

Condensed Consolidated Interim Financial Statements of

Sangoma Technologies Corporation

For the three and six month periods ended December 31, 2014 and 2013

(Unaudited in Canadian Dollars)

Sangoma Technologies Corporation

December 31, 2014

Table of contents

Consolidated Statements of Financial Position	1
Consolidated Statements of Comprehensive Income (Loss)	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows	4
Notes to the unaudited consolidated interim financial statements	5

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 December 31, 2014 and June 30, 2014
(Unaudited in Canadian dollars)

	December 31	June 30
	2014	2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 9)	6,140,115	4,981,571
Trade receivables (Note 10)	5,149,941	5,309,728
Inventories (Note 5)	3,163,392	2,587,634
Investment tax credits receivable	367,874	367,874
Sales tax receivables	44,167	44,422
Investment in Vegastream Private Networks Limited (Note 17)	10,665	10,665
Other current assets	131,899	115,348
	15,008,053	13,417,242
Non-current assets		
Deferred income tax assets (Note 12)	1,144,282	944,282
Property, plant and equipment (Note 6)	357,121	349,553
Development costs (Note 8)	2,704,387	2,745,227
Intangible assets (Note 7)	911,450	998,514
	20,125,293	18,454,818
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,080,282	1,705,802
Provisions (Note 18)	53,318	43,318
Income tax payable	-	21,598
Operating line (Note 19)	1,340,603	-
Deferred revenue	320,323	300,226
	3,794,526	2,070,944
Shareholders' equity		
Share capital (Note 11(i), 15)	15,333,326	15,333,326
Contributed surplus (Note 11(i), 15)	1,818,551	1,730,025
Deficit	(821,110)	(679,477)
	16,330,767	16,383,874
	20,125,293	18,454,818

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 December 31, 2014 and 2013

(Unaudited in Canadian dollars)

	Second Quarter		Year to Date	
	F2015	F2014	F2015	F2014
	\$	\$	\$	\$
Revenue (Note 14)	3,418,333	3,632,099	6,188,508	6,371,756
Cost of sales	1,260,607	1,188,884	2,200,557	2,102,687
Gross profit	2,157,726	2,443,215	3,987,951	4,269,069
Expenses				
Sales and marketing	813,769	991,889	1,485,175	1,682,013
Research and development	706,143	623,291	1,415,949	1,246,754
General and administration	518,148	646,542	1,139,049	1,299,129
Foreign currency exchange (gain) loss	19,073	(133,172)	(173,183)	(70,431)
	2,057,133	2,128,550	3,866,990	4,157,465
Income before the undernoted	100,593	314,665	120,961	111,604
Interest income (Note 9)	(2,841)	(7,093)	(5,807)	(14,270)
Business Acquisition costs	290,000	-	290,000	-
	287,159	(7,093)	284,193	(14,270)
Income (loss) before income tax	(186,566)	321,758	(163,232)	125,874
Provision for (recovery of) income taxes				
Current (Note 12)	(26,800)	38,742	(21,599)	2,426
Deferred (Note 12)	-	59,265	-	59,265
Net income (loss) and total comprehensive income (loss)	(159,766)	223,751	(141,633)	64,183
Earnings (loss) per share				
Basic (Note 11 (iii))	(0.006)	0.008	(0.005)	0.002
Diluted (Note 11 (iii))	(0.006)	0.008	(0.005)	0.002
Weighted average number of shares outstanding (Note 11 (iii))				
Basic	28,829,809	28,829,809	28,829,809	28,829,809
Diluted	28,829,809	28,829,809	28,829,809	28,829,809

Sangoma Technologies Corporation

Condensed consolidated interim statements of changes in equity
for the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

	Number of shares	Share capital \$	Contributed surplus \$	Retained earnings \$	Total equity \$
Balance, June 30, 2014 (Notes 11(ii))	28,829,809	15,333,326	1,730,025	-679,477	16,383,874
Net income/(loss) and total comprehensive income/(loss)	-	-	-	18,133	18,133
Share-based payment (Note 11 (ii))	-	-	45,837	-	45,837
Balance, September 30, 2014	28,829,809	15,333,326	1,775,862	(661,344)	16,447,844
Net income/(loss) and total comprehensive income/(loss)	-	-	-	(159,766)	(159,766)
Share-based payment (Note 11 (ii))	-	-	42,689	-	42,689
Balance, December 31, 2014	28,829,809	15,333,326	1,818,551	(821,110)	16,330,767
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)	-	-	-	223,751	223,751
Share-based payment (Note 11 (ii))	-	-	18,378	-	18,378
Balance, December 31, 2013	28,829,809	15,333,326	1,678,079	(1,352,344)	15,659,061

Sangoma Technologies Corporation

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

	Second Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
Operating activities:				
Net income (loss) for the period	(159,766)	223,751	(141,633)	64,183
Adjustments for:				
Depreciation of property, plant and equipment (Note 6)	19,840	18,384	40,470	37,266
Amortization of intangible assets (Note 7)	43,532	96,337	87,064	192,674
Amortization of capitalized development costs (Note 8)	451,081	405,761	886,559	806,162
Income tax expense (recovery)	(26,800)	98,007	(21,599)	61,691
Share-based payment (Note 11 (ii))	42,689	18,379	88,527	56,704
Changes in item of working capital:				
Trade receivables (Note 10)	(448,541)	(508,577)	159,787	470,467
Inventories (Note 5)	(281,369)	(37,286)	(575,758)	(62,095)
Other current assets	25,585	11,173	(16,551)	(34,010)
Sales tax receivables	(45,807)	(38,301)	255	(106,352)
Accounts payable and accrued liabilities	645,131	221,874	384,480	(184,798)
Deferred revenue	15,208	63,481	20,097	152,110
Income tax received	-	-	-	-
	280,783	572,983	911,698	1,454,002
Investing activities				
Purchase of property, plant and equipment (Note 6)	(7,262)	(10,031)	(48,038)	(31,963)
Development costs (Note 8)	(548,918)	(556,649)	(1,045,719)	(1,079,439)
	(556,180)	(566,680)	(1,093,757)	(1,111,402)
Financing activities				
Repayment of term loan	-	-	-	(17,035)
Operating line (Note 19)	1,340,603	-	1,340,603	-
	1,340,603	-	1,340,603	(17,035)
Increase / (decrease) in cash and cash equivalents	1,065,206	6,303	1,158,544	325,565
Cash and cash equivalents, beginning of quarter	5,074,909	4,331,388	4,981,571	4,012,126
Cash and cash equivalents, end of quarter	6,140,115	4,337,691	6,140,115	4,337,691

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(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 it operates through a primary subsidiary Sangoma Technologies Inc. which in turn has two subsidiaries Sangoma Technologies PVT Ltd. in India and Sangoma US Inc., which was established in December 2014 to acquire the assets of Schmooze Com Inc. and the shares of RockBochs Inc. and SIPStation Inc. on January 1, 2015.

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, 2014.

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 February 19, 2015.

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, 2014 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, 2014.

5. Inventories

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

	December 31, 2014	June 30, 2014
	\$	\$
Finished goods	1,666,960	1,106,897
Parts	1,778,969	1,763,274
	3,445,929	2,870,171
Provision for obsolescence	(282,537)	(282,537)
Net inventory carrying value	3,163,392	2,587,634

During the three month period ended December 31, 2014 there were no additional provisions made.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

6. Property, plant and equipment

<i>Cost</i>	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshaw equipment	Leasehold improvement	Total
	\$	\$	\$	\$	\$	\$
Balance, June 30, 2014	725,179	212,514	105,701	41,631	97,733	1,182,758
Additions	39,171	1,605	-	-	-	40,776
Balance, September 30, 2014	764,350	214,119	105,701	41,631	97,733	1,223,534

Additions	7,262	-	-	-	-	7,262
Disposals	-	-	-	-	-	-
Balance, December 31, 2014	771,612	214,119	105,701	41,631	97,733	1,230,796

<i>Accumulated depreciation</i>	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshaw equipment	Leasehold improvement	Total
	\$	\$	\$	\$	\$	\$
Balance, June 30, 2014	540,914	137,041	71,056	26,680	57,514	833,205
Depreciation expense	11,150	3,854	1,782	1,883	1,961	20,630
Balance, September 30, 2014	552,064	140,895	72,838	28,563	59,475	853,835

Depreciation expense	10,835	3,661	1,693	1,788	1,863	19,840
Balance, December 31, 2014	562,899	144,556	74,531	30,351	61,338	873,675

<i>Carrying Amount</i>	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshaw equipment	Leasehold improvement	Total
	\$	\$	\$	\$	\$	\$
Balance, June 30, 2014	184,265	74,473	34,645	14,951	40,219	349,553
Balance, December 31, 2014	208,713	69,563	31,170	11,280	36,395	357,121

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

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

7. Intangible assets

Cost

	Copyright to software	Purchased technology	Total
	\$	\$	\$
Balance, June 30, 2014	2,948,461	905,000	3,853,461
Additions	-	-	-
Disposals	-	-	-
Balance, September 30, 2014	2,948,461	905,000	3,853,461
Additions	-	-	-
Disposals	-	-	-
Balance, December 31, 2014	2,948,461	905,000	3,853,461

Accumulated amortization

	Copyright to software	Purchased technology	Total
	\$	\$	\$
Balance, June 30, 2014	2,613,947	241,000	2,854,947
Amortization expense	20,907	22,625	43,532
Balance, September 30, 2014	2,634,854	263,625	2,898,479
Amortization expense	20,907	22,625	43,532
Balance, December 31, 2014	2,655,761	286,250	2,942,011

Carrying amount

	Copyright to software	Purchased technology	Total
	\$	\$	\$
Balance, June 30, 2014	334,514	664,000	998,514
Balance, December 31, 2014	292,700	618,750	911,450

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

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

8. Development costs

	December 31, 2014	June 30, 2014
	\$	\$
Development costs		
Balance at June 30, 2014	13,776,576	
Additions	496,801	
Investment tax credits	(100,000)	
Balance at September 30, 2014	14,173,377	
Additions	548,918	
Investment tax credits	(100,000)	
Balance at December 31, 2014	14,622,295	
Accumulated amortization		
Balance at June 30, 2014	(11,031,349)	
Amortization	(435,478)	
Balance at September 30, 2014	(11,466,827)	
Amortization	(451,081)	
Balance at December 31, 2014	(11,917,908)	
Net capitalized development costs	2,704,387	2,745,227

Each period the new spending is added net of Investment Tax Credits accrued. In addition to the above amortization, the Company has recognized \$255,062 of research expenditure as an expense during the three month period ended December 31, 2014 (December 31, 2013 - \$217,530).

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).

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.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

Cash and cash equivalents are comprised of

	December 31, 2014	June 30, 2014
	\$	\$
Cash at bank and on hand	1,339,571	4,005,755
Short-term investments	156,664	975,816
Cash in trust for closing	4,643,880	-
Total cash and cash equivalents	6,140,115	4,981,571

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:

	Second Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
Interest income on short-term investments	(2,841)	(7,093)	(5,807)	(14,270)
Interest expense arising from short-term investments	-	-	-	-
	(2,841)	(7,093)	(5,807)	(14,270)

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:

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

Trade receivables aging	December 31, 2014	June 30, 2014
	\$	\$
0-30 days	2,980,062	3,319,116
31-90 days	972,748	667,599
Greater than 90 days	1,652,377	1,663,969
	5,605,187	5,650,684
Provision for doubtful accounts	(455,246)	(340,956)
Net trade receivable	5,149,941	5,309,728

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

	December 31, 2014	June 30, 2014
	\$	\$
Provision for doubtful accounts		
Allowance for doubtful accounts beginning balance	(340,956)	(10,153)
Allowance used during the period	48,210	-
Allowance (recorded) during the period	(162,500)	(330,803)
Allowance for doubtful accounts ending balance	(455,246)	(340,956)

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		Total
	2015	2016	
	\$	\$	\$
Accounts payable and accrued liabilities	2,080,282	-	2,080,282

Foreign currency risk

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

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 December 31, 2014 a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate \$367,9118 decrease or increase, respectively, in total comprehensive income (loss). On an ongoing basis the Company's top line revenues are also impacted by the swings in the US dollar.

The Company has instituted a facility to allow hedging of the US dollar and the position as of December 31, 2014 was:

- (i) a United States dollar forward contract for the conversion of \$2.0 million USD to Canadian dollars at the rate of \$1.1200 to be settled on March 31, 2015
- (ii) a United States dollar forward contract for the conversion of \$1.0 million USD to Canadian dollars at the rate of \$1.1189 to be settled on June 30, 2015

Interest rate risk

The Company had no exposure at June 30, 2014 to interest rate risk through its financial instruments and on December 31, 2014 the balance of the Operating Line was \$1,340,603 which carries an interest rate of Prime plus 0.8%. Each one percent change in Prime would have an approximately \$13,000 impact on annual earnings.

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*

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

Issued and outstanding common shares consist of the following:

	Second Quarter		Year to Date	
	2015	2014	2015	2014
	#	#	#	#
Shares issued and fully paid				
Beginning of period balance	28,829,809	28,829,809	28,829,809	28,829,809
Normal course bid redemption	-	-	-	-
	28,829,809	28,829,809	28,829,809	28,829,809
Opening balance number of stock options outstanding	5,217,596	4,039,160	5,231,034	4,089,160
Share-options granted	-	-	-	-
Share-based payments options expired/cancelled	-	(150,000)	(13,438)	(200,000)
Number of stock options outstanding	5,217,596	3,889,160	5,217,596	3,889,160
Total shares and options outstanding	34,047,405	32,718,969	34,047,405	32,718,969

For each class of share capital

The number of shares authorized	Unlimited	Unlimited
The number of shares issued and fully paid	28,829,809	28,829,809
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 the Company or any of its subsidiaries, as

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

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:

Measurement date	Number of options	Weighted average exercise price
		\$
Balance, June 30, 2014	5,231,034	0.44
Cancelled	(6,874)	0.50
Forfeited	(6,564)	0.50
Balance, December 31, 2014	5,217,596	0.44
Balance, June 30, 2013	4,089,160	0.51
Granted	1,650,000	0.35
Expired	(345,000)	0.72
Cancelled	(53,122)	0.53
Forfeited	(110,004)	0.51
Balance, June 30, 2014	5,231,034	0.44

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 July 1, 2014 to December 31, 2014.

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

Exercise price	December 31, 2014		June 30, 2014	
	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	3,886,934	2.38	3,900,372	3.02
\$0.51 - \$0.75	1,330,662	0.94	1,330,662	1.57
Total	5,217,596	2.02	5,231,034	2.46

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

Total expense recognized for share based payments for the three month period was \$42,689 (December 31, 2013 - \$18,379).

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 (December 31, 2013 – 28,829,809).

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:

	Second Quarter		Year to Date	
	2015	2014	2015	2014
	#	#	#	#
Number of shares				
Weighted average number of shares used in basic earnings per share	28,829,809	28,829,809	28,829,809	28,829,809
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	28,829,809	28,829,809	28,829,809

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:

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

Year of investment	Year of expiration	Carry-forward credits
		\$
2012	2032	514,164
2013	2033	651,451
2014	2034	357,408
		<u>1,523,023</u>

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	Provincial
	\$	\$
SR&ED expenditures carried forward	<u>1,664,694</u>	<u>995,232</u>

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

	December 31, 2014	June 30, 2014
	%	%
Statutory tax rate (recovery)	(26.5)	26.5
Tax effect on non-deductible expenses	12.7	4.0
Rate rate for future income tax assets	-	(9.1)
Tax rate (recovery) on others	(0.5)	1.9
Effective income tax rate (recovery)	(14.3)	23.3

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

	December 31, 2014	June 30, 2014
	\$	\$
Property, plant and equipment	(48,209)	(35,479)
Non-deductible reserves	133,415	90,353
Deferred development costs	(763,792)	(728,134)
Intangible assets	(113,116)	(113,116)
SR&ED investment tax credits	1,426,283	1,226,283
Deferred revenue	84,886	79,560
Unutilized SR&ED expenditure pools	424,815	424,815
Deferred income tax assets (liabilities)	1,144,282	944,282

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.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

The Company had the following balances with related parties:

	December 31, 2014		June 30, 2014	
	Key management personnel	Other related parties	Key management personnel	Other related parties
	\$	\$	\$	\$
The total of the transactions				
Expense	-	15,055	-	25,549
The amount of outstanding balances				
Receivable	-	-	-	-
Payable	-	56,250	-	10,000

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:

	Second Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
Products	3,213,836	3,368,728	5,774,992	5,891,945
Services	204,497	263,371	413,516	479,811
Total revenues	3,418,333	3,632,099	6,188,508	6,371,756

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

	Second Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
USA	1,148,235	1,262,568	2,106,481	2,486,780
Canada	107,522	121,075	167,452	219,498
All other countries	2,162,576	2,248,456	3,914,575	3,665,478
Total revenues	3,418,333	3,632,099	6,188,508	6,371,756

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,

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

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.

During December 2014 the Company established an Operating Line of Credit for up to \$2.5 million to ensure sufficient cash for operations. This facility is governed by a General Security Agreement and standard operating covenants.

The Company manages the following capital:

	December 31, 2014	June 30, 2014
	\$	\$
Share capital	15,333,326	15,333,326
Contributed surplus	1,818,551	1,730,025
Retained earnings	(821,110)	(679,477)
Total	16,330,767	16,383,874

16. Commitments

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

	\$
Not later than one year	128,682
Later than one year and not later than five years	38,694
	<u>167,376</u>

17. 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.

18. Provisions

	Warranty provision	Sales returns & allowances provision	Stock rotation provision
	\$	\$	\$
Balance at June 30, 2014	14,318	9,000	20,000
Additional provision recognized	-	-	10,000
Balance at December 31, 2013	14,318	9,000	30,000

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.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the three months ended December 31, 2014 and 2013

(Unaudited in Canadian dollars)

19. Operating Line

During December 2014 the Company established an Operating Line of Credit for up to \$2.5 million to ensure sufficient cash for operations. This facility is governed by a General Security Agreement and standard operating covenants. The balance of the Operating Line on December 31, 2014 was \$1,340,603 and carries an interest rate of Prime plus 0.8%

20. Post-reporting date events

On January 1, 2015 Sangoma acquired all the key assets of Schmooze Com Inc. and all the outstanding shares of RockBochs Inc. Schmooze, based in Wisconsin, is the primary developer of FreePBX® and the manager/sponsor of that open source project, one of the mostly widely used IP-PBXs with millions of installs around the globe. Sangoma now offers chargeable, add-on commercial modules, support services, accompanying hardware to complement FreePBX and an integrated SIP trunking service (under the SIPStation brand name) to this huge base of FreePBX users. RockBochs, based in Minnesota, offers Fax-over-IP monthly service, including developing its own FoIP customer premise equipment and offers semi-custom telecom appliances that allow customers to install their own communications software on a purpose-built server. These entities all operate under Sangoma US Inc. a subsidiary set up for this purpose.

The Schmooze and RockBochs product lines are expected to become an integral part of the Sangoma portfolio over the coming year. The acquisitions will enable acceleration in the development of FreePBX and SIPStation capabilities and in the Fax-over-IP services from RockBochs. It is also expected to lead to integration of Sangoma technologies inside those offerings, such as incorporating Sangoma's SBC functionality inside FreePBX and the RockBochs appliances, for example.

For the assets of Schmooze Com Inc. and the shares of SIPStation Inc., Sangoma paid initial consideration of US\$3 million in cash, 3,650,000 common shares of Sangoma with a value of US\$1 million and entered into an earn-out arrangement for contingent consideration of up to US\$1 million if certain revenue targets are achieved. For the shares of RockBochs Inc., Sangoma paid initial consideration of US\$1 million in cash and entered into an earn-out arrangement for contingent consideration of up to US\$0.5 million if certain revenue targets are achieved.

21. Authorization of financial statements

The consolidated financial statements for the period ended December 31, 2014 (including comparatives) were, as per recommendation of the Audit Committee, approved by the Board of Directors on February 19, 2015.