

Condensed Consolidated Interim Financial Statements of

Sangoma Technologies Corporation

For the three and nine month periods ended March 31, 2015 and 2014

(Unaudited in Canadian Dollars)

Sangoma Technologies Corporation

March 31, 2015

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 March 31, 2015 and June 30, 2014
(Unaudited in Canadian dollars)

	March 31	June 30
	2015	2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 9)	1,995,867	4,981,571
Trade receivables (Note 10)	5,193,302	5,309,728
Inventories (Note 5)	3,733,913	2,587,634
Investment tax credits receivable	176,753	367,874
Sales tax receivables	69,327	44,422
Investment in Vegastream Private Networks Limited (Note 17)	10,665	10,665
Other current assets	140,363	115,348
	11,320,190	13,417,242
Non-current assets		
Deferred income tax assets (Note 12)	1,244,282	944,282
Property, plant and equipment (Note 6, 17)	497,562	349,553
Development costs (Note 8)	2,557,865	2,745,227
Intangible assets (Note 7, 17)	6,120,344	998,514
Goodwill (Note 17)	1,806,783	-
	23,547,026	18,454,818
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	4,019,485	1,705,802
Provisions (Note 18)	58,318	43,318
Income tax payable	56,433	21,598
Operating line (Note 19)	1,340,603	-
Deferred revenue	298,120	300,226
	5,772,959	2,070,944
Shareholders' equity		
Share capital (Note 11(i), 15, 17)	16,497,326	15,333,326
Contributed surplus (Note 11(i), 15)	1,850,134	1,730,025
Deficit	(573,393)	(679,477)
	17,774,067	16,383,874
	23,547,026	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 March 31, 2015 and 2014
(Unaudited in Canadian dollars)

	Third Quarter		Year to Date	
	F2015	F2014	F2015	F2014
	\$	\$	\$	\$
Revenue (Note 14)	4,793,201	3,476,863	10,981,709	9,848,619
Cost of sales	1,385,936	1,140,429	3,586,493	3,243,116
Gross profit	3,407,265	2,336,434	7,395,216	6,605,503
Expenses				
Sales and marketing	1,129,328	834,509	2,614,503	2,516,522
Research and development	983,392	708,453	2,399,341	1,955,207
General and administration	1,122,764	670,634	2,261,813	1,969,763
Foreign currency exchange (gain) loss	(136,192)	(97,075)	(309,375)	(167,506)
	3,099,292	2,116,521	6,966,282	6,273,986
Income before the undernoted	307,973	219,913	428,934	331,517
Interest income (Note 9)	(7,894)	(7,167)	(13,701)	(21,437)
Business Acquisition costs	-	-	290,000	-
	(7,894)	(7,167)	276,299	(21,437)
Income (loss) before income tax	315,867	227,080	152,635	352,954
Provision for (recovery of) income taxes				
Current (Note 12)	68,150	16,543	46,551	18,969
Deferred (Note 12)	-	54,571	-	113,836
Net income (loss) and total comprehensive income (loss)	247,717	155,966	106,084	220,149
Earnings (loss) per share				
Basic (Note 11 (iii))	0.008	0.005	0.003	0.008
Diluted (Note 11 (iii))	0.008	0.005	0.003	0.008
Weighted average number of shares outstanding (Note 11 (iii))				
Basic	32,479,809	28,829,809	32,479,809	28,829,809
Diluted	32,479,809	28,829,809	32,479,809	28,829,809

Sangoma Technologies Corporation

Condensed consolidated interim statements of changes in equity
for the three months ended March 31, 2015 and 2014

(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
Net income/(loss) and total comprehensive income/(loss)	-	-	-	247,717	247,717
Common shares issued (Note 17)	3,650,000	1,164,000	-	-	1,164,000
Share-based payment (Note 11 (ii))	-	-	31,583	-	31,583
Balance, March 31, 2015	32,479,809	16,497,326	1,850,134	(573,393)	17,774,067
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

Sangoma Technologies Corporation

Condensed consolidated interim statements of cash flows

for the three months ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

	Third Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
Operating activities:				
Net income (loss) for the period	247,717	155,966	106,084	220,149
Adjustments for:				
Depreciation of property, plant and equipment (Note 6)	27,610	17,804	68,080	55,070
Amortization of intangible assets (Note 7)	183,105	96,337	270,169	289,011
Amortization of capitalized development costs (Note 8)	454,229	414,108	1,340,788	1,220,270
Income tax expense (recovery)	68,150	71,114	46,551	132,805
Income taxes paid	(11,717)	-	(11,717)	-
Share-based expense (Note 11 (ii))	31,583	23,468	120,110	80,172
Changes in item of working capital:				
Trade receivables (Note 10)	131,239	(777,836)	291,026	(307,369)
Inventories (Note 5)	(570,520)	(42,939)	(1,146,279)	(105,034)
Other current assets	(8,464)	16,181	(25,015)	(17,829)
Sales tax receivables	(25,160)	(204,272)	(24,905)	(310,624)
Accounts payable and accrued liabilities (Note 10)	234,423	543,367	618,903	358,569
Deferred revenue	(22,203)	(31,640)	(2,106)	120,470
Income tax refund received	397,630	(16,543)	397,630	(16,543)
	1,137,622	265,115	2,049,319	1,719,117
Investing activities				
Purchase of property, plant and equipment (Note 6)	(11,654)	(7,797)	(59,692)	(39,760)
Development costs (Note 8)	(614,215)	(474,278)	(1,659,934)	(1,553,717)
Cash component of January 1 acquisitions (Note 17)	(4,656,000)	-	(4,656,000)	-
	(5,281,869)	(482,075)	(6,375,626)	(1,593,477)
Financing activities				
Repayment of term loan	-	-	-	(17,035)
Operating line (Note 19)	-	-	1,340,603	-
	-	-	1,340,603	(17,035)
Increase / (decrease) in cash and cash equivalents	(4,144,247)	(216,960)	(2,985,704)	108,605
Cash and cash equivalents, beginning of quarter	6,140,114	4,337,691	4,981,571	4,012,126
Cash and cash equivalents, end of quarter	1,995,867	4,120,731	1,995,867	4,120,731

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(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. All subsidiaries are integrated and are managed as a single operating entity.

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 May 20, 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:

	March 31, 2015	June 30, 2014
	\$	\$
Finished goods	2,274,064	1,106,897
Parts	1,742,386	1,763,274
	4,016,450	2,870,171
Provision for obsolescence	(282,537)	(282,537)
Net inventory carrying value	3,733,913	2,587,634

During the three month period ended March 31, 2015 there were no additional provisions made.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

6. Property, plant and equipment

<i>Cost</i>	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow 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
Balance, December 31, 2014	771,612	214,119	105,701	41,631	97,733	1,230,796
Added through acquisitions (note 1)	156,397					156,397
Additions	11,654	-	-	-	-	11,654
Balance, March 31, 2015	939,663	214,119	105,701	41,631	97,733	1,398,847

<i>Accumulated depreciation</i>	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow 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
Depreciation expense	18,688	3,641	1,740	1,771	1,770	27,610
Balance, March 31, 2015	581,587	148,197	76,271	32,122	63,108	901,285

<i>Carrying Amount</i>	Office furniture and computer equipment	Software and books	Stockroom and production equipment	Tradeshow equipment	Leasehold improvement	Total
	\$	\$	\$	\$	\$	\$
Balance, June 30, 2014	184,265	74,473	34,645	14,951	40,219	349,553
Balance, March 31, 2015	358,076	65,922	29,430	9,509	34,625	497,562

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 periods ended March 31, 2015 and 2014

(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	-	-	-
Balance, September 30, 2014	2,948,461	905,000	3,853,461
Additions	-	-	-
Balance, December 31, 2014	2,948,461	905,000	3,853,461
Additions from acquisitions (note 17)	-	5,392,000	5,392,000
Balance, March 31, 2015	2,948,461	6,297,000	9,245,461

	Copyright to software	Purchased technology	Total
	\$	\$	\$
Balance, June 30, 2014	2,613,947	241,000	2,854,947
Amortization expense	20,908	22,625	43,533
Balance, September 30, 2014	2,634,855	263,625	2,898,480

Amortization expense	20,907	22,625	43,532
Balance, December 31, 2014	2,655,762	286,250	2,942,012

Amortization expense	20,907	162,198	183,105
Balance, March 31, 2015	2,676,669	448,448	3,125,117

	Copyright to software	Purchased technology	Total
	\$	\$	\$
Balance, June 30, 2014	334,514	664,000	998,514
Balance, March 31, 2015	271,792	5,848,552	6,120,344

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 periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

8. 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	
Additions	614,215	
Investment tax credits	(306,508)	
Balance at March 31, 2015	14,930,002	
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)	
Amortization	(454,229)	
Balance at March 31, 2015	(12,372,137)	
	March 31, 2015	June 30, 2014
	\$	\$
Net capitalized development costs	2,557,865	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 \$529,163 of research expenditure as an expense during the three month period ended March 31, 2015 (March 31, 2014 - \$294,345).

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 periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

Cash and cash equivalents are comprised of

	March 31, 2015	June 30, 2014
	\$	\$
Cash at bank and on hand	1,995,867	4,005,755
Short-term investments	-	975,816
Total cash and cash equivalents	1,995,867	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:

	Third Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
Interest income on short-term investments	(7,894)	(7,167)	(13,701)	(21,437)
Interest expense arising from operating line	14,818	-	14,818	-
	6,924	(7,167)	1,117	(21,437)

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 help 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 periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

Trade receivables aging	March 31, 2015	June 30, 2014
	\$	\$
0-30 days	2,854,459	3,319,116
31-90 days	913,750	667,599
Greater than 90 days	1,575,525	1,663,969
	5,343,734	5,650,684
Provision for doubtful accounts	(150,432)	(340,956)
Net trade receivable	5,193,302	5,309,728

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

	March 31, 2015	June 30, 2014
	\$	\$
Provision for doubtful accounts		
Allowance for doubtful accounts beginning balance	(340,956)	(10,153)
Allowance used during the period	430,524	-
Allowance (recorded) during the period	(240,000)	(330,803)
Allowance for doubtful accounts ending balance	(150,432)	(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	2,264,570	-	2,264,570
Contingent consideration on acquisition ¹	-	1,754,915	1,754,915
Accounts payabilities and accrued liabilities	2,264,570	1,754,915	4,019,485

¹ Discounted value of expected earn-out from January 1 acquisitions adjusted as of March 31, 2015

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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, 2015 a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate \$179,956 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 March 31, 2015 was:

- (i) 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
- (ii) a United States dollar forward contract for the conversion of \$1.0 million USD to Canadian dollars at the rate of \$1.2015 to be settled on September 30, 2015

Interest rate risk

The Company had no exposure at June 30, 2014 to interest rate risk through its financial instruments and on March 31, 2015 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

Issued and outstanding common shares consist of the following:

	Third 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
Shares issued	3,650,000	-	3,650,000	-
	32,479,809	28,829,809	32,479,809	28,829,809
Opening balance number of stock options outstanding	5,217,596	3,889,160	5,231,034	4,089,160
Share-options granted	-	-	-	-
Share-based payments options expired/cancelled	(177,436)	-	(190,874)	(200,000)
Number of stock options outstanding	5,040,160	3,889,160	5,040,160	3,889,160
Total shares and options outstanding	37,519,969	32,718,969	37,519,969	32,718,969

For each class of share capital

The number of shares authorized	Unlimited	Unlimited
The number of shares issued and fully paid	32,479,809	28,829,809
The number of shares issued but not fully paid	-	-
Par value per share, or that the shares have no par value	-	-

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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.

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	(111,788)	0.45
Forfeited	(79,086)	0.45
Balance, March 31, 2015	5,040,160	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

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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 March 31, 2015.

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

Exercise price	March 31, 2015		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	3,819,498	2.25	3,900,372	3.02
\$0.51 - \$0.75	1,220,662	0.81	1,330,662	1.57
Total	5,040,160	1.90	5,231,034	2.46

Total expense recognized for share based payments for the three month period was \$31,583 (March 31, 2014 - \$23,468).

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 32,479,809 shares (March 31, 2014 – 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:

	Third Quarter		Year to Date	
	2015	2014	2015	2014
	#	#	#	#
Number of shares				
Weighted average number of shares used in basic earnings per share	32,479,809	28,829,809	32,479,809	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	32,479,809	28,829,809	32,479,809	28,829,809

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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	514,164
2013	2033	651,451
2014	2034	357,408
		1,523,023

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	1,664,694	995,232

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

	March 31, 2015 %	June 30, 2014 %
Statutory tax rate (recovery)	26.5	26.5
Tax effect on non-deductible expenses	5.9	4.0
Rate rate for future income tax assets	-	(9.1)
Tax rate (recovery) on others	(1.9)	1.9
Effective income tax rate (recovery)	30.5	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:

	March 31, 2015 \$	June 30, 2014 \$
Property, plant and equipment	(46,139)	(35,479)
Non-deductible reserves	112,877	90,353
Deferred development costs	(732,718)	(728,134)
Intangible assets	(113,116)	(113,116)
SR&ED investment tax credits	1,526,283	1,226,283
Deferred revenue	72,280	79,560
Unutilized SR&ED expenditure pools	424,815	424,815
Deferred income tax assets (liabilities)	1,244,282	944,282

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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, 2015		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	-	75,000	-	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:

	Third Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
Products	3,935,925	3,322,608	9,710,917	9,214,553
Services	857,276	154,225	1,270,792	634,066
Total revenues	4,793,201	3,476,833	10,981,709	9,848,619

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

	Third Quarter		Year to Date	
	2015	2014	2015	2014
	\$	\$	\$	\$
USA	2,640,751	1,132,678	4,747,232	3,619,458
Canada	193,968	88,255	361,420	307,753
All other countries	1,958,482	2,255,930	5,873,057	5,921,408
Total revenues	4,793,201	3,476,863	10,981,709	9,848,619

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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.

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:

	March 31, 2015	June 30, 2014
	\$	\$
Share capital	16,497,326	15,333,326
Contributed surplus	1,850,134	1,730,025
Retained earnings	(573,393)	(679,477)
Total	17,774,067	16,383,874

16. Commitments

The future minimum lease payments for office space as at March 31, 2015 are as follows:

	\$
Not later than one year	280,776
Later than one year and not later than five years	1,254,246
	1,535,022

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

17. Business combination

On January 1, 2015 Sangoma US Inc, a wholly owned subsidiary of Sangoma Technologies Inc., acquired of all the key assets of Schmooze Com Inc. (including the shares of SIPStation Inc.) and all the outstanding shares of RockBochs Inc. Also on January 1, 2015 Sangoma US Inc. sold most of the Intangible Assets acquired to Sangoma Technologies Inc. and entered into a license agreement for the use of these assets for conducting its ongoing businesses. Both acquired businesses have been fully incorporated into the Company's operations and are managed as a single entity.

For the assets of Schmooze Com Inc., Sangoma paid initial consideration of US\$3.0m (C\$3.49m) in cash, 3,650,000 common shares of Sangoma with a value of US\$1.0m (C\$1.16m) million and entered into an earn-out arrangement for contingent consideration of up to US\$1.0m (C\$1.16m) if certain revenue targets are achieved. For the shares of RockBochs Inc. Sangoma paid initial consideration of US\$1.0m (C\$1.16m) in cash and entered into an earn-out arrangement for contingent consideration of up to US\$0.5m (C\$0.55m) if certain revenue targets are achieved.

In accordance with IFRS these acquisitions are accounted for as business combinations and have been accounted for accordingly. The valuation and accounting treatment of these acquisitions will be audited during the Company's annual audit cycle and will remain open for adjustments for the 12 months following the closing date.

	Assets of Schmooze Com Inc.	Shares of RockBochs Inc	Total
	\$C	\$C	\$C
Consideration for the acquisitions			
Cash paid at closing	3,492,000	1,164,000	4,656,000
Share issuance	1,164,000		1,164,000
Contingent consideration ¹	1,161,847	547,933	1,709,780
	<u>5,817,847</u>	<u>1,711,933</u>	<u>7,529,780</u>

¹ Contingent consideration represents the discounted amount estimated to be paid out after the one year earn-out period and is included in accrued liabilities (note 10).

	Assets of Schmooze Com Inc.	Shares of RockBochs Inc	Total
	\$C	\$C	\$C
Purchase Price Allocation²			
Working Capital	-	174,600	174,600
Fixed Assets	130,950	25,447	156,397
Intangible Assets	4,282,000	1,110,000	5,392,000
Goodwill	1,404,897	401,886	1,806,783
	<u>5,817,847</u>	<u>1,711,934</u>	<u>7,529,780</u>

² Intangible assets and goodwill subject to audit of Company valuation

Since January 1, 2015 all revenues and costs have been incorporated into Sangoma's Financial Statements. Transaction fees of \$290,000 were accrued for in the second quarter of fiscal 2015.

Sangoma Technologies Inc. also 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.

Sangoma Technologies Corporation

Notes to the condensed consolidated interim financial statements

For the periods ended March 31, 2015 and 2014

(Unaudited in Canadian dollars)

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	-	-	15,000
Balance at March 31, 2015	14,318	9,000	35,000

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 annual 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.

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 March 31, 2015 was \$1,340,603 and carries an interest rate of Prime plus 0.8%

20. Post-reporting date events

On April 20, 2015 the Board of Directors announced the appointment of MNP LLP as the Company's auditors and that they will serve until the next Annual General Meeting.

21. Authorization of financial statements

The consolidated financial statements for the period ended March 31, 2015 (including comparatives) were, as per recommendation of the Audit Committee, approved by the Board of Directors on May 20, 2015.