SANGOMA TECHNOLOGIES CORPORATION

ANNUAL REPORT
YEAR ENDED JUNE 30, 2008

INDEX

MESSAGE TO SHAREHOLDERS

It is with great pleasure that I am able to report to you that the financial year 2007-2008 has been one of steady growth, building on the successes of previous years. Sales grew at 50% over the financial year and net income grew at 60%.

Your company saw growth in both voice and data segments and in almost all countries during the year, as new products and imaginative marketing allowed us take advantage of new opportunities worldwide.

During the 2007-2008 financial year several new hardware and software products were introduced which provided new sales opportunities. Marketing continued to enhance our sales channel, which was already the envy of most of our competitors.

Sangoma has built up a reputation for quality, reliability and innovation which rests on engineering excellence. It is this reputation that we will bring to the Unified Communications' space together with our new partners, Paraxip Technologies of Montreal, purchased in July 2008. The purchase of Paraxip was the culmination of over two years of collaboration between the two companies and was crucial to meeting our medium and long term goals.

With uncertain economic times ahead, it is fortunate that the purchase of Paraxip in July 2008 is providing us with paths to new markets that are outside of the open source space that we have mostly been servicing to date. The expected economic downturn is bound to have an effect on all aspects of business, including telephony. The challenge for Sangoma is to be nimble enough to exploit these new markets fast enough to swamp the effects of the business downturn in existing ones.

We are confident that our unique hardware and software mix will empower us to exploit new and much larger markets in the coming months and years, markets in which our natural competitors will find it very difficult to follow us.

With the dedication and enthusiasm of our employees and the support of our partners and customers, we are confident that that 2008-2009 will be another year of growth for Sangoma.

David Mandelstam
President and CEO

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

October 14, 2008

INTRODUCTION

The Management Discussion and Analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations of Sangoma Technologies Corporation (hereinafter referred to as "Sangoma" or the "Corporation") and compares the financial year ended June 30, 2008 financial results with those of previous years. The MD&A should be read in conjunction with Sangoma's consolidated financial statements and related notes for the years ended June 30, 2008 and 2007, which have been prepared in accordance with generally accepted accounting principles in Canada (the "Financial Statements"). All amounts are in Canadian Dollars unless otherwise noted.

Additional information about Sangoma is available at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, including statements regarding the future success of our business, development strategies and future opportunities.

Forward-looking statements include, but are not limited to, statements concerning estimates of expected expenditures, statements relating to expected future production and cash flows, and other statements which are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions indicate forward-looking statements.

Although Sangoma believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date that the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in forward-looking statements. Sangoma undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by law.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Although Sangoma believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct as these expectations are inherently subject to business, economic and competitive uncertainties and contingencies. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in the management's discussion and analysis include, but are not limited to changes in exchange rate between the Canadian Dollar and other currencies, changes in technology, changes in the business climate, changes in the regulatory environment and new competitive pressures. The forward-looking statements contained in the management's discussion and analysis are expressly qualified by this cautionary statement.

DESCRIPTION OF THE BUSINESS

Sangoma manufactures hardware and software that enables computing devices with PCI interface slots, mainly PC servers, to communicate with high speed Wide Area networks (WANs) and telephone networks. These products consist of hardware cards, software drivers and utilities. Sangoma continues to invest in the development and certification of new products supporting voice and data transport.

Sangoma's WAN products include WANPIPE® internal routing and telephony solutions for Linux, FreeBSD, Windows and other operating systems, which allow traditional WAN routing functions to be handled without the cost and complexity of an external router. Sangoma's hardware and software also support voice transport to the Public Switched Telephone Network (PSTN), allowing PC servers to be used in Voice over IP (VoIP) gateways, PBX devices, call center systems and other telephony applications. Sangoma is investing in the development and certification of a new range of products designed specifically to provide traditional telephone access for PC based Private Branch Exchange (PBX), Integrated Voice Response (IVR) and Voice over Internet Protocol (VoIP) systems. Subsequent to the year end, Sangoma acquired Paraxip Technologies Inc. ("Paraxip") of Montreal which has supplied Sangoma with tools and interface programs that are expected to further support products based on voice on the PC platform.

Sangoma also provides communication toolkits that allow third parties to build WAN access into their own products. Most Sangoma products are based on Sangoma's range of communication adapters that support standard telephony interfaces such as T3, E3, T1, E1, ISDN, ADSL and 56kbps DDS, or industry standard serial interfaces such as RS232, V.35 and X.21.

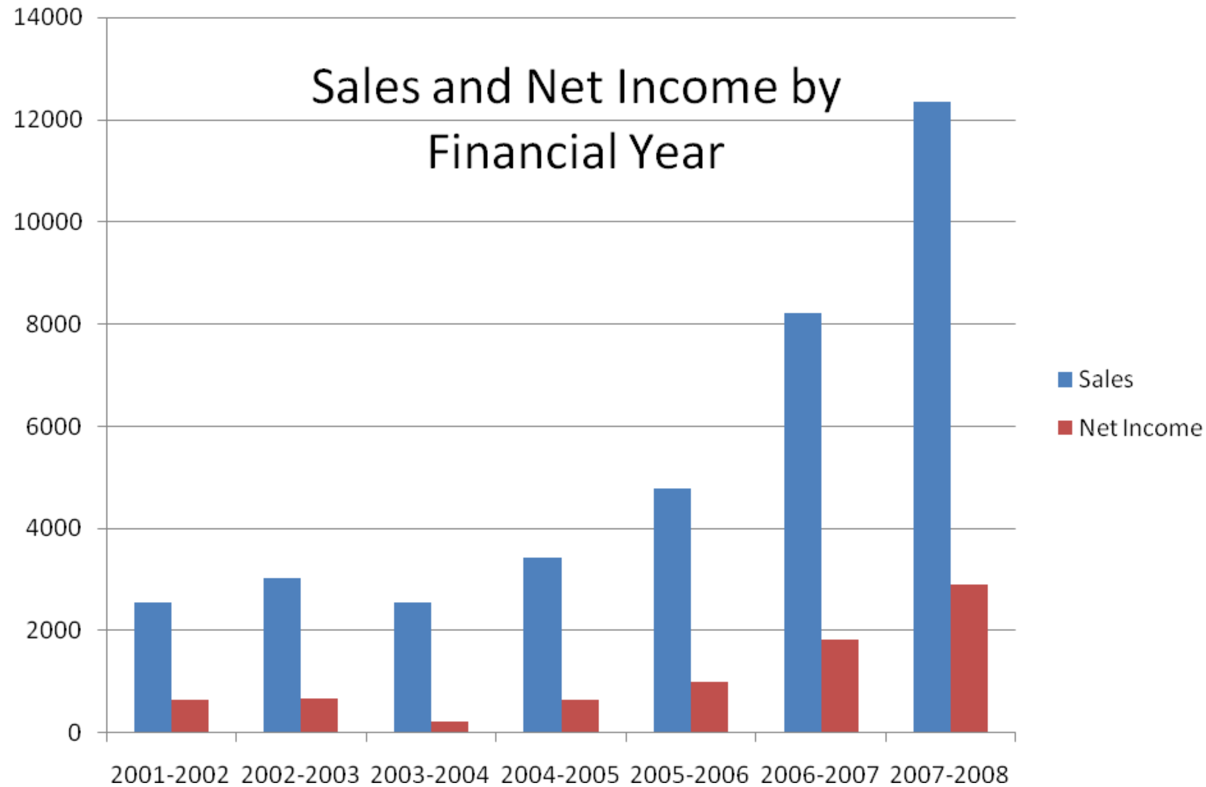
Sangoma's products are in use worldwide in many industry segments such as PBX, call center, and voice monitoring systems as well as Internet services, government and military, banking, retail, entertainment, medical and manufacturing. Most installations are in PC servers running the Linux operating system, although some of Sangoma's larger opportunities use Windows or FreeBSD.

While the large growth opportunity is in the routing of voice, video or IP data over WAN or telephone interfaces, some of Sangoma's business is related to the support of older legacy protocols such as X.25, HDLC and BSC. Sangoma recently released a new series of serial cards to service this market.

Sangoma is developing products to enhance voice transport and control that serve emerging market segments such as PC-based PBX, VoIP and IVR technology. This initiative includes support of the inter-switch telephony market by the development of the SS7 protocol and support of ISDN Basic Rate Interface (BRI). Sangoma's existing voice related products have been well received, and the development of new products has been driven by customer demand.

With the tools provided by the Paraxip purchase, Sangoma is investing in the new Unified Communications market, and we expect that in the future, much of our revenue will flow from these new voice-related markets.

OVERALL PERFORMANCE



Financial
Sales for the financial year ended June 30, 2008 were $12.34 million as compared with $8.22 million for the financial year ended June 30, 2007, an increase of 50%. Gross margins were 69% (71% for the financial year ended June 30, 2007), and expenses for the financial year ended June 30, 2008 were 28% higher than for the previous financial year at $3.88 million. Net income was $2.91 million ($0.10 per share) compared to net income of $1.82 million ($0.07 per share) for the year ended June 30, 2007, an increase of 60%. On June 30, 2008 Sangoma had working capital of $8.96 million, as compared to $5.29 million on June 30, 2007, an increase of 69%. Working capital included over $6 million in cash and equivalents.

Operational
Sangoma has earned a reputation for responsiveness, innovation and quality as the supplier of key network connectivity components to the high growth PC-based telephony and data transport markets. It is this reputation that is fueling our growth, as these markets expand and Sangoma's market share increases.

While the Open Source Telephony (OST) industry has been a vehicle for the successful development and marketing of Sangoma's products, there are signs of change that make the market less attractive than it has been. Cut price board manufacturers from Asia are becoming a factor in the low end of the market, while a trend to the use of closed appliance devices is also beginning to affect sales of our products, particularly our analog cards. Because of current economic conditions the OST market is not growing at the rates observed a year ago. While the OST market will continue to be important, clearly it is time to move on. The recent acquisition by Sangoma of Paraxip is part of Sangoma's strategy to address the much broader commercial market for telephony systems.

The Paraxip acquisition provides Sangoma with the crucial interface code that allows us to service the large market for telephony products that are based on commercial software in much the same way that we currently service the OST market. There are also OST applications for Paraxip products that will enhance our offerings in our existing markets.

On the data transport side, Sangoma has come to the end of a project as a supplier of terminal connectivity to Sagem Defense Securite for a large roll-out of terminals by Loto-Quebec. This business will have to be replaced, a process that is being actively pursued. Sangoma's new A14 series data transport cards are expected to help capture new business.

The current recession is bound to have an effect on all aspects of business including telephony. The challenge for Sangoma is to be nimble enough to exploit new markets fast enough to swamp the effects of the business downturn in existing ones.

Innovation

Sangoma invests heavily in Research and Development, resulting in a continuous stream of new products and improved versions of existing offerings. Among the new products released during the year ended June 30, 2008 were new serial data transport products, enhanced SS7 support, hybrid ISDN and analog hardware products as well as numerous improvements to existing products. Reliability of our hardware increased to the extent that Sangoma could provide a lifetime warranty on certain products. Sangoma received the 2007 Product of the Year award from Communications Solutions for our BRI ISDN card.

The Paraxip acquisition opens up an entirely new range of opportunities and challenges for our talented development team in pursuit of products that support commercial applications. These opportunities were closed to us before we had access to the Paraxip product suite.

Sales and Marketing

Sangoma's marketing efforts continue to be based on increasing the strength of our channels and creating new ones through joint marketing initiatives. Because Sangoma's WAN products are sold almost exclusively to larger OEMs, trade show activity has tended to be focused more on the voice applications. Sangoma participated in more shows this year than ever before, both as a participant and presenter and often, as a show sponsor as well. Tradeshow booths are increasingly being jointly handled by Sangoma and local representatives working together. Sangoma's presence at more regional trade shows has attracted more local resellers and more attention from editorial/journalists.

Sangoma's distribution and reseller channel has expanded, allowing Sangoma a more granular sales position across the world. This network of two tier distribution is supported by The Sangoma Partner Program, a secure on-line WEB portal which provides the entire sales network with access to detailed sales/marketing, ordering, and technical information.

With the Paraxip acquisition, the corporation will be shifting marketing messages to cater to net new sales opportunities for solutions based on commercial software. These new products will open up incremental sales channels to Sangoma's existing global network.

While North America continues to be the source of much of our revenue, offshore markets are increasingly becoming the focus of our marketing efforts as these markets are experiencing higher growth. As a percentage of our total sales, non-North American markets continue to grow. Sangoma has therefore increased the emphasis on offshore sales both from a product development and sales/marketing perspective.

SELECTED ANNUAL INFORMATION

	Fiscal year ended June 30		
	2008	**2007**	**2006**
	($000's, except per share amounts)		
Operating Results			
Net sales	$12,344	$8,223	$4,776
Net earnings	$2,913	$1,817	$1,008
Net earnings per share:			
- non-diluted basis	$0.10	$0.07	$0.04
- fully diluted basis	$0.10	$0.07	$0.04
Financial Position			
Total assets	$17,042	$12,602	$10,005
Long term debt	$453	nil	nil
Shareholders' Equity	$15,126	$11,621	$9,471
Cash dividends declared per share	0	0	0.011

RESULTS OF OPERATIONS

Sales

Sales for the year were derived almost entirely from the sale of WAN and telephony adapter cards. Sales for the year ended June 30, 2008 were $12.34 million as compared with $8.22 million for the financial year ended June 30, 2007, an increase of 50%. The fourth quarter of 2007-2008 represented the eighth consecutive quarter of record sales for the corporation. The increase in sales revenue was due to higher volume sales of both voice and data related products.

Sales increased in all geographic areas, with the most significant increase being in markets outside of North America. Non-North American sales for the year ended June 30, 2008 accounted for 50% of total sales at $6.17 million, up from 45% of total sales ($3.73 million) for the financial year ended June 30, 2007, an increase of 65%. US Sales grew 44% from $3.60 million for the financial year ended June 30, 2007, to $5.17 million for the year ended June 30, 2008, but this represented a relative decline from 44% to 42% of total sales. Sales in Canada increased 12% from $0.89 million for the financial year ended June 30, 2007 to $1.00 million for the financial year ended June 30, 2008, representing a relative decline from 11% to 8% of total sales.

Because offshore sales have been increasing strongly, marketing effort is targeting these jurisdictions by providing documentation in many languages, special support of country specific protocols and international certification.

Revenue is expected to grow in the long term as new technologies open new markets for our products. The economic environment is expected to have a short term effect on company performance over the next few quarters.

Cost of Sales and Gross Profit

The cost of sales for the year ended June 30, 2008 was 3.82 million (31% of sales, gross profit margin of 69%), as compared to $2.37 million (29% of sales, gross profit margin of 71%) for the year ended June 30, 2007. Gross profit for the year ended June 30, 2008 was $8.52 million, as compared to $5.85 million for the year ended June 30, 2007, an increase of 46%. The reduction in gross margin is due primarily to a sale of over 8,000 S518 ADSL cards during the latter half of this financial year. S518 cards are relatively low margin products, particularly when sold in OEM quantities.

As sales grow Sangoma expects the gross margin percentage to fall somewhat, particularly if we are successful in attracting new larger OEM customers.

Expenses

Administration Expenses

Administration expenses were $1.11 million for the year ended June 30, 2008 an increase of 16% over those for the year ended June 30, 2007 ($0.96 million). The increase represented the costs of doing increased business, with the largest increases being in salaries, benefits and rent as the corporation expanded.

Administration expenses can be expected to increase with revenues, but at a slower rate.

Development Costs

Continuous product development is crucial to maintaining Sangoma's competitive position in the fast-moving data communications and voice market. The Corporation's expenditure on research and development is therefore relatively high for a company of this size.

All development costs are amortized on a straight-line basis over three years (see Note 2(h) to the Notes to Consolidated Financial Statements). Actual cash expenditure on development was $1.02 million for the year ended June 30, 2008, as compared to $0.86 million for the year ended June 30, 2007, an increase of 19%. The increase is primarily due to an increase in salaries and staffing levels. Sangoma has a stable research and development environment with almost no staff turnover in the past several years, and has added new R&D personnel during the past year.

Sangoma is entitled to total investment tax credits of $0.33 million for the year ended June 30, 2008 ($0.32 million in the year ended June 30, 2007) which reduced the net deferred development costs to $0.69 million ($0.54 million for the year ended June 30, 2007). Although Sangoma's expenditure on development has increased, investment tax credits have remained static because the Corporation's earnings have increased to the point that Sangoma no longer qualifies for the Ontario Innovation Tax Credit program.

The development costs amortized during the year ended June 30, 2008 were $0.52 million ($0.50 million for the year ended June 30, 2007).

Development expenditure is expected to increase in the future as staffing levels increase.

Amortization - property, plant and equipment

Amortization of property, plant and equipment increased to $0.09 million for the year ended June 30, 2008 from $0.04 million in the previous financial year. The increase was due to amortization of new equipment and furniture.

Foreign Exchange Loss

Sangoma experiences foreign exchange losses or gains based on the rate of change of the Canadian/US Dollar exchange rate largely due to the fact that receivables and much of the corporation's cash is held in US dollars. For the year ended June 30, 2008, the foreign exchange loss was $0.10 million as compared to a foreign exchange loss of $0.23 million for the year ended June 30, 2007, a reduction of 57%. The reduced foreign exchange loss is due to the lower volatility of the US/Canadian exchange rate during the year ended June 30, 2008 as compared to the previous financial year.

Shareholder information

The cost of providing shareholder information increased 67% from $0.05 million for the year ended June 30, 2007 to $0.08 million for the year ended June 30, 2008.

Stock Based Compensation

During the year stock options were issued to management and employees. Fair value of the options were estimated using the Black-Scholes option pricing model (see Note 8 of the Notes to Consolidated Financial Statements) at $0.34 million for the year ended June 30, 2008 as compared to $0.27 million for the year ended June 30, 2007, an increase of 29%. This is a non cash expense for the corporation.

For a Corporation with a rapidly increasing stock price, the value stock based compensation as calculated by formula is high. The charge is purely an accounting entry and has no cash associated with it, other than the potential inflow of cash if the options are exercised. Nonetheless, Sangoma will be balancing the cost benefits of this type of compensation in the future.

Selling and Marketing Expenses

Selling and marketing expenses were $1.74 million for the for the year ended June 30, 2008 as compared with $1.04 million for the year ended June 30, 2007, an increase of 67%.

Marketing expenses were increased during the year relative to sales, as management believes that a higher proportion of sales should be allocated to marketing, if Sangoma is to remain competitive and top of mind for our customers. The current ratio of marketing expenses to sales is considered optimal.

The increase is due to a general increase in marketing activity, promotions and sales commissions, with the largest increase being in advertising and promotion. This represents increased trade show, electronic and promotions activity.

Sangoma continually monitors its marketing return on investment. The Corporation believes that its current product set is well-suited to the current marketing mix. The mix includes electronic media, selected print advertising, support for open source development initiatives, participation in trade shows, joint marketing initiatives and public relations activity.

Marketing costs will increase as sales continue to grow and marketing becomes more aggressive.

Investment income

Investment income increased from $0.07 million for the year ended June 30, 2007 to $0.12 million for the year ended June 30, 2008, an increase of 86%. This was due to higher cash holdings for the year ended June 30, 2008.

Total Expenses

Total expenses were $3.88 million for the year ended June 30, 2008 as compared to $3.02 million for the year ended June 30, 2007, an increase of 28%.

Net Earnings

Income before income taxes was $4.65 million for the year ended June 30, 2008, as compared to income before income taxes for the prior year in the amount of $2.83 million, an increase of 64%. After taking into account current and future income taxes, the net income was $2.91 million ($0.10 per share) for year ended June 30, 2008 as compared to net income after tax of $1.82 million ($0.07 per share) for the year ended June 30, 2007, a increase of 60%.

Cash flow from operations before non-cash working capital balances was $4.42 million for year ended June 30, 2008 as compared to $3.05 million in the previous year, an increase of 45%. Cash was invested in increased inventory and accounts receivables due to the increased level of business, as well as in R&D and equipment purchases. Cash was received as options were exercised.

At June 30, 2008 the corporation had $6.20 million in cash and equivalents as compared to $3.10 million at June 30, 2007, an increase of 100%.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of selected unaudited quarterly consolidated financial information of the Corporation for each of the eight most recently completed quarters ended June 30, 2008 ($000's except per share data):

2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales	$2,822	$3,070	$3,214	$3,237	$12,344
Net earnings	$489	$757	$963	$ 704	$ 2,913
Net earnings per share: - non-diluted basis - fully diluted basis	$0.017 $0.017	$0.026 $0.026	$0.033 $0.033	$0.025 $0.025	$0.102 $0.102
2007	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Net sales	$1,546	$1,801	$2,238	$2,637	$8,223
Net earnings	$401	$307	$579	$530	$1,817
Net earnings per share: - non-diluted basis - fully diluted basis	$0.01 $0.01	$0.02 $0.02	$0.02 $0.02	$0.02 $0.02	$0.07 $0.07

The fourth quarter of the year ended June 30, 2008 represents the eighth consecutive quarter of record growth for Sangoma, although the rate of increase has slowed as existing markets have matured and the economic conditions have tightened.

Earnings have generally increased at a higher rate than sales, the exception being the fourth quarter which includes end of the year items. Sales for the fourth quarter of the year ended June 30, 2008 were higher by 23% as compared to the fourth quarter of the year ended June 30, 2007, while net earnings were higher by 33%.

It is believed that in the current marketing and economic climate, the recent growth rates can only be matched or exceeded by addressing and opening up new markets.

LIQUIDITY

The Corporation completed the financial year ended June 30, 2008 with current assets of $10.43 million and current liabilities of $1.46 million, resulting in working capital of $8.96 million, compared to $5.29 million in the prior year, representing an increase of 69%. All components of current assets increased, with the largest increases being cash, which increased by 100% to $6.20 million and accounts receivable which increased by 31% to $1.96 million.

The average collection period for receivables is approximately 55 days, based on the fourth quarter sales and accounts receivable at June 30, 2008. The average collection period has been managed downward steadily, which has freed up cash.

The inventory turnover rate has been increased from 1.54 times per year during the year ended June 30, 2007 to 2.24 times per year during the year ended June 30, 2008. This is considered an approximately optimum turnover rate considering the nature of Sangoma's building cycle and the requirement to service customers adequately.

The Corporation continues to be profitable with positive cash flow. Sangoma has long term debt in the form of future income taxes, but no significant capital leases. There are no existing or anticipated defaults or arrears on dividend payments, lease payments, or interest. Management of the Corporation believes that the current working capital and funds generated from operations will be sufficient to meet the operating and planned capital expenditures of the Corporation for the foreseeable future.

CAPITAL RESOURCES

There are no planned commitments for unusual capital expenditures at this time, nor are there any sources of financing that have been arranged but not yet used.

OFF-BALANCE SHEET ARRANGEMENTS

There are no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Sangoma.

TRANSACTIONS WITH RELATED PARTIES

A management bonus agreed to by the compensation committee of the Board of Directors of the Corporation was paid to the Chief Executive Officer of the Corporation in accordance with the terms of an employment agreement.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Sangoma has determined the estimated fair value of its financial assets and liabilities based on generally accepted valuation methods.

Short-term financial instruments
Cash and cash equivalents, other receivables, accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying amount on the balance sheet due to their near-term maturities.

FOURTH QUARTER

Sales were $3.24 million for the quarter ended June 30, 2008, as compared to $2.64 million for the quarter ended June 30, 2007, an increase of 23%. The gross margin was 65% during the quarter ended June 30, 2008, as compared to 71% for the quarter ended June 30, 2007, resulting in gross profit of $2.11 million for the quarter ended June 30, 2008 as compared to gross profit of $1.87 million for the quarter ended June 30, 2007, an increase of 13%. The reduced gross margins for the quarter ended June 30, 2008 were due to a larger proportion of volume OEM sales as compared to the quarter ended June 30, 2007.

Expenses for the quarter ended June 30, 2008 were $1.09 million, as compared to $1.13 million for the quarter ended June 30, 2007, a decrease of 4%. Expenses for the quarter ended June 30, 2007 were inflated by a foreign exchange loss of $0.29 million due to the rapid rise of the Canadian Dollar at that time.

The income before provision for income taxes for the quarter ended June 30, 2008 was $1.03 million as compared to income before provision for income taxes of $0.74 million for the quarter ended June 30, 2007. After provision for income taxes, the net income for the quarter ended June 30, 2008 was $0.70 million as compared to $0.53 million for the quarter ended June 30, 2007 an increase of 33%.

Cash flow was positive by $1.05 million during the quarter ended June 30, 2008, cash increasing from $5.15 million to $6.20 million during the quarter. Cash flow was due mainly to income for the quarter and a decrease in receivables.

NEW ACCOUNTING POLICIES (NOT YET ADOPTED)

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The company has the appropriate resources committed to the development of its IFRS changeover plan during the coming year. Management has yet to identify what if any effects these new standards will have on the company.

Capital disclosures

CICA Handbook Section 1535 "Capital Disclosures", issued in December 2006, establishes standards for disclosure about capital that are effective for fiscal years beginning on or after October 1, 2007. It requires the entity to disclose its objectives, policies and procedures and processes for managing capital and to disclose quantitative data about what it considers to be capital. It also requires an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The company adopted this section July 1, 2008. The new standards are not expected to have impact on the Company's financial statements beyond the additional disclosures.

Goodwill

Effective for annual and interim financial statements beginning on or after October 1, 2008, new CICA Handbook Section 3064 " Goodwill" was issued. Management has yet to identify what, if any, effects this new standard will have on the company.

EVENTS SUBSEQUENT TO JUNE 30, 2008

On July 7, 2008 Sangoma announced that it had entered into an agreement to acquire all of the shares of Paraxip for $4.8 million, payable as to $1.9 million in cash and 2.3 million Sangoma common shares. Paraxip is a leading developer of IP connectivity software that empowers the deployment of IP Telephony applications. Founded in 2003, Paraxip’s customers include IBM, Genesys (a subsidiary of Alcatel-Lucent) and the State of California. The transaction was completed on July 14, 2008.

In July it was announced that Paraxip's NetBorderTM product had been validated through the Gvalidated Application Integration Program by Genesys Telecommunications Laboratories, Inc. In the same month, Sangoma announced the appointment of Susan De Fields as CFO.

In August Sangoma announced a new developer network for the open source community. Also in August Sangoma announced support for FreeSWITCH, an OST project.

In September there were two announcements: A partnership with ALLNET, a major European distributor, and the announcement of the first joint Paraxip/Sangoma product, the NetBordre Express SIP/TDM gateway.

OUTSTANDING SHARE DATA

As of October 14, 2008, the Corporation has 29,138,084 currently issued and outstanding common shares and options to purchase 1,475,000 common shares.

ADDITIONAL INFORMATION

All relevant information relating to the Corporation is filed electronically on SEDAR at www.sedar.com.

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Wasserman
Ramsay

Chartered Accountants

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email: wram@wassermanramsay.ca

AUDITORS' REPORT

To the Shareholders of
Sangoma Technologies Corporation:

We have audited the consolidated balance sheets of Sangoma Technologies Corporation as at June 30, 2008 and 2007 and the consolidated statements of income and comprehensive income, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Markham, Ontario
August 26, 2008

Chartered Accountants
Licensed Public Accountants

SANGOMA TECHNOLOGIES CORPORATION

(Continued under the Ontario Business Corporations Act)

CONSOLIDATED BALANCE SHEETS - JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Current		
Cash and equivalents (Note 3)	$ 6,198,318	$ 3,097,849
Accounts receivable	1,962,621	1,497,243
Inventory (Note 4)	2,006,703	1,543,284
Prepaid and deposits	259,660	134,298
	10,427,302	6,272,674
Future income taxes (Note 11)	-	87,737
Property, plant and equipment (Note 5)	389,558	184,474
Development costs (Note 6)	682,196	514,171
Goodwill	5,542,849	5,542,849
	$ 17,041,905	$ 12,601,905
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 757,196	$ 620,460
Management bonus payable (Note 7)	100,000	100,000
Income taxes payable	605,242	260,397
	1,462,438	980,857
Long-Term		
Future income taxes	453,263	-
SHAREHOLDERS' EQUITY		
Stated capital (Note 8)	13,531,567	13,140,273
Contributed surplus (Note 13)	523,152	322,194
Retained earnings (Deficit)	1,071,485	(1,841,419)
	15,126,204	11,621,048
	$ 17,041,905	$ 12,601,905

Approved on behalf of the Board:

(signed) *"David Mandelstam"*
David Mandelstam, Director

(signed) *"Jonathan Matthews"*
Jonathan Matthews, Director

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Sales	$12,343,600	$ 8,223,216
Cost of sales	3,821,175	2,372,030
Gross profit	8,522,425	5,851,186
Expenses		
Administration	1,114,357	962,144
Amortization - development costs	524,005	498,781
Amortization - property, plant, equipment	92,976	39,812
Foreign exchange loss	101,534	233,799
Shareholder information	78,353	46,885
Stock based compensation (Note 8)	344,452	266,050
Selling and marketing	1,742,550	1,042,455
Investment (Income)	(122,706)	(66,145)
	3,875,521	3,023,781
Income before provision for income tax	4,646,904	2,827,405
Income tax provision		
Current	865,000	263,000
Future income taxes	869,000	747,000
	1,734,000	1,010,000
Net income and Comprehensive income for the period	$ 2,912,904	$ 1,817,405
Basic and fully diluted income per share	$ 0.10	$ 0.07
Weighted average number of shares outstanding - basic	28,214,973	27,702,941
Weighted average number of shares outstanding - diluted	28,935,556	28,633,142

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Deficit, beginning of year	$(1,841,419)	$(3,658,824)
Net income for the year	2,912,904	1,817,405
Retained earnings (deficit), end of year	$ 1,071,485	$(1,841,419)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash provided by (used in) the following activities:		
Operations		
Net income for the year	$ 2,912,904	$ 1,817,405
Add items not requiring an outlay of cash		
Amortization	616,981	538,593
Future income taxes related to operations	541,000	429,000
Stock based compensation	344,452	266,050
	4,415,337	3,051,048
Net change in non-cash working capital balances related to operations (Note 14)	(572,578)	(790,394)
Cash flow from operations	3,842,759	2,260,654
Financing		
Issuance of capital stock	247,800	66,900
	247,800	66,900
Investing		
Deferred development costs before investment tax credits	(1,020,030)	(859,553)
Investment tax credits	328,000	318,000
Purchase of property, plant and equipment	(298,060)	(115,609)
	(990,090)	(657,162)
Increase in cash and cash equivalents during the year	3,100,469	1,670,392
Cash and equivalents, beginning of year	3,097,849	1,427,457
Cash and equivalents, end of year	$ 6,198,318	$ 3,097,849

The accompanying notes form an integral part of these consolidated financial statements

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

1. Description of operations:

Sangoma Technologies Corporation (the "Company") is a publicly-held corporation existing under the Ontario Business Corporations Act. Sangoma Technologies Inc. (the operating company) was incorporated on March 12, 1984. The Company is engaged in the manufacturing, distribution and support of PCI cards for the telephony and wide area network industry.

2. Summary of significant accounting policies:

The financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Basis of presentation:

These consolidated financial statements for the year ended June 30, 2008, include the accounts of the Company's wholly-owned subsidiary, Sangoma Technologies Inc.

(b) Cash and equivalents:

Cash and equivalents consists of cash and investments in Canadian Chartered Bank demand money market funds.

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is provided at 3 years straight line for website costs and at 20% declining balance for all other property, plant and equipment.

(d) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

2. Summary of significant accounting policies (continued):

(e) Foreign currency:

Current monetary assets and current monetary liabilities in foreign funds have been translated to Canadian funds at the rate of exchange applicable at the balance sheet date. Revenues and expenses in foreign funds have been translated to Canadian funds using the actual weekly average rate of exchange during the year.

(f) Revenue recognition:

The Company recognizes revenue from customers,who are either distributors or resellers of our computer adapter cards and associated software, when the risks and benefits of ownership are transferred to the customer, which is upon shipment or customer pick-up. No right of return or exchange privileges are granted, and accordingly, no provision for sales allowances or returns is recorded.

(g) Inventory:

In June 2007, the CICA issued Handbook Section 3031 "Inventories" which replaces Section 3030 "Inventories". Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new section contains guidance on the determination of cost and also requires reversal of any write-downs previously recognized should market value increase. Certain minimum disclosures are required, including the accounting policies used, carrying amounts, and amounts recognized as expenses. The new standard became effective January 1, 2008 for the Company. The adoption of this new section had no impact on the consolidated statements.

(h) Research and development:

Research costs are expensed in the period in which they are incurred. Development costs which meet generally accepted criteria, including reasonable assurance regarding future benefits, are deferred and amortized over three years on a straight line basis, which corresponds to the estimated future revenue stream and life of its products. Costs are reduced by government grants and investment tax credits, where applicable.

2. Summary of significant accounting policies (continued):

(i) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are recorded as assets and are depreciated on the declining balance method using rates based on the estimated life of the asset. The related capitalized lease obligation is classified as long-term debt. All other leases are accounted for as operating leases and the related lease payments are charged to rental expense as incurred.

(j) Goodwill:

The Company has adopted the provisions of accounting for goodwill as outlined in the CICA Handbook Section 3062. Under this method goodwill is no longer amortized and will be assessed for impairment on an annual basis. Based on this assessment, management has determined that no write-down is required in the current year.

(k) Stock based compensation plan:

The Company has a stock-based compensation plan that is described in Note 8. The Company has adopted the accounting recommendations relating to stock-based compensation and other stock-based payments as detailed in the CICA Handbook Section 3870. CICA 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. Compensation expense is recognized when the granted options become vested, with the same amount being recorded as contributed surplus. Stock-based compensation calculations have no effect on the Company's cash position.

(l) Income taxes:

The Company uses the liability method of accounting for income taxes as outlined in the provisions of CICA Handbook Section 3465. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

2. Summary of significant accounting policies (continued):

(m) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earnings per Share ("EPS"). This section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the difference, if any between basic and diluted EPS.

(n) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(o) *Changes in accounting policies:*

On July 1, 2007, the Company prospectively adopted the Canadian Institute of Chartered Accountants Handbook Section 3855 - "Financial Instruments - Recognition and Measurement"; Section 3861 - "Financial Instruments - Disclosure and Presentation"; Section 3865 - "Hedges"; Section 1530 - "Comprehensive Income" and Section 3251 - "Equity" and Section 1506 - "Accounting Changes". These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles in Canada.

2. Summary of significant accounting policies (continued):

(o) Changes in accounting policies (continued):

Under the new standards, all financial instruments are classified into one of five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these standards, the Company has classified cash and equivalents as "held for trading" which are measured at fair market value; trade accounts receivable as "loans and receivables" and accounts payable and accrued liabilities as "other financial liabilities" which are both measured at cost, which approximates fair market value due to their short term nature. The adoption of these new Handbook sections had no impact on the financial statements for the period ended June 30, 2008.

Section 1506 establishes new standards in permitting changes in accounting policy as well as the appropriate application and financial statement presentation and note disclosures including disclosures of new primary sources of GAAP that are not yet effective and not yet adopted by the Company. These new primary GAAP Handbook sections include Section 3862 - "Financial Instruments - Disclosures"; Section 3863 - "Financial Instruments - Presentations"; Section 1400 - "General Standards on Financial Statement Presentation". The Company has not yet determined the impact of the adoption of these new primary GAAP standards on the financial statements.

(p) New Accounting Policies (not yet adopted)

(i) International Financial Reporting Standards:

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The company has the appropriate resources committed to the development of its IFRS changeover plan during the coming year. Management has yet to identify what if any effects these new standards will have on the company.

2. Summary of significant accounting policies (continued):

(p) New Accounting Policies (not yet adopted) continued:

(ii) Capital disclosures:

CICA Handbook Section 1535 "Capital Disclosures", issued in December 2006, establishes standards for disclosure about capital that are effective for fiscal years beginning on or after October 1, 2007. It requires the entity to disclose its objectives, policies and procedures and processes for managing capital and to disclose quantitative data about what it considers to be capital. It also requires an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The company adopted this section July 1, 2008. The new standards are not expected to have impact on the Company's financial statements beyond the additional disclosures.

(iii) Goodwill:

Effective for annual and interim financial statements beginning on or after October 1, 2008, new CICA Handbook Section 3064 " Goodwill" was issued. Management has yet to identify what, if any, effects this new standard will have on the company.

3. Cash and equivalents:

	2008	2007
Cash	$ 659,700	$ 640,648
Demand money market funds	5,538,618	2,457,201
	$ 6,198,318	$ 3,097,849

4. Inventory:

Inventory at year end consists of the following:	2008	2007
Finished goods	$ 1,442,631	$ 812,887
Parts	564,072	730,397
	$ 2,006,703	$ 1,543,284

5. Property, plant and equipment:

	Cost	Accumulated Depreciation	2008 Net
Office furniture, fixtures and equipment	$863,118	$473,560	$389,558

	Cost	Accumulated Depreciation	2007 Net
Office furniture, fixtures and equipment	$565,058	$380,584	$184,474

6. Development costs:

Balance at June 30, 2006	$471,399
Development costs capitalized during the year	859,553
Investment tax credits	(318,000)
Amortization	(498,781)
Balance at June 30, 2007	514,171
Development costs capitalized during the period	1,020,030
Investment tax credits	(328,000)
Amortization	(524,005)
Balance at June 30, 2008	$ 682,196

7. Related party balances and transactions:

The management bonus payable to an individual who is a senior officer and shareholder of the Company is payable under his employment contract which entitled him to a bonus in the amount of 5% of pretax profits to a maximum of $100,000 effective July 1, 2006 and will expire June 30, 2011. The 2008 year's management bonus in the amount of $100,000 (2007 - $100,000) has been approved by the Company's Compensation Committee.

During the year, management salaries in the amount of $233,305 (2007 - $258,404) were paid to a senior officer and shareholder. A portion of these costs in the amount of $81,017 (2007 - $106,102) have been deferred in development costs and are being amortized over a period of three years.

8. Stated capital:

Authorized capital:

The Company is authorized to issue an unlimited number of common shares. The following common shares are outstanding:

	# Shares	$ Value
Balance June 30, 2006	27,670,000	$13,046,873
Exercise of options	220,000	93,400
Balance June 30, 2007	27,890,000	13,140,273
Exercise of options	470,000	247,800
Transferred from contributed surplus on exercise of stock options	-	143,494
Balance June 30, 2008	28,360,000	$13,531,567

Stock-based compensation plan:

The Company has a stock option plan (the "Plan") for directors, officers, and employees and consultants of the Company. The number of shares which may be set aside for issue under the Plan (and under all other management options and employee stock option plans) is limited to 2,798,000 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 applicable policies, rules and regulations of applicable securities legislation.

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

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

8. Stated capital (continued):

Stock-based compensation plan (continued):

The Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of the subdivision, consolidation, reclassification or change of the 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.

In determining the stock-based compensation expense, fair value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0% (2007 - 1.1%), expected volatility of 97% (2007 - 80%), risk-free interest rate of 4.25% (2007 - 5.0%) and expected life of 5 years.

The weighted average fair value of options granted during the year ended June 30, 2008 is $0.86 (2007 - $0.38).

A summary of the Company's options at June 30, 2008 and 2007 and the changes for the years then ended is presented below:

	Options Outstanding	Weighted-Average Exercise Price
At June 30, 2006	695,000	$ 0.32
Granted	700,000	$ 0.62
Reinstated	150,000	$ 0.28
Exercised	(220,000)	$ (0.30)
As at June 30, 2007	1,325,000	$ 0.48
Granted	400,000	$ 1.19
Exercised	(470,000)	$ (0.53)
As at June 30, 2008	1,255,000	$ 0.69

The following table summarizes information about the options outstanding at June 30, 2008:

Exercise Price	Options Outstanding and Exercisable	Remaining Contractual Life
$ 0.43	150,000	0.4 years
$ 0.28	200,000	0.4 years
$ 0.30	145,000	1.9 years
$ 0.62	310,000	3.3 years
$ 0.65	50,000	3.5 years
$ 1.13	200,000	4.0 years
$ 1.25	200,000	4.3 years
	1,255,000	2.6 years

8. Stated capital (continued):

Stock-based compensation plan (continued):

The following table summarizes information about the options outstanding at June 30, 2007:

Exercise Price	Options Outstanding and Exercisable	Remaining Contractual Life
$ 0.43	150,000	1.4 years
$ 0.28	300,000	1.4 years
$ 0.30	175,000	2.8 years
$ 0.62	650,000	4.3 years
$ 0.65	50,000	4.5 years
	1,325,000	3.1 years

9. Commitments:

The Company is committed to lease payments and consulting services as follows:

2009	$ 103,568
2010	95,787
	$ 199,355

10. Segment disclosures:

The Company operates in one industry segment, manufacturing, distribution and support of PCI cards for the telephony and wide area network industry and associated software. All of the Company's assets are located in Canada. The Company sells into three major geographic centres, the United States, Canada and other foreign countries. The sales, in Canadian dollars, in each of these geographic locations are as follows:

	United States	Canada	Other foreign countries	Total
June 30, 2008	$5,172,516	$1,002,757	$6,168,327	$12,343,600
June 30, 2007	$3,597,775	$892,842	$3,732,599	$8,223,216

11. Income taxes:

The Company has deducted all available scientific research and development costs ("SR&D") for federal and provincial purposes and has utilized all federal "SR&D" investment tax credits available to reduce federal income taxes payable.

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

	2008	2007
Statutory tax rate	35.00%	35.00%
Tax effect of non-deductible expenses	0.50%	0.07%
Other miscellaneous differences	1.82%	0.65%
Effective tax rate	37.32%	35.72%

Future income taxes have been recognized on temporary differences which consist of the following:

	2008	2007
Property, plant and equipment	$ (47,000)	$ (12,000)
Deferred development costs	(239,000)	(197,000)
SR&D Investment Tax Credits	(167,263)	296,737
Future tax asset (liability)	$ (453,263)	$ 87,737

12. Contingencies:

The Company has no contingencies of a material amount at this time.

13. Contributed surplus:

Contributed surplus consists of the following:

Balance, June 30, 2006	$ 82,644
Stock-based compensation	266,050
Transferred to common shares on exercise of stock options	(26,500)
Balance, June 30, 2007	322,194
Stock-based compensation	344,452
Transferred to common shares on exercise of stock options	(143,494)
Balance, June 30, 2008	$ 523,152

14. Supplemental cash flow information:

Net change in non-cash working capital related to operations:

	2008	2007
Accounts receivable	$ (465,378)	$ (708,689)
Inventory	(463,419)	(604,163)
Prepaid and deposits	(125,362)	(51,788)
Accounts payable and accrued liabilities	136,736	161,102
Management bonus payable	-	25,017
Income taxes payable	344,845	388,127
	$ (572,578)	$ (790,394)

Non-cash investing and financing activities:

	2008	2007
Cash paid for income taxes	$ 520,155	$ -
Contributed surplus transferred to common shares on exercise of stock options	$ 143,494	$ 26,500

15. Comparative figures:

Certain comparative figures have been reclassified to agree with the presentation adopted in the current year.

16. Financial instruments:

The Company's financial instruments recognized in the balance sheet consists of accounts receivable, accounts payable and accrued liabilities, management bonus payable and income taxes payable. The fair value of these financial instruments approximate their carrying value due to the short maturity of current market rate associated with these instruments.

Concentration of credit risk in accounts receivable is limited, due to the large number of customers the Company services. The Company performs ongoing credit evaluations of its customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, historical and other information.

A large percentage of the Company's transactions occur in foreign currency (mainly U.S. dollars) and therefore the Company is exposed to risk from currency fluctuations.

The Company does not hold or issue financial instruments for trading purposes.

17. Subsequent event:

On July 14, 2008, the company acquired all of the issued and outstanding shares of Paraxip Technologies Inc. for a total consideration of $4,780,383, payable as to $1,900,835 in cash and 2,334,259 common shares at a deemed issue price of $1.2336. The cash consideration was paid to sellers on closing along with 778,084 common shares. The balance of the common shares will be issued in two separate tranches with 778,089 common shares being issued to the sellers 12 months after closing and 778,086 common shares being issued to the sellers 24 months after closing. This number of common shares to be issued may be reduced to satisfy any claims for indemnification by the company under the terms of the acquisition agreement. In addition, the company has granted options to purchase 220,000 common shares at $1.10 per share, to employees of Paraxip Technologies Inc., subject to vesting at 3 years. Paraxip Technologies Inc. is a leading developer of IP connectivity software that empowers the deployment of IP Telephony applications.