Condensed Consolidated Interim Financial Statements of

Sangoma Technologies Corporation

For the three and nine month periods ended March 31, 2014 and 2013.

(Unaudited in Canadian Dollars)

Sangoma Technologies Corporation

March 31, 2014

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The accompanying unaudited condensed interim financial statements of the company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the International Financial Reporting Standards ("IFRS") of interim financial statements by an entity's auditor.

Sangoma Technologies Corporation

Condensed consolidated interim statements of financial position
as at March 31, 2014 and June 30, 2013
(Unaudited in Canadian dollars)

	March 31 2014	June 30 2013
	$	**$**
Assets		
Current assets		
Cash and cash equivalents (Note 9)	**4,120,731**	4,012,126
Trade receivables (Note 10)	**5,271,054**	4,963,684
Inventories (Note 5)	**3,140,739**	3,035,704
Investment tax credits receivable	**321,794**	321,794
Sales tax receivables	**336,626**	28,854
Investment in Vegastream Private Networks Limited (Note 18)	**10,665**	10,665
Other current assets	**65,505**	47,677
	13,267,114	12,420,504
Non-current assets		
Deferred income tax assets (Note 12)	**1,199,170**	887,581
Property, plant and equipment (Note 6)	**318,141**	333,451
Development costs (Note 8)	**2,447,863**	2,539,418
Intangible assets (Note 7)	**883,632**	1,172,642
	18,115,920	17,353,596
Liabilities		
Current liabilities		
Accounts payable and accrued liabilites	**1,987,124**	1,628,555
Provisions (Note 17)	**23,318**	23,318
Current portion of term loan	**-**	17,035
Deferred revenue	**266,984**	146,514
	2,277,426	1,815,422
Shareholders' Equity		
Share capital (Note 15)	**15,333,326**	15,333,326
Contributed surplus (Note 15)	**1,701,547**	1,621,375
Retained earnings (deficit)	**(1,196,379)**	(1,416,527)
	15,838,494	15,538,174
	18,115,920	17,353,596

Approved by the Board

(Signed) *Al Guarino* Director

(Signed) *Yves Laliberte* Director

Sangoma Technologies Corporation

Condensed consolidated interim statements of comprehensive income (loss)
for the three months ended March 31, 2014 and 2013
(Unaudited in Canadian dollars)

	Third Quarter		Year to Date	
	F2014	F2013	**F2014**	F2013
	$	$	**$**	$
Revenue (Note 14)	**3,476,863**	3,175,323	**9,848,619**	8,951,454
Cost of sales	**1,140,429**	1,181,192	**3,243,116**	2,924,905
Gross profit	**2,336,434**	1,994,131	**6,605,503**	6,026,549
Expenses				
Sales and marketing	**834,509**	677,981	**2,516,522**	1,920,269
Research and development	**708,453**	712,762	**1,955,207**	2,240,896
General and administration	**670,634**	790,189	**1,969,763**	2,316,361
Foreign currency exchange (gain) loss	**(97,075)**	(28,577)	**(167,506)**	26,509
	2,116,521	2,152,355	**6,273,986**	6,504,035
Income before the undernoted	**219,913**	(158,224)	**331,517**	(477,486)
Interest income (Note 9)	**(7,167)**	(8,448)	**(21,437)**	(18,274)
	(7,167)	(8,448)	**(21,437)**	(18,274)
Income (loss) before income tax	**227,080**	(149,776)	**352,954**	(459,212)
Provision for (recovery of) income taxes				
Current (Note 12)	**16,543**	(14,116)	**18,969**	(78,816)
Deferred (Note 12)	**54,571**	-	**113,836**	-
Net income (loss) and total comprehensive income (loss)	**155,966**	(135,660)	**220,149**	(380,396)
Earnings (loss) per share				
Basic (Note 11 (iii))	**$ 0.01**	$ (0.00)	**$ 0.01**	$ (0.01)
Diluted (Note 11 (iii))	**$ 0.01**	$ (0.00)	**$ 0.01**	$ (0.01)
Weighted average number of shares outstanding (Note 11 (iii))				
Basic	**28,829,809**	29,079,809	**28,829,809**	29,357,888
Diluted	**28,829,809**	29,079,809	**28,829,809**	29,357,888

Sangoma Technologies Corporation

Condensed condensed consolidated interim statements of changes in equity
for the three months ended March 31, 2014 and 2013
(Unaudited in Canadian dollars)

	Number of shares	Share capital	Contribued surplus	Retained earnings	Total equity
		$	$	$	$
Balance, June 30, 2013 (Notes 11(ii))	**28,829,809**	**15,333,326**	**1,621,375**	**-1,416,527**	**15,538,174**
Net income/(loss) and total comprehensive income/(loss)	-	-	-	(159,568)	(159,568)
Share-based payment (Note 11 (ii))	-	-	38,326	-	38,326
Balance, September 30, 2013	**28,829,809**	**15,333,326**	**1,659,701**	**(1,576,095)**	**15,416,932**
Net income/(loss) and total comprehensive income/(loss)	-	-	-	223,750	223,750
Share-based payment (Note 11 (ii))	-	-	18,378	-	18,378
Balance, December 31, 2013	**28,829,809**	**15,333,326**	**1,678,079**	**(1,352,345)**	**15,659,060**
Net income/(loss) and total comprehensive income/(loss)	-	-	-	155,966	155,966
Share-based payment (Note 11 (ii))	-	-	23,468	-	23,468
Balance, March 31, 2014	**28,829,809**	**15,333,326**	**1,701,547**	**(1,196,379)**	**15,838,494**
Balance, June 30, 2012 (Notes 11(ii))	29,538,809	15,712,274	1,277,393	2,918,130	19,907,797
Net income/(loss) and total comprehensive income/(loss)	-	-	-	9,417	9,417
Share-based payment (Note 11 (ii))	-	-	55,027	-	55,027
Balance, September 30, 2012	**29,538,809**	**15,712,274**	**1,332,420**	**2,927,547**	**19,972,241**
Net income/(loss) and total comprehensive income/(loss)	-	-	-	(254,152)	(254,152)
Share-based payment (Note 11 (ii))	-	-	72,936	-	72,936
Normal course issuer bid redemption (Note 11 (ii))	(459,000)	(163,085)	-	-	(163,085)
Balance, December 31, 2012	**29,079,809**	**15,549,189**	**1,405,356**	**2,673,395**	**19,627,940**
Net income/(loss) and total comprehensive income/(loss)	-	-	-	(135,660)	(135,660)
Share-based payment (Note 11 (ii))	-	-	74,340	-	74,340
Balance, March 31, 2013	**29,079,809**	**15,549,189**	**1,479,696**	**2,537,735**	**19,566,620**

Sangoma Technologies Corporation

Condensed consolidated interim statements of cash flows
for the three months ended March 31, 2014 and 2013
(Unaudited in Canadian dollars)

	Third Quarter		Year to Date	
	2014	2013	**2014**	2013
	$	**$**	**$**	**$**
Operating activities:				
Net income (loss) for the period	**155,966**	(135,660)	**220,149**	(380,396)
Adjustments for:				
Depreciation of property, plant and equipment (Note 6)	**17,804**	19,101	**55,070**	58,724
Amortization of intangible assets (Note 7)	**96,337**	101,848	**289,011**	305,544
Amortization of capitalized development costs (Note 8)	**414,108**	444,956	**1,220,270**	1,328,354
Income tax expense (recovery)	**71,114**	(14,116)	**132,805**	(78,816)
Share-based payment (Note 11 (ii)	**23,468**	74,340	**80,172**	202,303
Changes in item of working capital:				
Trade receivables	**(777,836)**	(449,123)	**(307,369)**	(239,767)
Inventories (Note 5)	**(42,939)**	15,896	**(105,034)**	(555,380)
Other current assets	**16,181**	354,476	**(17,829)**	317,701
Sales tax receivables	**(204,272)**	(37,965)	**(310,624)**	151,538
Accounts payable and accrued liabilities	**543,367**	388,874	**358,569**	(643,088)
Deferred revenue	**(31,640)**	20,066	**120,470**	13,349
Income tax received (paid)	**(16,543)**	-	**(16,543)**	234,108
	265,115	782,693	**1,719,117**	714,174
Investing activities				
Purchase of property, plant and equipment (Note 6)	**(7,797)**	(18,036)	**(39,760)**	(24,917)
Development costs	**(474,278)**	(602,664)	**(1,553,717)**	(1,983,268)
	(482,075)	(620,700)	**(1,593,477)**	(2,008,185)
Financing activities				
Repayment of term loan	**-**	(17,036)	**(17,035)**	(34,072)
Normal course issuer bid redemption	**-**	-	**-**	(163,085)
	-	(17,036)	**(17,035)**	(197,157)
Increase / (decrease) in cash and cash equivalents	**(216,960)**	144,957	**108,605**	(1,491,168)
Cash and cash equivalents, beginning of quarter	**4,337,691**	3,380,700	**4,012,126**	5,016,825
Cash and cash equivalents, end of quarter	**4,120,731**	3,525,657	**4,120,731**	3,525,657

(Unaudited in Canadian dollars)

1. General information

Founded in 1984, Sangoma Technologies Corporation ("Sangoma" or 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.

Sangoma is a leading provider of hardware and software components that enable or enhance Internet Protocol Communications Systems for both telecom and datacom applications. Enterprises, small to medium sized businesses ("SMBs") and telecom operators in over 150 countries rely on Sangoma's technology as part of their mission critical infrastructures. The product line includes data and telecom boards for media and signal processing, as well as gateway appliances and software.

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. Statement of compliance

The accompanying condensed unaudited consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*. The condensed unaudited consolidated interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2013.

These condensed consolidated interim financial statements were, at the recommendation of the audit committee, approved and authorized for issuance by the Company's Board of Directors on May 23, 2014.

3. Significant accounting policies

These condensed unaudited consolidated interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended June 30, 2013 and which are available at www.sedar.com.

4. Significant accounting judgments, estimates and uncertainties

These condensed unaudited consolidated interim financial statements require the same critical estimates and judgments in applying the accounting policies as those of the audited consolidated financial statements for the year ended June 30, 2013.

5. Inventories

Inventories recognized in the Statement of Financial Position can be analyzed as follows:

	March 31, 2014	June 30, 2013
	$	$
Finished goods	**1,558,570**	1,684,678
Parts	**1,754,703**	1,500,445
	3,313,273	3,185,123
Provision for obsolescense	**(172,534)**	(149,419)
Net inventory carrying value	**3,140,739**	3,035,704

During the three month period ended March 31, 2014 no additional provisions made against inventory.

(Unaudited in Canadian dollars)

6. Property, plant and equipment

Cost	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow equipment	Leasehold improvement	Total
	$	$	$	$	$	$
Balance, June 30, 2013	676,459	182,184	99,148	41,631	92,762	1,092,184
Additions	20,576	-	-	-	1,356	21,932
Balance, September 30, 2013	**697,035**	**182,184**	**99,148**	**41,631**	**94,118**	**1,114,116**
Additions	4,148	-	-	-	5,883	10,031
Balance, December 31, 2013	**701,183**	**182,184**	**99,148**	**41,631**	**100,001**	**1,124,147**
Additions	7,797	-	-	-	-	7,797
Balance, March 31, 2014	**708,980**	**182,184**	**99,148**	**41,631**	**100,001**	**1,131,944**

Accumulated depreciation	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow equipment	Leasehold improvement	Total
	$	$	$	$	$	$
Balance, June 30, 2013	489,907	128,512	66,271	24,859	49,184	758,733
Depreciation expense	11,470	2,684	1,693	838	2,197	18,882
Balance, September 30, 2013	**501,377**	**131,196**	**67,964**	**25,697**	**51,381**	**777,615**
Depreciation expense	11,048	2,549	1,903	797	2,087	18,384
Balance, December 31, 2013	**512,425**	**133,745**	**69,867**	**26,494**	**53,468**	**795,999**
Depreciation expense	10,469	2,585	1,939	828	1,983	17,804
Balance, March 31, 2014	**522,894**	**136,330**	**71,806**	**27,322**	**55,451**	**813,803**

Carrying Amount	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow equipment	Leasehold improvement	Total
	$	$	$	$	$	$
Balance, June 30, 2013	186,552	53,672	32,877	16,772	43,578	333,451
Balance, March 31, 2014	**186,086**	**45,854**	**27,342**	**14,309**	**44,550**	**318,141**

Depreciation expense is included in general and administration expense in the Statement of Comprehensive Income (Loss).

(Unaudited in Canadian dollars)

7. Intangible assets

Cost

	Copyright to software	Purchased technology	Total
	$	$	$
Balance, June 30, 2013	2,948,462	905,000	3,853,462
Additions	-	-	-
Disposals	-	-	-
Balance, September 30, 2013	**2,948,462**	**905,000**	**3,853,462**
Additions	-	-	-
Disposals	-	-	-
Balance, December 31, 2013	**2,948,462**	**905,000**	**3,853,462**
Additions	-	-	-
Disposals	-	-	-
Balance, March 31, 2014	**2,948,462**	**905,000**	**3,853,462**

Accumulated amortization

	Copyright to software	Purchased technology	Total
	$	$	$
Balance, June 30, 2013	2,530,320	150,500	2,680,820
Amortization expense	73,712	22,625	96,337
Balance, September 30, 2013	**2,604,032**	**173,125**	**2,777,157**
Amortization expense	73,712	22,625	96,337
Balance, December 31, 2013	**2,677,744**	**195,750**	**2,873,494**
Amortization expense	73,712	22,625	96,337
Balance, March 31, 2014	**2,751,456**	**218,375**	**2,969,831**

Carrying amount

	Copyright to software	Purchased technology	Total
	$	$	$
Balance, June 30, 2013	418,142	754,500	1,172,642
Balance, March 31, 2014	**197,006**	**686,625**	**883,631**

Amortization expense is included in general and administration expense in the Statement of Comprehensive Income (Loss).

(Unaudited in Canadian dollars)

8. Development costs

	$
Balance at June 30, 2013	11,897,357
Additions	522,788
Investment tax credits	(150,000)
Balance at September 30, 2013	**12,270,145**
Additions	556,649
Investment tax credits	(150,000)
Balance at December 31, 2013	**12,676,794**
Additions	474,278
Investment tax credits	(125,000)
Balance at March 31, 2014	**13,026,072**
Accumulated amortization	
Balance at June 30, 2013	(9,357,939)
Amortization	(400,401)
Balance at September 30, 2013	**(9,758,340)**
Amortization	(405,761)
Balance at December 31, 2013	**(10,164,101)**
Amortization	(414,108)
Balance at March 31, 2014	**(10,578,209)**

	March 31, 2014	June 30, 2013
	$	$
Net capitalized development costs	**2,447,863**	2,539,418

Each period the new spending is added net of Investment Tax Credits accrued. In addition to the above amortization, the Company has recognized $294,345 of research expenditure as an expense during the three month period ended March 31, 2014 (March 31, 2013 - $267,806.

9. Financial instruments

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 input 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).

(Unaudited in Canadian dollars)

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

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

Cash and cash equivalents are comprised of

	March 31, 2014	June 30, 2013
	$	$
Cash at bank and on hand	**2,250,288**	1,672,439
Short-term investments	**1,870,443**	2,339,687
Total cash and cash equivalents	**4,120,731**	4,012,126

Cash includes demand deposits with financial institutions and cash equivalents consist of short-term, highly liquid investments purchased with original maturities of three months or less.

The Company's interest income on short-term investment carried at amortized cost is presented on the Statement of Comprehensive Income (Loss) 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:

	Third Quarter		**Year to Date**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Interest income on short-term investments	**(7,167)**	(8,448)	**(21,437)**	(18,274)
Interest expense arising from short-term investments	**-**	-	**-**	-
	(7,167)	(8,448)	**(21,437)**	(18,274)

10. Financial instruments risk

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, interest rate risk and market 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 has an insurance policy with Export Development Canada ("EDC") for much of its trade receivables to manage this risk and minimize any exposure. The Company's maximum exposure to credit risk for its trade receivables, are summarized as follows:

(Unaudited in Canadian dollars)

Trade receivables aging	**March 31, 2014**	June 30, 2013
	$	$
0-30 days	**3,007,238**	3,334,059
31-90 days	**1,162,152**	312,190
Greater than 90 days	**1,326,817**	1,327,588
	5,496,207	4,973,837
Provision for doubtful accounts	**(225,153)**	(10,153)
Net trade receivable	**5,271,054**	4,963,684

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

	March 31, 2014	June 30, 2013
	$	$
Provision for doubtful accounts		
Allowance for doubtful accounts beginning balance	**(120,153)**	(10,153)
Allowance used/ (recorded) during the quarter	**(105,000)**	-
Allowance for doubtful accounts ending balance	**(225,153)**	(10,153)

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 trade receivables.

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		
	2014	2015	Total
	$		$
Accounts payable and accrued liabilities	1,987,124	-	1,987,124

Foreign currency risk

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 Statement of Financial Position date through its U.S. denominated accounts receivable, accounts payable and cash. As at March 31, 2014 a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate $375,000 decrease or increase, respectively, in total comprehensive income. The Company has instituted a facility to allow hedging of the US dollar and initiated currency hedges of $3.5million US dollar during the two most recent quarters at an average exchange rate of 1.0736 and settlement dates between June 20 to June 30, 2014. On an ongoing basis the Company's top line revenues are also impacted by the swings in the US dollar.

Interest rate risk

The Company had no significant exposure at March 31, 2014, March 31, 2013, and June 30, 2013 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.

Market risk

The Company is exposed to market risk with respect to its short-term investments. The fair value of these financial instruments will fluctuate due to changes in market prices.

11. Shareholders' equity

i. Share capital and contributed surplus

Issued and outstanding common shares consist of the following:

	Third Quarter		**Year to Date**	
	2014	2013	**2014**	2013
	#	#	**#**	#
Shares issued and fully paid				
Beginning of period balance	**28,829,809**	29,079,809	**28,829,809**	29,538,809
Normal course bid redemption	**-**	-	**-**	(459,000)
	28,829,809	29,079,809	**28,829,809**	29,079,809
Opening balance number of stock options outstanding	**3,889,160**	4,301,660	**4,089,160**	4,238,410
Share-options granted	**-**	-	**-**	470,000
Share-based payments options expired/cancelled	**-**	-	**(200,000)**	(406,750)
Number of stock options outstanding	**3,889,160**	4,301,660	**3,889,160**	4,301,660
Total shares and options outstanding	**32,718,969**	33,381,469	**32,718,969**	33,381,469

For each class of share capital		
The number of shares authorized	Unlimited	Unlimited
The number of shares issued and fully paid	**28,829,809**	29,079,809
The number of shares issued but not fully paid	**-**	-
Par value per share, or that the shares have no par value	**-**	-

Effective March 5, 2013, the Company received approval from the TSX Venture Exchange to purchase its own common shares up to a maximum of 5% of the issued and outstanding common shares being 1,476,940 shares outstanding. During the three month period ended March 31, 2014 the Company did not repurchase any shares and the bid was expired with the company having repurchased and retired a total of 709,000 common shares.

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 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.

(Unaudited in Canadian dollars)

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

Measurement date	Number of options	average exercise price
		$
Balance, June 30, 2013	4,089,160	0.51
Cancelled	(50,000)	0.50
Balance, September 30, 2013	4,039,160	0.50
Cancelled	(150,000)	0.52
Balance, December 31, 2013	3,889,160	0.50
Cancelled	-	-
Balance, March 31, 2014	3,889,160	0.50

The Company uses the fair value method to account for all stock-based awards granted to employees, officers 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 increase 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 added to stated capital at the time of exercise (see Consolidated Statement of Changes in Equity).

There were no stock options awarded in the period June 30, 2013 to March 31, 2014.

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

	March 31, 2014		June 30, 2013	
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
$0.26 - $0.50	**2,263,498**	**1.88**	2,363,498	2.62
$0.51 - $0.75	**1,625,662**	**1.52**	1,725,662	2.25
Total	**3,889,160**	**1.73**	4,089,160	2.46

Total expense recognized for share based payments for the three month period was $23,468 (March 31, 2013 - $74,340).

(Unaudited in Canadian dollars)

iii. Earnings per share and dividends

Both the basic and diluted earnings per share have been calculated using the net income attributable to the shareholders of the Company as the numerator.

The weighted average number of outstanding shares used for basic earnings per share amounted to 28,829,809 shares (March 31, 2013 – 29,079,809).

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:

	Third Quarter		**Year to Date**	
	2014	2013	**2014**	2013
	#	#	**#**	#
Number of shares				
Weighted average number of shares used in basic earnings per share	**28,829,809**	29,079,809	**28,829,809**	29,079,809
Shares deemed to be issued in respect of share-based payments	**-**	-	**-**	-
Weighted average number of shares used in diluted earnings per share	**28,829,809**	29,079,809	**28,829,809**	29,079,809

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12. Income tax

The Company has deducted available SR&ED for federal and provincial purposes and has utilized SR&ED investment tax credits, as required, to reduce federal income taxes payable. These unaudited consolidated interim 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
		$
2012	2032	587,956
2013	2033	651,451
		1,239,407

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

	Federal	Ontario	Quebec
	$	$	$
SR&ED expenditures carried forward	2,710,746	71,792	2,559,005

(Unaudited in Canadian dollars)

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

	March 31, 2014	June 30, 2013
	%	%
Statutory tax rate (recovery)	**26.5**	(26.5)
Tax effect on non-deductible expenses	**4.8**	1.3
Rate rate for future income tax assets	**-**	(1.2)
Impairment of goodwill not recognized for tax	**-**	16.2
Tax rate (recovery) on others	**-**	(0.1)
Effective income tax rate (recovery)	**31.3**	(10.3)

The tax effects of temporary differences and credits carry forwards that give rise to the deferred income tax assets and liabilities are summarized below:

	March 31, 2014	June 30, 2013
	$	$
Property, plant and equipment	**(40,127)**	(29,591)
Non-deductible reserves	**2,691**	2,691
Deferred development costs	**(746,427)**	(635,115)
Intangible assets including goodwill	**(147,857)**	(147,857)
SR&ED investment tax credits	**1,510,581**	1,085,581
Deferred revenue	**47,263**	38,826
Non-capial lossess	**24**	24
Unutilized SR&ED expenditure pools	**573,022**	573,022
Deferred income tax assets (liabilities)	**1,199,170**	887,581

13. Related parties

The Company's related parties include its subsidiary and key management personnel and their close family members. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances payable are usually settled in cash and relate to director fees.

The Company had the following balances with related parties:

	March 31, 2014		June 30, 2013	
	Key management personnel	**Other related parties**	Key management personnel	Other related parties
	$	**$**	$	$
The total of the transactions				
Expense	**-**	**30,638**	-	27,571
The amount of outstanding balances				
Receivable	**-**	**-**	-	-
Payable	**-**	**75,000**	-	2,500

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 as the Company's decision makers review information on a consolidated basis.

Revenues for each group of similar products and services for the quarter ending:

	Third Quarter		**Year to Date**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Products	**3,322,608**	3,080,825	**9,214,553**	8,633,602
Services	**154,255**	94,498	**634,066**	317,852
Total revenues	**3,476,863**	3,175,323	**9,848,619**	8,951,454

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

	Third Quarter		**Year to Date**	
	2014	2013	**2014**	2013
	$	$	**$**	$
USA	**1,132,678**	1,123,959	**3,619,458**	3,312,857
Canada	**88,255**	210,841	**307,753**	419,482
All other countries	**2,255,930**	1,840,523	**5,921,408**	5,219,115
Total revenues	**3,476,863**	3,175,323	**9,848,619**	8,951,454

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 its 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 year and the Company is not subject to any capital requirements imposed by external parties.

The Company manages the following capital:

(Unaudited in Canadian dollars)

	March 31, 2014	June 30, 2013
	$	$
Share capital	**15,333,326**	15,333,326
Contributed surplus	**1,701,547**	1,621,375
Retained earnings	**(1,196,379)**	(1,416,527)
Total	**15,838,494**	15,538,174

16. Commitments

The future minimum lease payments for office space as at March 31, 2014 are as follows:

	$
Not later than one year	63,025
Later than one year and not later than five years	266,116
	329,141

17. Provisions

	Warranty provision	Sales returns & allowances provision
	$	$
Balance at June 30, 2013	14,318	9,000
Additional provision recognized	-	-
Balance at March 31, 2014	**14,318**	**9,000**

The provision for warranty obligations represents the Company's best estimate of repair and/or replacement costs to correct product failures. The sales returns and allowances provision represents the Company's best estimate of the value of the products sold in the current financial year that may be returned in a future year. The Company accrues for product warranties and sales returns and allowances at the time the product is delivered. There were no provisions made during the period.

18. Business combination

Sangoma Technologies Inc. holds 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 as part of the VegaStream acquisition on August 22, 2011.

19. Post-reporting date events

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