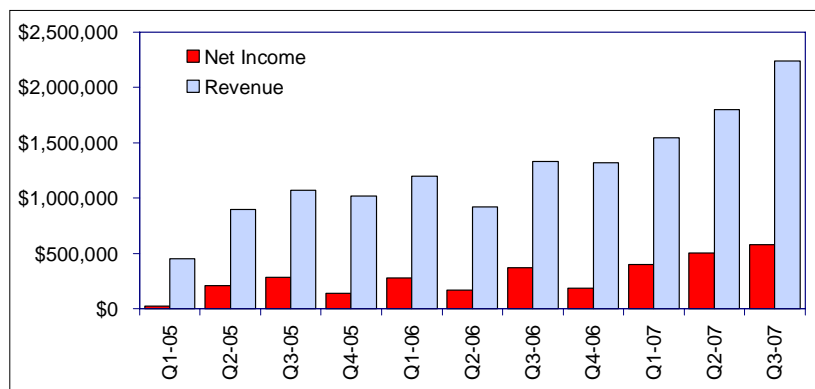
Traditionally, Sangoma’s products provided data transport; this still remains a significant portion of the Company’s business. However, in recent years, Sangoma re-designed its products around its Advanced and Flexible Telecommunications (“AFT”) technology standard. These AFT designs were built to support voice as well as data, and the Company’s recent growth can be largely attributed to this transition.

Historically, the telephony market has been largely hardware-based, with complex, proprietary PBX systems that are expensive and inflexible. These cost and complexity limitations severely hampered telecommunications spending by SMEs.

However, the emergence of open source software platforms such as Asterisk and Yate are changing the market. An open source software solution installed on a server that includes a Sangoma card can create a PBX solution that is inexpensive and flexible in terms of features. In such a solution, the software handles much of the functions previously handled by complex hardware systems, while Sangoma’s PCI cards handle the connection to the PSTN. With much of the solution built around commoditized hardware and open source software, the cost to the end user is significantly lower than that of a proprietary hardware system.

Sangoma’s entry into this space and the success open source telephony solutions are enjoying have driven the Company’s tremendous revenue and profit growth over the past two years.

Figure 1: Quarterly Revenue and Net Income (Q1-05 to Q3-07)



Source: Company reports

Sangoma is one of the leaders in the market for open source telephony due to its reputation for products that are flexible, high quality and reliable. We believe the next step for Sangoma lies in the plans by Microsoft Corp. (NASDAQ:MSFT) to unify enterprise communications.



The Next Step: Microsoft

With the success open source players are enjoying in the market and the overall market potential, larger software players such as Microsoft have set their sights on the market as well.

Microsoft's Unified Communications Server initiative is targeting the telephone market the same way Microsoft's exchange servers currently provide the backbone for enterprise e-mail solutions. Microsoft's goal appears to be to unify the various enterprise communications systems, namely telephone, e-mail, fax and instant messaging.

If Microsoft's software does succeed in winning market share, there will likely be a variety of solutions used to connect its Unified Communications Server to the legacy PSTN system. We believe Sangoma will be able to win business in this market as its PCI cards offer a compelling opportunity for solutions providers due to its high-quality, low cost products.

Conclusion

Whether Microsoft is successful in expanding the market for software-based telephony solutions or not, we believe Sangoma has significant growth potential in the coming years, with the expansion of VoIP driving spending in the market. However, if Microsoft is successful and Sangoma can capitalize on that opportunity, the market for the Company's products could expand tremendously in the coming years. Given Sangoma's growth opportunities and attractive valuation at current levels, **we are initiating coverage on Sangoma with a SPECULATIVE BUY recommendation and a 12-month price target of \$2.75.**

The Company



*PCI = Peripheral Component Interconnect
A PCI interface slot allows the connection of peripheral boards to the computer's motherboard and memory*

Sangoma was founded in 1984 to develop and market high-speed, Wide Area network ("WAN") communications hardware and software products for the PC platform. The Company went public on May 1, 2000, through a reverse takeover transaction where Inlet Devices Corporation consolidated its common shares on a one-for-two basis, purchased a 100% interest in Sangoma Technologies Inc., and changed its name to Sangoma.com, Inc. On October 18, 2002, Sangoma.com, Inc. changed its name to Sangoma Technologies Corporation.

Today, Sangoma develops hardware and software that enables computers with PCI interface slots to communicate with high-speed WANs and telephone networks.

Sangoma's solutions support voice transport to the Public Switched Telephone Network ("PSTN"), allowing computing devices to be used in telephony applications such as Voice over IP gateways, Private Branch Exchange ("PBX") devices and call centre systems. Many of the voice applications supported by Sangoma products are run under open source telephony applications such as *Asterisk*, *FreeSwitch*, *CallWeaver* and *Yate*; however, with Microsoft's decision to enter the market this may change going forward.

The Company's data-only transport products include its WANPIPE internal routing solutions, which allows an end user to replace an

external router with a simpler, more cost-effective, server-based solution. In addition to its data and voice hardware solutions, Sangoma also offers communication toolkits that enable third parties to build WAN and telephony access into their own products.

Sangoma continues to expand into new market segments related to the transport of voice, data and video. Geographic expansion remains an important opportunity for Sangoma, and along these lines the Company received certification to sell its products in Malaysia in October 2006 and in South Africa in June 2007.

Recent Events

Table 1: Recent Events

Date	Event/Description
June 11, 2007	<p>ISDN BRI Card Released For World Markets</p> <p>Sangoma released its new A500 BRI card designed to support the European and global open source telephony markets. The card enters full production in mid-July 2007.</p>
June 4, 2007	<p>Sangoma Solves Industry-Wide Fax Quality Reliability Issue</p> <p>Up until this point, users of <i>Asterisk</i> and other PC-based systems with a T1/E1 connection needed a separate external analog line at an additional cost for reliable fax service when connecting a fax machine to the network. This latest upgrade solves the inconsistent connectivity problem and the need for a separate analog line.</p>
April 26, 2007	<p>Bundling of Free Carrier-Grade Echo Cancellation with Analog Systems</p> <p>Sangoma signs an agreement with a supplier to provide hardware echo cancellation (higher voice quality) for analog systems of up to six ports at no additional cost.</p>
April 2, 2007	<p>Industry's First Single Port T1/E1 Card with Echo Cancellation Released</p> <p>The A101D is the industry's first affordable single port T1/E1 card with echo cancellation and was developed to support the continuing market demand for a small capacity low-cost E1/T1 cards.</p>
March 1, 2007	<p>Agreement Signed with UK Distributor VoIPon Solutions</p> <p>Sangoma taps into a growing worldwide market for open source telephony voice delivery platforms by partnering with a UK-based distributor that provides the Company with a vast network of contacts and resellers in the open source telephony space.</p>
February 12, 2007	<p>Pakistan-based Integrator to Deploy Sangoma's Open Source Telephony Solutions to Two Pakistan Telecoms</p> <p>Convergence, a Pakistan-based telecommunications integrator and consulting company, will provide Sangoma's open source telephony solution to Burraqtel and Worldcall Telecom Limited in Pakistan.</p>
November 13, 2006	<p>Signs Significant OEM Agreement for Supply of Voice-Related PCI Products</p> <p>Sangoma reaches an agreement to supply an OEM with voice related PC and PCI-Express hardware. The agreement is expected to generate between \$500,000 and \$1.5 million in revenue per year for Sangoma.</p>

Source: Company reports

Markets

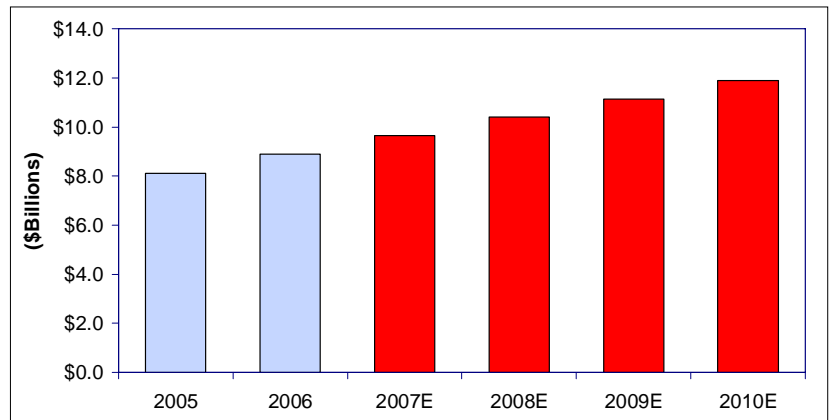
Telephony Applications (PBX)

The traditional PBX market is a combination of traditional TDM (hardware-based), Hybrid (TDM with an IP switch option) and pure IP PBX (predominately software-based).

Revenue from the traditional TDM PBX market has been in decline since 1999 and, according to Infonetics Research, will continue to do so at an expected 5-year CAGR for revenue of -45% from 2006 to 2010. In 2005, TDM PBX revenue fell 15%, while revenue from IP PBX increased 23%, for an overall revenue increase of 12% to \$8.1 billion. This trend continued in 2006 as TDM PBX revenue declined another 22%, while IP PBX revenue increased 18% for an overall revenue increase of 9% to \$8.9 billion. Although recently, traditional TDM PBX phone systems posted a slight bump in revenue in Q1-07, after 5 consecutive quarterly losses, the trend continues to be a steady transition from circuit switching technology to packet switching technology. According to Infonetics Research, the overall IP and TDM PBX market is expected to grow to \$11.9 billion in 2010, representing a 4-year CAGR of 7.5%.

Going forward, growth in the PBX market is supported by the shift from traditional TDM PBX to IP, as enterprises implement more efficient networks that combine voice and data, lowering overall costs. Sangoma’s primary targets – small and medium size businesses – have been slower to embrace VoIP technology, as they have specific telecommunication needs and lack the large budgets and significant IT resources required to efficiently make the transition. However, as the technology evolves, this hurdle should be overcome, with IP PBX becoming progressively easier to deploy and increasingly cost-efficient. The move towards entirely software-based IP PBX systems, such as the open source solutions of Asterisk, will only help to propel this market forward by providing a simpler, lower cost alternative to traditional solutions. According to SMB Communications research at AMI-Partners, almost 6% of medium-size businesses currently use an IP-PBX, and this is expected to grow to 20% by 2008.

Figure 2: Worldwide PBX Revenue 2005-2010



Source: Infonetics Research, NSI estimates

Open source solutions are not without their share of risks. Some even place a stigma on open source, viewing it as lower quality and unreliable versus traditional commercial software or hardware solutions. While we do not necessarily agree, we do believe this

may limit growth in open source solutions somewhat. However, at the same time, this creates a compelling opening for commercial software providers, such as Microsoft.

Microsoft Unified Communications Server

Microsoft made a public beta version of its VoIP and unified communications server, Office Communications Server 2007, and its unified communications client, Office Communication 2007, available to millions of testers in March 2007. According to Microsoft, manufacturing of these products was expected to begin at the end of June 2007. Microsoft believes these products are the most important new communications technologies since the release of its Microsoft Outlook in 1997, as it envisions one platform handling e-mail, IM voice, video, CRM, ERP, customer billing, and call centres' needs while removing the need for separate PBX and server software. Jeff Raikes, the President of Microsoft's Business Division, stated that he expects the number of current business VoIP users to double to 100 million people over the next three years. He also stated that over the same time span, the cost of an average VoIP installment will be half of what it is today. According to Gartner, Inc., Microsoft will bundle the Office Communicator Client with Exchange 2007 and charge a \$50 fee per user, per desktop, for the software on top of the exchange license.

Sangoma fits into this market as a hardware supplier that enables the Exchange 2007 server to communicate with the PSTN. In order to enter this market, Sangoma will need to form partnerships with solutions providers, just as it has on the open source side of the market. If it can, and Microsoft's software wins market share, this could present a tremendous market opportunity for Sangoma.

Products

Sangoma's products are sold through its network of resellers, distributors and solutions providers. As a result, its products are sold in a variety of forms, from stand-alone boards to portions of complete solutions.

Sangoma offers a wide variety of products based upon different protocols with various feature sets. For simplicity, we have grouped its product offerings into three categories: Digital Telephony, Analog Telephony and Data Only cards.



Digital Telephony (T1/E1/J1 or BRI)

On the digital side, Sangoma has its AFT A10X series – where the X denotes the number of ports on the card: 1, 2, 4 or 8; and each port handles up to 30 simultaneous calls over T1, E1 or J1 lines. In addition, the Company recently (June 2007) released the AFT A500, which can be expanded up to 24 ports to handle up to 48 simultaneous calls over 24 ISDN BRI lines.

Analog Telephony (FXO/FXS)

On the analog side, Sangoma's two main products are the A200 and A400. Multiple boards can be bridged together to expand the number of ports in the final solution. However, because only one main board is needed, only one PCI/PCI express slot is required even when multiple

cards are present. By bridging up to six boards together the A200 is expandable to up to 24 ports and the A400 up to 48 ports.

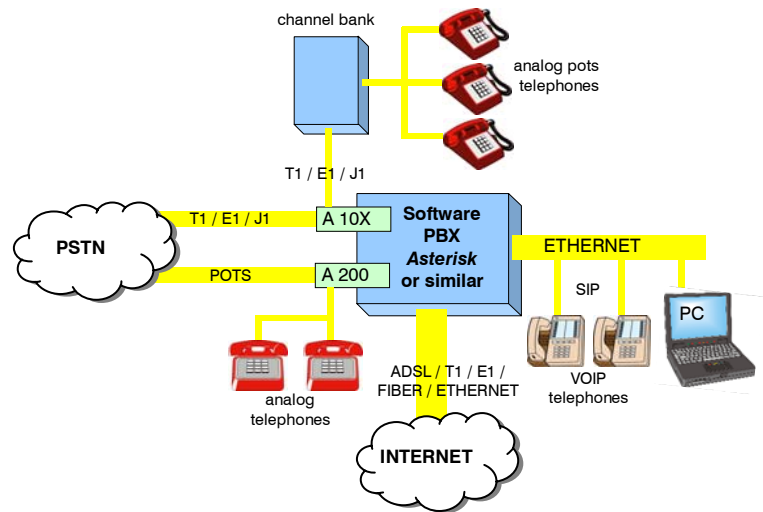
Data Only

Sangoma’s data only products enable users to create a variety of solutions, such as replacing an external router with a PC server containing one of Sangoma’s cards.

Product Deployment Examples

Figure 3 illustrates how Sangoma’s AFT A10X series or A200 card can enable a server with software such as *Asterisk* to create a soft PBX. The digital cards (AFT A10X series) require a channel bank to convert the digital signal to analog in order to make a connection to an analog telephone, while no channel bank is required when an analog connection is used (i.e. A200).

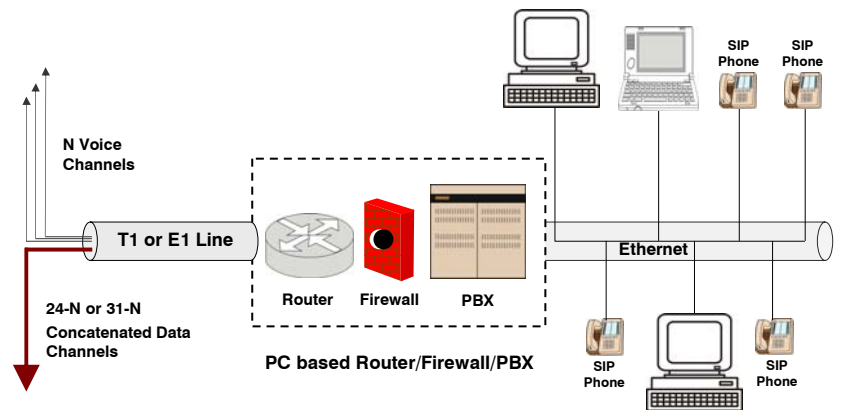
Figure 3: Potential Voice-Only Deployment Example



Source: Company reports, NSI

Figure 4 illustrates how Sangoma’s AFT A10X series can turn a server into both a soft PBX and a router, handling both data and voice over an Ethernet connection to both PCs and SIP phones.

Figure 4: Potential Voice and Data Deployment Example



Source: Company reports, NSI

Competition**Digium, Inc.**

Digium, Inc. is the creator and primary developer of *Asterisk*, the industry's first open source telephony platform. Digium provides hardware, software and professional services to enterprises and telecommunications providers.

Dialogic Corporation

Dialogic Corporation provides open systems platforms to the enterprise and service provider markets, enabling converged communications. This allows for the delivery of services, content and applications using multimedia processing and signaling technologies. Dialogic's products include media gateways that can bridge legacy PBX and PSTN networks to next generation, VoIP-based applications and services.

Rhino Equipment Corp.

Rhino Equipment Corp. is a US-based private company that manufactures analog and digital telephony PCI and PCI Express cards aimed at the *Asterisk* market, an *Asterisk* PBX based PC appliance and T1 channel banks.

AudioCodes Ltd.

AudioCodes Ltd. (NASDAQ:AUDC) develops Voice over Packet technology and Voice Network products for OEMs, network equipment providers and system integrators. AudioCodes provides media gateway, server and processing technologies, including VoIP, CTI and call logging communication boards, VoIP media gateway processors and modules.

Quintum Technologies Inc.

Quintum Technologies Inc. delivers VoIP switches to integrate existing PBX and IP infrastructures with the PSTN. Quintum sells its switches worldwide through its direct sales force and a network of resellers and distributors.

Epygi Technologies Ltd.

Epygi Technologies Ltd. designs and manufactures all-in-one IP PBXs, VoIP gateways and conference servers aimed at the SMB and SOHO markets, teleworkers and branch offices of large corporations. The company has a global presence through distributors and resellers around the world, with its products currently in operation in more than forty countries.

Risks

With only 17 employees, the loss of one or two key personnel could materially impact Sangoma's operations and/or financial results

Key Personnel

The Company's success is in part dependent on the performance of its directors, officers and key employees. There can be no assurance that Sangoma can retain its personnel, and the loss of their services could have a material adverse effect on the Company's business, operating results and financial condition. It is essential that certain officers, such as President and CEO, David

Mandelstam, who have been with Sangoma for a long period of time continue to guide the Company through its current growth stage and future opportunities.

Competition

Many of Sangoma's competitors are larger companies, with superior capital resources, providing them with certain advantages in terms of scale and development resources. However, to date Sangoma has succeeded in growing its business by building a reputation for high-quality products, by being first to the market with new features and by maintaining low price points despite its high-quality, feature-rich product line.

Technological Change

The transmission of voice, data and fax over data networks is rapidly evolving. With short product life cycles the norm in the industry, Sangoma must be able to manage the transition from existing products to new products. Its success will be depend upon the Company's ability to enhance existing products and to develop and introduce new products with improved features, keeping pace with technological innovation and addressing the growing needs of its clients.

Product Errors

The Company's products, consisting of hardware cards, software drivers and utilities are continuously being updated with newer versions. It may be difficult to maintain acceptable product quality levels at the beginning of each product launch. If there are any errors discovered after commercial release it could result in loss of revenue, delay in market acceptance, diversion of development resources, damage to Sangoma's reputation, increased service and warranty costs and liability claims.

Dependence on Key Partners

With essentially all Sangoma's sales coming through indirect channels, it is dependent on the success of its channel partners for sales. If its channel partners are unsuccessful at building and selling solutions to end users, Sangoma's results may suffer. This risk is somewhat mitigated by the breadth of Sangoma's channel relationships, as it does not rely on any one partner for a substantial portion of its business. Less than 30% of total revenue is generated from customers who account for more than 10% of Sangoma's revenue.

Currency Risk

Sangoma generates the majority of its revenue from international customers while its costs are primarily in Canadian dollars. This exposes it to risks associated with currency fluctuations. Approximately 10% to 15% of the Company's revenue is generated in Canada, with 45% to 50% generated in the US and the remainder in other countries.

Sangoma must remain current on all the latest software systems, communications protocols etc., in order to ensure its products are compatible with the changes in the market

Sangoma's revenue, for the most part, is generated outside Canada

Reliance on Third Party Subcontractors

Sangoma currently assembles and tests its products using third-party subcontractors. As a result of the reliance on an outside party to assemble the products, the Company cannot directly control product quality and delivery schedules. Any problems that occur with the quality of the products or delivery could adversely affect the financial condition of the business, as well as damaging the reputation of Sangoma.

Management and Board of Directors**David Mandelstam, Director, President and Chief Executive Officer**

Mr. Mandelstam is the founder, President and CEO of Sangoma. Previously, Mr. Mandelstam was the CEO of Entropy Control, which was involved in energy conservation engineering. Prior to that, he held positions at Spar Aerospace and South African Airways. Mr. Mandelstam holds a B.Sc. in mechanical engineering from the University of Witwatersrand in South Africa, an M.Sc. in aerodynamics from the Cranfield Institute of Technology in the UK and a B.Comm from the University of South Africa.

Doug Vilim, Vice President, Sales and Marketing

Mr Vilim joined Sangoma in 2002 as the Vice President of Sales and Marketing. His previous experience includes positions as Business Development Manager at 01 Communique (TSX:ONE) and Eastern US Sales Manager for Eicon Network's WAN and Voice Products Division. Prior to his time at Eicon, Mr. Vilim spent 10 years at NEC and Compaq where he was an account executive and worked in various senior technical sales roles.

David Macdonald, Chairman

Mr. Macdonald has been Senior Vice-President and Director, Private Client Group, Blackmont Capital Inc. since December 2003. Prior to that, he was Vice Chair, Corporate Finance, at Brawley Cathers Limited, a position he held since 1995 dealing with restructuring, underwritings, mergers and acquisitions and taxation.

Jonathan Matthews, Director

Mr. Matthews is currently the President of DOT Financial Corporation, an insurance brokerage firm based in Toronto. He has overseen several insurance agencies, where he has had full responsibility for financial affairs. In 1997 Mr. Matthews started his own full service insurance brokerage, eventually merging it with a number of other brokers before taking it public on the TSX in 1999. Mr. Matthews left that company in 2000 to become President of DOT Financial Corp.

Jay Lefton, Director

Mr. Lefton is a senior partner at Aird & Berlis LLP, a Toronto-based law firm, where he practices corporate and securities law with a specialization in life science and technology transfer. Previously, he served as a member of the Ontario Securities Commission's Securities Advisory Committee, as Chairman of the Board of outside advisors as part of the University of Toronto's Rotman School of Business, and as an adjunct faculty member at the Osgoode Hall School of Law in Toronto. In addition, he is a member of the Board

of Directors of the University of Toronto's Innovations Foundation, the Ontario Neurotrauma Foundation and ThinkFirst Foundation of Canada. Mr. Lefton is also a member of Toronto's Mount Sinai Hospital's Board of Governors and the Cell Therapy Program Advisory Board of Toronto's Princess Margaret Hospital, and is involved with a number of other community and charitable organizations, including Pathways to Education.

Equity Structure

Sangoma's management holds a large equity stake in the firm

Sangoma has a relatively simple equity structure with approximately 27.9 million shares and only 1.5 million options outstanding. The average exercise price of its outstanding options is \$0.45, with an average term of approximately 2.75 years.

The major shareholders, according to Sedi, are CEO David Mandelstam with 5.7 million shares (and 250,000 options), Chairman David Macdonald with 1.2 million shares (and 250,000 options) and a US-based institution, Hummingbird Management LLC, with 4.1 million shares. On a percentage basis, management and directors hold 26% of the outstanding shares while Hummingbird Management LLC owns 15%.

We believe that management's considerable equity interest in the firm is a positive sign, as it keeps management's and shareholders' interests aligned.

Table 2: Equity Structure Outline

	Shares	Basic Ownership	Options	Fully Diluted Ownership
Total Outstanding	27,860,000		1,455,000	
Directors	1,509,723	5.4%	500,000	6.9%
Management	5,727,500	20.6%	250,000	20.4%
Directors and Management	7,237,223	26.0%	750,000	27.2%
Significant Shareholders	4,073,800	14.6%	-	13.9%
Directors, Management and Significant Shareholders	11,311,023	40.6%	750,000	41.1%
Remaining Float	16,548,977	59.4%	705,000	58.9%
	Number	Exercise Price	Years to Expiry	
Options:	180,000	\$0.43	1.3	
	450,000	\$0.28	1.3	
	175,000	\$0.30	2.7	
	650,000	\$0.62	4.3	
	1,455,000	\$0.45	2.8	

Source: Sedi, Company reports

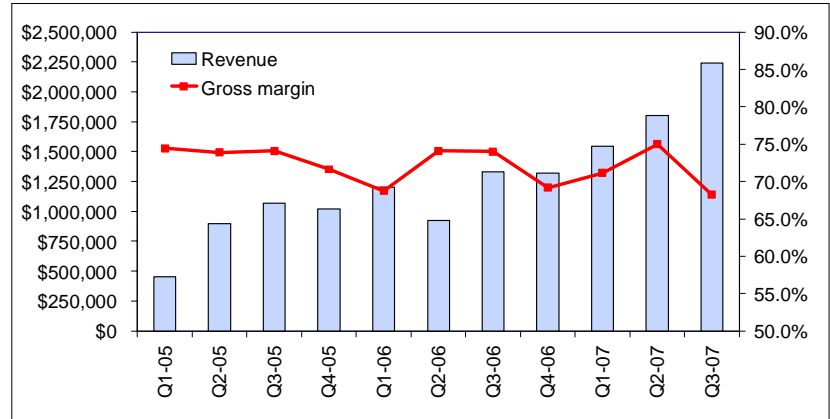
Financial Results

Revenue and Gross Margin

Sangoma's revenue growth in recent quarters has been fairly steady, with the occasional lumpiness quarter-to-quarter. The Company posted sequential growth in eight of its last eleven quarters, and year-over-year growth in each of its last nine quarters. Overall, the Company made significant progress in its top line over the last three years.

Over the same period, Sangoma exhibited gross margins in the range of 68% to 75%, or 73% on average. Product mix and order size can cause margin to improve or deteriorate one quarter to the next, but the overall average of 73% has been consistent over some time.

Figure 5: Revenue and Gross Margin (Q1-05 to Q3-07)



Source: Company reports, NSI estimates

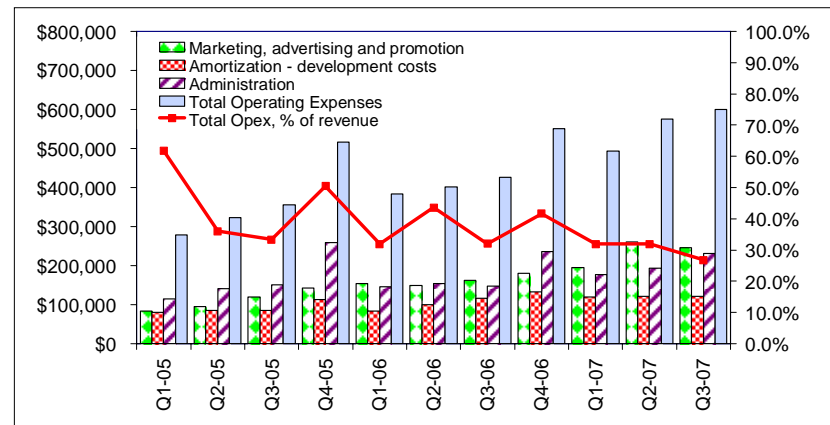
Sequential revenue growth has been fairly consistent in recent years, with the odd flat or down quarter

Operating Expenses

In operating expenses for Sangoma we include administration expenses, marketing, advertising and promotion expenses, and the amortization of development costs. It is important to note that while the Company has been capitalizing development costs, there is no material difference between net development costs and the amounts amortized due to the relatively small changes in net development costs year-to-year. If the time comes where we deem this difference to be material, we will assume the Company expenses development costs (typically the more conservative approach). In the first nine months of FY07, the total amount of development costs amortized was \$0.36 million, versus net cash development costs of \$0.35 million.

Over the last five years, Sangoma's marketing expenses have grown relatively in line with its revenue.

Figure 6: Quarterly Operating Expenses (Q1-05 to Q3-07)



Source: Company reports, NSI estimates

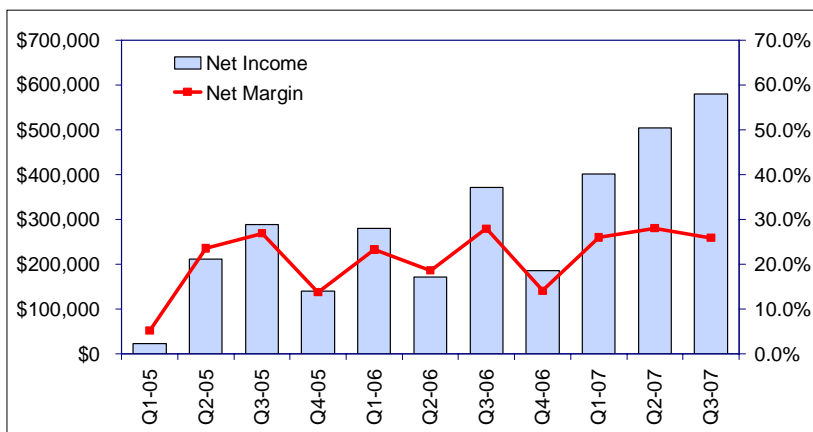
Operating expenses declining as a percentage of revenue over the long-term with quarter-to-quarter fluctuations

Overall, operating expenses have been increasing but at a pace slower than that of revenue. As a result, operating expenses as a percentage of revenue have dropped from approximately 60% in Q1-05 to under 30% in Q3-07.

Net Income

Sangoma’s net income growth has been steady overall, with periodic bumps along the way over the last several quarters. Q4 typically results in lower net margin as a result of higher administration expenses in the quarter resulting from management bonuses. This, coupled with some lumpiness in gross margins, has resulted in bottom line growth for the Company that is not as consistent as its top line growth.

Figure 7: Quarterly Net Income and Net Margin (Q1-05 to Q3-07)



Source: Company reports, NSI estimates

Balance Sheet

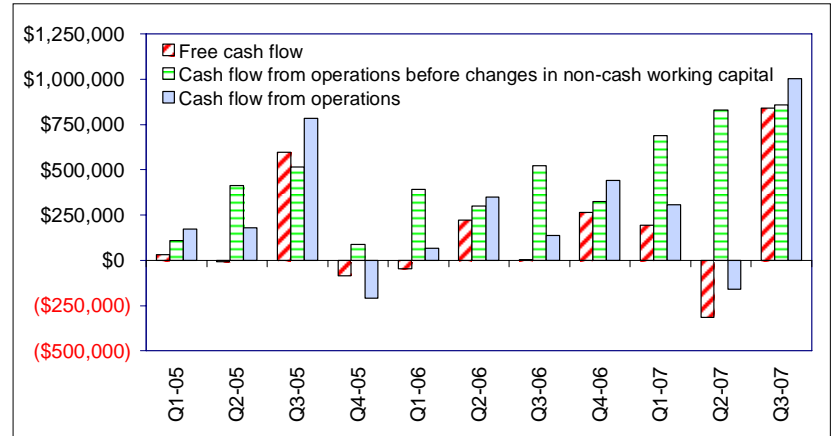
Sangoma has a relatively clean balance sheet with \$2.1 million in cash and \$4.7 million in working capital. The Company’s inventory levels have built up in recent quarters as its sales have increased, with the bulk of inventory consisting of parts rather than finished goods. The majority of Sangoma’s working capital consists of its cash and inventory balances of \$2.1 million and \$1.6 million, respectively. In addition, the Company carries approximately \$5.5 million in goodwill on its balance sheet.

Cash Flow

Sangoma has generally been cash flow positive both in terms of cash flow from operations and in terms of free cash flow for a number of years. Cash flow does fluctuate quarter-to-quarter, mostly due to changes in non-cash working capital. This is illustrated in Figure 8, where it is evident that there has been relatively consistent growth in cash flow from operations before changes in non-cash working capital (with a seasonal decline in Q4), while cash flow from operations and free cash flow are more erratic due to swings in non-cash working capital. In recent quarters the Company has built up its inventory to support the increased demand for its products, which is much of the reason for the swings in non-cash working capital. Overall we are not concerned with the quarter-to-quarter swings in

cash flow, as long-term growth is evident and the Company has sufficient resources to meet its short-term needs.

Figure 8: Quarterly Cash Flow (Q1-05 to Q3-07)



Source: Company reports, NSI estimates

Forecast

Revenue

We estimate Sangoma will grow revenue by 38% in FY08 and 35% in FY09. Over the past several years, the Company’s growth has been fueled by its successful expansion into the voice space. We expect its future growth will be driven by continued success in this space and growth of the voice market itself – both through the continued success of open source telephony as well as the entry of Microsoft into the space. The extent to which Microsoft is able to enter the market and replace traditional hardware-based PBX systems with software-based solutions could have a significant impact on the entire market, including Sangoma. Our estimates assume no revenue from this initiative in FY07 or FY08 and revenue of \$1 million in FY09.

Gross Margin

Sangoma has traditionally generated gross margins in the 71% to 73% range, but we expect this to soften slightly in the coming quarters. One of its key competitors, Digium, recently updated its product line and this could put short-term pricing pressure on Sangoma, depressing gross margin. In the longer-term, as the market matures, we expect the overall level of competition will increase and margins will be depressed somewhat. Sangoma’s reputation for high quality products should enable it to avoid excessive pressure on its margins, but we believe that a moderate decline is likely and quite possibly healthy if Microsoft is successful in growing the soft-PBX market.

Operating Expenses

We expect Sangoma’s operating expenses to grow somewhat in line with revenue, possibly slightly above the rate of revenue growth. Currently, the Company is stretched fairly thin in certain respects, such as office space. We anticipate Sangoma will need to expand its operating expenses to accommodate its top line growth. In

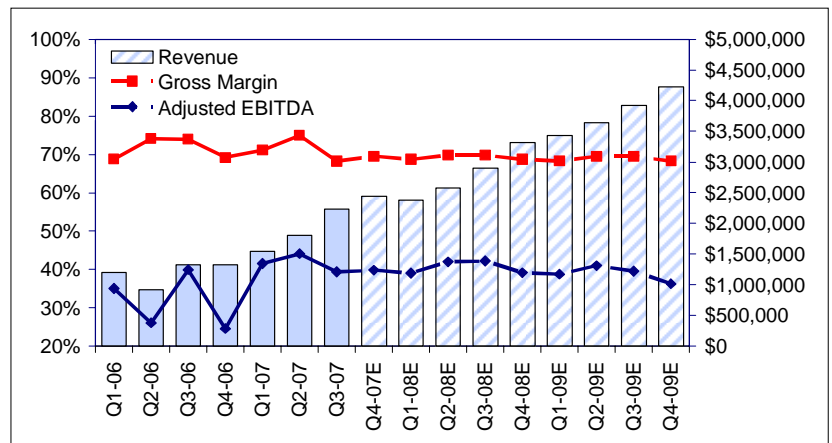
Sangoma may see some pressure on its gross margins due to competition and entry into new markets

certain cases, this will mean increasing expense levels in anticipation of growth and then growing into the new levels of spending.

Profitability

As a result of potential weakness in gross margins and increased operating expenses to fund longer-term growth, we expect Sangoma’s overall profit margins will be flat-to-down in the coming quarters. However, it is important to note that Sangoma’s current margins (71% gross, 41% adjusted, EBITDA) are quite high and, in order for the Company to continue to expand, some additional spending will be positive for the long-term health of the business. More importantly, we believe that the Company’s current valuation is attractive even if margins are depressed going forward.

Figure 9: Revenue, Gross Margin & EBITDA Margin (Q1-06A to Q4-09E)



Source: Company reports, NSI estimates

Valuation

To value Sangoma we compiled a list of comparables focused on network and telecommunications equipment providers in Canada and the US. Some of the comparables offer competing technologies (i.e. Audiocodes Ltd.), while others offer complementary products (i.e. Aastra Technologies).

It is important to note that:

1. We decided to use calendar estimates rather than fiscal for simplicity of comparison.
2. For Sangoma, we use our adjusted earnings estimate, which assumes development costs are expensed rather than capitalized. We believe this approach is more comparable to the accounting methods of the peer group.

Overall, the comparables (excluding outliers) trade at 28.0x calendar 2007 earnings estimates and 18.0x calendar 2008 earnings estimates. This is significantly higher than Sangoma’s multiples of 16.1x and 12.0x, respectively.

For our 12-month price target we are awarding Sangoma a 25.0x multiple to our estimated calendar 2008 earnings, assuming that current multiples hold one year out, and applying a 10% discount due to the Company’s relatively small market cap. With Sangoma

having grown adjusted net earnings 236% in FY05 and 64% in FY06, and our estimates that it will grow adjusted net earnings 112% in FY07 (three quarters of which have already been reported), 35% in FY08 and 27% in FY09, we believe a multiple of 25.0x earnings is justifiable.

Table 3: Comparables Comparison

Company	Symbol	Curr	Recent Price	Shares (millions)	Market Cap (millions)	EPS Estimates			EPS CAGR	P/E		
						C06A	C07E	C08E		C06A	C07E	C08E
Canadian Small/Mid Cap												
Aastra Technologies	AAH	CA	\$39.18	16.0	\$626.9	\$1.77	\$2.19	\$2.41	17%	22.1x	17.9x	16.2x
Vecima Networks Inc.	VCM	CA	\$8.59	22.4	\$192.8	\$0.46	\$0.50	\$0.63	17%	18.7x	17.2x	13.6x
Ascalade Communications Inc.	ACG	CA	\$2.21	20.2	\$44.7	(\$0.02)	\$0.09	\$0.19	n/a	n/a	24.6x	11.8x
Foreign												
Ixia	XXIA	US	\$9.91	67.8	\$672.2	\$0.29	\$0.30	\$0.47	27%	34.2x	33.0x	21.1x
Ceragon Networks Ltd.	CRNT	US	\$12.99	27.9	\$361.8	\$0.19	\$0.42	\$0.56	72%	68.4x	30.7x	23.1x
Intervoice Inc.	INTV	US	\$8.63	38.9	\$335.8	\$0.14	\$0.19	\$0.48	85%	61.6x	45.4x	18.0x
Ditech Networks Inc.	DITC	US	\$6.04	46.1	\$278.2	\$0.35	\$0.14	\$0.29	-9%	17.3x	43.1x	21.0x
AudioCodes Ltd.	AUDC	US	\$8.21	33.0	\$270.8	\$0.12	\$0.28	\$0.34	68%	68.4x	29.3x	24.1x
Radyne Corporation	RADN	US	\$10.70	18.4	\$196.9	\$0.63	\$0.68	\$0.81	13%	17.0x	15.7x	13.2x
8x8 Inc.	EGHT	US	\$1.35	61.5	\$83.0	(\$0.27)	(\$0.15)	(\$0.01)	n/a	n/a	n/a	n/a
Average (all)									36.3%	38.5x	28.5x	18.0x
Average (excluding high/low)									35.8%	37.0x	28.0x	18.0x
Sangoma Technologies Inc.	STC	CA	\$1.35	27.9	\$37.6	\$0.05	\$0.08	\$0.11	46.1%	25.5x	16.1x	12.0x

Source: Bloomberg, Company reports, NSI estimates

Conclusion and Recommendation

We believe Sangoma is well positioned for continued success. The Company is taking advantage of the emergence of VoIP by supplying the market with low-cost, high-quality products that enable voice and data transmission over WANs. With significant growth opportunities on the horizon, we believe that at current levels, the shares of Sangoma represent growth at a reasonable price.

We are initiating coverage on Sangoma Technologies Corp. with a SPECULATIVE BUY recommendation and a 12-month target price of \$2.75. Our valuation is based on a 25.0 times multiple to our estimated calendar 2008 adjusted EPS of \$0.11.

Financial Statements

Sangoma Technologies Corp. Statement of Operations											
	Fiscal 2007E					Fiscal 2008E					Fiscal 2009E
	3 mths 30-Sep-06	3 mths 31-Dec-06	3 mths 31-Mar-07	3 mths 30-Jun-07	12 mths 30-Jun-07 forecast	3 mths 30-Sep-07	3 mths 31-Dec-07	3 mths 30-Mar-08	3 mths 30-Jun-08	12 mths 30-Jun-08	12 mths 30-Jun-09
Revenue	1,546	1,802	2,238	2,444	8,030	2,376	2,581	2,898	3,317	11,171	15,220
Cost of sales	447	451	711	745	2,354	742	781	877	1,037	3,436	4,738
Gross profit	1,100	1,351	1,527	1,699	5,676	1,633	1,800	2,021	2,280	7,735	10,482
Expenses											
Administration	162	180	259	283	884	216	211	255	362	1,044	1,291
Marketing, advertising and promotion	196	260	247	299	1,002	333	348	362	406	1,450	2,086
Development costs	120	122	121	125	489	120	133	140	147	540	714
EBITDA	621	789	900	991	3,301	965	1,108	1,265	1,365	4,702	6,392
Amortization - capital assets	7	9	11	12	39	13	14	16	17	60	86
EBT	614	780	889	979	3,262	952	1,093	1,249	1,348	4,642	6,305
Income taxes											
Current income taxes	52	73	78	343	546	333	383	437	472	1,625	2,207
Future income taxes	161	202	232	-	595	-	-	-	-	-	-
Net income (loss)	\$ 401	\$ 505	\$ 579	\$ 637	\$ 2,122	\$ 619	\$ 711	\$ 812	\$ 876	\$ 3,017	\$ 4,099
Earnings (loss) per share											
Basic - WA	\$0.01	\$0.02	\$0.02	\$0.02	\$0.08	\$0.02	\$0.03	\$0.03	\$0.03	\$0.11	\$0.15
Diluted - WA	\$0.01	\$0.02	\$0.02	\$0.02	\$0.07	\$0.02	\$0.02	\$0.03	\$0.03	\$0.10	\$0.14
Adjusted results											
Adjusted EBITDA	642	795	882	973	3,292	927	1,084	1,223	1,298	4,532	5,907
Adjusted Net Income	422	510	561	618	2,112	582	687	770	810	2,848	3,614
Adjusted EPS - Basic	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.08	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.13
Adjusted EPS - Fully Diluted	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.07	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.12
Margins											
Gross margin	71.1%	75.0%	68.2%	69.5%	70.7%	68.8%	69.8%	69.8%	68.8%	69.2%	68.9%
EBITDA margin	40.2%	43.8%	40.2%	40.6%	41.1%	40.6%	42.9%	43.6%	41.1%	42.1%	42.0%
EBT margin	39.7%	43.3%	39.7%	40.1%	40.6%	40.1%	42.4%	43.1%	40.6%	41.6%	41.4%
Net margin	25.9%	28.0%	25.9%	26.0%	26.4%	26.0%	27.5%	28.0%	26.4%	27.0%	26.9%
Adjusted EBITDA margin	41.5%	44.1%	39.4%	39.8%	41.0%	39.0%	42.0%	42.2%	39.1%	40.6%	38.8%
Adjusted Netmargin	27.3%	28.3%	25.1%	25.3%	26.3%	24.5%	26.6%	26.6%	24.4%	25.5%	23.7%

Source: Company reports, NSI estimates

Sangoma Technologies Corp. Balance Sheet								
	Fiscal 2007E				Fiscal 2008E			
	30-Sep-06	31-Dec-06	31-Mar-07	30-Jun-07	30-Sep-07	31-Dec-07	30-Mar-08	30-Jun-08
				→	<i>forecast</i>			
ASSETS								
Current:								
Cash and cash equivalent	\$ 1,547	\$ 1,246	\$ 2,086	\$ 2,702	\$ 3,382	\$ 3,647	\$ 3,949	\$ 4,453
Accounts receivable	1,163	1,383	1,623	1,607	1,562	1,838	2,064	2,363
Income taxes recoverable	-	-	-	-	-	-	-	-
Inventory	908	1,780	1,621	1,797	1,709	1,797	2,017	2,386
Prepaid expenses and other assets	91	87	124	124	117	121	132	160
	3,708	4,496	5,454	6,229	6,769	7,403	8,162	9,362
Future income taxes	431	304	157	157	157	157	157	157
Property, plant and equipment	115	145	157	170	193	217	238	262
Development costs	450	445	463	481	518	542	584	650
Goodwill, net	5,543	5,543	5,543	5,543	5,543	5,543	5,543	5,543
	\$ 10,247	\$ 10,932	\$ 11,774	\$ 12,580	\$ 13,180	\$ 13,862	\$ 14,684	\$ 15,974
LIABILITIES								
Current:								
Accounts payable and accrued liabilities	\$ 297	\$ 399	\$ 584	\$ 653	\$ 635	\$ 706	\$ 672	\$ 937
Dividends Payable	0	0	0	0	0	0	0	0
Due to shareholders	0	0	0	0	0	0	0	0
Income taxes payable	3	76	154	154	154	154	154	154
Management bonus payable	75	0	0	100	100	0	0	100
Obligation under capital lease	0	0	0	0	0	0	0	0
	375	475	738	908	889	860	826	1,191
SHAREHOLDERS' EQUITY								
Share capital	13,047	13,059	13,059	13,059	13,059	13,059	13,059	13,059
Contributed Surplus	83	151	151	151	151	151	194	244
Deficit	(3,258)	(2,753)	(2,174)	(1,537)	(919)	(208)	604	1,480
	9,872	10,457	11,036	11,673	12,291	13,002	13,857	14,783
	\$ 10,247	\$ 10,932	\$ 11,774	\$ 12,580	\$ 13,180	\$ 13,862	\$ 14,684	\$ 15,974

Source: Company reports, NSI estimates

Sangoma Technologies Corp. Statement of Cash Flow											
	Fiscal 2007E					Fiscal 2008E					Fiscal 2009E
	3 mths	3 mths	3 mths	3 mths	12 mths	3 mths	3 mths	3 mths	3 mths	12 mths	12 mths
	30-Sep-06	31-Dec-06	31-Mar-07	30-Jun-07	30-Jun-07	30-Sep-07	31-Dec-07	30-Mar-08	30-Jun-08	30-Jun-08	30-Jun-09
					forecast						
Net income (loss)	\$ 401	\$ 505	\$ 579	\$ 637	\$ 2,122	\$ 619	\$ 711	\$ 812	\$ 876	\$ 3,017	\$ 4,099
Items not affecting cash flows:											
Amortization	128	131	132	137	527	133	148	155	164	600	800
Future income taxes related to operations	161	127	147	-	435	-	-	-	-	-	-
Stock compensation expenses	-	68	-	-	68	-	-	43	50	93	122
CFO before changes in non-cash WC	690	831	858	774	3,152	751	858	1,011	1,090	3,710	5,021
Net changes in non-cash working capital	(383)	(989)	145	10	(1,217)	121	(397)	(491)	(330)	(1,097)	(980)
Cash flow from operating activities	\$ 307	\$ (158)	\$ 1,003	\$ 784	\$ 1,936	\$ 873	\$ 461	\$ 520	\$ 760	\$ 2,613	\$ 4,041
FINANCING											
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Shares purchased for cancellation	-	-	-	-	-	-	-	-	-	-	-
Issue of capital stock (stock options exercised)	-	12	-	-	12	-	-	-	-	-	-
Repayment to shareholders	-	-	-	-	-	-	-	-	-	-	-
Obligation under capital lease	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities	\$ -	\$ 12	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
INVESTMENTS											
Deferred development costs before investment tax credits	(174)	(191)	(225)	(232)	(822)	(249)	(245)	(275)	(323)	(1,093)	(1,674)
Investment tax credits	75	75	85	89	324	92	88	94	110	384	475
Purchase of property, plant and equipment	(1)	(4)	(2)	(2)	(100)	(36)	(39)	(36)	(41)	(152)	(213)
Future income taxes related to investments	(8)	-	-	-	(75)	-	-	-	-	-	-
Net change in non-cash working capital balances related to investments	-	-	-	-	-	-	-	-	-	-	-
Cash flow from investing activities	\$ (188)	\$ (155)	\$ (162)	\$ (168)	\$ (673)	\$ (193)	\$ (196)	\$ (218)	\$ (255)	\$ (861)	\$ (1,412)
Increase in cash & equivalents	120	(302)	840	616	1,274	680	265	302	505	1,752	2,628
Cash & equivalents, beginning of period	1,427	1,547	1,246	2,086	1,427	2,702	3,382	3,647	3,949	2,702	4,453
Cash & cash equivalents, end of period	1,547	1,246	2,086	2,702	2,702	3,382	3,647	3,949	4,453	4,453	7,082

Source: Company reports, NSI estimates

Analyst/Company	Ticker	Ex	Rating	Price Target	Last Price	Market Cap (millions)	Shares o/s (millions)	Previous Volume	52 Week		Applicable Disclosures
									High	Low	
Oil and Gas											
Tim Murray, CFA 403-313-5983											
AltaCanada Energy Corp.	ANG	V	Hold	\$0.40	\$0.40	\$24	60.2	8,448	\$0.74	\$0.37	8
Berkana Energy Corp.	BEC	T	Buy	\$2.15	\$1.75	\$118	67.5	17,400	\$2.48	\$1.02	8
Canext Energy Inc.	CXZ	V	Buy	\$1.10	\$0.70	\$54	77.4	105,237	\$1.89	\$0.63	8
Endev Energy Inc.	ENE	T	StrB	\$1.75	\$1.01	\$90	88.9	45,571	\$1.75	\$0.90	8
Gentry Resources Ltd.	GNV	T	Buy	\$4.70	\$3.49	\$135	38.8	99,700	\$5.80	\$3.25	8
Grand Banks Energy Corp.	GBE	V	Hold	\$1.50	\$1.26	\$40	32.0	80,943	\$2.19	\$1.10	8
Stylus Energy Inc.	STY	T	TENDER	\$2.70	\$2.66	\$74	27.7	2,426,902	\$4.60	\$1.60	8
The Buffalo Oil Corp.	BFO	V	Buy	\$1.85	\$1.41	\$30	21.6	13,300	\$2.14	\$1.35	1,8
Trafalgar Energy Ltd.	TFL	T	Hold	\$4.75	\$4.05	\$39	9.6	3,149	\$4.70	\$3.27	8
Metals and Mining											
Jeremy Link, M.Eng, P.Eng 416-644-8133											
Acadian Mining Corp.	ADA	V	Buy	\$1.57	\$1.28	\$174	135.8	923,150	\$1.34	\$0.44	1,8
Acero-Martin Explorations Inc.	ASD	V	SpecB	\$0.84	\$0.45	\$25	56.1	119,500	\$1.33	\$0.41	1
Frontier Pacific Mining Corporation	FRP	V	SpecB	\$1.40	\$0.81	\$109	134.1	43,558	\$0.94	\$0.30	
International PBX Ventures Ltd.	PBX	V	REVIEW	N/A	\$0.60	\$33	54.5	123,500	\$0.84	\$0.31	
Khan Resources Inc.	KRI	T	SpecB	\$7.30	\$3.81	\$194	51.0	802,948	\$5.64	\$1.11	2,8,9
Mediterranean Resources Ltd.	MNR	V	SpecB	\$0.52	\$0.33	\$29	86.8	898,100	\$0.50	\$0.24	
Solex Resources Corp.	SOX	V	SpecB	\$2.55	\$0.90	\$51	56.5	135,750	\$1.61	\$0.40	
Energy Services											
Marcel Brichon, CFA, FCSI, 604-668-1888											
Dalmac Energy Inc.	DAL	V	SpecB	\$1.00	\$0.58	\$7	12.4	2,100	\$0.99	\$0.41	8
Divestco Inc.	DVT	T	StrB	\$9.35	\$3.90	\$138	35.4	90,496	\$5.20	\$2.27	1,8
Kelman Technologies Inc.	KTI	T	SpecB	\$0.45	\$0.30	\$12	41.6	3,700	\$0.47	\$0.21	
Pulse Data Inc.	PSD	T	Hold	\$2.80	\$3.00	\$144	47.9	124,903	\$3.08	\$2.04	8
Special Situations											
Marcel Brichon, CFA, FCSI, 604-668-1888											
AccelRate Power Systems Inc.	APS	V	Hold	\$0.45	\$0.19	\$5	26.3	34,000	\$0.53	\$0.15	8
Gemcom Software International Inc.	GCM	T	Buy	\$2.50	\$1.86	\$97	52.1	14,500	\$2.40	\$0.86	8
International Technologies Corp.	ITI	V	SpecB	\$0.72	\$0.25	\$4	17.5	50,000	\$0.47	\$0.22	8
Wellpoint Systems Inc.	WPS	V	StrB	\$1.11	\$0.44	\$16	35.6	7,000	\$0.50	\$0.30	1,8
David Brill, MBA, CFA, 416-644-8164											
ADF Group Inc.	DRX	T	StrB	\$5.35	\$4.73	\$94	19.8	246,473	\$4.84	\$1.10	1,8
Altus Group Income Fund	AIF-U	T	Buy	\$15.40	\$13.49	\$141	10.5	2,527	\$15.60	\$9.55	7,8
Automated Benefits Corp.	AUT	V	SpecB	\$0.45	\$0.18	\$19	106.4	10,000	\$0.40	\$0.15	1,7,8
Century II Holdings	CH	T	StrB	\$8.25	\$6.20	\$71	11.4	1,517	\$8.43	\$4.96	6
NaiKun Wind Energy Group Inc.	NKW	V	SpecB	\$4.20	\$3.81	\$91	23.8	86,111	\$3.97	\$0.24	1,8
Power Tech Corporation Inc.	PWB	V	SpecB	\$0.89	\$0.60	\$22	36.0	2,000	\$0.77	\$0.46	1,8
Stella-Jones Inc.	SJ	T	StrB	\$59.40	\$45.30	\$557	12.3	8,332	\$48.99	\$17.85	8
Retail & Consumer Products											
Sarah C. Alemao, 416-644-8179											
Brick Brewing Co. Ltd.	BRB	T	Buy	\$2.65	\$2.21	\$48	21.8	17,000	\$2.55	\$1.73	8
Glentel Inc.	GLN	T	Buy	\$9.35	\$7.99	\$82	10.3	31,621	\$9.00	\$5.60	
Hart Stores Inc.	HIS	T	Buy	\$5.60	\$4.25	\$59	13.8	3,700	\$6.59	\$4.05	8
Le Chateau Inc.	CTU/A	T	Buy	\$20.00	\$17.14	\$427	24.9	7,800	\$17.66	\$9.00	8
Liquidation World Inc.	LQW	T	Hold	\$4.95	\$4.54	\$38	8.3	1,750	\$7.45	\$4.42	
MEGA Brands Inc.	MB	T	Hold	\$25.00	\$19.62	\$669	34.1	381,525	\$27.60	\$19.53	8
West 49 Inc.	WXX	T	Buy	\$1.55	\$1.33	\$84	63.3	14,700	\$1.52	\$0.81	8
Technology											
Dennis dos Santos, P. Eng, MBA, 416-644-8124											
DALSA Corp.	DSA	T	StrB	\$20.00	\$11.73	\$222	18.9	21,171	\$15.60	\$11.45	8
Fortsum Business Solutions Inc.	FRT	V	Restricted	N/A	\$0.52	\$18	34.3	4,000	\$0.80	\$0.47	4,8
Intrinsyc Software International Inc.	ICS	T	SpecB	\$1.75	\$0.69	\$82	119.4	34,400	\$0.89	\$0.34	8
ORTHOsoft Inc.	OSH	V	SpecB	\$2.00	\$0.76	\$39	51.1	69,050	\$0.84	\$0.34	
QuStream Corporation	QVC	V	Buy	\$2.45	\$1.40	\$33	23.6	15,000	\$2.23	\$1.25	
Route1 Inc.	ROI	V	REVIEW	N/A	\$0.21	\$53	259.1	623,200	\$0.27	\$0.07	4,8
The Medipattern Corp.	MKI	V	SpecB	\$1.40	\$1.30	\$49	37.5	21,000	\$1.46	\$0.40	8
Massimo Voci, 416-644-8129											
Absolute Software Corp.	ABT	T	Buy	\$35.00	\$29.97	\$686	22.9	134,814	\$32.95	\$3.38	7
Accelware Corp.	AXE	V	SpecB	\$2.50	\$1.12	\$39	34.8	1,000	\$1.88	\$0.39	1
Sandvine Corporation	SVC	T	Hold	\$6.25	\$6.35	\$850	133.9	346,233	\$6.90	\$1.65	7,8
Sangoma Technologies Corporation	STC	V	SpecB	\$2.75	\$1.35	\$38	27.9	56,300	\$1.72	\$0.36	8
Sylogist Ltd.	SYZ	V	SpecB	\$1.55	\$0.61	\$11	18.0	12,070	\$2.15	\$0.57	6,8

1. Within the past 12 months, Northern Securities Inc. managed or co-managed a public offering of securities for the subject company.
2. Within the past 12 months, Northern Securities Inc. received compensation for investment banking services from the subject company.
3. Northern Securities Inc. is currently providing the subject company with investment banking services.
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