VERSANT PARTNERS

June 2, 2008
Initiating Coverage Report

Equity Research

SANGOMA TECHNOLOGIES

An industry leader at a compelling valuation; Initiating with a Speculative BUY

INVESTMENT THESIS

Sangoma provides telephony and data hardware to the high-growth VoIP market. The company has established a leading position in supplying hardware to the OSS IP PBX market, which we believe it can parlay into supplying the mainstream IP PBX market.

VALUATION

We believe that Sangoma stock is trading at a compelling valuation given its extraordinary financial profile. Sangoma's trailing 12-month (TTM) average quarterly revenue growth is 74% and its TTM EBITDA margin is 44%. Despite this growth and profitability, Sangoma currently trades at just 4.5× CY08 EBITDA and 9.9× CY08 adjusted EPS.

FOCUS POINTS

- Sangoma has established a leading position in the burgeoning open source software (OSS) telephony market. Its hardware underpins the largest single Asterisk implementation.
- Sangoma's business model has delivered superb financial returns: the EBITDA margin has consistently been 40%+ over the past 10 quarters.
- Near-term catalysts include traction from the recent Dell/Fonality distribution deal and the opportunities created by Microsoft's Office Communications Server (OCS) 2007.
- We are initiating coverage of Sangoma with a Speculative Buy recommendation and a one-year target of $2.20 per share. Our target is based on 15× 2009 EPS and a discounted free cash flow model using a WACC of 14.0% and a terminal growth rate of 3.0%.

Company profile: Sangoma is a leading supplier of communication products that connect computer devices to data and telephone networks.

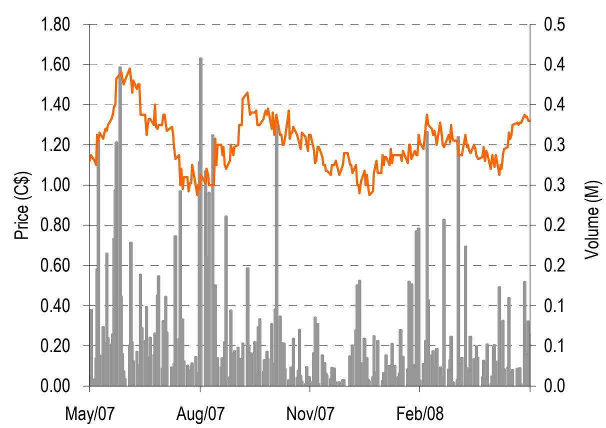
Recommendation:	**SPECULATIVE BUY**
Symbol/Exchange:	STC/TSXV
Sector:	Hardware
All dollar values in C$ unless otherwise noted.	
Current price:	$1.32
One-year target:	$2.20
Target return:	67%

Financial summary

Shares O/S (M)	28.4	52-Week Range	C$1.35 - C$3.40
Market Cap (C$M)	37.4	Avg. Weekly Volume	51,768
Market Float (C$M)	20.6	Net Cash (C$M)	5.2

C$ millions (Jun-30)	F2007A	F2008E	F2009E	F2010E
Sales	8.2	12.8	16.9	19.8
EBITDA	3.6	6.0	7.8	9.4
EBITDA margin (%)	43%	47%	46%	47%
Adjusted EPS (Diluted)	0.07	0.11	0.15	0.19
Net earnings margin (%)	22%	25%	26%	27%
Cash flow	2.3	3.4	4.1	5.9
Free cash flow	**2.1**	**3.1**	**3.8**	**5.5**
Price/Revenue	4.6x	2.9x	2.2x	1.9x
EV/EBITDA	9.1x	5.4x	4.1x	3.4x
Price/Adjusted EPS	19.2x	11.9x	8.5x	7.1x

Source: Versant Partners, Sangoma Technologies



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See disclosure and a description of our recommendation structure at the end of this report.

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INTRODUCTION

We are initiating coverage of Sangoma Technologies, a leading provider of communication products that connect computer devices to data and telephone networks. Products include hardware cards, software drivers and utilities. Sangoma has established a leading position in supplying hardware to the open-source software (OSS) IP PBX market, which we believe it can parlay into supplying the mainstream IP PBX market.

Sangoma currently trades at a conservative valuation given its growth and profitability. Sangoma's trailing 12-month (TTM) average quarterly revenue growth is 74% and its TTM EBITDA margin is 44%. Despite this growth and profitability, Sangoma currently trades at just 4.5× CY08 EBITDA and 9.9× CY08 adjusted EPS.

We believe that Sangoma has been overlooked (along with many other small cap plays under $100m) and represents an investment with a favourable risk reward profile at current valuation levels.

INVESTMENT POSITIVES

A leading hardware provider to the OSS telephony market

Sangoma has established a leading position in the burgeoning open source software (OSS) telephony market. The company is the exclusive telephony card provider to Fonality, a telecommunications provider with the largest implementation of Asterisk (the leading OSS telephony application). Fonality was recently selected as the provider for Dell's IP PBX (Internet Protocol Private Branch eXchange) solution. We believe that the company's success is a result of the market's perception of its product quality and reliability. Sangoma offers a lifetime warranty on all telephone card products, the longest in the industry.

IP telephony growth to continue

Gartner, the world's leading information technology research and advisory company, estimates that approximately 30% of enterprise telephony systems were IP PBXs in 2007 and that this number will rise to 80% by 2010. We believe that Sangoma will continue to be a beneficiary of this trend because its products connect computing devices to data and telephone networks.

Highly profitable business model

Sangoma has been able to maintain a consistent 40%+ EBITDA margin over the past 10 quarters. The company has a per-port pricing model that yields lucrative margins on cards with high port densities. In addition, Sangoma's customers are typically not price sensitive because the company's products support mission-critical voice and data applications.

Conservative valuation

Sangoma currently trades at a conservative valuation given its growth and profitability. Over the past five quarters, year-over-year revenue growth has averaged 83.2% and the trailing 12-month EBITDA margin has been 41.8%.

Despite these fundamentals, Sangoma currently trades at just 4.5× CY08 EBITDA and 9.9× CY08 adjusted EPS.

INVESTMENT RISKS

Open source telephony growth slows

Late last year, Microsoft launched Office Communications Server (OCS) 2007, which includes Voice over IP (VoIP). Sangoma has not been named a partner in the OCS 2007 ecosystem and may not be a meaningful supplier to the OCS roll-out. In addition, OCS 2007 may impede the growth of OSS telephony deployments. Sangoma's growth may be jeopardized with the company's dependence on OSS telephony growth.

The equity market will continue its large cap bias

The equity market volatility has created a bias for large cap stocks. Demand for small cap companies has waned, resulting in falling prices and valuations. We believe that the small cap market will correct, but we cannot be certain on timing.

Operational risk as company expands

The company's infrastructure has lagged its development. The company currently has a headcount of approximately 20 employees, implying revenue run rate of over $500,000 per employee. We advocate high revenue efficiency, but we are cautious about the company's ability to maintain high growth rates with constrained resources.

POTENTIAL NEAR- AND MID-TERM CATALYSTS

Traction with Fonality/Dell distribution channel

In January, Dell launched its IP PBX product, including the Fonality solution, which uses Sangoma's telephony cards. Since the launch, Dell has included the Fonality product it in its U.S. print mailer sent to small and mid-sized businesses (SMB) and hosted webinars to market the solution to its SMB customer base. IDC (the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets) estimates that Dell holds a commanding 28% share of the highly fragmented SMB market.

Microsoft OCS 2007 to drive IP PBX adoption

We expect that OCS 2007 will reshape the telecommunications industry with a solution that provides cost savings (by using VoIP) and numerous features (with the tight integration with Microsoft Office). Although not currently a Microsoft partner, we believe that Sangoma is well positioned to become a key provider of telephony cards to the OCS 2007 solution.

PBX replacement cycle to accelerate conversion to IP PBX

Legacy premise-based TDM PBX systems have a much longer replacement cycle than does computing infrastructure. We believe that the last TDM PBX system upgrades were prompted by Y2K and that a wave of upgrades is imminent considering the equipment has a useful life of eight to 10 years.

COMPANY OVERVIEW

Company description

Sangoma is a leading supplier of communication products that connect computer devices to data and telephone networks, including hardware cards, software drivers and utilities. Sangoma's wide area network (WAN) products allow traditional WAN routing functions to be handled without the cost and complexity of an external router. The company's telephony products include analog and digital voice cards for use with Asterisk (the leading Linux-based telephony platform) and other IP-based PBXs. Sangoma's communication toolkit allows third-party companies to build WAN access into their own products.

Corporate history

The company was founded in 1984 and was an early supplier of robust data communications products based on the personal computer platform. The company went public in May 2000 with a reverse takeover.

Share ownership

As of March 2007, there were 28.4 million shares outstanding. Two parties control approximately 35% of shares outstanding: David Mandelstam holds 5.7 million shares (or roughly 20% of shares outstanding) and Hummingbird Management holds 4.1 million shares (or about 15% of shares outstanding) across three funds. Other insiders include Gideon Hack (the company's former Chief Technology Officer) with 2.1 million shares and David Macdonald (the company's former Chief Financial Officer) with 0.5 million shares.

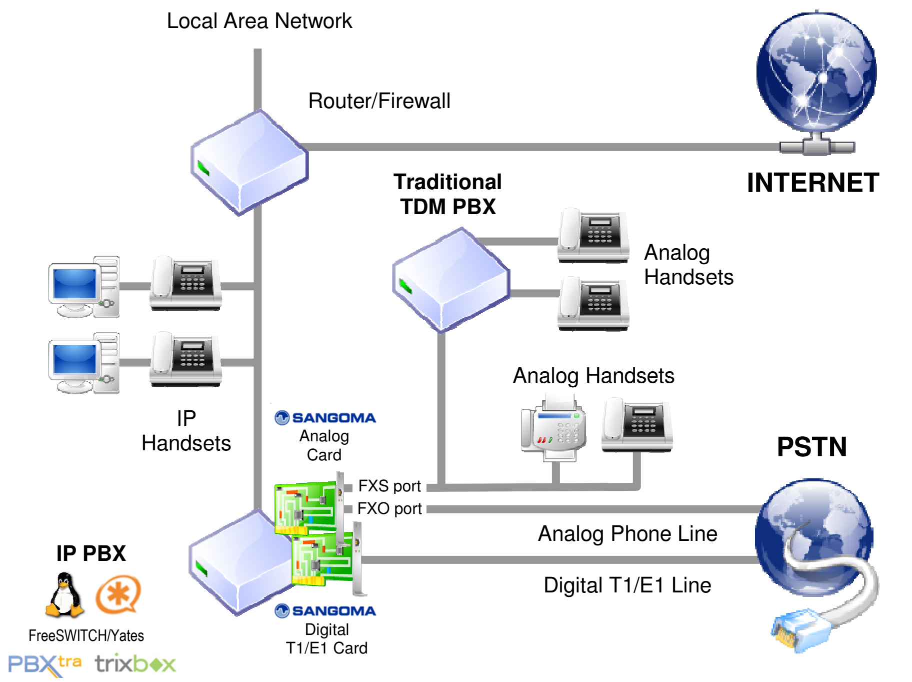
PRODUCTS AND SERVICES

Sangoma manufactures hardware (telephony cards and WAN data cards) and software that enables computing devices with peripheral component interconnect (PCI) interface slots, mainly PC servers, to communicate with high-speed wide area networks and telephone networks.

Telephony cards

Sangoma produces a line of telephony cards that connect computing devices (mostly PC servers) to public switched telephone network (PSTN) lines. These products act as a bridge between the legacy analog telephone network and a digital computing network. The cards are engineered to work with open source software PBXs, including Asterisk, Yate, FreeSwitch and CallWeaver.

Exhibit 2. Sangoma telephony cards



Source: Versant Partners

Sangoma's telephony cards range from managing a single PSTN line to up to 240 lines on a single PCI slot.

Wide area network data cards

Sangoma has a history of providing internal WAN data cards that connect disparate networks over ADSL, 56k DDS, T1/E1 and serial connections. This continues to be a core business for Sangoma, but it is exhibiting a lower growth rate than the company's telephony card products.

Software

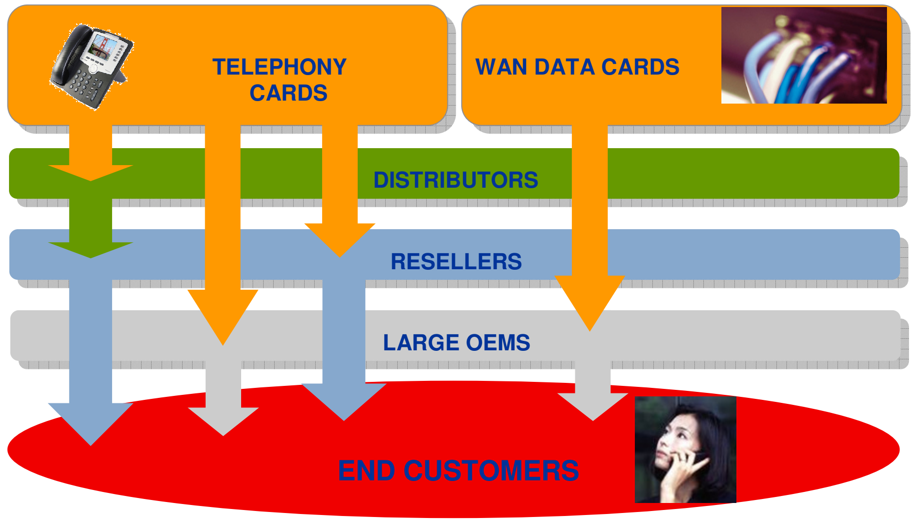
Sangoma's software solutions include PBX/soft switch solutions, Signalling System #7 (SS7) solutions, WAN networking and application programming interface (API) toolkits.

Sangoma's SS7 Media Gateway fully integrates with open-source software telephony engines like Asterisk to communicate with networks using SS7 protocols. SS7 is a set of carrier-grade telephony signalling protocols that are used to set up and tear down telephone calls on public switched telephone networks.

DISTRIBUTION

Sangoma uses a three-tier approach to distribution, using distributors, resellers and original equipment manufacturers (OEMs); the company does not sell directly to end-customers. Telephony cards are distributed through all three channels, while data cards are sold exclusively to large OEMs.

Exhibit 3. Distribution channels



Source: Sangoma

Distributors and resellers

Sangoma has a global network of approximately 20 distributors and 70 resellers.

Exhibit 4. Telephony card distributors and resellers

	Americas	Europe	Other
Distributors	SoTel IP Services, Cylogistics, Gentek, Neocenter (Mexico), OSI Telecom Business Services, Solution Box, SUMTEC, XmarteK	Euroline, Halo Kwadrat, MapleLeaf Technologies, MSD, The IP Company, VoIPon Solutions, Wildix OOO	Big 5 Distribution, DQN, ECN, Even Flow, Lanvik ICU, PeopleTech, SunKom, Tikal Networks
Resellers	888VoipStore, CCG Telecom, click4pbx, Convermation, Crewe Technologies, GECKO NETWORKS, iFAX Solutions, Intruder Consulting, ipPhoneShack.com, KSP Technology, Marketel Systems, Orade, PBX-Supply.com, PBXEQ.com, Sangoma Pros, Sigma Networks, Telephony Depot, Telephonyware, TierraNorte, Tropcom.com, voipdepot.ca, VoIPGizmos.ca, Voiplink, VOIPSupply.com, VOIPware, GECKO, Linux Mall, MaresTelecom, MICROMATIX, NeuroRedes, Tropcom.com, Voice-S	4CONSULT, ALTECTRADE, AMOOMA, CBlue, Daktela, Digital Deal, First Telecom, Future Media Productions, Hybrid Systems, Modulo Consulting, Novacom, PBX-network, Resix S.A.R.L, Skip2PBX, SL solucije, Speakup, Telpoint, TuxBox, Van Leyden MultiMedia, Vector Communications, Voiceworks, VoIP Experts, Voipminic, Wide VoIP	Da'Voize Network Solutions, Mytel, nice technology, Techtopia, Votel Iletisim Hizmetleri, Mototelecom, Traveltele.com, Techtopia, Asiatel, Nresource, NSTEK, Openpbx, Poise Technology, PT Elektrodata, Sunrise Telephone Systems, The Asterisk Solutions Company, Universal Netcom Solutions

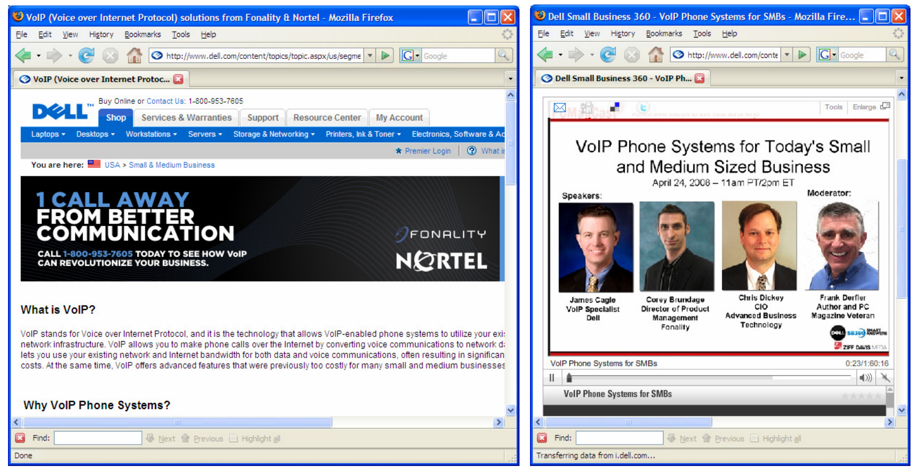
Source: Sangoma Technologies, Versant Partners

Original equipment manufacturers

Sangoma's largest telephony card OEM is Fonality, a private company whose investors include Intel Capital and Azure Capital Partners. Fonality's flagship product is PBXtra, an affordable enterprise-class IP PBX based on Asterisk. The company has over 5,000 customers that support 100,000 end-users in over 100 countries.

In January 2008, Fonality announced its partnership with Dell to offer its IP PBX to Dell's small- to mid-sized customer base (businesses with 5 to 125 employees). Dell partnered with Nortel to provide VoIP phone systems for larger enterprises (125 to 500+ employees). We believe that all of the telephony cards supplied to Dell/Fonality are sourced from Sangoma, though no press release supports this belief.

Exhibit 5. Dell.com VoIP site and recent Dell/Fonality webinar



Source: www.Dell.com

The primary benefits of the Dell channel are full Dell support for the hardware, financing on the full purchase price provided by Dell, credibility of the Fonality solution co-branded with Dell and significant marketing exposure.

INDUSTRY OVERVIEW

Telecommunications market

The modern telecommunications market is based on PBXs that connect users within organizations to the public switched telephone network (PSTN) via trunk lines. The primary advantage of PBXs is cost savings: a small number of external lines can be shared by a larger number of users within an organization with the use of extension numbers. PBXs have developed from rudimentary routing devices to sophisticated systems that can provide additional services such as automated attendants, automated extension dialling, hunt groups and voice mail.

Traditional time division multiplexing (TDM) PBX systems were based on proprietary hardware and software and dominated by a handful of large telecommunications equipment manufacturers, much like the initial stages of the computing industry. The telecommunications industry has lagged the computing industry in adopting standards to commoditize processes and components, but this has begun to change with the adoption of Internet Protocol as a standardized transport protocol in the industry.

IP PBX market

Telephony systems based on Internet Protocol have steadily grown as enterprises migrate to a single IP network for both voice and data. A single network reduces costs and network complexity and enables new services. In addition, IP telephony systems are typically more flexible and scalable than traditional TDM PBXs. IP PBX systems also have features that are not available on traditional TDM PBXs such as softphones for remote users and unified messaging.

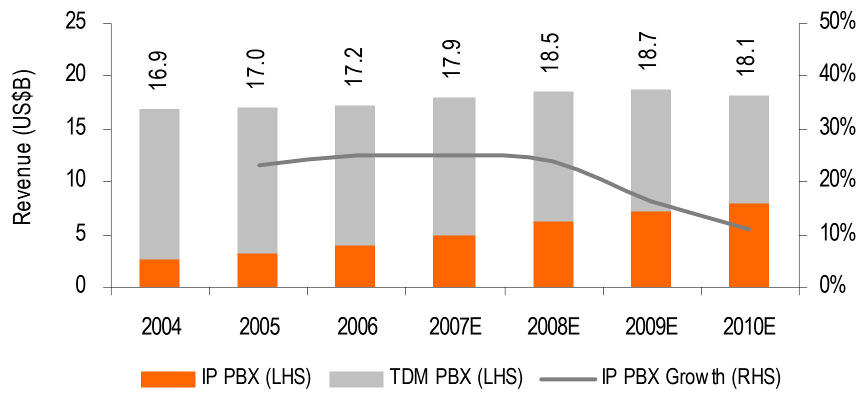
Exhibit 6. PBX features: IP versus TDM

	Basic PBX functionality	Advanced PBX functionality	IP PBX-only features
TDM PBX	Yes	Partial	No
IP PBX	Yes	Yes	Yes
Features	Automated attendant Call menus/phone tree Extension administration Call forwarding Call transfer Call parking	Voice mail Call recording Conference bridge Integrated voice response	Mobility/remote users Programmable handsets Efficient use of network Web-based management Centrally updated directory Unified messaging/email Advanced call routing

Source: Versant Partners

Gartner expects IP PBX systems to contribute 44% of enterprise telephony revenue by 2010. IP PBX system revenue was approximately $3.9 billion in 2006 and Gartner expects it to grow to $7.9 billion by 2010, a compound annual growth rate of 19.1%. Legacy non-IP PBX telephony systems are expected to decline at a CAGR of 6.5% over the same period.

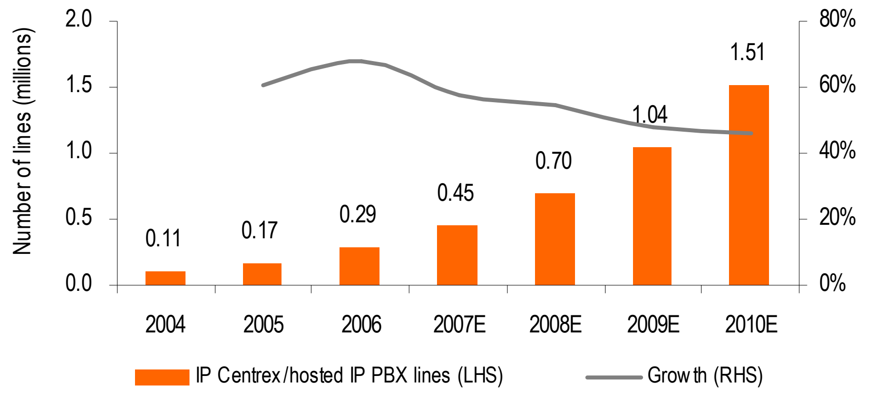
Exhibit 7. Significant growth of global IP PBX systems



Source: Gartner

The growth rate of IP lines (IP Centrex and IP PBX lines) mirrors that of IP telephony systems, also exhibiting significant growth. Frost & Sullivan forecasts that IP lines in North America will grow from 0.3 million in 2006 to 1.5 million in 2010.

Exhibit 8. Significant growth of IP lines (North America)

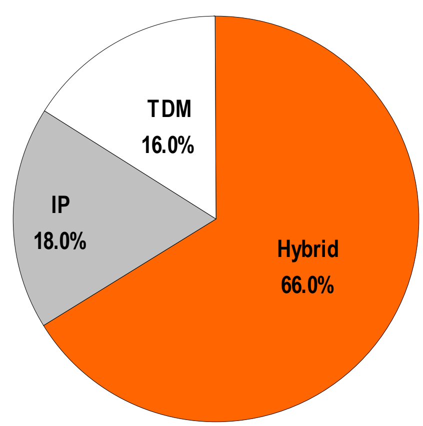


Source: Frost & Sullivan

Companies have transitioned from traditional TDM PBXs to IP PBXs by adopting hybrid telephony systems. A hybrid telephony system captures the cost savings of a single IP network but leverages the companies existing investment in traditional TDM PBXs.

Infonetics Research estimates that a full two-thirds of enterprise PBX systems are currently a combination of IP and traditional TDM and that only 16% of systems are running unmodified legacy systems. We believe that the large proportion of companies with hybrid systems indicates the significant impending shift to pure IP telephony systems. The shift will occur as the TDM IPB systems end their useful lives and are replaced with pure IP PBXs.

Exhibit 9. IP telephony making inroads with hybrid systems



Source: Infonetics Research

The leading large enterprise IP PBX system providers are 3Com, Avaya, Cisco, Mitel, NEC, Nortel, Shoretel and Siemens.

Exhibit 10. Large enterprise IP telephony system vendors

Company	3Com	Avaya	Cisco	Mitel	NEC	Nortel	Shoretel	Siemens
Cost	$6,000+	$15,000+	$400/user	$20,000+	N/A	$250/user	$354/user*	$42,000+
Max. users	50,000	36,000	60,000	65,000	16,000	22,500	10,000	100,000
O/S platform	Linux	Linux	Linux/ Windows	Linux/ VXWorks	Linux	Linux/ VXWorks	Proprietary O/S	Linux
PBX application	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary
Server hardware support	IBM x-Series servers	Intel Xeon server	Intel 7800 series server	3300ICP	Proprietary	Proprietary	Proprietary	IBM x3650 T server
IP handset support	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary	Proprietary
Core PBX functionality	●	●	●	●	●	●	●	●
Automated call distribution	○	●	○	●	●	●	○	○
Interactive voice response	○	○	○	●	○	●	●	○
Unified messaging	●	●	○	●	●	○	●	○
Mobile comm. support	○	●	●	●	○	●	●	●
Software developers kit	●	●	●	●	●	—	●	●

*$354/user for fewer than 1,000 users, $114/user for more than 1,000 users; ○ denotes an optional feature; ● denotes a standard feature

Source: www.voip-news.com, Versant Partners

The cost of these large enterprise IP PBX systems typically start at $6,000, with some vendors (such as Siemens) charging higher prices. The majority of these products are based on Linux using proprietary hardware, software and handsets. The feature set of these systems is typically limited to core PBX functionality, with advanced features offered as upgrades.

Open source software–based IP PBXs

Open source software is computer software where the source code is made available under a copyright license (or arrangement such as the public domain). This license permits users to use, change and improve the software, and to redistribute it in a modified or unmodified form. OSS is often developed in a public and collaborative manner.

Asterisk is the leading open source converged telephony platform that leverages commoditized computing and communications components such Intel's x86 processor and the Linux operating system. Asterisk includes the following suite of integrated applications: voicemail, hosted conferencing, call queuing and agents, music-on-hold, call parking and interactive voice response. Digium estimates that Asterisk is deployed on more than two million servers worldwide, supporting over 10 million users. In 2007 alone, over one million copies of Asterisk were downloaded.

Exhibit 11. Asterisk-based IP appliances versus large-enterprise IP telephony system

Company	Large enterprise PBX manufacturer's IP PBX	3Com*/Digium (Asterisk Appliance)	Fonality (PBXtra)	Rhino (Ceros)
Cost	$6,000+	$1,260+	$1,100	$900+
Max. users	10,000+	2–50 users per site	100,000+	N/A
O/S platform	Linux (7)/Other (1)	Linux	Linux	Linux
PBX application	Proprietary	Asterisk	Asterisk	Asterisk
Server hardware support	IBM (2)/Intel (2)/Proprietary (4)	Intel-based server	Intel-based server	Intel-based server
IP handset support	Proprietary (8)	SIP-based phones	SIP-based phones	SIP-based phones
Core PBX functionality	●●●●●●●●	●	●	●
Automated call distribution	●●●●○○○○	●	●	●
Interactive voice response	●●●○○○○○	●	●	●
Unified messaging	●●●●●○○○	●	●	●
Mobile comm. support	●●●●●●○○	●	●	●
Software developers kit	●●●●●●●–	●	●	●

* 3Com partnership to co-brand and market Asterisk Appliance to SMB; ○ denotes an optional feature; ● denotes a standard feature

Source: www.voip-news.com, Versant Partners

The largest deployment of Asterisk has been Fonality's hybrid-hosted architecture PBXtra and trixbox Pro products. The platform supports over 100,000 users (in over 5,000 sites) worldwide (over 100 countries) that has connected over 250 million phone calls.

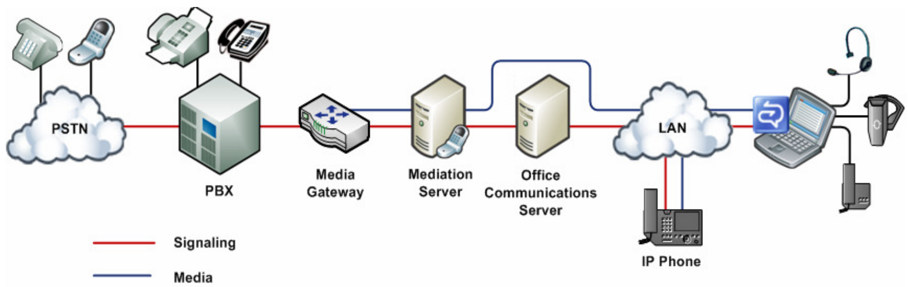
Fonality's technology is based on a hybrid architecture, consisting of on-premise IP PBX and a hosted service provisioned by Fonality's data centre. The on-premise IP PBX using the PSTN provides reliability and high voice quality. The hosted service based on VoIP provides flexibility with remote calling (such as with telecommuters) and administration (such as provisioning and network maintenance).

Microsoft Office Communications Server 2007

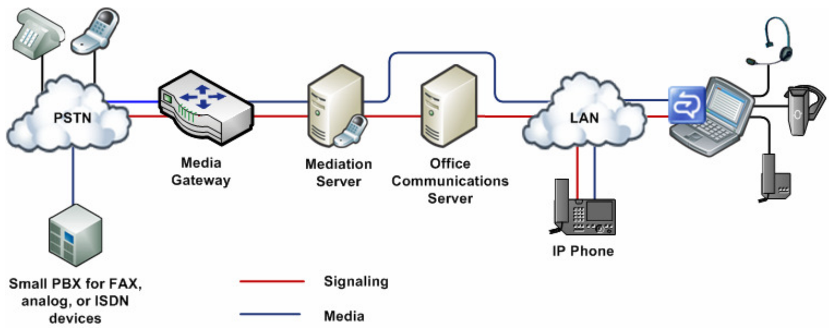
In October 2007, Microsoft launched OCS 2007, its first solution to integrate with the PSTN. This solution combines enterprise IM (instant messaging), presence, conferencing and VoIP telephony in an integrated unified communications solution. OCS 2007 VoIP services are hosted on servers behind an organization's firewall and can be stand-alone or integrated with an existing PBX infrastructure. OCS 2007 extends the extensive architecture of Live Communications Server 2005 to include components that support VoIP and conferencing. The integration of OSC and Exchange Server allows for call answering, Outlook voice access and auto-attendant services.

Exhibit 12. OCS 2007, the first time the PSTN is integrated into the network

With legacy TDM PBX



Greenfield deployment (no legacy TDM PBX)



Source: Microsoft

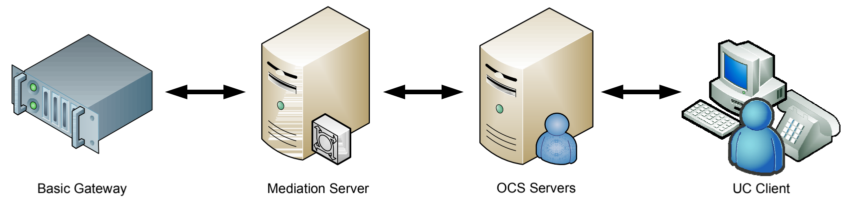
OCS 2007 can communicate using SIP (Session Initiation Protocol), an industry standard, application layer signalling protocol for starting, controlling and ending communication sessions in an IP-based network. OCS 2007's standard PBX features include auto-attendant and voice mail. The platform also has native support for enhanced VoIP features such as call deflect, call forward, call hold, call transfer and call waiting.

Desktop application integration of OCS includes Outlook (all voicemail is presented in Outlook in users' mailboxes) and Office applications (all presence information is interactive with call options).

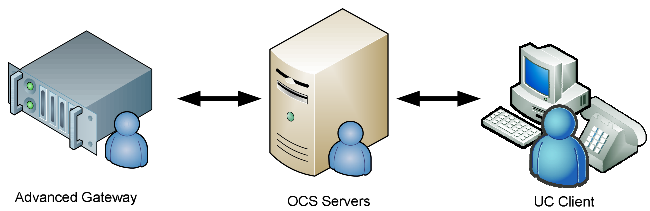
OCS uses media gateways (a translation device) to communicate with the PSTN. An Advanced Media Gateway can support native OCS features (such as native RTAudio, SRTP, ICE and SDP over TLS) that enable it to interoperate directly with the Office Communications Server without the need for a separate Mediation Server.

Exhibit 13. Media gateway configurations

Basic media gateway requires a mediation server…



…An advanced media gateway does not.



Source: Microsoft

Microsoft has certified the following hardware vendors and their media gateways for direct SIP connectivity to OCS. There are currently no vendors that have a certified advanced media gateway.

Exhibit 14. Qualified Gateways for OCS 2007

Company	Products	Gateway
Aculab	ApplianX Gateway	Basic (Hybrid)
AudioCodes	Mediant 1000/2000	Basic
Cisco	2851/3845 Integrated Services Router	Basic
Dialogic	DMG 2000/4000	Basic
NEC	SV70 OCS-GW-A	Basic
NET	VX1200	Basic
Nortel	Secure Router 4134	Basic (Hybrid)
Quintum	Tenor DX/Hybrid Gateway 60	Basic

Source: Versant Partners

Microsoft expects gateway solutions to evolve to natively support OCS 2007's advanced features without the need for a Mediation Server. The partner ecosystem at the launch of OCS 2007 included a combination of hardware, software and service providers. Telephony hardware partners included Nortel, NEC, Siemens and Ericsson. IP handset providers include Polycom, LG-Nortel, Plantronics and GN.

Exhibit 15. OCS partner ecosystem

Source: Microsoft

We believe that Microsoft's Office Communications Server will provide momentum to the ongoing growth of IP PBXs. The initial growth in the IP PBX market was driven by cost savings from open source software (such as Linux and Asterisk) and commoditized hardware (such as Intel's x86 processors). We believe, however, that mainstream adoption of IP PBXs will depend on cost savings coupled with significant benefits of unified communications with the support of IT industry leaders such as Microsoft, HP and Dell.

COMPETITIVE LANDSCAPE

Sangoma's primary competitor in the VoIP telephony card market is Digium, the creator and primary developer of Asterisk, the leading open source telephony platform. Digium, founded in 1999, completed a US$13.8 million Series A round of financing on August 9, 2006, with Matrix Partners.

Sangoma and Digium have competed vigorously over the past four years by adding features to their telephony cards. Digium was first to market with a 24-port analog card in late 2005, which Sangoma matched in early 2006. However, Sangoma was first to integrate carrier-grade hardware-based echo cancellation in its cards starting in 2006. Sangoma was also first to migrate all its telephony cards to PCI express (PCIe) by September 2006. In June 2007, Sangoma was also first to introduce a digital card that can route error-free faxes. Faxing has long been a weak spot with digital telecommunication systems.

Exhibit 16. Product announcements

Date	Company	Card	Product	Comment
3-May-04	Sangoma	Analog	1- and 2-port T1/E1 PCI card (A101/A102)	
6-Dec-04	Sangoma	Digital	4-port T1/E1 PCI card (A104)	
7-Apr-05	Sangoma	Digital	1-port T3/E3 PCI card (A301)	
24-Oct-05	Digium	Analog	24-port PCI card (TDM2400P)	First 24-port analog card
27-Oct-05	Sangoma	Digital	4-port T1/E1 PCI card with HW EC (A104D)	First HW Echo Cancellation
25-Jan-06	Sangoma	Digital	24-port PCI card with HW EC (A200)	
13-Mar-06	Digium	Both	Adds HW EC	
14-Mar-06	Digium	Digital	4-port ISDN BRI Card (B410P)	
10-May-06	Sangoma	Digital	8-port T1/E1 PCI card with HW EC (A108D)	
28-Sep-06	Sangoma	Both	PCIe interface	First migration to PCIe
30-Nov-06	Sangoma	Analog	48-port PCIe card with HW EC (A400D)	First 48-port analog card
2-Apr-07	Sangoma	Digital	1-port T1/E1 PCIe card with HW EC (A101D)	
4-Jun-07	Sangoma	Digital	T1/E1 firmware to support error-free faxing	First error-free faxing on VoIP
11-Jun-07	Sangoma	Digital	24-port ISDN PCIe card with HW EC (A500D)	
12-Jun-07	Digium	Digital	PCIe interface	
15-Aug-07	Digium	Analog	PCIe interface	
29-Oct-07	Digium	Analog	8-port analog PCIe (AEX800)	
11-Feb-08	Digium	Both	5-year warranty	
18-Mar-08	Sangoma	Both	Lifetime warranty	Longest warranty in industry
27-May-08	Sangoma	Digital	FlexBRI	ISDN card that supports faxing

HW EC is hardware echo cancellation
Source: Digium, Sangoma, Versant Partners

Sangoma has maintained an industry-leading warranty program. In February 2008, Digium matched Sangoma's five-year warranty on its telephony cards. In the following month, Sangoma increased its warranty to lifetime.

Sangoma's products are typically sold at a premium to those of its competitors. Our pricing comparison shows that Sangoma's products are priced at a 10% to 25% premium (based on price per channel) for digital telephony cards and at a 25% premium for analog telephony cards.

Exhibit 17. Telephony card price comparison

	Digital (Number of T1/E1 ports)				Analog
Price per channel ($)	**Single**	**Dual**	**Quad**	**Octal**	**24 port**
Sangoma	36.33	28.33	23.44	20.10	442.00
Digium	30.42	26.98	18.80	N/A	360.00
Rhino	27.46	24.96	19.25	N/A	349.00
Sangoma premium	**26%**	**9%**	**23%**	**N/A**	**25%**

Based on PCI Express with hardware echo cancellation

Source: www.TelephonyDepot.com

Based on our due diligence discussions with resellers and customers, we believe Sangoma can price its products at a premium because it has higher perceived product quality, product compatibility and customer service.

Exhibit 18. Sangoma's key points of differentiation

Very high level of compatibility with thousands of different motherboard and peripheral combinations for their entire range of AFT cards

Supports a wide range of PC operating systems–Linux, Windows, Unix, Solaris, FreeBSD and OpenBSD

Support across multiple open source telephony platforms - Asterisk, FreeSwitch, Yate and others

Ability to support both voice-only and voice and data environments - Sangoma's Wanpipe router enables the server to better manage mixed traffic by streaming off the data, leaving the open source PBX platform free to focus its resources solely on voice

Design to the 2U form factor so that cards can be deployed in quantity on any PC configuration

Hardware firmware is field-upgradeable - this provides critical reliability that businesses need from their telephony systems

Carrier class echo cancellation that does not degrade as the scale increases - Sangoma has partnered with Octasic for best-of-breed capability

Forward-thinking architecture - both multiple and single channel SS7 support for Linux as well as Windows

Strong customer support - approachable, responsive and knowledgeable

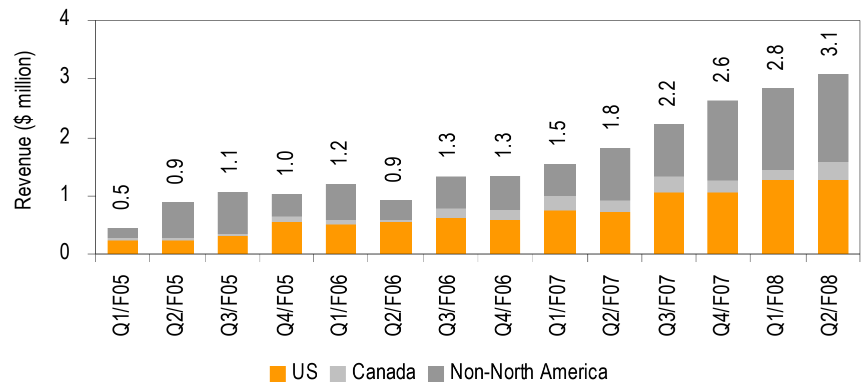
Source: J Arnold & Associates

FORECAST AND VALUATION

Revenue forecast

Sangoma has had six consecutive quarters of record revenue. During that period revenue more than doubled to $3.1 m1llion in Q2/F08 (ended December 2007). The company's revenue is well diversified across the globe, with a healthy contribution from non-North American customers.

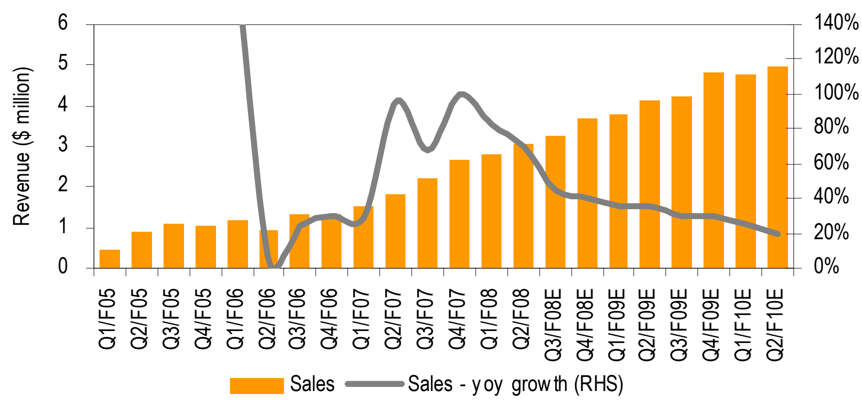
Exhibit 19. Geographical revenue distribution



Source: Sangoma Technologies

We expect revenue growth to decline from the 80%+ year-over-year rates experienced in recent quarters to the 20% to 40% range, though we believe this may be conservative.

Exhibit 20. Revenue growth

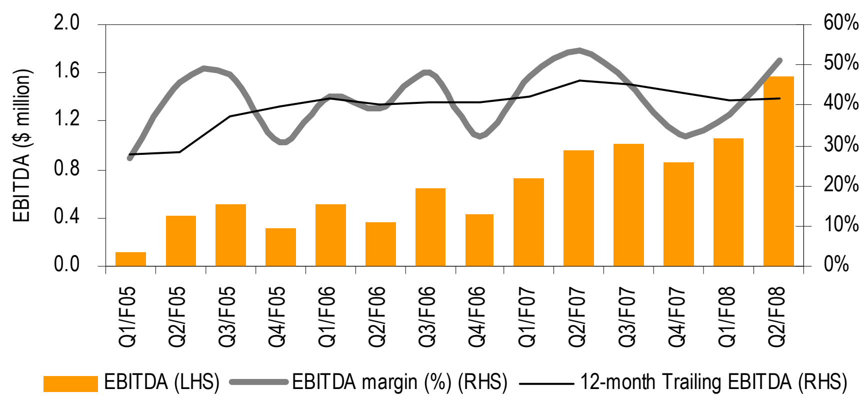


Source: Sangoma Technologies, Versant Partners

EBITDA forecast

Sangoma's quarterly EBITDA margin (excluding stock-based compensation and investment income) has remained within a 30% to 50% range for the past three years. The trailing 12-month EBITDA margin has consistently been 40%+ since the beginning of F2006.

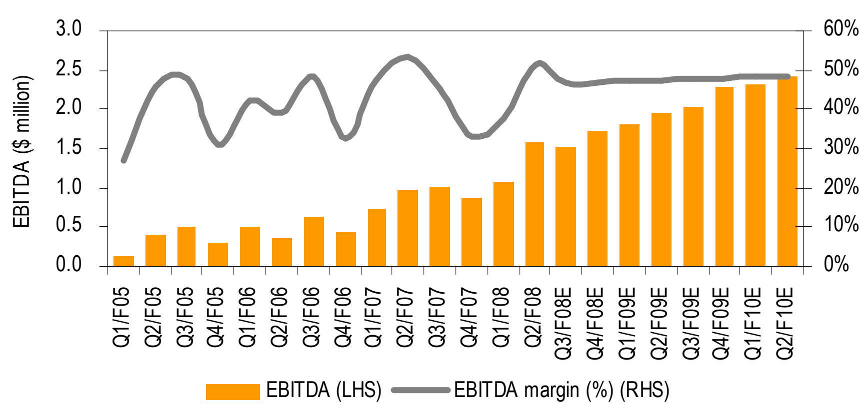
Exhibit 21. EBITDA and EBITDA margin



Source: Sangoma Technologies, Versant Partners

As the company's revenue continues to grow, we expect the EBITDA margin to expand to 45%+.

Exhibit 22. Forecast EBITDA and EBITDA margin

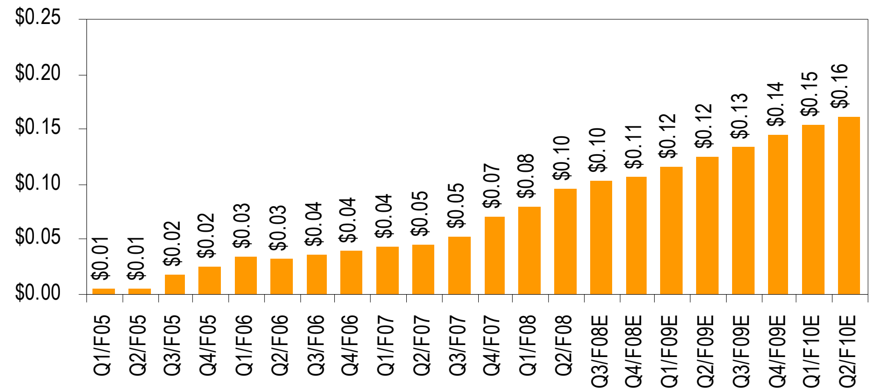


Source: Sangoma Technologies, Versant Partners

Earnings per share

The company's trailing 12-month adjusted EPS has grown tenfold from $0.01 in Q1/F05 to $0.10 last quarter. We believe that Sangoma will be able to maintain its level of profitability as the business grows and that trailing 12-month adjusted EPS will grow a further 60% over the next eight quarters.

Exhibit 23. Trailing 12-month adjusted EPS



Source: Sangoma Technologies, Versant Partners

Valuation

Sangoma is unique in its focus on telephony and data cards. Its direct comparables either manufacture telephony and data cards as a broader telecommunications offering or provide software and support. We have compared Sangoma to Aastra (AAH/TSX) and Polycom (PLCM/Q) because both are public and manufacture telecommunications IP PBX hardware.

Aastra produces networking equipment and services, including IP-based and traditional telecommunications products such as handsets, terminals and systems. In April 2008, Aastra closed the acquisition of Ericsson's enterprise communication business for an estimated net investment of $160 million. The combined business is expected generate close to $1 billion in 2009.

Polycom develops, manufactures and markets video, voice, data and web conferencing and collaboration solutions. This includes IP handsets and conference phones. Polycom is the one of two IP handset partners announced under Microsoft's OCS 2007 ecosystem.

Exhibit 24. Comparable company fundamental financial comparison

	Aastra (AAH/TSX)			Polycom (PLCM/Q)			Sangoma (STC/TSXV)		
	C07A	C08E	C09E	C07A	C08E	C09E	C07A	C08E	C09E
Revenue	608.4	867.4	985.3	919.3	1,081.5	1,209.5	10.8	14.9	18.7
EBITDA	58.9	77.7	80.6	140.0	169.0	204.7	4.5	7.0	8.8
Adj. net income	33.1	35.1	47.6	127.1	139.0	167.7	2.8	3.9	5.0
Adj. EPS	2.02	2.07	2.42	1.34	1.54	1.83	0.10	0.13	0.17

Source: Bloomberg, Versant Partners

Sangoma is a fraction the size of Aastra and Polycom (by revenue), but has significantly higher margins and growth rates.

Sangoma's margins are at least four times as large as Aastra's and approximately double that of Polycom's.

Aastra's strong growth in revenue and EBITDA in C2008 is a result of the acquisition of Ericsson's enterprise communication business. We believe that C2009 growth rates are more indicative of the company's steady-state growth. If the C2009 growth rates are used for comparison, Sangoma's growth rates are almost double that of Aastra and one-and-a-half times that of Polycom's.

Exhibit 25. Aastra and Sangoma: growth rate and profitability comparison

	Aastra (AAH/TSX)			Polycom (PLCM/Q)			Sangoma (STC/TSXV)		
	C07A	C08E	C09E	C07A	C08E	C09E	C07A	C08E	C09E
EBITDA margin	10%	9%	8%	15%	16%	17%	42%	47%	47%
Net margin	5%	4%	5%	14%	13%	14%	26%	26%	27%

	Aastra		Polycom		Sangoma	
	C07/08	C08/09	C07/08	C08/09	C07/08	C08/09
Revenue growth	43%	14%	18%	12%	38%	26%
EBITDA growth	32%	4%	21%	21%	56%	25%
EPS growth	3%	17%	15%	19%	38%	30%

Source: Bloomberg, Versant Partners

We believe that Sangoma should trade at a premium to its comparables given its superior growth and profitability profile; however, due to Sangoma's smaller size and lower liquidity, we believe a comparable valuation is justifiable. Currently Sangoma trades at a discount to both comparables based on C2009 P/E multiple: STC at 7.6x versus AAH at 10.6x and PLCM at 13.6x.

Exhibit 26. Aastra and Sangoma: growth rate and profitability comparison

	Aastra (AAH/TSX)			Polycom (PLCM/Q)			Sangoma (STC/TSXV)		
	C07A	C08E	C09E	C07A	C08E	C09E	C07A	C08E	C09E
P/Rev	0.7	0.5	0.4	2.4	2.0	1.8	3.5	2.5	2.0
EV/EBITDA	4.4	3.3	3.2	13.1	10.9	9.0	7.4	4.8	3.8
P/E	16.9	12.4	10.6	18.6	16.2	13.6	13.7	9.9	7.6

Source: Bloomberg, Versant Partners

We believe that Sangoma has a favourable industry positioning and will exhibit continued growth with industry-leading margins. As such, we believe the stock warrants a CY2009 earnings multiple in line with AAH and PLCM, in the range of 11–14x. This equates to a F2009 P/E multiple in the range of 14–16x.

We are initiating coverage of Sangoma Technologies with a Speculative Buy recommendation and a one-year price target of $2.20 per share. Our target is based on 15× F2009 EPS and a discounted free cash flow model using a WACC of 14.0% and a terminal growth rate of 3.0%.

Exhibit 27. Valuation metrics

		Discount Rate				
	2.12	**12.0%**	**13.0%**	**14.0%**	**15.0%**	**16.0%**
	2.0%	2.49	2.25	2.06	1.89	1.75
Terminal	**2.5%**	2.54	2.29	2.09	1.92	1.77
Growth	**3.0%**	2.60	2.34	**2.12**	1.94	1.79
Rate	**3.5%**	2.66	2.38	2.15	1.97	1.81
	4.0%	2.74	2.43	2.19	2.00	1.83

Valuation metrics (based on F2009E)					
	Price	**P/Rev**	**EV/Rev**	**P/E**	**EV/EBITDA**
Target	$2.25	3.8x	3.5x	15x	7x
Current	$1.32	2.2x	1.9x	9x	4x
Valuation metrics (based on F2010E)					
	Price	**P/Rev**	**EV/Rev**	**P/E**	**EV/EBITDA**
Target	$2.25	3.2x	3.0x	12x	6x
Current	$1.32	1.9x	1.6x	7x	3x

Source: Versant Partners

MANAGEMENT AND BOARD OF DIRECTORS

Exhibit 28. Board of directors

Name	Office	Director since	Principal occupation
David Mandelstam Ontario, Canada	President, CEO, Director	March 2001	President, CEO, Director
Jonathan Matthews[1,3] Ontario, Canada	Director	March 2001	Insurance Agent
Jay Lefton[2,3] Ontario, Canada	Director	March 2001	Partner, Ogilvy Renault LLP, Barristers and Solicitors
Yves Laliberte[1,2] Ontario, Canada	Director	August 2007	Executive Vice President, Aastra Telecom

[1]Member of the Audit Committee
[2]Member of the Governance and Human Resources Committee
[3]Member of the Compensation and Nominating Committee

Source: Sangoma Technologies

Exhibit 29. Senior management

Name	Office	Joined	Previous positions
David Mandelstam	Founder, President, CEO	1984	Before starting at Sangoma in 1984, Mr. Mandelstam ran an engineering company and was Vice President, Engineering, for an energy conservation company.
Nenad Corbic	Chief Software Engineer	1999	Previously, Mr. Corbic was a software engineer in the telephony division of Nortel Networks, working on DMS and XA-Core switches.
Michael Feldman	Chief Hardware Engineer	2002	Mr. Feldman has more then 20 years of experience in electronics and computer hardware design. He has been awarded eight patents and has five published articles.
Doug Vilim	Vice President, Sales and Marketing	2002	Prior to joining Sangoma, Mr. Vilim worked in sales and marketing roles at Eicon Networks, now Dialogic, as well as 10 years in pre-sales technical and sales roles at NEC and Compaq.
Kathleen Reed	Marketing Director	2006	Prior to joining Sangoma, Ms. Reed led marketing and brand direction efforts for various technology, financial services, hospitality, media and government services companies.

Source: Sangoma Technologies

APPENDIX: FINANCIAL MODELS AND STATEMENTS

Exhibit 30. Discounted free cash flow model

Assumptions					
Revenue decline (FTM+4)	2.00%	EBIT margin improvement (FTM-	0.00%	Long-term tax rate	34.00%
Long-term revenue growth	5.00%	Forex USD / CAD	0.000	Terminal value FCF growth rate	3.00%

	Forecast Period														Terminal
	LTM-1	LTM	FTM	FTM+1	FTM+2	FTM+3	FTM+4	FTM+5	FTM+6	FTM+7	FTM+8	FTM+9	FTM+10	FTM+11	FTM+11
Compounding Period		0	1	2	3	4	5	6	7	8	9	10	11	12	12
Revenue	6.908	11.744	15.826	19.342	21.276	22.978	24.357	25.574	26.853	28.196	29.606	31.086	32.640	34.272	
Growth Rate		*70.0%*	*34.8%*	*22.2%*	*10.0%*	*8.0%*	*6.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	
EBIT	2.596	4.593	6.488	8.079	8.847	9.555	10.128	10.634	11.166	11.724	12.310	12.926	13.572	14.251	
EBIT Margin	*37.6%*	*39.1%*	*41.0%*	*41.8%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	*41.6%*	
Cash Tax Rate	30.5%	38.1%	37.2%	37.6%	37.6%	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	
EBIT (1-t)	1.804	2.842	4.072	5.041	5.520	6.306	6.684	7.019	7.370	7.738	8.125	8.531	8.958	9.406	
Amortization	0.531	0.588	0.809	1.029	1.278	1.380	1.463	1.536	1.613	1.694	1.778	1.867	1.961	2.059	
Stock-based compensation	0.266	0.344	-	-	-	-	-	-	-	-	-	-	-	-	
Net interest expense	(0.051)	(0.115)	(0.176)	(0.268)	(0.395)	(0.427)	(0.453)	(0.475)	(0.499)	(0.524)	(0.550)	(0.578)	(0.606)	(0.637)	
Growth Rate		*11%*	*38%*	*27%*	*24%*	*8.0%*	*6.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	
Capital Expenditures	(0.091)	(0.291)	(0.363)	(0.443)	(0.488)	(0.527)	(0.558)	(0.586)	(0.616)	(0.646)	(0.679)	(0.713)	(0.748)	(0.786)	
Growth Rate		*222%*	*25%*	*22%*	*10%*	*8.0%*	*6.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	
Working Capital	(1.009)	(0.479)	(0.823)	(0.695)	(0.493)	(0.532)	(0.564)	(0.592)	(0.622)	(0.653)	(0.685)	(0.720)	(0.756)	(0.794)	
FCFE	1.450	2.888	3.519	4.664	5.423	6.201	6.573	6.901	7.246	7.609	7.989	8.389	8.808	9.249	86.758
Growth Rate		*99%*	*22%*	*33%*	*16%*	*14%*	*6%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	
WACC			14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Discount Factor	**1.000**	**1.000**	**0.877**	**0.770**	**0.675**	**0.592**	**0.520**	**0.456**	**0.400**	**0.351**	**0.308**	**0.270**	**0.237**	**0.208**	**0.208**
Present Value	**1.450**	**2.888**	**3.087**	**3.590**	**3.662**	**3.674**	**3.417**	**3.147**	**2.900**	**2.671**	**2.461**	**2.267**	**2.088**	**1.924**	**18.045**

Value in terminal multiple

39%

Source: Versant Partners, Sangoma Technologies

Discounted free cash flow model (Continued)

Valuation	
FCFE	52.933
Less MV of Debt	-
Plus Cash (one year out)	8.123
Plus Investment Portfolio	-
Equity Value	61.055
Shares Outstanding (000s)	28.360
Equity value/share (C$)	**2.15**
Current price (C$)	**1.32**
	63.1%

Weighted Average Cost of Capital (WACC)	
Shares Outstanding (M)	28.360
Price per share	$2.17
Market value of equity (M)	$62
Beta	**2.00**
Risk free rate	**4.0%**
Market premium	**5.0%**
Cost of equity	14.0%
Market value of debt (M)	-
Cost of debt	10.0%
Tax rate	34%
After-tax cost of debt	6.6%
Debt / Total Capital	0%
WACC	**14.0%**

Discounted Free Cash Flow to Equity - Sensitivity Analysis

		Discount Rate				
	2.15	**12.0%**	**13.0%**	**14.0%**	**15.0%**	**16.0%**
	2.0%	2.51	2.28	2.09	1.93	1.80
Terminal	**2.5%**	2.56	2.32	2.12	1.95	1.82
Growth	**3.0%**	2.61	2.36	**2.15**	1.98	1.83
Rate	**3.5%**	2.67	2.40	2.18	2.00	1.85
	4.0%	2.74	2.45	2.22	2.03	1.87

Source: Versant Partners, Sangoma Technologies

Exhibit 31. Income statement

Sangoma Technologies Corporation Year-End Jun 30 (C$M)	F2007A Jun-07	Q1/F08 Sep-07	Q2/F08 Dec-07	Q3/F08 Mar-08	Q4/F08E Jun-08	F2008E Jun-08	Q1/F09E Sep-07	Q2/F09E Dec-07	Q3/F09E Mar-08	Q4/F09E Jun-08	F2009E Jun-09	F2010E Jun-09
Sales	**8.22**	**2.82**	**3.07**	**3.21**	**3.69**	**12.80**	**3.81**	**4.15**	**4.18**	**4.80**	**16.93**	**19.82**
Cost of sales	2.37	0.80	0.86	1.04	1.19	3.89	1.23	1.34	1.35	1.55	5.46	6.39
Gross profit	5.85	2.02	2.21	2.18	2.50	8.91	2.58	2.81	2.83	3.25	11.47	13.43
Administrative	0.96	0.19	0.19	0.24	0.27	0.89	0.28	0.31	0.31	0.36	1.26	1.47
Amortization - development costs	0.50	0.11	0.12	0.15	0.15	0.53	0.16	0.17	0.18	0.19	0.70	0.85
Amortization - property, plant and equipment	0.04	0.02	0.02	0.03	0.03	0.09	0.03	0.04	0.04	0.05	0.16	0.24
Selling and marketing	1.04	0.47	0.40	0.46	0.52	1.84	0.51	0.56	0.54	0.62	2.24	2.43
Other expenses	0.48	0.44	0.19	(0.23)	(0.01)	0.40	(0.01)	(0.02)	(0.02)	(0.02)	(0.07)	(0.15)
Total expenses	**3.02**	**1.22**	**0.93**	**0.64**	**0.97**	**3.75**	**0.98**	**1.06**	**1.05**	**1.19**	**4.29**	**4.84**
Earnings before taxes	**2.83**	**0.80**	**1.28**	**1.54**	**1.54**	**5.16**	**1.60**	**1.75**	**1.78**	**2.06**	**7.19**	**8.59**
Income taxes	1.01	0.31	0.52	0.58	0.58	1.99	0.60	0.66	0.67	0.77	2.70	3.23
Net earnings	1.82	0.49	0.76	0.96	0.96	3.17	1.00	1.09	1.11	1.29	4.48	5.36
GAAP EPS (Diluted)	0.06	0.02	0.03	0.03	0.03	0.11	0.03	0.04	0.04	0.04	0.15	0.19
Adjusted EPS (Diluted)	**0.07**	**0.02**	**0.03**	**0.03**	**0.03**	**0.11**	**0.03**	**0.04**	**0.04**	**0.04**	**0.15**	**0.19**
Sales (YoY growth %)	72%	82%	70%	44%	40%	56%	35%	35%	30%	30%	32%	17%
EBITDA	**3.57**	**1.06**	**1.57**	**1.69**	**1.68**	**6.00**	**1.76**	**1.91**	**1.95**	**2.24**	**7.85**	**9.38**
EBITDA margin (%)	43%	37%	51%	52%	46%	47%	46%	46%	47%	47%	46%	47%
Net earnings margin (%)	22%	17%	25%	30%	26%	25%	26%	26%	27%	27%	26%	27%

Source: Versant Partners, Sangoma Technologies

Exhibit 32. Balance sheet

Sangoma Technologies Corporation Year-End Jun 30 (C$M)	F2007A Jun-07	Q1/F08 Sep-07	Q2/F08 Dec-07	Q3/F08 Mar-08	Q4/F08E Jun-08	F2008E Jun-08	Q1/F09E Sep-07	Q2/F09E Dec-07	Q3/F09E Mar-08	Q4/F09E Jun-08	F2009E Jun-09	F2010E Jun-09
Assets												
Current Assets												
Cash and equivalents	3.10	2.73	3.82	5.15	5.74	5.74	6.51	7.15	8.12	8.64	8.64	13.05
Accounts receivables	1.50	2.13	2.08	2.13	2.45	2.45	2.52	2.75	2.77	3.18	3.18	3.50
Prepaid expenses and deposits	0.13	0.10	0.18	0.24	0.27	0.27	0.28	0.31	0.31	0.36	0.36	0.39
Total current assets	**6.27**	**6.59**	**7.81**	**9.32**	**10.53**	**10.53**	**11.46**	**12.54**	**13.55**	**14.87**	**14.87**	**19.91**
Property, plant and equipment	0.18	0.24	0.32	0.37	0.43	0.43	0.48	0.54	0.59	0.65	0.65	0.87
Goodwill	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54
Total assets	**12.60**	**12.98**	**14.30**	**15.89**	**17.19**	**17.19**	**18.20**	**19.38**	**20.48**	**21.91**	**21.91**	**27.35**
Liabilities and Stockholders' Equity												
Current liabilities												
Accounts payable and accrued liabilities	0.62	0.47	0.52	0.65	0.99	0.99	1.00	1.08	1.08	1.22	1.22	1.30
Income tax payable	0.26	0.11	0.03	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41
Total current liabilities	**0.98**	**0.58**	**0.56**	**1.06**	**1.40**	**1.40**	**1.42**	**1.50**	**1.49**	**1.63**	**1.63**	**1.71**
Other non-current liabilities	0.00	0.04	0.29	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41
Total liabilities	**0.98**	**0.62**	**0.85**	**1.47**	**1.81**	**1.81**	**1.82**	**1.91**	**1.90**	**2.04**	**2.04**	**2.12**
Stockholders' equity												
Stated capital	13.14	13.26	13.51	13.53	13.53	13.53	13.53	13.53	13.53	13.53	13.53	13.53
Contributed surplus	0.32	0.45	0.54	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
Deficit	(1.84)	(1.35)	(0.60)	0.37	1.33	1.33	2.33	3.42	4.53	5.81	5.81	11.17
Net stockholders' equity	**11.62**	**12.36**	**13.45**	**14.42**	**15.38**	**15.38**	**16.38**	**17.47**	**18.58**	**19.87**	**19.87**	**25.23**
Total liabilities and stockholders' equity	**12.60**	**12.98**	**14.30**	**15.89**	**17.19**	**17.19**	**18.20**	**19.38**	**20.48**	**21.91**	**21.91**	**27.35**

Source: Versant Partners, Sangoma Technologies

Exhibit 33. Cash flow statement

Sangoma Technologies Corporation	F2007A	Q1/F08	Q2/F08	Q3/F08	Q4/F08E	F2008E	Q1/F09E	Q2/F09E	Q3/F09E	Q4/F09E	F2009E	F2010E
Year-End Jun 30 (C$M)	**Jun-07**	**Sep-07**	**Dec-07**	**Mar-08**	**Jun-08**	**Jun-08**	**Sep-07**	**Dec-07**	**Mar-08**	**Jun-08**	**Jun-09**	**Jun-09**
Operating activities												
Net income	1.82	0.49	0.76	0.96	0.96	3.17	1.00	1.09	1.11	1.29	4.48	5.36
Items not involving cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Future income taxes	0.43	0.13	0.26	0.12	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00
Amortization	0.54	0.12	0.15	0.17	0.18	0.62	0.20	0.21	0.22	0.23	0.86	1.09
Stock-based compensation	0.27	0.17	0.18	0.00	0.00	0.34	0.00	0.00	0.00	0.00	0.00	0.00
Net change in non cash working capital	(0.79)	(1.09)	(0.15)	0.32	(0.28)	(1.20)	(0.14)	(0.35)	(0.05)	(0.67)	(1.21)	(0.54)
Net cash provided by operating activities	2.26	(0.19)	1.19	1.57	0.86	3.43	1.06	0.95	1.28	0.85	4.14	5.91
Net cash provided by operating activities	**2.26**	**(0.19)**	**1.19**	**1.57**	**0.86**	**3.43**	**1.06**	**0.95**	**1.28**	**0.85**	**4.14**	**5.91**
Investing activities												
Purchase of property, plant and equipment	(0.12)	(0.07)	(0.10)	(0.07)	(0.08)	(0.34)	(0.09)	(0.10)	(0.10)	(0.11)	(0.39)	(0.45)
Other changes in investing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net cash used in investing activities	**(0.66)**	**(0.26)**	**(0.25)**	**(0.25)**	**(0.27)**	**(1.04)**	**(0.28)**	**(0.30)**	**(0.31)**	**(0.34)**	**(1.24)**	**(1.49)**
Financing activities												
Common shares issued	0.07	0.08	0.16	0.01	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00
Other changes in financing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided by financing activities	**0.07**	**0.08**	**0.16**	**0.01**	**0.00**	**0.25**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Net increase in cash and cash equivalents	**1.67**	**(0.37)**	**1.09**	**1.33**	**0.59**	**2.64**	**0.77**	**0.64**	**0.97**	**0.51**	**2.90**	**4.41**
Cash and cash equivalents, beginning	3.10	3.10	2.73	3.82	5.15	3.10	5.74	6.51	7.15	8.12	5.74	8.64
Cash and cash equivalents, end	3.10	2.73	3.82	5.15	5.74	5.74	6.51	7.15	8.12	8.64	8.64	13.05

Source: Versant Partners, Sangoma Technologies

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