Sangoma Technologies Corporation

Revised

Unaudited Consolidated Interim Financial Statements

For the three months ended September 30, 2011 and 2010

NOTE TO READER
These statements are revised to include the Unaudited Interim Statement of Comprehensive Income that was inadvertently omitted in the Sedar filing made on December 12, 2011.

Sangoma Technologies Corporation

Consolidated Statement of Financial Position

(Unaudited in Canadian Dollars)

	Note	September 30, 2011 $	June 30, 2011 $	July 1, 2010 $
Assets				
Current Assets				
Cash and cash equivalents	9	7,352,579	8,784,322	7,744,596
Trade receivable	9,10	2,722,759	2,232,704	1,972,758
Inventories	5	1,630,163	1,461,212	1,648,852
Investment tax credits receivable	9,12	577,444	577,444	192,877
Income taxes receivable	9,12	773,053	836,210	595,882
Other current assets		174,164	28,061	118,318
		13,230,163	13,919,953	12,273,283
Non-current assets				
Property, plant and equipment	6	379,811	354,467	309,331
Development costs	8	2,022,477	1,983,665	2,158,221
Intangible assets	7	2,077,645	2,173,962	3,926,047
Goodwill	4 (i)	4,448,667	2,984,721	6,834,721
Total assets		22,158,763	21,416,768	25,501,603
Liabilities				
Current liabilities				
Trade payables and other liabilities	9	1,691,932	1,465,589	1,242,345
Current portion of long-term debt	10	34,072	34,072	34,072
Short-term obligation to issue shares		-	-	959,847
Deferred Revenue		86,423	60,864	76,688
		1,812,427	1,560,525	2,312,952
Non-current liabilities				
Long-term debt	10	51,107	51,107	85,179
Deferred income tax liabilities	12	442,100	531,066	1,071,637
Total liabilities		2,305,634	2,142,698	3,469,768
Shareholders' Equity				
Share capital	11,15	15,866,455	15,866,455	15,158,762
Contributed surplus	11,15	1,026,856	904,469	611,030
Retained earnings	15,17	2,959,818	2,503,146	6,262,043
Total equity		19,853,130	19,274,070	22,031,835
Total liabilities and equity		22,158,763	21,416,768	25,501,603

Approved on behalf of the Board of Directors:

(Signed) *Yves Laliberte*, Director (Signed) *Jonathan Matthews*, Director

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

Sangoma Technologies Corporation

Consolidated Statement of Comprehensive Income (Loss)
For the three months ended September 30, 2011 and 2010

(Unaudited in Canadian Dollars)

	Note	2011 $	2010 $
Revenues	14	**3,012,199**	**2,514,681**
Cost of sales		820,410	690,010
Gross profit		**2,191,789**	**1,824,671**
Gross profit %		*72.8%*	*72.6%*
Expenses			
Sales and marketing		559,098	417,792
Research and development	8	604,968	501,335
General and administration		775,550	672,966
Foreign currency exchange loss (gain)		(559,069)	152,935
Total Expenses		**1,380,547**	**1,745,028**
Operating Income		**811,242**	**79,643**
Investment Income			
Interest income	9	(5,112)	(9,380)
Interest expense		-	-
Net interest (income) expense		**(5,112)**	**(9,380)**
Business Acquisition Costs		251,490	-
Income before provision for income taxes		**564,864**	**89,023**
Provision for income taxes			
Current	12	63,412	78,544
Deferred	12	44,788	(30,260)
Net Income and Comprehensive Income for the period	17	**456,664**	**40,739**
Earnings per share:			
Basic	11(iii)	$0.015	$0.001
Diluted	11(iii)	$0.015	$0.001

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

Sangoma Technologies Corporation
Consolidated Statement of Cash Flow
For the three months ended September 30, 2011 and 2010

(Unaudited) in Canadian Dollars

	Note	2011 $	2010 $
Cash provided by (used in)			
Operating activities:			
Net income (loss) for the period		456,672	40,739
Adjustments for:			
Amortization	6,7,8	467,652	440,517
Income tax	12	(25,809)	(304,244)
Stock-based compensation		122,387	14,075
Changes in item of working capital:			
Trade receivables	9	(490,056)	600,546
Inventories	5	(168,951)	(258,136)
Other current assets		(146,103)	3,963
Trade payables	9	226,342	(19,320)
Deferred income		25,560	(12,373)
Net Cash generated from operating activities		467,694	505,767
Investing activities			
Purchase of property, plant and equipment		42,065	(97,394)
Development costs		(390,122)	(526,934)
Purchase of VegaStream assets	16	(1,551,380)	-
Net Cash generated from investing activities		(1,899,437)	(624,328)
Financing activities			
Repayment of debt		-	(17,036)
Net Cash generated in financing activities		-	(17,036)
Increase (decrease) in cash and cash equivalents		(1,431,743)	(135,597)
Cash and cash equivalents - Beginning of period		8,784,322	7,744,596
Cash and cash equivalents - End of period		7,352,579	7,608,999

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

Sangoma Technologies Corporation

Consolidated Statement of Changes in Equity

(Unaudited)

	Note	Number of shares	Share capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance, July 1, 2011	11(i)	29,837,809	15,866,455	904,469	2,503,154	19,274,078
Net Income After Tax					456,664	456,664
Issuance of common shares						-
Exercise of stock options						-
Share-based payment	11(ii)			122,387		122,387
Normal course issuer bid redemption						-
Balance, Sept 30, 2011		**29,837,809**	**15,866,455**	**1,026,856**	**2,959,818**	**19,853,130**
Balance, July 1, 2010	11(i)	29,564,723	15,158,762	611,030	6,262,043	22,031,835
Net Income After Tax					40,738	40,738
Issuance of common shares		778,086	959,847			959,847
Exercise of stock options						-
Share-based payment	11(ii)			14,076		14,076
Normal course issuer bid redemption						-
Balance, Sept 30, 2010		**30,342,809**	**16,118,609**	**625,106**	**6,302,781**	**23,046,496**

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

1. General information

Founded in 1984, Sangoma Technologies Corporation (the "Company) is publicly traded on the TSX Venture Exchange (TSX VENTURE: STC). The Company was incorporated in Canada, its legal name is Sangoma Technologies Corp. and its operating subsidiary is Sangoma Technologies Inc.

The Company is a leading provider of hardware and software components that enable or enhance IP Communications Systems for both telecom and datacom applications. Sangoma's data boards, voice boards, gateways and connectivity software are used in leading PBX, IVR, contact center and data-communication applications worldwide. The product line includes both hardware and software components that offer a comprehensive toolset for deploying cost-effective, powerful, and flexible communication solutions.

The Company is domiciled in Ontario, Canada. The address of the Company's registered office and its principal place of business is 100 Renfrew Dr., Suite 100, Markham, Ontario, L3R 9R6.

2. Basis of presentation and adoption of IFRS

These condensed unaudited consolidated interim financial statements of the Company, including its wholly owned subsidiary, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*, and with IFRS 1, *First-time Adoption of IFRS*. These condensed unaudited consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its June 30, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted.

The Company's unaudited consolidated interim financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"), which differ in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim unaudited consolidated financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in these notes to the Company's unaudited consolidated interim financial statements along with reconciliations and descriptions of the effects of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive income, the balance sheet and cash flows.

As these are the Company's first unaudited consolidated interim financial statements under IFRS, the Company's disclosures exceed the minimum requirements of IAS 34 in order to document the changes from the Company's 2011 annual audited consolidated financial statements prepared in accordance with Canadian GAAP. In future periods the Company may not provide the same amount of disclosure in the Company's unaudited consolidated interim financial statements.

The policies in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of January 1, 2011. The Board of Directors approved these statements on December 12, 2011. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending June 30, 2012 could result in restatements of these interim financial statements, including the transition adjustments recognized on the change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended June 30, 2011. Note 16 discloses IFRS information for the year ended June 30, 2011 that is material to an understanding of these condensed consolidated interim financial statements.

These interim financial statements were prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

3. Significant accounting policies

(i) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including available-for-sale investments.

(ii) Basis of Preparation

The consolidated financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements.*

The Company has elected to present the Net Income and Comprehensive Income in a single financial statement titled 'Consolidated Interim Statement of Comprehensive Income (Loss)'.

In its first IFRS financial statements, in accordance with IFRS 1, the Company will present three balance sheet periods, two periods in the Statement of Comprehensive Income, two periods in the Statement of Cash Flow and two periods in the Statement of Changes in Equity as well as related notes, including comparative information.

The significant accounting policies adopted in the preparation of the interim unaudited consolidated financial statements are set out below.

(iii) Basis of consolidation

The interim unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Sangoma Technologies Inc. ("Sangoma").

Subsidiaries are entities controlled by the Company. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

(iv) Inventories

Parts and finished goods are stated at the lower of cost and net realizable value. Inventory cost includes all expenses directly attributable to the manufacturing process, which include the cost of materials and labor, as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinary interchangeable items are assigned using first in, first out formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(v) Revenue

Revenue comprises revenue from the sale of goods and the rendering of services see Note 13. Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. Revenue is recognized when it is probable that the economic benefits will flow to the Company.

Sale of goods (hardware or software)
For sales of hardware, the recognition criteria are generally met at the time the product is shipped to the customer. Depending on the delivery conditions, title and risk have passed to the customer at that point and acceptance of the product, when contractually required, has been obtained, either via formal acceptance by the customer or lapse of rejection period. If all other revenue recognition criteria have been met but delivery has not occurred, the Company will recognize revenue, provided that the following criteria have been met:

i. it must be probable delivery will take place;
ii. the goods must be on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
iii. the buyer specifically acknowledges the deferred delivery instructions; and
iv. the usual payment terms must apply.

Revenue that consists of license fees relating to software licenses that do not require significant modification or customization of software or where services are not essential to the functionality of the software are recognized when a contract with a customer has been executed, delivery and acceptance of the software have occurred, the license fee is fixed and determinable, and collection of the related receivable is deemed probable by management.

Rendering of services
Services comprise after-sales service and maintenance and consulting. The Company provides long term support to its customers and the amount of the selling price associated with the servicing agreement is deferred and recognized as revenue over the period during which the service is performed. This deferred revenue is included in current liabilities. Revenues relating to engineering services are recognized as the services are rendered. Cash received in advance of revenue being recognized is classified as deferred revenue.

The Company also enters into transactions that represent multiple-element arrangements, which may include any combination of equipment and service. These multiple element arrangements are assessed to determine whether they can be sold separately in order to determine whether they can be treated as more than one unit of accounting or element for the purpose of revenue recognition. When there are multiple elements or units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting or elements on a relative fair value basis. If elements cannot be sold separately, revenue recognition is deferred until all elements have been delivered. The revenue recognition policy described above is then applied to each unit of accounting.

(vi) Cost of Sales
Cost of product sales includes the cost of finished goods inventory and costs related to shipping and handling. Cost of service sales includes direct labour and additional direct and indirect expenses.

(vii) Foreign Currency
The Company's presentation currency is the Canadian Dollar ("C$"). The functional currency of the Company and its subsidiary is the Canadian Dollar.

In preparing the unaudited consolidated interim financial statements, transactions in currencies other than the Company's functional currency, known as foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise and presented in the interim unaudited consolidated Statement of Comprehensive Income within "Foreign currency exchange loss (gain)".

(viii) Interest income

Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on the basis of time that has passed, by reference to the principal outstanding and at the effective interest rate applicable.

Interest income is recognized in profit or loss and presented in the interim unaudited consolidated Statement of Comprehensive Income within “Investment income”.

(ix) Share-based payments

The company grants stock options to certain employees. Stock options vest over and expire after various periods of time, with the majority of options vesting 25% after one year and the balance equally over the remaining four years. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 10 (ii) below.

Compensation expense is recognized over the tranche’s vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

(x) Income Taxes and Deferred Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

(xi) Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and

maintenance costs are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Amortization is calculated based on a 20% declining balance method for all classes.

The company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of income.

(xii) Intangible assets

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, such intangible assets are carried at cost less any accumulated amortization on a 20% declining balance for copyright to software, straight-line basis over 10 years for trademarks, 20 years for patent rights and 3 years for website. Amortization expense is included in the statement of comprehensive income in the amortization expense line item.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis. Intangible assets with indefinite lives that are acquired separately are carried at cost less accumulated impairment losses.

(xiii) Research and Development Expenditure

The Company qualifies for certain investment tax credits related to its research and development activities. Research costs are expensed as incurred and are reduced by related investment tax credits, which are recognized when reasonable assurances of realization exist.

Costs that are directly attributable to the development phase of new products are recognised as intangible assets provided they meet the following recognition requirements:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale
- The Company intends to complete the intangible asset and use or sell it
- The Company has the ability to use or sell the intangible asset
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs (if any). Internally generated software developments recognised as intangible assets are subject to the same subsequent measurement method as externally acquired software licences. However, until completion of the development project, the assets are subject to impairment testing as described below in Note 3(xv) below.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within 'other income' or 'other expenses'.

(xiv) Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Company's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 3 (xv) for a description of impairment procedures.

(xv) Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment under IFRS, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), and in Sangoma's case this is a single company unit.

Cash-generating units to which goodwill has been allocated and intangible assets not yet available for use (such as development costs) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

(xvi) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and included in other gains and losses.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, bank debt and long-term debt. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

Asset/ Liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Investment tax credit receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Term loan	Other liabilities	Amortized cost

(xvii) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses on available-for-sale equity instruments are not reversed.

(xviii) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where material, provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(xix) Earnings per share

Basic earnings per share is calculated by dividing Net Income and Comprehensive Income attributable to common shares divided by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and warrants. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options and warrants with exercise prices below the average market price for the year.

(xx) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

The Company anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations hav been issued but are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* (effective from July 2, 2012)
Minor amendments were made to terminology, changing 'statement of comprehensive income' to 'statement of profit or loss' and to clarify that the statement (or section of the single statement) that sets out profit or loss always precedes the statement (or section of the single statement) that sets out other comprehensive income.

Other amendments made to IAS 1 focus on how entities present items of OCI. The amendments require entities to present line items for OCI amounts by nature and to group items presented in OCI into two categories:
– those that could subsequently be reclassified to profit or loss (reclassification adjustments); and
– those that that will not be reclassified.

The amendments did not alter guidance on which items should or should not be included in OCI.

The Company's preliminary assessment indicates that this amendment will not have a material impact on its financial statements.

IFRS 9 *Financial Instruments* (effective from January 1, 2013)
The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

The Company has yet to assess the impact that this amendment is likely to have on its financial statements. However, The Company does not expect to implement the amendments until all chapters of IFRS 9 have been published and The Company can comprehensively assess the impact of all changes.

IFRS 10 *Consolidated Financial Statements* (effective from January 1, 2013)
IFRS 10 contains a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 provides a definition of control that comprises the following three elements:

- power over an investee;
- exposure, or rights, to variable returns from an investee; and
- ability to use power to affect the reporting entity's returns.

The standard sets out requirements for situations when control is difficult to assess, including cases involving potential voting rights, agency relationships, control of specified assets (silos) and circumstances in which voting rights are not the dominant factor in determining control. The standard also contains accounting requirements and consolidation procedures, which are carried over unchanged from IAS 27.

IFRS 11 *Joint Arrangements* (effective from January 1, 2013)
IFRS 11 replaces IFRS 31 *Joint Ventures*. It requires that all jointly controlled entities be accounted for using the equity method of accounting. IFRS 31 allows for a policy choice to account for jointly controlled entities using either proportionate consolidation, or the equity method of accounting.

IFRS 12 *Disclosure of Interests in Other Entities* (effective from January 1, 2013)
IFRS 12 requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities. The standard establishes disclosure objectives that require an entity to disclose information that helps users:

- understand the judgements and assumptions made by a reporting entity when deciding how to classify its involvement with another entity;
- understand the interest that non-controlling interests have in consolidated entities; and
- assess the nature of the risks associated with interests in other entities.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 - *Consolidated and Separate Financial Statements* and IAS 28 - *Investments in Associates*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

4. Significant accounting judgements, estimates and uncertainties

The preparation of consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and notes to the interim consolidated financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the Company to make estimates include goodwill impairment testing and recoverability of assets, business combinations, warranty provisions, repayable government contributions and income taxes. These estimates and judgments are further discussed below:

(i) Goodwill impairment testing and recoverability of assets

In accordance with IFRS 1, the Company performed a test for impairment of goodwill at July 1, 2010, June 30, 2011 and September 30, 2011 with the details surrounding these impairment tests discussed below.

The goodwill recorded in the consolidated interim financial statements relates to one Company CGU.

The Company's assumptions used in testing goodwill for impairment are affected by current market conditions, which may affect expected revenue and costs. The Company also has significant competition in markets in which it operates, which may impact its revenues and operating costs. The recoverable amount of the CGU was estimated based on an assessment of fair value less costs to sell using a discounted cash flow approach. The approach uses cash flow projections based upon a financial forecast approved by management, covering a three year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rates listed below. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount for the CGU's and the Company would be required to recognize an impairment loss.

As at July 1, 2010, June 30, 2011 and September 30, 2011, the Company's estimate of the recoverable amount for the Company CGU exceeded its restated carrying value.

The following are the key assumptions on which management based its determinations of the recoverable amounts of goodwill:

	July 1, 2010	June 30, 2011	Sept 30, 2011
Allocated to goodwill ($)	6,834,721	2,984,721	4,448,667
Gross margin (%)	75%	75%	75%
Terminal growth rate (%)	2%	2%	2%
After-tax discount rate (%)	21%	21%	21%

Whenever property and equipment and other intangible assets are tested for impairment, the determination of the assets' recoverable amounts involves the use of estimates by management and can have a material impact on the respective values and, ultimately, the amount of any impairment.

(ii) Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

(iii) Income taxes
The Company operates and earns income in two countries and is subject to changing income tax laws within these countries. Significant judgments are necessary in determining worldwide income tax liabilities. At each consolidated balance sheet date, the Company assesses whether the realization of future income tax benefits is sufficiently probable to recognize deferred income tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realized from available income tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred income tax assets could be reduced if estimates of projected future taxable income and benefits from available income tax strategies are lowered, or if changes in current income tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize future income tax benefits.

The Company's effective income tax rate can vary significantly quarter-to-quarter for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized. The Company's effective income tax rate can also vary due to the impact of foreign exchange fluctuations.

(iv) Estimated useful lives of long-lived assets
Management reviews useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utility in terms of duration of the assets to the Company. Actual utility, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

(v) Internally generated research costs
Management monitors the progress of internal research and development projects and uses judgment to distinguish research from the development phase. Expenditures during the research phase are expensed as incurred. Development costs are recognized as an intangible asset when the Company can demonstrate certain criteria listed in Note 3 (xiii). Otherwise, they are expensed as incurred.

5. Inventories

Inventories recognized in the statement of financial position can be analyzed as follows:

	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010	Jul 1, 2010
Finished goods	899,232	1,025,217	1,175,621	842,071
Parts	788,780	493,844	731,368	806,781
	1,688,012	1,519,061	1,906,989	1,648,852
Provision for obsolescence	(57,849)	(57,849)	-	-
Net inventory carrying value	1,630,163	1,461,212	1,906,989	1,648,852

During the three months ended September 30, 2011 there were no provisions made against inventory.

6. Property, Plant and Equipment

	Quarter ended Sep 30, 2011	Year ended Jun 30, 2011
Office Furniture & Computer Equipment		
Opening balance	538,521	529,393
Additions net of disposals	26,673	9,128
Gross asset value	565,194	538,521
Amortization and impairment		
Opening balance	(387,465)	(359,756)
Amortization	(9,286)	(27,709)
Accumulated depreciation	(396,751)	(387,465)
Closing net book value	168,443	151,056
Software & Books		
Opening balance	161,964	158,614
Additions	18,696	3,350
Gross asset value	180,660	161,964
Amortization and impairment		
Opening balance	(102,538)	(93,372)
Amortization	(3,743)	(9,167)
Accumulated depreciation	(106,281)	(102,538)
Closing net book value	74,379	59,426
Stockroom & Production Equipment		
Opening balance	99,148	95,348
Additions	-	3,800
Gross asset value	99,148	99,148
Amortization and impairment		
Opening balance	(50,462)	(42,800)
Amortization	(2,303)	(7,662)
Accumulated depreciation	(52,765)	(50,462)
Closing net book value	46,383	48,686

	Quarter ended Sep 30, 2011	Year ended Jun 30, 2011
Trade Show Equipment		
Opening balance	41,631	41,631
Gross asset value	41,631	41,631
Amortization and impairment		
Opening balance	(16,865)	(12,984)
Amortization	(1,167)	(3,882)
Accumulated depreciation	(18,032)	(16,865)
Closing net book value	23,599	24,766
Leaseholds		
Opening balance	84,650	-
Additions	-	84,650
Gross asset value	84,650	84,650
Amortization and impairment		
Opening balance	(14,116)	-
Amortization	(3,527)	(14,116)
Accumulated depreciation	(17,643)	(14,116)
Closing net book value	67,007	70,534
Total PP&E		
Opening balance	925,914	824,987
Additions	45,369	100,928
Gross asset value	971,283	925,914
Amortization and impairment		
Opening balance	(571,447)	(508,912)
Amortization	(20,025)	(62,535)
Accumulated depreciation	(591,472)	(571,447)
Closing net book value	**379,811**	**354,467**

7. Intangible assets

	Quarter ended Sep 30, 2011	Year ended Jun 30, 2011
Copyright to software		
Opening balance	2,948,461	2,948,461
Additions	-	-
Gross asset value	2,948,461	2,948,461
Amortization and impairment		
Opening balance	(884,539)	(589,693)
Amortization	(73,712)	(294,846)
Balance end of period	(958,251)	(884,539)
Gross asset value	1,990,210	2,063,922
Patent rights		
Opening balance	1,587,633	1,587,633
Gross asset value	-	1,587,633
Amortization and impairment		
Opening balance	(1,587,633)	(178,608)
Accelerated amortization	-	(1,349,489)
Amortization	-	(59,536)
Balance end of period	-	(1,587,633)
Gross asset value	-	-

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Notes to Unaudited Consolidated Interim Financial Statements
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	Quarter ended Sep 30, 2011	Year ended Jun 30, 2011
Website		
Opening balance	441,828	382,203
Additions	-	59,625
Gross asset value	441,828	441,828
Amortization and impairment		
Opening balance	(331,788)	(243,794)
Amortization	(22,605)	(87,994)
Accumulated depreciation	(354,393)	(331,788)
Closing net book value	87,435	110,040
Trademarks		
Opening balance	54,869	54,869
Gross asset value	54,869	54,869
Amortization and impairment		
Opening balance	(54,869)	(54,869)
Amortization	-	-
Balance end of period	(54,869)	(54,869)
Gross asset value	-	-
Total intangible assets		
Opening balance	5,032,791	4,973,166
Additions	-	59,625
Gross asset value	5,032,791	5,032,791
Amortization and impairment		
Opening balance	(2,858,829)	(1,066,964)
Amortization	(96,317)	(1,791,865)
Accumulated depreciation	(2,955,146)	(2,858,829)
Closing net book value	**2,077,645**	**2,173,962**

8. Capitalized Development Costs

	Quarter ended Sep 30, 2011	Year ended Jun 30, 2011
Development costs		
Opening balance	8,003,840	6,825,492
Additions	515,122	2,290,348
Investment tax credits	(125,000)	(1,112,000)
Other	-	-
Gross development costs	8,393,962	8,003,840
Amortization and impairment		
Opening balance	(6,020,175)	(4,678,525)
Disposals		
Amortization	(351,310)	(1,341,650)
Balance end of period	(6,371,485)	(6,020,175)
Net development costs	**2,022,477**	**1,983,665**

The Company has recognized $253,388 of research and development expenditure as an expense during the three month period ending September 30, 2011 ($753,392 in year 2011 and $191,868 in first quarter fiscal 2011).

9. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, and financial liability are disclosed in Note 3.

The Company categorizes each of its fair value measurements in accordance with a fair value hierarchy. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company’s financial assets as at September 30, 2011, June 30, 2011 and July 1, 2010 measured at fair value are classified as Level 1.

The fair values of the cash and cash equivalents, amounts receivable, investment tax credit receivable, accounts payable and accrued liabilities and term loan approximate their carrying values due to the relatively short-term maturity of these financial instruments.

	Balance as at			
	Sep 30, 2011	**Jun 30, 2011**	**Sep 30, 2010**	**Jul 1, 2010**
Financial assets				
Loans and receivables				
Cash and cash equivalents	7,352,579	8,784,322	7,608,999	7,744,596
Accounts receivable	2,722,759	2,232,704	1,372,213	1,972,758
Investment tax credit receivable	577,444	577,444	192,877	192,877
Income tax receivable	773,053	836,210	784,866	595,882
	11,425,835	12,430,680	9,958,955	10,506,113
Financial liabilities				
Trade and other payables				
Trade accounts payable	559,863	553,542	330,282	335,315
Accrued expenses	433,752	230,825	294,029	330,477
Accrued payroll and related compensation	871,314	731,687	721,057	597,967
Sales tax payable (receivable)	(172,997)	(50,465)	(122,343)	(21,414)
	1,691,932	1,465,589	1,223,025	1,242,345

Cash and cash equivalents are comprised of:

	Sep 30, 2011	**Jun 30, 2011**	**Sep 30, 2010**	**Jul 1, 2010**
Cash at bank and in hand	2,448,348	4,236,993	3,324,802	4,394,246
Short-term investments	4,904,231	4,547,329	4,284,197	3,350,350
Total cash and cash equivalents	7,352,579	8,784,322	7,608,999	7,744,596

The Company's interest income on short-term investment carried at amortized cost is presented on the Statement of Comprehensive Income in the Investment Income line.

Total interest income and expense and total fee income and expense for financial assets or financial liabilities that are not at fair value through profit or loss can be summarized as follows:

	Sep 30, 2011	**Jun 30, 2011**	**Sep 30, 2010**
Interest income on short-term investments	(5,112)	(26,375)	(9,380)
Interest expense arising from short-term investments	-	-	-
Total cash and cash equivalents	(5,112)	(26,375)	(9,380)

10. Financial Instruments Risks

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, foreign currency risk and interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk for its amounts receivable is summarized as follows:

	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010	Jul 1, 2010
Accounts receivable aging				
0 - 30 days	1,934,076	2,032,367	1,110,488	1,644,782
31 - 90 days	775,477	213,929	62,737	186,910
Greater than 90 days	54,519	27,721	198,988	141,066
	2,764,072	2,274,017	1,372,213	1,972,758
Provision for doubtful debts	(41,313)	(41,313)	-	-
Net trade receivable	2,722,759	2,232,704	1,372,213	1,972,758

The movement in the allowance for doubtful accounts can be reconciled as follows:

	Three months ended Sep 30, 2011	Year ended Jun 30, 2011	Three months ended Sep 30, 2010
Provision for doubtful debts			
Allowance for doubtful debts beginning balance	(41,313)	-	-
Allowance made during the period	-	(41,313)	-
Allowance for doubtful debts ending balance	(41,313)	(41,313)	-

Aging of past due but not impaired accounts:

	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010	Jul 1, 2010
61 - 90 days	324,015	80,981	22,765	79,956
Greater than 90 days	13,205	12,712	198,988	141,066
Total aging past due but not impaired	337,220	93,693	221,753	221,022

All of the Company's cash and cash equivalents and short-term investments are held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. The short-term investments are cashable in whole or in part, generally with interest, at any time to maturity. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process. The Company holds sufficient cash and equivalents and working capital, maintained through stringent cash flow management, to ensure sufficient liquidity is maintained.

Maturity analysis of debt can be summarized as follows:

	Fiscal year			Total
	2012	2013	2014	
Term Loan maturity	34,072	34,071	17,036	85,179

Foreign currency sensitivity

A large portion of the Company's transactions occur in a foreign currency (mainly in US dollars) and, therefore, the Company is exposed to foreign currency risk at the balance sheet date through its U.S. denominated accounts receivable, payable and cash. A 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an approximate $800,000 decrease or increase, respectively, in total comprehensive income. The Company has not employed any currency hedging programs during the current period. On an ongoing basis the Company's top line revenues are also impacted by the swings in the US dollar and this impact is shown in the Company's quarterly MD&A.

Interest rate sensitivity

The Company has no significant exposure at September 30, 2011, June 30, 2011 and September 30, 2010 to interest rate risk through its financial instruments as the term loan is non-interest bearing and the short-term investments are at fixed rates of interest that do not fluctuate during the remaining term.

11. SHAREHOLDERS' EQUITY

i. Share capital and contributed surplus

Issued and outstanding common shares consist of the following:

	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010
Shares issued and fully paid:			
Beginning of the year	29,837,809	30,342,809	29,564,723
Issued under share-based payments (exercised)	-	-	-
Share issue	-	-	778,086
Normal course bid redemption	-	(505,000)	-
Shares issued and fully paid	29,837,809	29,837,809	30,342,809
Opening balance number of stock options outstanding	4,603,910	1,283,950	1,368,950
Shares authorized for share-based payments (granted)	-	3,451,060	-
Share-based payments options cancelled	-	(131,100)	(85,000)
Number of stock options outstanding	4,603,910	4,603,910	1,283,950
Total shares and options outstanding	34,441,719	34,441,719	31,626,759

For each class of share capital:	
The number of shares authorized	Unlimited
The number of shares issued and fully paid	29,837,809
The number of shares issued but not fully paid	-
Par value per share, or that the shares have no par value	-

ii. Stock Options

The Company has a stock option plan (the plan) for directors, officers, employees and consultants of the Company. The number of common shares that may be set aside for issue under the plan (and under all other management stock option and employee stock option plans) is limited to 5,542,160 common shares of the Company, provided that the board of directors has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company and provided that the Company complies with the provisions of policies, rules and regulations of applicable securities legislation.

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

The stock option price of any common shares cannot be less than the closing price or the minimum price as determined by applicable regulatory authorities of the relevant class or series of shares, on the day immediately

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

The plan contains provisions for adjustment in the number of common shares issuable thereunder in the event of the subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes in the Company's capitalization.

The board of directors may, from time to time, amend or revise the terms of the plan or may terminate the plan at any time.

The following table shows the movement in the stock option plan:

	Sep 30, 2011		Jun 30, 2011		Sep 30, 2010	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at beginning of period	4,603,910	$0.58	1,368,950	$0.85	1,368,950	$0.68
Granted during the period	-	-	3,451,060	$0.48	-	-
Forfeited during the period	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-
Expired during the period	-	-	-	-	-	-
Cancelled during the period	-	-	(216,100)	$0.96	(85,000)	$1.01
Balance at end of period	4,603,910	$0.58	4,603,910	$0.58	1,283,950	$0.85
Units exercisable at the end of the period	4,603,910		4,603,910		1,283,950	

The Company uses the fair value method to account for all stock-based awards granted to employees and directors. The estimated fair value of stock options granted is determined using the Black-Scholes option pricing model and is recorded as a charge to income over the vesting period of the stock options, with a corresponding credit to contributed surplus. Stock options are granted at a price equal to or above the fair value of the common shares on the day immediately preceding the date of the grant. The consideration received on the exercise of stock options is credited to stated capital at the time of exercise (see Consolidated Statement of Shareholder Equity).

The following table summarizes information about share options granted during the period:

Measurement Date	Number of options	Weighted Average Fair Value
At Sep 30, 2011		
Granted in the quarter	-	-
At Jun 30, 2011		
Granted in the year	3,451,060	$0.48
At Sep 30, 2010		
Granted in the quarter	-	-

The fair value of the stock options granted has been estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Three month ended **Sep 30, 2011**	As at **Jun 30, 2011**	Three months ended **Sep 30, 2010**
Weighted average share price	$0.48	$0.46	$0.65
Exercise price	$0.58	$0.58	$0.85
Expected volatility	71.26%	77.95%	78.87%
Expected option life	3.50	3.75	2.42
Expected dividend yield	-	-	-
Risk-free interest rate	1.84%	2.01%	2.07%

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's shares.

The following table summarizes information about share options exercised during the period:

Expiry Date	Number of options	Average Fair Value
Sep 30, 2011		
Cancelled in quarter	-	-
Jun 30, 2011		
Cancelled in year	(216,100)	$0.93
Sep 30, 2010		
Cancelled in quarter	(85,000)	$0.96

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

	Sep 30, 2011		Jun 30, 2011		Sep 30, 2010	
Exercise price	**Number of stock options outstanding and exercisable**	**Weighted average remaining contractual life**	**Number of stock options outstanding and exercisable**	**Weighted average remaining contractual life**	**Number of stock options outstanding and exercisable**	**Weighted average remaining contractual life**
$0.26 - $0.50	1,993,498	4.14	1,993,498	4.39	-	-
$0.51 - $0.75	2,162,062	3.41	2,162,062	3.66	768,100	2.58
$1.01 - $1.25	448,350	1.09	448,350	1.34	515,850	2.18
Total	4,603,910	3.50	4,603,910	3.75	1,283,950	2.42

Total expenses recognized for share based payment were $122,387 in quarter ended September 30, 2011, $315,798 in year ended June 30, 2011 and $14,075 in quarter ended September 30, 2010.

iii. Earnings per share and dividends

Both the basic and diluted earnings per share have been calculated using the profit attributable to the shareholders of the Company as the numerator, ie no adjustments were necessary in September 30, 2011, June 30, 2011 and September 30, 2010 financial statements.

The weighted average number of outstanding shares used for basic earnings per share amounted to 30,261,338 shares in September 30, 2011, 30,261,338 in June 30, 2011 and 30,224,405 in September 30, 2010).

The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Sep 30, 2011	**Jun 30, 2011**	**Sep 30, 2010**
Number of shares:			
Weighted average number of shares used in basic earnings per share	29,837,809	30,088,138	30,224,405
Shares deemed to be issued in respect of share-based payments	423,529	173,200	-
Weighted average number of shares used in diluted earnings per share	30,261,338	30,261,338	30,224,405

12. Income Tax

The Company has deducted available scientific research and experimental development costs (SR&ED) for federal and provincial purposes and has utilized SR&ED investment tax credits, as required, to reduce federal income taxes payable.

These consolidated financial statements take into account an income tax benefit resulting from investment tax credits available to the Company to reduce its income for federal income tax purposes in future years as follows:

Year of investment	Year of expiration	Carry-forward credits
		$
2010	2030	175,141
2011	2031	160,457
		335,598

The income tax benefit of Paraxip's eligible SR&ED costs incurred in prior years but not utilized have been taken into account in these consolidated financial statements.

	Federal	Provincial
	$	$
SR&ED expenditures carried forward	1,264,321	2,176,571

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

	Sep 30, 2011	Jun 30, 2011	Jul 1, 2010
	%	%	%
Statutory tax rate (recovery)	27.3	(29.2)	32.7
Tax effect on non-deductible expenses	1.9	1.9	1.5
Non-deductible goodwill write-off	-	29.2	-
Other miscellaneous differences	(10.0)	(6.8)	(22.8)
Effective income tax rate (recovery)	19.2	(4.9)	11.4

The following table summarizes deferred tax assets and liabilities:

Investment tax credit receivable

	Sep 30, 2011	Jun 30, 2011	Jul 1, 2010
Opening balance	577,444	192,877	192,877
Refundable Quebec SR&ED credit 2010	-	341,478	-
Refundable Quebec SR&ED credit 2011	-	235,966	-
Reversal of Quebec SR&ED credit for 2009	-	(192,877)	-
Total investment tax credit receivable	577,444	577,444	192,877

Income tax receivable

	Sep 30, 2011	Jun 30, 2011	Jul 1, 2010
Opening balance	836,210	595,882	-
Underprovision of prior year income tax receivable	-	177,827	-
Instalments paid during the year	-	625,258	1,070,110
Current year tax expense (receivable)	(63,157)	210,952	(474,228)
Refund received	-	(773,709)	-
Total investment tax credit receivable	773,053	836,210	595,882

Deferred income tax liabilities

	Sep 30, 2011	Jun 30, 2011	Jul 1, 2010
Property, plant and equipment	(52,678)	(52,678)	(62,980)
Non-deductible reserves	13,180	13,180	-
Deferred development costs	(499,473)	(513,592)	(632,222)
Intangible assets	(559,116)	(559,116)	(1,056,751)
SR&ED investment tax credits	147,344	113,281	129,173
Loss carry-forwards	-	-	152,927
Deferred revenues	23,550	16,829	22,355
SR&ED expenditure pools	485,093	451,031	375,861
Deferred income tax assets (liability)	(442,100)	(531,065)	(1,071,637)
Total income tax - assets and (liabilities)	908,397	882,589	(282,878)

13. Related parties

The Company's related parties include its subsidiaries and key management and their close family members. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given of received. Outstanding balances are usually settled in cash and relate to director fees as more fully described in the Company's Management Information Circular.

The Company had the following balances with related parties:

	Sep 30, 2011		Jun 30, 2011		Sep 30, 2010	
	Key Management Personnel	Other Related Parties	Key Management Personnel	Other Related Parties	Key Management Personnel	Other Related Parties
The total of the transactions:						
Revenue earned	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-
The amount of outstanding balances:						
Receivable	-	-	-	-	-	-
Payable	-	40,000	-	2,000	-	7,500
Provisions for doubtful debts						
Expense recognized for bad or doubtful debts	-	-	-	-	-	-
	-	40,000	-	2,000	-	7,500

14. Segment disclosures

The Company operates in one industry segment; development, manufacturing, distribution and support of voice and data connectivity components for software-based communication applications. The majority of the Company's assets are located in Canada. The Company sells into three major geographic centers: the United States, Canada and other foreign countries. The Company has determined that it has a single reportable segment.

Revenues for each group of similar products and services can be summarized for quarters ending:

	Sep 30, 2011	Sep 30, 2010
Products	2,915,891	2,472,037
Services	96,308	42,644
Total revenues	3,012,199	2,514,681

The sales, in Canadian dollars, in each of these geographic locations for quarters ending:

	Sep 30, 2011	Sep 30, 2010
USA	1,468,032	877,861
Canada	227,725	229,837
All other countries	1,316,442	1,406,983
Total revenues	3,012,199	2,514,681

15. Capital management

The Company's objectives in managing capital are to safeguard the Company's assets, to ensure sufficient liquidity to sustain the future development of the business via advancement of its significant research and development efforts, to conservatively manage financial risk and to maximize investor, creditor and market confidence. The Company considers its capital structure to include working capital and shareholders' equity. Working capital is optimized via stringent cash flow policies surrounding disbursement, foreign currency exchange and investment decision-making.

There were no changes in the Company's approach to capital management during the quarter and the Company is not subject to any capital requirements imposed by external parties.

The Company manages the following capital:

	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010	Jul 1, 2010
Stated capital	15,866,455	15,866,455	16,118,609	15,158,762
Contributed surplus	1,026,856	904,469	625,106	611,030
Retained earnings	2,959,818	2,503,146	6,302,780	6,262,043
Working capital	11,417,736	12,359,430	10,658,886	10,920,180
Total	**31,270,865**	**31,633,500**	**33,705,381**	**32,952,015**

16. Business Combination

On August 22, 2011 Sangoma Technologies Inc. acquired certain assets of the VegaStream Group of Companies, a UK-based developer of VOIP Gateway appliances. The transaction was undertaken in two components, the purchase of customer contracts from VegaStream Distribution Limited ("VDL") and the purchase of product design, licenses, prototypes, inventory, test equipment, certain supplier relationship and employment obligations from the administrator acting for VegaStream Group Limited ("VGL"). In addition Sangoma acquired a 5% shareholding in VegaStream Private Networks Limited an Indian company based in Bangalore, which is majority owned by an independent party, and which sells the Vega line of products in India and surrounding countries. On December 1, 2011 Sangoma launched the Vega product line as part of the Sangoma portfolio of products.

The two asset transactions described above are to be accounted for as a single business combination.

Consideration for the acquisition:	$C thousands
Purchase of assets from VDL	239
Purchase of assets from the administrator for VGL	1,276

Total consideration	1,515
Provisional purchase price allocation[1]:	
Equity investment in VegaStream Private Networks Limited at cost[1]	11
Inventory at cost to manufacture[1]	25
Equipment at deemed fair value[1]	16
Goodwill/Intangible Assets[1]	1,463

Total consideration	1,515

[1] The purchase price allocation is based on the fair value of the assets. The valuation for each component has not yet been completed and will be adjusted in the second quarter interim financial statements.

For the period August 22, 2011 to September 30, 2011 all revenues and costs including transaction fees in the amount of $251,490 have been incorporated into Sangoma's interim Financial Statements. Sangoma has established a branch office in the UK for employing staff in the UK.

17. Transition to IFRS

The Company's audited consolidated annual financial statements for the year ending June 30, 2012 will be the first annual financial statements that are prepared in accordance with IFRS, and these interim consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its audited consolidated annual financial statements for June 30, 2012.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was July 1, 2011 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which, for the Company, will be June 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the Company's conversion from Canadian GAAP to IFRS.

(i) IFRS Exemption Options

1. Share-based payments - IFRS 2 *Share-based Payments*, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 only to equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

2. The Company has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease.

3. Financial assets and liabilities that had been de-recognized before July 1, 2011 under previous GAAP have not been recognized under IFRS.

4. The Company has not elected to designate previously recognized financial instruments at available-for-sale or at fair-value-through-profit-or-loss;

5. The Company has elected to take an election to apply a transitional provision available for borrowing costs and therefore IAS 23 *Borrowing Costs* will be applied from July 1, 2011.

6. The Company has elected to take an election not to restate the accounting of past business combinations and therefore IFRS 3 *Business Combinations* will be applied from July 1, 2011;

7. The Company has elected not to select fair value as deemed cost for property, plant and equipment or intangibles and therefore IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* will be applied with retroactive application;

(ii) IFRS Mandatory Exceptions

1. Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income or loss and cash flows for prior periods. The changes made to the consolidated Balance Sheet and consolidated Statement of Comprehensive Income have resulted in reclassifications of various amounts on the consolidated Statements of Cash Flow, however, as there have been no changes to the net cash flows, no reconciliations have been presented.

Reconciliation of Equity	June 30, 2011 $	September 30, 2010 $	July 1, 2010 $
Equity as reported under Canadian GAAP	2,652,763	6,417,644	6,319,030
IFRS adjustments increase (decrease):			
Amortization of employee stock options	(149,617)	(114,864)	(56,987)
Equity as reported under IFRS	2,503,146	6,302,780	6,262,043

Reconciliation of Comprehensive Income	June 30, 2011 $	September 30, 2010 $
As reported under Canadian GAAP	(3,666,267)	54,814
IFRS adjustments increase (decrease):		
Share-based payments amortization	(92,630)	(14,076)
Equity as reported under IFRS	(3,758,897)	40,738

Changes in accounting policies:
In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

1. **IFRS 2 – Share-based payment**

IFRS 2 is effective for the Company as of July 1, 2010 and is applicable to stock options that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock option grants prior to November 7, 2002 are not taken;
- Stock option grants subsequent to November 7, 2002 are only taken into account if they have not vested as at July 1, 2010; and,
- From July 1, 2010, all stock options payments are treated under IFRS 2.

Recognition of Expense
Canadian GAAP - For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS - Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

As a result of this difference, the Company recognized $53,948 in Retained Earnings at the date of transition.

Estimated Life
Canadian GAAP – Life of the option for the purposes of FV measurement is the option's contractual life.

IFRS - At the time of recognition IFRS requires the Company to estimate, to its best ability, the number of options that will eventually vest and measure the transaction at this best available estimate. IFRS also requires this best available estimate to be revised when subsequent information indicates a new estimate. On the vesting date, the estimate should be revised to be equal to what is ultimately vested.

The Company has made an analysis of historical information and has determined at the date of transition - July 1, 2010 the forfeiture rate is 0.46% and is considered immaterial, no adjustments were recognized.

Forfeitures
Canadian GAAP - Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

The Company estimated 0% forfeiture rate and, as a result, no adjustments were recognized.

2. **IAS 36 - Impairment**

IAS 36 uses a one-step approach for testing and measuring asset impairments, with carrying values being compared to the higher of value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset. In the absence of an active market, fair value less costs to sell may be determined using discounted cash flows. IAS 36 allows reversal of previously recognized impairment losses (other than goodwill) where circumstances change such that impairment has reduced.

Canadian GAAP uses undiscounted future cash flows are used to compare against the asset's carrying to determine if impairment exists. Canadian GAAP prohibits reversal of previously recognized impairment losses.

The Company's assets will be subject to the one-step approach under IFRS for testing and measuring asset impairments, which may result in some impairments being recognized or reversed under IFRS that would not have been required or permitted under Canadian GAAP.

The Company has performed an impairment test and has determined that no impairment is present.

3. Presentation Reclassifications

The Company has realigned the reporting of expense categories to meet the presentation requirements required under IFRS.

		First Quarter 2011		
		Canadian GAAP		IFRS
		$	Change	$
Sales		2,514,681	-	2,514,681
Cost of sales		690,010	-	690,010
Gross profit		1,824,671	-	1,824,671
Expenses				
Selling and Marketing (S&M)	1	476,129	(58,337)	417,792
Research and Development (R&D)	2	309,487	191,848	501,335
General and Administration (G&A)	3	661,367	11,599	672,966
Foreign currency exchange loss/(gain)		152,939	(4)	152,935
Amortization of property, plant and equipment	4	37,475	(37,475)	-
Amortization of intangible assets	4	93,557	(93,557)	-
Stock-based compensation	4	-	-	-
Total Expenses	5	1,730,954	14,074	1,745,028
Operating Income before the undernoted	5	93,717	(14,074)	79,643
Investment income		(9,380)	-	(9,380)
Acquisition Fees		-	-	-
Accelerated amortization of patents (Note 8)		-	-	-
Impairment of goodwill (Note 14)		-	-	-
(Loss) income before provision for income taxes	5	103,097	(14,074)	89,023
Provision for (recovery of) income taxes				
Current		78,544	-	78,544
Future		(30,260)	-	(30,260)
		48,284	-	48,284
Net (loss) income and Comprehensive (loss)	5	54,813	(14,074)	40,739

IFRS categories costs by departments rather than type of expense and thus some costs have been captured by department

1. Some of GAAP S&M line items now are categorized in G&A
2. The engineering costs expensed each year are now shown in R&D in addition to the development cost amortization
3. G&A has been reduced by engineering but now includes amortization and stock based compensation
4. Amortization and stock based compensation are now allocated by department
5. The net change to Net Income is solely the change in the rate at which IFRS amortizes the value of stock option expense versus GAAP

Reconciliation of unaudited consolidated Statement of Financial Position as previously reported under Canadian GAAP to IFRS:

		June 30, 2011			September 30, 2010			July 1, 2010		
	Note	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
Assets										
Current Assets										
Cash and cash equivalents		8,784,322	-	8,784,322	7,608,999	-	7,608,999	7,744,596	-	7,744,596
Trade receivable		2,232,704	-	2,232,704	1,372,213	-	1,372,213	1,972,758	-	1,972,758
Inventories		1,461,212	-	1,461,212	1,906,989	-	1,906,989	1,648,852	-	1,648,852
Investment tax credits receivable		577,444	-	577,444	192,877	-	192,877	192,877	-	192,877
Income taxes receivable		836,210	-	836,210	784,866	-	784,866	595,882	-	595,882
Future income taxes		-	-	-	335,493	-	335,493	-	-	-
Other current assets		28,061	-	28,061	114,355	-	114,355	118,318	-	118,318
		13,919,953	-	13,919,953	12,315,792	-	12,315,792	12,273,283	-	12,273,283
Non-current assets										
Property, plant and equipment		464,507	(110,040)	354,457	507,659	(143,928)	363,731	447,740	(138,409)	309,331
Development costs		1,983,665	-	1,983,665	2,375,668	-	2,375,668	2,158,221	-	2,158,221
Intangible assets		2,063,922	110,040	2,173,962	3,694,082	143,928	3,838,010	3,787,638	138,409	3,926,047
Goodwill		2,984,721	-	2,984,721	5,542,849	-	5,542,849	6,834,721	-	6,834,721
Total assets		21,416,768	-	21,416,758	24,436,050	-	24,436,050	25,501,603	-	25,501,603
Liabilities										
Current liabilities										
Trade payables		1,465,589	-	1,465,589	1,223,025	-	1,223,025	1,242,345	-	1,242,345
Current portion of long-term debt		34,072	-	34,072	34,072	-	34,072	34,072	-	34,072
Short-term obligation to issue shares		-	-	-	-	-	-	959,847	-	959,847
Other liabilities		60,864	-	60,864	64,315	-	64,315	76,688	-	76,688
		1,560,525	-	1,560,525	1,321,412	-	1,321,412	2,312,952	-	2,312,952
Non-current liabilities										
Long-term debt		51,107	-	51,107	68,143	-	68,143	85,179	-	85,179
Deferred income tax liabilities		531,066	-	531,066	-	-	-	1,071,637	-	1,071,637
Total liabilities		2,142,698	-	2,142,698	1,389,555	-	1,389,555	3,469,768	-	3,469,768
Shareholders' Equity										
Share capital		15,866,455	-	15,866,455	16,118,609	-	16,118,609	15,158,762	-	15,158,762
Contributed surplus		754,852	149,617	904,469	510,242	114,864	625,106	554,043	56,987	611,030
Retained earnings		2,652,763	(149,617)	2,503,146	6,417,644	(114,864)	6,302,780	6,319,030	(56,987)	6,262,043
Total equity		19,274,070	-	19,274,070	23,046,495	-	23,046,495	22,031,835	-	22,031,835
Total liabilities and equity		21,416,768	-	21,416,768	24,436,050	-	24,436,050	25,501,603	-	25,501,603

18. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

19. Authorization of Financial Statements

The interim unaudited consolidated financial statements for the period ended September 30, 2011 (including comparatives) were, as per recommendation of the audit committee, approved by the board of directors on December 12, 2011.