

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

COUNTERPATH CORP

Form: 10-K

Date Filed: 2009-07-28

Corporate Issuer CIK: 1236997

Symbol: CPAH

SIC Code: 7389

Fiscal Year End: 04/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended **April 30, 2009**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **000-50346**

COUNTERPATH CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or
Organization)

20-0004161

(IRS Employer Identification No.)

Suite 300, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada V7X 1M3

(Address of principal executive
offices)

(Zip Code)

(604) 320-3344

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class

Nil

Name of each exchange on which registered

Nil

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes
 No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes
 No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

*Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer []
Non-accelerated filer [] (Do not check if a smaller reporting company) Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes []
No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Approximately \$12,576,747 based on a price of \$0.90 per share, being the average of bid and ask prices on July 23, 2009 as quoted on stockwatch.com.

APPLICABLE ONLY TO CORPORATE REGISTRANTS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 29,409,420 shares of common stock issued and outstanding as of July 23, 2009.

INDEX

	Page
<u>PART I</u>	
Item 1. Business	4
Item 1A. Risk Factors	13
Item 1B. Unresolved Staff Comments	18
Item 2. Properties	18
Item 3. Legal Proceedings	18
Item 4. Submission of Matters to a Vote of Security Holders	18
<u>PART II</u>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6. Selected Financial Data	21
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	33
Item 8. Financial Statements and Supplementary Data	33
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	62
Item 9A(T). Controls and Procedures	62
Item 9B. Other Information	62
<u>PART III</u>	
Item 10. Directors, Executive Officers and Corporate Governance	63
Item 11. Executive Compensation	70
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	73
Item 13. Certain Relationships and Related Transactions, and Director Independence	75
Item 14. Principal Accountant Fees and Services	76
<u>PART IV</u>	
Item 15. Exhibits and Financial Statement Schedules	77

Item 1. Business.

This annual report contains forward-looking statements as that term is defined in Section 27A of the United States Securities Act of 1933 and Section 21E of the United States Securities Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to our shares of common stock. As used in this annual report, and unless otherwise indicated, the terms "we", "us" and "our" refer to CounterPath Corporation and our wholly-owned subsidiaries.

Summary

Our business focuses on the design, development, marketing and sales of desktop and mobile application software, conferencing server software, gateway server software and related professional services, such as pre and post sales, technical support and customization services. Our software products are sold into the telecommunications sector, specifically the voice over Internet protocol (VoIP), unified communications and fixed-mobile convergence markets. VoIP, unified communications and fixed-mobile convergence are general terms for technologies that use Internet or mobile protocols for the transmission of packets of data which may include voice, video, text, fax, and other forms of information that have traditionally been carried over the dedicated circuit-switched connections of the public switched telephone network.

Our customers include: (1) large incumbent telecommunications service providers, Internet telephony service providers and content providers; (2) original equipment manufacturers serving the telecommunication market; (3) small, medium and large sized businesses; and (4) end users. Telecommunication service providers deploy a VoIP or fixed-mobile convergence service along with our applications to enable their customers to communicate using voice calls, video calls, instant messaging and presence monitoring (presence is the ability to monitor a person's availability). Original equipment manufacturers combine our applications with additional software and/or services as part of their solution offerings for their customers. Businesses deploy our desktop and mobile applications to enable their workforces to communicate via VoIP and extend their business phone system's features to desktop and mobile devices. End users purchase certain of our desktop applications through our website and are then responsible for selecting their own Internet telephony service provider to allow them to communicate via VoIP.

Our software uses the session initiation protocol which is a protocol standard for voice, video, instant messaging and presence communication. Certain of our desktop applications can operate on personal computers running Windows 2000, Windows XP, Windows Vista, Mac OS X and Linux operating systems as well as on mobile devices running Symbian, RIM and Windows Mobile operating systems.

We began selling our desktop applications in 2003 and our mobile applications and gateway software in 2008. Since that time, over 200 customers, in over 50 countries, have purchased our software products where the value of the purchase is at least \$10,000. This list includes several of the largest service providers and original equipment manufacturers in the world.

Our mission is to be the dominant provider of unified communications software applications that enable people to connect, communicate and collaborate using voice, video, messaging and presence on multiple devices, and over both fixed and mobile networks.

On August 2, 2007, we completed the acquisition of all of the shares of NewHeights Software Corporation, previously a competitor of ours. NewHeights' products included an enterprise focused desktop communication application with business communication features and a conferencing application.

On February 1, 2008, we acquired FirstHand Technologies Inc., previously a competitor of ours. FirstHand's products include an enterprise gateway software application and related mobile applications to enable mobile unified communications by extending enterprise telephony, voicemail and corporate directory services including presence, instant messaging and conferencing capabilities to mobile devices.

On February 1, 2008, we acquired BridgePort Networks, Inc., previously one of our customers. BridgePort Networks' products enable telecom service providers to extend single-number mobile voice, text, multimedia messaging and video services over the Internet to residential, corporate and Wi-Fi hotspot locations with broadband access.

On February 5, 2008, NewHeights and our subsidiary CounterPath Solutions R&D Inc. were merged as a wholly-owned subsidiary under the name CounterPath Technologies Inc.

On March 19, 2008, our board of directors approved a five for one common stock consolidation. As a result, our authorized capital decreased from 415,384,500 shares of common stock to 83,076,900 shares of common stock. All per share amounts and outstanding shares, including all common stock equivalents (stock options and warrants) have been adjusted in this annual report for all periods presented to reflect the stock consolidation.

Our principal executive offices are located at Suite 300, 505 Burrard Street, Vancouver, British Columbia, V7X 1M3. Our telephone number is (604) 320-3344. Our website address is www.counterpath.com. Through a link on the investor relations section of our website, we make available the following filings after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act. All such filings are available free of charge. The information contained in our website does not form part of this annual report.

Corporate History

We were incorporated under the laws of the State of Nevada on April 18, 2003. Following incorporation, we commenced the business of operating an entertainment advertising website.

On April 30, 2004, we changed our business following the merger of our company with Xten Networks Inc., a private Nevada company. Xten Networks was incorporated under the laws of the State of Nevada on October 28, 2002. As a result of the merger, we acquired all of the issued and outstanding shares in Xten Networks in exchange for agreeing to issue 3,600,000 shares of our common stock to the stockholders of Xten Networks. The stockholders of Xten Networks were entitled to receive two shares of our common stock for each one share of Xten Networks.

On August 26, 2005, we entered into an agreement and plan of merger with Ineen, Inc., our wholly-owned subsidiary, whereby Ineen merged with and into our company, with our company carrying on as the surviving corporation under the name CounterPath Solutions, Inc.

On August 2, 2007, we completed the acquisition of all of the shares of NewHeights Software Corporation through the issuance of 7,680,168 shares of common stock and 369,836 preferred shares issued from a subsidiary of our company, which preferred shares are exchangeable into 369,836 shares of our common stock. On February 5, 2008, NewHeights and CounterPath Solutions R&D Inc. were amalgamated under the name CounterPath Technologies Inc.

On February 1, 2008, we acquired FirstHand Technologies Inc., a private Ontario corporation, through the issuance of 5.9 million shares of our common stock.

On February 1, 2008, we acquired BridgePort Networks, Inc., a private Delaware corporation, by way of merger in consideration for the assumption of all of the assets and liabilities of BridgePort Networks.

On February 5, 2008, NewHeights and our subsidiary CounterPath Solutions R&D Inc. were amalgamated under the name CounterPath Technologies Inc.

On March 19, 2008, our board of directors approved a five for one common stock consolidation. As a result, our authorized capital decreased from 415,384,500 shares of common stock to 83,076,900 shares of common stock.

Our Software Applications

CounterPath Multi-Media Communications Product Suite

The CounterPath Multimedia Communicator product suite includes four softphone applications: (1) Bria; (2) eyeBeam; (3) Bria for Microsoft Outlook®; and (4) X-Lite. Bria, eyeBeam, and Bria for Microsoft Outlook are commercial products which we sell on a per seat or subscription basis, while X-Lite is a free version of our desktop softphone application that can be downloaded from our website and connected to any SIP-compliant VoIP service or network and is used by end users wishing to test our product quality at no charge or evaluate a VoIP service or network.

Our softphone applications include quality of service capabilities on both fixed and wireless networks. This includes the ability to automatically prioritize packets of information during both video and voice calls to ensure that other applications on the host computer and, if supported, on the Internet do not interfere with the quality of the voice or video transmissions. Our softphone applications also enable our customers to monitor audio quality in real-time. Our softphone applications also include security features such as server authentication, signalling encryption enabling confidentiality and integrity protection, as well as confidentiality and integrity protection of media streams through secure real-time transport protocol (SRTP). Secure real-time transport can be used to prevent unwanted monitoring of voice and video communications.

To enhance the ease of use of our software, Bria and eyeBeam offer no touch configuration for audio and video devices, such as headsets and web cams, which enables automatic configuration each time the application is started and whenever devices are changed. This capability reduces complications for softphone users and decreases the number of customer support calls to our customers deploying our software by their end users.

- *Bria*

Bria has a number of usability and customization features designed to enable customers to present a flexible, user-friendly VoIP softphone solution for consumer and enterprise markets. Bria has a contact-focused, versus a dialpad-focused, graphical user interface which highlights a user's address book rather than the more traditional telephone dialpad. Bria can also be minimized to a computer screen deskbar, enabling a user to manage their desktop space while still being able to make and receive calls. Bria is built on the same software code platform as eyeBeam and has many of the same interoperability and compatibility features of eyeBeam.

Bria's multiple panel layout enables our customers to specify areas for customer branding or revenue generating advertisements such as banner ads, click-to-call and interactive video messaging, as well as custom integration with network infrastructure.

- *eyeBeam*

eyeBeam is our original flagship softphone application. The graphical user interface of eyeBeam is designed to look like a cellular telephone handset and it has generally been targeted at early adopters of softphone technology due to its graphical familiarity.

- *Bria for Microsoft Outlook®*

Bria Add-in for Microsoft Outlook offers a standards-based softphone application with audio which is fully integrated into Microsoft's widely used Outlook application. The Bria Add-in is easy to install and enables users to expand on Outlook's contact and email features to receive and make calls and use phone features directly from their contact list, emails within the Outlook application.

- *X-Lite*

X-Lite is a free softphone available for download on our website. Some of the key elements that are not included in X-Lite compared to our commercial products are the ability to brand, automatic or network based provisioning, royalty bearing codecs, multiple account support, and enhanced security and encryption.

The X-Lite graphical user interface has an area available for advertising although we have not attempted to generate advertising revenue with this feature to date. As well, X-Lite is only available with CounterPath branding and may not be redistributed by third parties.

We believe that our free X-Lite softphone serves as a marketing tool for our company as it allows potential customers to test our software. In addition, we believe that making our free softphone widely available to companies which make session initiation protocol (SIP) compliant devices such as Internet based phones, public switched telephone network gateways, softphones, video phones, multipoint conference units, and conference servers, improves our interoperability with these products.

Mobility Suite

The Mobility Suite offers enterprise mobile unified communications and fixed mobile convergence capabilities for consumer and business users. Enterprise mobile unified communications makes it possible for a smartphone to seamlessly roam between mobile and corporate Wi-Fi networks, and support unified communications tools such as e-mail, presence, instant messaging and contacts, and office desk-phone functions such as extension dialing, call forwarding and call transfer.

The Mobility Suite is comprised of: (1) a mobile operator targeted offering called the Network Convergence Gateway (NCG); (2) a VoIP operator targeted offering called the Message Convergence Gateway (MCG); and (3) an enterprise targeted, business user offering called the Enterprise Mobility Gateway (EMG) and Bria Mobile client. The NCG was the flagship product of BridgePort Networks which we acquired in February 2008; The MCG was built by the NCG team and released in April 2009 and the EMG was the flagship product of FirstHand Technologies which we acquired in February 2008.

- *Network Convergence Gateway (NCG)*

The NCG is a carrier-based server application that bridges communication between the broadband Internet and mobile networks. The NCG enables mobile service providers to provide converged services across the broadband Internet and mobile networks including voice, text, multimedia messaging and video services. The NCG makes it possible for end users to originate and receive mobile calls on a variety of IP-based telephones including CounterPath's softphone applications with the flexibility and low cost of VoIP. Our NCG applications include:

PC Desktop Mobile Communications

By using the NCG and our softphone applications, mobile service providers can extend mobile calls and instant messaging to a personal computer with the single identity of the end user's mobile phone number.

The service may be deployed whereby end users load our softphone application onto their personal computer or use a USB key device that contains a subscriber information module (SIM card) found in mobile phones that also includes our softphone application. In the case of the USB key device, the user can insert the device into any personal computer USB port and receive calls over the Internet initiated to their mobile phone number.

Voice Call Continuity

The seamless handover feature of the NCG enables end users to automatically originate or receive voice calls on Wi-Fi networks, and seamlessly pass the call between mobile and broadband networks. Also referred to as voice call continuity, seamless handover is an important capability of fixed mobile convergence.

- *Messaging Convergence Gateway (MCG)*

The MCG is a server application that enables VoIP service providers to provide SMS services (receiving and sending of short text messages) for their end users via the mobile network without the need for the VoIP service provider to enter into any agreement with any mobile operator. The MCG application enables end users to send and receive SMS messages from within a SIP enabled phone, specifically our Bria and eyeBeam softphones. This means that VoIP service providers and/or VoIP end users can publish VoIP phone numbers as SMS enabled numbers. This allows the receiving party of an SMS message to be able to identify the sender of the message by the sending parties VoIP phone number. This caller identification feature is a feature that we believe is unique to our MCG product.

- *Enterprise Mobility Gateway (EMG) and Bria Mobile Client*

Our Enterprise Mobility Gateway (EMG) and Bria Mobile Client enable unified communications for office workers by extending enterprise telephony, voicemail and corporate directory services including presence, instant messaging and conferencing capabilities to mobile devices over Wi-Fi and mobile networks.

Our Bria Mobile Client is a mobile client application for mobile devices including RIM/BlackBerry, Symbian/Nokia, Windows Mobile/Windows Mobile Smartphones and personal digital assistants, providing a mobile interface for accessing enterprise VoIP, unified communications and corporate directory services. In August 2009, CounterPath launched a Bria Mobile web client that offers a subset of the functionality of Bria Mobile clients. Bria Mobile is available in two editions: (1) a single-mode for GSM and CDMA mobile networks; and (2) a dual-mode for GSM and CDMA mobile networks and Wi-Fi networks.

Our EMG application runs on standard server hardware acting as the convergent point between back-office servers such as IP PBXs and Bria Mobile Clients running in a mobile network. The EMG integrates with common enterprise telephony, directory and messaging platforms and securely extends these services to mobile devices.

Developer Products

In addition to our ready-made VoIP softphone products, we also offer several developer products. These products allow our customers to create customized VoIP communication applications. Our developer products include:

- *C++ Edition*

The C++ Edition SDK is a programming kit that forms the basis for our eyeBeam and Bria applications on Windows, Mac and Linux operating systems. Typically, customers that license the C++ Edition SDK prefer to build their own graphical user interface and applications. The SDK has components for managing audio and video media, as well as signalling and call control.

- *COM Edition*

The COM Edition is an easy to use SDK based on the Microsoft COM platform. Using the COM Edition SDK, customers can build a sophisticated softphone using a variety of programming languages such as C++, C#, Delphi, Visual Basic or Java. The COM Edition SDK is ideal for companies looking for an easy to learn SDK. This is also an ideal SDK for integrating softphone functionality into an existing Windows application.

- *ActiveX – Web Edition*

The ActiveX – Web Edition SDK is a similar application program interface to the COM Edition but can be implemented inside of a web page. The SDK enables customers to incorporate voice, video, instant messaging or presence into an existing Web 2.0 application using Javascript or Java language. Typically, a web page can be voice-enabled using this SDK in a few days with no prior knowledge of telecommunications protocols or VoIP.

Sales and Marketing

We generate revenue from the sale of our products, any applicable related professional services and support through our sales team, our website and our partners and value added resellers who distribute our products through their independent distribution channels. We typically license our software on a onetime fee per user basis, or on a yearly subscription fee per user basis.

We focus on selling our software products to companies which provide Internet protocol telephony or mobile services to end users and enterprises. Our customers include: (1) large incumbent telecommunications service providers, Internet telephony service providers and content providers; (2) small, medium and large sized businesses; (3) original equipment manufacturers serving the telecommunication market; and (4) end users. We currently have sold software and related services to over 200 customers in more than 50 countries where the value of the sale has exceeded \$10,000.

We typically work with our customers to streamline the process of delivering our software to their end users. This includes pre-configuring the information required to connect to the customer's network and enabling or disabling certain features of our products. Our software products are typically co-labelled with our brand and our customer's brand, or privately labelled with our customer's brand. Co-labelling of our products means that the user interface that displays on the computer screen for the end user to see remains as is, but the customer's brand is also placed on the user interface. Private labelling of our products means that the customer can change any and all features of the user interface and can remove all references to our company from the user interface. We receive professional service revenue for configuration and customization of our software.

Significant Customers

Our largest customers during the year ended April 30, 2009 were Cisco Systems, Inc. and Mitel Networks Corporation, from whom we generated approximately 13% and 12%, respectively, of our total revenue.

Marketing

Our products are marketed through a variety of means including:

- Advertising on our website;
- Co-marketing with our partners, suppliers and customers;
- Offering X-Lite 3.0, a free softphone with fewer features than our commercial versions;
- Attending industry trade shows; and
- Attending developer conferences.

End-User Sales

We also market our software directly to end users and enterprises through our website located at www.counterpath.com. The information contained in our website does not form part of this annual report.

Intellectual Property

We rely on a combination of intellectual property rights, including patents, trade secrets, copyrights and trademarks, as well as customary contractual protections to protect our intellectual property.

As of April 30, 2009, we own or hold the exclusive license to six patents. In addition, we are pursuing 15 in house developed patent applications, one exclusively licensed patent application from Openwave Systems Inc. and six licensed patent applications from Columbia University. Combined, the 22 U.S. patent applications are pending, as well as counterparts pending in other jurisdictions around the world. In March 2009, we were granted patent No. 7,502,615: Handoff for cellular and internet protocol telephony. This patent describes an active call handover mechanism to improve efficiency and end user experience on a dual-mode mobile device.

We also hold a number of registered trademarks in the United States.

In addition to the protections described above, we generally control access to, and use of our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners, and our software is protected by U.S. and international copyright laws.

We have acquired certain patent rights from Openwave Systems Inc. including a patent for maintaining Internet voice communication to mobile devices where the IP address changes from location to location. We also hold exclusive rights to the patent application which is a continuation to previously granted patents that teaches communication methods between mobile and packet networks using a gateway connected to both networks preserving single identity on both networks. We also hold the exclusive right to certain technologies developed at Columbia University for which we pay a license fee of 5% of net revenues where the technologies are incorporated into the products we sell. We also incorporate a number of third party software programs into our software applications pursuant to license agreements.

We may not receive competitive advantages from the rights granted under our patents and other intellectual property rights. Our competitors may develop technologies that are similar or superior to our proprietary technologies, duplicate our proprietary technologies or design around the patents owned or licensed by us. Our existing and future patents may be circumvented, blocked, licensed to others or challenged as to inventorship, ownership, scope, validity or enforceability. Furthermore, our pending and future patent applications may not be issued with the scope of claims sought by us, if at all, or the scope of claims we are seeking may not be sufficiently broad to protect our proprietary technologies. Moreover, we have adopted a strategy of seeking limited patent protection with respect to the technologies used in or relating to our products. If our products, patents or patent applications are found to conflict with any patents held by third parties, we could be prevented from selling our products, our patents may be declared invalid or our patent applications may not result in issued patents. In foreign countries, we may not receive effective patent, copyright and trademark protection. We may be required to initiate litigation in order to enforce any patents issued to us, or to determine the scope or validity of a third party's patent or other proprietary rights. In addition, in the future we may be subject to lawsuits by third parties seeking to enforce their own intellectual property rights, as described in "Risk Factors—We may in the future be subject to damaging and disruptive intellectual property litigation that could materially and adversely affect our business, results of operations and financial condition, as well as the continued viability of our company."

We license our software pursuant to agreements that impose restrictions on customers' ability to use the software, such as prohibiting reverse engineering and limiting the use of copies. We also seek to avoid disclosure of our intellectual property by requiring employees and consultants with access to our proprietary information to execute nondisclosure and assignment of intellectual property agreements and by restricting access to our source code. Other parties may not comply with the terms of their agreements with us, and we may not be able to enforce our rights adequately against these parties.

Research and Development

Development of our products is primarily done through our Canadian wholly-owned subsidiary, CounterPath Technologies Inc., formerly known as CounterPath Solutions R&D Inc. and our U.S wholly-owned subsidiary, BridgePort Networks, Inc. Our research and development team consists of a core engineering department and a quality assurance department. Core engineering is responsible for designing, developing and maintaining our core products across our supported operating systems. Quality assurance is responsible for testing the software before release to customers on all of our platforms. Total research and development expenditures for the year ended April 30, 2009 were \$7,075,640 (2008: \$6,863,235).

After Sales Service and Support

We sell our software on an as-is basis to end users, and we are not required to update or upgrade the software nor are we responsible for failure of our software to work on our customer's computer network; however, we offer three levels of support to our non-end user customers for a specified percentage of the software license fees. Basic support includes product bug-fixes, nine (9) a.m. to five (5) p.m. Pacific Time (-8GMT), telephone support and email support during the one-year period following the date of sale.

Bug-fixes are software updates which fix a known deficiency in the software product. Our extended support includes basic support and product upgrades and our premium support includes extended support and twenty-four hour, seven days per week telephone support. Product upgrades are separate from bug-fixes and include new or enhanced product features. For additional fees, we provide professional services, which include assisting our customers in designing, deploying and implementing their solutions. We currently maintain a support forum on the Internet at www.counterpath.com/support.html and product user manuals are available online at www.counterpath.com.

Warranty

We warrant that our software will perform substantially in accordance with the materials accompanying the software for a period of 30 days from the date of sale to cover defects in workmanship.

Audio and Video Codecs

Our softphones are integrated with audio and video codecs, which are provided by third-parties either as free open source software or under license. A codec is a software application that encodes and decodes audio or video data according to a specification. Currently, we provide the following royalty-free audio codecs: G.711u/a, G.722, iLBC, Speex, DVI4, L16 PCM, GSM and BV32. We also provide a number of royalty-bearing audio codecs: G.722.2, G.723.1, G.726, G.729(core), G729(b), and EVRC which are licensed by various third-party patent owners and their representatives. Either we pay, or our customers pay, a license fee when our software incorporates any third-party, royalty-bearing codec(s). Our software video phones incorporate third-party video codecs. We offer the H.263 and H.263+ video codecs, which we have licensed from UB Video Incorporated, and the H.264 video codec, which we have licensed from AT&T Corp. and MPEG LA, L.L.C. At this time, no third party patent holders have required licensing fees for use of H.263 or H.263+ video codecs. The H.264 video codec does have licensing fees, which are licensed by AT&T and MPEG LA.

Competition

There are numerous developers which compete with our company for market share. To the best of our knowledge, the following describes some of our main competitors:

Related CounterPath Products	Competitor	Target Market
Softphones	Microsoft Corp.	Enterprise, Service provider, mobile
Softphones	Adobe Systems Inc.	Service provider, mobile
Softphones	Movial Corp.	Service provider, mobile
Softphones	eyeP Media SA	Service provider, mobile
Softphones	Global IP Solutions, Inc.	Service provider and original equipment manufacturer
Softphones	Nortel Networks Limited	Enterprise
Softphones/EMG	Avaya Inc.	Enterprise
Softphones/EMG	Siemens AG	Enterprise
EMG	DiVitas Networks, Inc.	Enterprise mobile unified communications providers
EMG	Cisco Systems, Inc.	Enterprise
EMG	Agito Networks, Inc.	Enterprise mobile unified communications providers
EMG	OnRelay Limited	Enterprise mobile unified communications providers

Related CounterPath Products	Competitor	Target Market
EMG & NCG	Tango Networks, Inc.	Enterprise mobile unified communications providers
NCG	Outsmart, Ltd.	Fixed mobile convergence providers
NCG	Huawei Technologies Co., Ltd.	Fixed mobile convergence providers
NCG	Alcatel-Lucent	Fixed mobile convergence providers
NCG	Sonus Networks Inc.	Fixed mobile convergence providers

Government Approval

We have obtained approval from the United States government to export our software that contains strong encryption technology to certain approved foreign countries. We are not aware of any permits that are specific to our industry which are required in order for our company to operate or to sell our products and services in such jurisdictions.

Employees

As of April 30, 2009, we employed 88 people full-time, 24 of whom are engaged in marketing and sales, 25 in research, development, 13 in services and support, 8 in general and administration, and 18 contractors. We are not subject to any collective bargaining agreements and we consider relations with our employees to be excellent.

We hire full-time employees and contractors who are authorized to work in the United States through our company as well as our wholly-owned subsidiary, BridgePort Networks, Inc. Our wholly-owned subsidiaries, CounterPath Technologies Inc. and FirstHand Technologies Inc. hire full-time employees and contractors who are authorized to work in Canada.

Item 1A. Risk Factors.

Much of the information included in this annual report includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumption or other future performance suggested herein.

Such estimates, projections or other "forward looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward looking statements".

Risks Associated with our Business and Industry

Lack of cash flow which may affect our ability to continue as a going concern.

Since inception, our company has had negative cash flows from operations. Our business plan calls for continued research and development of our products and expansion of our market share. We will require additional financing to finance working capital and pay for operating expenses and capital requirements until we achieve a positive cash flow. However, there is no assurance that actual cash requirements will not exceed our estimates. In particular, additional capital may be required in the event that:

- we incur delays and additional expenses as a result of technology failure;
- we are unable to create a substantial market for our products; or
- we incur any significant unanticipated expenses.

The occurrence of any of the aforementioned events could adversely affect our ability to meet our proposed business plans.

We depend on a mix of revenues and outside capital to pay for the continued development of our technology and the marketing of our products. Such outside capital may include the sale of additional stock and/or commercial borrowing. There can be no assurance that capital will continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to us. Disruptions in financial markets and challenging economic conditions have and may continue to affect our ability to raise capital. The issuance of additional equity securities by us would result in a dilution, possibly a significant dilution, in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, our business and future success may be adversely affected and, as indicated in the audit report included in this Form 10-K, raise substantial doubt on our ability to continue as a going concern. Our financial statements included in this Form 10-K do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

The current economic environment has adversely affected business spending patterns, which may have an adverse effect on our business.

The disruptions in the financial markets and challenging economic conditions have adversely affected the United States and world economy, and in particular, reduced consumer spending and reduced spending by businesses. Turmoil in global credit markets and recent turmoil in the geopolitical environment in many parts of the world and other disruptions, such as changes in energy costs are and may continue to put pressure on global economic conditions. Our operating results in one or more segments may also be affected by uncertain or changing economic conditions particularly germane to that segment or to particular customer markets within that segment. The challenges we have seen in the United States have expanded overseas. If our customers delay or cancel spending on their IT infrastructure, that decision could result in reductions in sales of our products, longer sales cycles and increased price competition. There can be no assurances that government responses to the disruptions in the financial markets will restore spending to previous levels. If global economic and market conditions, or economic conditions in the United States or other key markets, remain uncertain or persist, spread, or deteriorate further, we may experience material impacts on our business, operating results, and financial condition.

We are subject to the credit risk of our customers, which could have a material adverse effect on our financial condition, results of operations and liquidity.

We are subject to the credit risk of our customers. Businesses that are good credit risks at the time of sale may become bad credit risks over time. In times of economic recession, the number of our customers who default on payments owed to us tends to increase. If we fail to adequately assess and monitor our credit risks, we could experience longer payment cycles, increased collection costs and higher bad debt expense. Additionally, to the degree that the ongoing turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been primarily financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If our stock price declines, there can be no assurance that we can raise additional capital or generate funds from operations sufficient to meet our obligations.

The majority of our directors and officers are located outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or some of our directors or officers.

The majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, investors may be effectively prevented from pursuing remedies under United States federal securities laws against some of our directors or officers.

We may in the future be subject to damaging and disruptive intellectual property litigation that could materially and adversely affect our business, results of operations and financial condition, as well as the continued viability of our company.

We may be unaware of filed patent applications and issued patents that could relate to our products and services. Intellectual property litigation, if determined against us, could:

- result in the loss of a substantial number of existing customers or prohibit the acquisition of new customers;
- cause us to lose access to key distribution channels;
- result in substantial employee layoffs or risk the permanent loss of highly-valued employees;
- materially and adversely affect our brand in the market place and cause a substantial loss of goodwill;
- cause our stock price to decline significantly; and
- lead to the bankruptcy or liquidation of our company.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block our ability to provide our services and could cause us to pay substantial royalties, licensing fees or damages. The defense of any lawsuit could result in time-consuming and expensive litigation, regardless of the merits of such claims.

We could lose our competitive advantages if we are not able to protect any proprietary technology and intellectual property rights against infringement, and any related litigation could be time-consuming and costly.

Our success and ability to compete depends to a significant degree on our proprietary technology incorporated in our software. If any of our competitors' copies or otherwise gains access to our proprietary technology or develops similar technologies independently, we would not be able to compete as effectively. We also consider our family of registered and unregistered trademarks including CounterPath, Bria, eyeBeam, X-Pro and X-Lite, invaluable to our ability to continue to develop and maintain the goodwill and recognition associated with our brand. The measures we take to protect the proprietary technology software, and other intellectual property rights, which presently are based upon a combination of patents, patents pending, copyright, trade secret and trademark laws, may not be adequate to prevent their unauthorized use. Further, the laws of foreign countries may provide inadequate protection of such intellectual property rights.

We may need to bring legal claims to enforce or protect such intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources. In addition, notwithstanding any rights we have secured in our intellectual property, other persons may bring claims against us that we have infringed on their intellectual property rights, including claims based upon the content we license from third parties or claims that our intellectual property right interests are not valid. Any claims against us, with or without merit, could be time consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill associated with our service marks or require us to make changes to our website or other of our technologies.

Our products may become obsolete and unmarketable if we are unable to respond adequately to rapidly changing technology and customer demands.

Our industry is characterized by rapid changes in technology and customer demands. As a result, our products may quickly become obsolete and unmarketable. Our future success will depend on our ability to adapt to technological advances, anticipate customer demands, develop new products and enhance our current products on a timely and cost-effective basis. Further, our products must remain competitive with those of other companies with substantially greater resources. We may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products or enhanced versions of existing products. Also, we may not be able to adapt new or enhanced services to emerging industry standards, and our new products may not be favorably received.

Unless we can establish market acceptance of our current products, our potential revenues may be significantly reduced.

We expect that a substantial portion of our future revenue will be derived from the sale of our software products. We expect that these product offerings and their extensions and derivatives will account for a majority of our revenue for the foreseeable future. Broad market acceptance of our software products is, therefore, critical to our future success and our ability to continue to generate revenues. Failure to achieve broad market acceptance of our software products as a result of competition, technological change, or otherwise, would significantly harm our business. Our future financial performance will depend primarily on the continued market acceptance of our current software product offerings and on the development, introduction and market acceptance of any future enhancements. There can be no assurance that we will be successful in marketing our current product offerings or any new product offerings, applications or enhancements, and any failure to do so would significantly harm our business.

We face larger and better-financed competitors, which may affect our ability to operate our business and achieve profitability.

Management is aware of similar products which compete directly with our products and some of the companies developing these similar products are larger and better-financed than us and may develop products superior to those of our company. Such competition will potentially affect our chances of achieving profitability and ultimately adversely affect our ability to continue as a going concern.

Any prolonged activity in respect of the integration of the recently acquired businesses with our business could be time consuming and costly and adversely affect our financial results and stock price.

We completed the acquisition of NewHeights Software Corporation, a private Canada corporation, FirstHand Technologies Inc., a private Ontario corporation, and BridgePort Networks, Inc., a private Delaware corporation. The integration of the business of each respective company with our business has been, and will continue to be, a time consuming and expensive process. Any prolonged activity in respect of the integration of the acquired businesses with our business could divert financial and other resources from our planned operations, which could negatively affect our results of operations, lower employee morale, and result in customers cancelling existing orders or choosing not to place new ones. In addition, the combined operations of our company and the acquired businesses may not achieve anticipated synergies or other benefits. If the anticipated benefits of the combined operations are not realized or do not meet the expectations of financial or industry analysts, the market price of our common stock may decline.

Risks Associated with our Common Stock

If we issue additional shares of common stock in the future this may result in dilution to our existing stockholders.

We are authorized to issue 83,076,900 shares of common stock. Our board of directors has the authority to issue additional shares of common stock up to the authorized capital stated in the certificate of incorporation. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all other stockholders. Further, any such issuance may result in a change of control of our corporation.

Penny stock rules will limit the ability of our stockholders to sell their shares of common stock.

The SEC has adopted regulations which generally define “penny stock” to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and “accredited investors”. The term “accredited investor” refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

The Financial Industry Regulatory Authority, or FINRA, has adopted sales practice requirements, which may limit a stockholder's ability to buy and/or sell shares of our common stock.

In addition to the "penny stock" rules described above, the FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for its shares.

Item 1B. Unresolved Staff Comments.

Not Applicable

Item 2. Properties.

We do not own any property. Our Canadian operations are conducted in three leased offices located in Vancouver and Victoria, British Columbia and Kanata, Ontario. Our U.S. operations are conducted in two leased offices located in Chicago, Illinois, and Charlestown, Massachusetts. Our head office is located on the 3rd Floor at Suite 300, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M3. On July 10, 2006, we entered into a lease for our head office premises of 15,559 square feet, which commenced on December 1, 2006 and expires on September 29, 2011 for which a deposit of \$81,757 was made. The monthly lease payment under this agreement is \$20,478 plus \$21,681 in operating costs. These amounts increase as of October 31, 2010 to \$23,037 and \$21,681, respectively. Our office space is adequate for the operations of our company for the foreseeable future.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is quoted on the OTC Bulletin Board and the TSX Venture Exchange. Our shares of common stock began quotation on the OTC Bulletin Board on March 2, 2004 and trading on the TSX Venture Exchange on August 25, 2008. The following table sets forth, for the periods indicated, the high and low bids for our common stock on the OTC Bulletin Board and the TSX Venture Exchange based on inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions as reported by the OTC BB and the TSX Venture Exchange, respectively.

Quarter Ended	OTC Bulletin Board (U.S. dollars)		TSX Venture Exchange (Cdn dollars)	
	High	Low	High	Low
July 31, 2007 ⁽¹⁾	\$2.15	\$1.55	N/A	N/A
October 31, 2007 ⁽¹⁾⁽²⁾	\$2.70	\$1.75	N/A	N/A
January 31, 2008 ⁽²⁾	\$2.70	\$1.55	N/A	N/A
April 30, 2008 ⁽²⁾⁽³⁾	\$2.05	\$0.10	N/A	N/A
July 31, 2008 ⁽³⁾	\$1.80	\$1.35	N/A	N/A
October 31, 2008 ⁽³⁾	\$1.91	\$0.60	\$1.95	\$0.90
January 31, 2009 ⁽³⁾	\$0.87	\$0.30	\$1.01	\$0.32
April 30, 2009 ⁽³⁾	\$0.70	\$0.10	\$0.85	\$0.25

- (1) From September 16, 2006 to October 16, 2007, our stock was quoted on the OTC BB under the trading symbol "CTPS".
- (2) From October 17, 2007 to March 18, 2008, our stock was quoted on the OTC BB under the trading symbol "COPA".
- (3) Since March 19, 2008, our stock has been quoted on the OTC BB under the trading symbol "CPAH".
- (4) Since August 25, 2008, our stock has been quoted on the TSX Venture Exchange under the trading symbol "CCV".

Our shares of common stock are issued in registered form. Valiant Trust Company of 3rd Floor, 750 Cambie Street, Vancouver, British Columbia, Canada V6B 0A2 (Telephone: 604.699.4884; Facsimile: 604.681.3067) is the registrar and transfer agent for our shares of common stock.

On July 23, 2009, the shareholders' list of our shares of common stock showed 83 registered shareholders and 29,409,420 shares outstanding.

Dividend Policy

To date, we have not declared or paid any dividends on our shares of common stock and do not expect to declare or pay any dividends on our shares of common stock in the foreseeable future. Payment of any dividends will depend upon our future earnings, if any, our financial condition, and other factors as deemed relevant by our board of directors. Although there are no restrictions that limit the ability to pay dividends on our shares of common stock, our intention is to retain future earnings for use in our operations and the expansion of our business.

Equity Compensation Plan Information

The following table provides a summary of the number of options granted under our compensation plans, as well as options granted outside of our compensation plans, the weighted average exercise price and the number of options remaining available for issuance all as at April 30, 2009.

	Number of securities to be issued upon exercise of outstanding options	Weighted-Average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders	4,650,768 ⁽¹⁾	\$1.13	409,232 ⁽²⁾
Total	4,650,768	\$1.13	409,232

- (1) As of April 30, 2009, we had issued stock options to purchase 392,340 shares of our common stock pursuant to our 2004 Stock Option Plan and stock options to purchase 4,258,428 shares of our common stock pursuant to our 2005 Stock Option Plan.
- (2) As of April 30, 2009, there were 407,660 underlying shares of our common stock remaining and available to be issued under our 2004 Stock Option Plan and 1,572 underlying shares of our common stock remaining and available to be issued under our 2005 Stock Option Plan.

2004 Stock Option Plan

On May 18, 2004, our board of directors approved the 2004 stock option plan for employees, directors, officers and consultants of our company and our subsidiaries. Under the plan, eligible employees, consultants, and such other persons, other than directors subject to tax in the United States who are not eligible employees, may receive awards of “non-qualified stock options.” Also under the plan, individuals who, at the time of the option grant, are employees of our company or any related company, as defined in the plan, who are subject to tax in the United States, may receive “incentive stock options,” and stock options granted to non-United States residents may receive awards of “options.” The purpose of the plan is to retain the services of valued key employees, directors, officers and consultants and to encourage such persons with an increased incentive to make contributions to our company. We are permitted to issue up to 800,000 shares of our common stock under the 2004 stock option plan.

2005 Stock Option Plan

On March 4, 2005, our board of directors approved the 2005 stock option plan for our employees, directors, officers and consultants of our company and our subsidiaries. Under the plan, eligible employees, consultants, and such other persons, other than directors subject to tax in the United States who are not eligible employees, may receive awards of “non-qualified stock options.” Also under the plan, individuals who, at the time of the option grant, are employees of our company or any related company, as defined in the plan, who are subject to tax in the United States, may receive “incentive stock options,” and stock options granted to non-United States residents may receive awards of “options.” The purpose of the plan is to retain the services of valued key employees, directors, officers and consultants and to encourage such persons with an increased incentive to make contributions to our company. Our board of directors increased the number of shares of our common stock that are issuable under the 2005 stock option plan on the dates and in the amounts as follows:

Date	Number of Shares Issuable	Increased Number of Shares Issuable
January 10, 2006	1,200,000 shares	1,800,000 shares
September 5, 2006	1,800,000 shares	2,400,000 shares
August 2, 2007	2,400,000 shares	3,000,000 shares
February 1, 2008	3,000,000 shares	4,260,000 shares

Employee Share Purchase Plan

On October 1, 2008, our shareholders approved the employee share purchase plan for employees, directors, officers and consultants of our company and our subsidiaries. The purpose of the plan is to give employees access to an equity participation vehicle in addition to our stock option plans by way of an opportunity to purchase shares of our common stock through payroll deductions and encourage them to use their combined best efforts on behalf of our company to improve its profits through increased sales, reduction of costs and increased efficiency. Participation in the plan is voluntary. Within the limits of the plan, our company matches fifty percent (50%) of the aggregate number of shares purchased by the participants. We are permitted to issue up to 1,500,000 shares of our common stock under the plan. As of April 30, 2009, no shares of our common stock had been issued under the plan.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

On May 11, 2009, we issued 50,000 shares of our common stock to a holder of 50,000 exchangeable preferred shares of our subsidiary, 6789722 Canada Inc., exercising the exchange right. The exchangeable preferred shares of 6789722 Canada Inc. were issued in connection with the closing of the Arrangement Agreement among our company, 6789722 Canada Inc. and NewHeights Software Corporation on August 2, 2007. Each exchangeable preferred share of 6789722 Canada Inc. is exchangeable into one share of our common stock at the election of the holder, or, in certain circumstances, our company. The 50,000 shares of common stock were issued to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933), in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

Item 6. Selected Financial Data.

Not Applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the financial statements and related notes and the other financial information appearing elsewhere in this annual report. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions.

In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those identified below, in "Risk Factors" and elsewhere in this annual report. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles. All references to "common shares" refer to our shares of common stock. As used in this annual report, the terms "we", "us" and "our" means CounterPath Corporation, unless otherwise indicated.

Overview

Background

We were incorporated under the laws of the State of Nevada on April 18, 2003. Following incorporation, we commenced the business of operating an entertainment advertising website.

On April 30, 2004, we changed our business following the merger of our company with Xten Networks, Inc., a private Nevada company. Xten Networks was incorporated under the laws of the State of Nevada on October 28, 2002. As a result of the merger, we acquired all of the issued and outstanding shares in Xten Networks in exchange for agreeing to issue 3,600,000 shares of our common stock to the stockholders of Xten Networks. The stockholders of Xten Networks were entitled to receive two shares of our common stock for each one share of Xten Networks.

On August 26, 2005, we entered into an agreement and plan of merger with Ineen, Inc., our wholly-owned subsidiary, whereby Ineen merged with and into our company, with our company carrying on as the surviving corporation under the name CounterPath Solutions, Inc.

On August 2, 2007, we acquired all of the shares of NewHeights Software Corporation through the issuance of 7,680,168 shares of our common stock and 369,836 preferred shares issued from a subsidiary of our company, which preferred shares are exchangeable into 369,836 shares of common stock. On October 17, 2007, we changed our name from CounterPath Solutions, Inc. to CounterPath Corporation.

On February 1, 2008, we acquired all of the shares of FirstHand Technologies Inc. through the issuance of 5.9 million shares of our common stock. On February 1, 2008, we acquired all of the issued and outstanding shares of BridgePort Networks, Inc. by way of merger in consideration for the assumption of all of the assets and liabilities of BridgePort Networks.

On March 19, 2008, our board of directors approved a five for one common stock consolidation. As a result, our authorized capital decreased from 415,384,500 shares of common stock to 83,076,900 shares of common stock.

Business of CounterPath

Our business focuses on the design, development, marketing and sales of desktop and mobile application software, conferencing server software, gateway server software and related professional services, such as pre and post sales technical support and customization services. Our software products are sold into the telecommunications sector, specifically the voice over Internet protocol (VoIP), unified communications and fixed-mobile convergence markets. VoIP, unified communications and fixed-mobile convergence are general terms for technologies that use Internet or mobile protocols for the transmission of packets of data which may include voice, video, text, fax, and other forms of information that have traditionally been carried over the dedicated circuit-switched connections of the public switched telephone network.

Our strategy is to sell our software to our customers to allow such customers to deliver session initiation protocol and voice over Internet protocol (VoIP) services. Customers that we are targeting include: (1) large incumbent telecommunications service providers, Internet telephony service providers and content providers, (2) original equipment manufacturers serving the telecommunication market, (3) small, medium and large sized businesses and (4) end users.

Our software enables voice communication from the end user through the network to another end user and enables the service provider to deliver other streaming content to end users such as video, radio or the weather. Our acquisitions of FirstHand Technologies Inc. and BridgePort Networks, Inc. in February 2008, expanded our product portfolio of our company to include fixed-mobile-convergence applications for the enterprise and telecom service provider markets.

Revenue

We derive revenue from the sale of software licenses and software customization and services associated with software such as technical support services, implementation and training. We recognize software and services revenue at the time of delivery, provided all other revenue recognition criteria have been met.

Post contract customer support services include e-mail and telephone support, unspecified rights to bug fixes and product updates and upgrades and enhancements available on a when-and-if available basis, and are recognized ratably over the term of the service period, which is generally twelve months.

We offer our products and services directly through our sales force and indirectly through distribution partners. Our distribution partners include networking and telecommunications equipment vendors throughout the world.

The amount of product configuration and customization, which reflects the requested features, determines the price for each sale. The number of software licenses purchased will have a direct impact on the average selling price. Services may vary depending upon a customer's requirements for technical support, implementation and training.

We believe that our revenue and results of operations may vary significantly from quarter to quarter as a result of long sales and deployment cycles, new product introductions and variations in customer ordering patterns.

Operating Expenses

Operating expenses consist of cost of sales, sales and marketing, research and development, and general and administrative expenses, and restructuring costs. Personnel-related costs are the most significant component of each of these expense categories.

Cost of sales primarily consists of: (a) salaries and benefits related to personnel, (b) related overhead, (c) amortization of intangible assets, (d) billable and non-billable travel, lodging, and other out-of-pocket expenses, (e) payments to third party vendors for compression/decompression software known as codecs, (f) amortization of capitalized software that is implemented into our products and (g) warranty expense. Amortization of intangible assets consists of the amortization expense related to the intangible assets acquired from NewHeights Software Corporation, FirstHand Technologies Inc. and BridgePort Networks, Inc. comprising acquired technologies and customer assets. The acquired technologies is amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of management's estimate of the future cash flows from this asset over approximately five years, which is management's estimate of the useful life of the customer asset.

Sales and marketing expense consists primarily of: (a) salaries and related personnel costs including stock-based compensation, (b) commissions, (c) travel, lodging and other out-of-pocket expenses, (d) marketing programs such as trade shows and (e) other related overhead. Commissions are recorded as expense when earned by the employee. We expect increases in sales and marketing expense for the foreseeable future as we further increase the number of sales professionals and increase our marketing activities with the intent to grow our revenue. We expect sales and marketing expense to decrease as a percentage of total revenue, however, as we leverage our current sales and marketing personnel as well as our distribution partnerships.

Research and development expense consists primarily of: (a) salaries and related personnel costs including stock-based compensation, (b) payments to suppliers for design and consulting services, (c) costs relating to the design and development of new products and enhancement of existing products, (d) quality assurance and testing and (e) other related overhead. To date, all of our research and development costs have been expensed as incurred.

General and administrative expense consists primarily of: (a) salaries and personnel costs including stock-based compensation related to our executive, finance, human resource and information technology functions, (b) accounting, legal and regulatory fees and (c) other related overhead.

Restructuring costs are post acquisition activities related to the acquisition of NewHeights Software Corporation, FirstHand Technologies Inc. and BridgePort Networks, Inc. We incurred restructuring costs related to employee severance agreements as a result of post acquisition consolidation of administration, sales and marketing and research and development departments. At April 30, 2009 we have a restructuring accrual for severance of \$395,432.

Application of Critical Accounting Policies and Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ significantly from these estimates under different assumptions or conditions. There have been no material changes to these estimates for the periods presented in this annual report.

We believe that of our significant accounting policies, which are described in Note 2 to our annual financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, the following policies are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

We recognize revenue in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position ("SOP") 97-2 "Software Revenue Recognition", as amended by SOP 98-9 "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions".

In all of our arrangements, we do not recognize any revenue until we can determine that persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and we deem collection to be probable. For distribution and reseller arrangements, fees are fixed or determinable and collection probable when there are no rights to exchange or return and fees are not dependable upon payment from the end-user. If any of these criteria are not met, revenue is deferred until such time that all criteria have been met.

A substantial percentage of our revenue is generated by multiple-element arrangements, such as products, maintenance and support, professional services and training. When arrangements include multiple elements, we allocate the total fee among the various elements using the residual method. Under the residual method, revenue is recognized when vendor-specific objective evidence, or VSOE, of fair value exists for all of the undelivered elements of the arrangement, but does not exist for one or more of the delivered elements of the arrangement. Each arrangement requires us to analyze the individual elements in the transaction and to estimate the fair value of each undelivered element, which typically includes maintenance and services. Revenue is allocated to each of the undelivered elements based on its respective fair value, with the fair value determined by the price charged when that element is sold separately.

For contracts with elements related to customized network solutions and certain network build-outs, we apply FASB Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" and revenues are recognized under SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", generally using the percentage-of-completion method.

In using the percentage-of-completion method, revenues are generally recorded based on a completion of milestones as described in the agreement. Profit estimates on long-term contracts are revised periodically based on changes in circumstances and any losses on contracts are recognized in the period that such losses become known.

Post contract customer support (PCS) services include e-mail and telephone support, unspecified rights to bug fixes and product updates and upgrades and enhancements available on a when-and-if available basis, and are recognized ratably over the term of the service period, which is generally twelve months.

PCS service revenue generally is deferred until the related product has been accepted and all other revenue recognition criteria have been met. Professional services and training revenue is recognized as the related service is performed.

We have set up a warranty provision in the amount of 2% of software sales, which is amortized over a twelve-month term. We recognize this deferred revenue evenly over a twelve-month period from the date of the sale.

Stock-Based Compensation

Stock options granted are accounted for under SFAS No. 123R "Share-Based Payment" and are recognized at the fair value of the options as determined by an option pricing model as the related services are provided and the options earned. SFAS No.123R replaces existing requirements under FAS 123 and APB 25, and requires public companies to recognize the cost of employee services received in exchange for equity instruments, based on the fair value of those instruments on the measurement date which generally is the grant date, with limited exceptions.

Stock-based compensation represents the cost related to stock-based awards granted to employees and non-employee consultants. We measure stock-based compensation cost at measurement date, based on the estimated fair value of the award, and generally recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the employee requisite service period or the period during which the related services are provided by the non-employee consultants and the options are earned. We estimate the fair value of stock options using a Black-Scholes option valuation model.

The expected volatility of options granted has been determined using the volatility of our company's stock. The expected volatility for options granted during the year ended April 30, 2009 was 71.9% . The expected life of options granted after April 30, 2006 has been determined utilizing the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment. The expected term of options granted during the year ended April 30, 2009 was 3.7 years. For the year ended April 30, 2009, the weighted-average risk free interest rate used was 2.12% . The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123R requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied an estimated forfeiture rate of 15.0% in the year ended April 30, 2009 in determining the expense recorded in our consolidated statement of operations.

Cost of sales and operating expenses include stock-based compensation expense. For the year ended April, 2009, we recorded an expense of \$1,443,864 in connection with share-based payment awards. A future expense of non-vested options of \$1,248,757 is expected to be recognized over a weighted-average period of 1.15 years.

Research and Development Expense for Software Products

Research and development expense includes costs incurred to develop intellectual property. The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. We have determined that technological feasibility is established at the time a working model of software is completed. Because we believe our current process for developing software will be essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

Accounts Receivable and Allowance for Doubtful Accounts

We extend credit to our customers based on evaluation of an individual customer's financial condition and collateral is generally not required. Accounts outstanding beyond the contractual payment terms are considered past due. We determine our allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are beyond the contractual payment terms, our previous loss history, and a customer's current ability to pay its obligation to us. We write-off accounts receivable when they are identified as uncollectible. All outstanding accounts receivable accounts are periodically reviewed for collectibility on an individual basis.

Goodwill and Intangible Assets

We have a significant amount of goodwill and intangible assets on our balance sheet related to the acquisitions of NewHeights Software Corporation, FirstHand Technologies Inc. and BridgePort Networks, Inc. Intangible assets are carried and reported at acquisition cost, net of accumulated amortization subsequent to acquisition. The intangible assets acquired are comprised of acquired technologies and customer assets relating to customer relationships. The acquired technologies are amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of Management's estimate of the future cash flows from this asset over approximately five years, which is Management's estimate of the useful life of the customer assets. The intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Projected undiscounted net cash flows expected to be derived from the use of those assets are compared to the respective net carrying amounts to determine whether any impairment exists. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

The determination of the net carrying value of goodwill and intangible assets and the extent to which, if any, there is impairment, are dependent on material estimates and judgments on our part, including the useful life over which the intangible assets are to be amortized and the estimates of the value of future net cash flows, which are based upon further estimates of future revenues, expenses and operating margins.

Goodwill and Intangible Assets—Impairment Assessments

We review goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The provisions of Statement 142 require that a two-step impairment test be performed on goodwill. In the first step, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform further testing.

If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of our reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

Determining the fair value of our reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for our reporting unit. Our most recent annual goodwill impairment analysis, which was performed during the fourth quarter of fiscal 2009, did not result in an impairment charge, nor did we record any goodwill impairment in fiscal 2008.

We make judgments about the recoverability of purchased intangible assets whenever events or changes in circumstances indicate that an other than temporary impairment may exist. Each period we evaluate the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization. In accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Assumptions and estimates about future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows and risk adjusted discounted rates and future economic and market conditions.

The significant adverse change in the business climate in the last six months has affected the value of our intangible assets acquired through the acquisitions of FirstHand and NewHeights. In addition the cash flow losses have exceeded expectations for both the groups of long-lived assets originating from the acquisitions of FirstHand and NewHeights. Our updated long-term financial forecast represents the best estimate that our management has at this time and we believe that its underlying assumptions are reasonable. As a result of our review of the recoverability of intangibles assets we recorded an impairment charge of \$2.72 million consisting of \$1.75 million for the intangible assets of NewHeights and \$0.97 million for the intangible assets of FirstHand. There was no impairment charge related to the intangible assets for the year ended April 30, 2008.

Use of Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles in the United States requires our management to make estimates and assumptions which affect the amounts reported in these consolidated financial statements, the notes thereto, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Results of Operations

Our operating activities during the year ended April 30, 2009 consisted primarily of selling our IP telephony software and related services to service providers and original equipment manufacturers serving the telecom industry, and the continued development of our IP telephony software products.

Revenue

	Year Ended April 30,				Period-to-Period Change	
	2009		2008		Amount	Percent Increase / (Decrease)
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue		
Revenue by Type						
Software	\$ 6,868,980	70%	\$ 6,437,192	71%	\$ 431,788	7%
Service	2,964,121	30%	2,649,708	29%	314,413	12%
Total revenue	\$ 9,833,101	100%	\$ 9,086,900	100%	\$ 746,201	8%
Revenue by Region						
International	\$ 4,141,583	42%	\$ 4,121,121	45%	\$ 20,462	0%
North America	5,691,518	58%	4,965,779	55%	725,739	15%
Total revenue	\$ 9,833,101	100%	\$ 9,086,900	100%	\$ 746,201	8%

For the year ended April 30, 2009, we generated \$9,833,101 in revenue compared to \$9,086,900 for the year ended April 30, 2008, representing an increase of \$746,201 or 8%. We generated \$6,868,980 in software revenue for the year ended April 30, 2009 compared to \$6,437,192 for the year ended April 30, 2008, representing an increase of \$431,788 or 7%. The increase in software revenue was driven by continued growth in sales of our consumer oriented softphone software as well as new sales of our mobile applications as a result of the acquisitions of BridgePort and FirstHand in February 2008. The increase in revenue for the year ended April 30, 2009 from BridgePort and FirstHand was \$392,184 and \$870,403 respectively, which was partially offset by a decline in revenue from CounterPath Technologies of \$875,847. For the year ended April 30, 2009, service revenue was \$2,964,121 compared to \$2,649,708 for the year ended April 30, 2008. The increase of \$314,413 in service revenue was attributable to the service revenue generated on the applications acquired in the acquisitions of BridgePort and FirstHand. The increase in service revenue for the year ended April 30, 2009 from BridgePort, FirstHand and CounterPath Technologies was \$20,600, \$247,472 and \$90,891 respectively. International revenue outside of North America represented 42% of total revenue for the year ended April 30, 2009 compared to 58% for North American revenues. This compares to international revenues representing 45% of total revenue for the year ending April 30, 2008 compared to 55% for North American revenues. Revenue for the year ended April 30, 2009 from Asia declined by \$462,194 resulting in a marginally lower percentage of revenue outside of North America.

Operating Expenses

Cost of Sales

Cost of sales for the year ended April 30, 2009 and 2008 were as follows:

	April 30, 2009		April 30, 2008		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
		Revenue		Revenue		Revenue
Year ended	\$ 4,183,626	43%	\$ 3,089,073	34%	\$ 1,094,553	35%

Cost of sales was \$4,183,626 for the year ended April 30, 2009 compared to \$3,089,073 for the year ended April 30, 2008. The increase of \$1,094,553 was primarily attributable to an increase in amortization of intangibles amounting to \$646,465 and an increase in personnel related expenses of \$564,712.

Sales and marketing expenses for the year ended April 30, 2009 and 2008 were as follows:

	<u>April 30, 2009</u>		<u>April 30, 2008</u>		<u>Period-to-Period Change</u>	
	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent Increase / (Decrease)</u>
Year ended	\$ 4,147,626	42%	\$ 3,945,290	43%	\$ 202,336	5%

Sales and marketing expenses were \$4,147,626 for the year ended April 30, 2009 compared to \$3,945,290 for the year ended April 30, 2008. The increase of \$202,336 was primarily attributable to increases in sales and marketing personnel and associated wages and commissions of approximately \$825,000 partially offset by a reduction of approximately \$620,000 in consultancy services and bonus payouts.

Research and Development

Research and development expenses for the year ended April 30, 2009 and 2008 were as follows:

	<u>April 30, 2009</u>		<u>April 30, 2008</u>		<u>Period-to-Period Change</u>	
	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent Increase / (Decrease)</u>
Year ended	\$ 7,075,640	72%	\$ 6,863,235	76%	\$ 212,405	3%

Research and development expenses were \$7,075,640 for the year ended April 30, 2009 compared to \$6,863,235 for the year ended April 30, 2008. The increase of \$212,405 was primarily attributable to increases in research and development personnel and associated wages of \$281,298 increase in professional services of \$385,208, increase in telephone expenses of \$141,006 partially offset by reduction in stock based compensation expense of \$212,136 and bonuses of \$340,547.

General and Administrative

General and administrative expenses for the years ended April 30, 2009 and 2008 were as follows:

	<u>April 30, 2009</u>		<u>April 30, 2008</u>		<u>Period-to-Period Change</u>	
	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent Increase / (Decrease)</u>
Year ended	\$ 6,507,332	66%	\$ 6,440,493	71%	\$ 66,839	1%

General and administrative expenses for the year ended April 30, 2009 were \$6,507,332 compared to \$6,440,493 for the year ended April 30, 2008. The marginal increase of \$66,839 in general and administrative expenses year over year was primarily attributable to increases in stock based compensation expense of \$142,027, increase in wage related costs of \$335,769, increase in professional services of \$123,869 partially offset by reduction in travel expenses of \$167,857, and reduction in bonuses of \$311,902.

Restructuring Charges

Restructuring charges for the years ended April 30, 2009 and 2008 were as follows:

	April 30, 2009		April 30, 2008		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase/ (Decrease)
Year ended	\$ 1,565,347	16%	\$ 558,394	6%	\$ 1,006,953	180%

Restructuring charges for the year ended April 30, 2009 were \$1,565,347 compared to \$558,394 for the year ended April 30, 2008. Restructuring charges in fiscal year 2009 were attributable to the one time employee termination costs due to the integration of FirstHand and BridgePort which were acquired on February 1, 2008 as well as the settlement amounts with two former officers of our company. Included in the \$1,565,347 of restructuring costs were \$258,234 paid to one former officer, representing a cash termination cost of \$132,428 (CDN 150,000) and non-cash termination cost \$125,806 (CDN\$142,500) paid by way of the issuance of 279,412 common shares of our company. Also included in the \$1,565,347 of restructuring costs were \$409,068 representing a termination cost related to a settlement agreement entered into with the other former officer to be paid out over 45 months from March 12, 2009 in equal amounts. We have accrued a remaining amount of \$395,432 at April 30, 2009 as a liability. Restructuring charges in fiscal year 2008 were attributable to the one time employee termination costs due to the integration of NewHeights which was acquired on August 2, 2007. We have essentially completed the restructuring plan attributable to the integration of NewHeights, FirstHand and BridgePort.

Interest and Other Income

Interest income for the year ended April 30, 2009 was \$107,931 compared to \$125,970 for the year ended April 30, 2008. The decrease in interest income was due to both lower average cash balances during the year ended April 30, 2009 and lower interest rates. Interest expense for the year ended April 30, 2009 was \$11,676 compared to \$695,961 for the year ended April 30, 2008. Interest expense during fiscal 2009 pertains to all cash interest expense. Interest expense during the year ended April 30, 2008 included both a cash interest component of \$52,222 and non-cash components of \$90,570 relating to the accretion of the discount on the convertible debenture, as well as \$540,200 for the write-off of the remaining balance of unaccreted debt discount on conversion of the existing convertible debenture.

Liquidity and Capital Resources

As of April 30, 2009, we had \$2,931,932 in cash compared to \$6,223,613 at April 30, 2008, representing a decrease of \$3,291,681. Our working capital was \$1,566,483 at April 30, 2009 compared to \$7,645,909 at April 30, 2008, representing a decrease of \$6,079,426.

Presently, our cash flow generated from operations is not sufficient to meet operating and capital expenses. We have incurred operating losses since inception, and we project this to continue for the next nine to twelve months. At April 30, 2009, we had cash of approximately \$2.9 million and working capital of approximately \$1.6 million; however, our management projects that under our current operating plan we will require approximately \$11-13 million to fund our ongoing operating expenses and working capital requirements through April 30, 2010. We anticipate that this will be funded through cash flow generated from operations, working capital, potential rationalization beyond the completed employee rationalization and external financing. On July 31, 2008 and October 28, 2008, our company issued 2,433,439 units and 97,402 units, respectively, at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$3,784,439 (CDN\$3,897,497). Each unit consists of one share of common stock in the capital of our company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one share of common stock in the capital of our company for a period of two years commencing from the date of grant at an exercise price of US\$2.25 per warrant share.

Operating Activities

Our operating activities resulted in a net cash outflow of \$6,535,523 for the year ended April 30, 2009. This compares with a net cash outflow of \$10,105,244 for the year ended April 30, 2008, representing a \$3,569,721 decrease in cash outflows from operations. The net cash outflow from operating activities for the year ended April 30, 2009 was primarily a result of a net loss of \$15,838,712 and a decrease in accounts payable of \$636,562, partially offset by a decrease in accounts receivable of \$3,463,001. The decrease in accounts receivable is attributable to relatively flat year over year revenues and collection of a number of outstanding large receivables during fiscal 2009. The net cash outflow was also offset by non-cash expenses of \$2,010,830 for amortization of intangible assets, \$2,755,333 for impairment of intangibles, \$1,443,864 for stock-based compensation and \$590,349 for depreciation and amortization and \$242,141 for unearned revenue.

The net cash outflow from operating activities for the year ended April 30, 2008 of \$10,105,244 was primarily a result of a net loss of \$12,534,919 and an increase in accounts receivable of \$1,362,335, partially offset by a decrease in accounts payable and accrued liabilities of \$713,956, non-cash expenses including \$1,601,434 for stock-based compensation, \$454,916 for unearned revenue, \$540,200 for loss on extinguishment of convertible debenture, \$440,312 for depreciation and amortization and \$90,570 for accretion of convertible debenture discount.

Investing Activities

Investing activities resulted in a net cash outflow of \$99,425 for the year ended April 30, 2009 primarily due to purchase of equipment during the year. This compares with a net cash inflow from investing activities of \$9,018,053 primarily from cash acquired as a result of the acquisitions of NewHeights and FirstHand during fiscal 2008. At April 30, 2009, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash inflow of \$3,752,835 for the year ended April 30, 2009 compared to a net cash inflow of \$5,481,415 for the year ended April 30, 2008.

On July 30, 2008, we announced a private placement of up to approximately 3.3 million units at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of up to approximately \$5 million (CDN\$5.1 million). On July 31, 2008 and October 28, 2008, we issued 2,433,439 units and 97,402 units, respectively, at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$3,784,439 (CDN\$3,897,497). We incurred \$31,604 of transaction costs. Each unit consisted of one share of common stock in the capital of our company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one share of common stock in the capital of our company for a period of two years commencing from the date of issue at an exercise price of \$2.25 per warrant share.

On August 2, 2007, we announced the closing of the acquisition of NewHeights. As part of the transaction, our investors completed an investment of \$1.3 million, for 650,000 shares of common stock at \$2.00 per share, and entered into subscription agreements to raise an additional \$4.2 million through the issuance of 2.1 million shares of common stock at \$2.00 per share over five months. These private placements closed on September 30, 2007, November 2, 2007, and February 2, 2008 and March 2, 2008, on which \$0.5 million, \$1.7 million, \$1.0 million and \$1.0 million, respectively, was invested at \$2.00 per share.

On February 1, 2008, we announced the closing of the acquisition of FirstHand through the issuance of 5.9 million shares of our common stock.

We intend to seek additional funding through public or private financings to fund our operations through fiscal 2010 and beyond. However, if we are unable to raise additional capital when required or on acceptable terms, or achieve cash flow positive operations, we may have to significantly delay product development and scale back operations both of which may affect our ability to continue as a going concern.

Off-Balance Sheet Arrangements

We do not have, and do not have any present plans to implement, any off-balance sheet arrangements.

New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations ("SFAS No. 141R"). This standard replaces SFAS141 and establishes principles and requirements for an acquirer recognizes and measures in its financial statements the identifiable assets acquired and liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired. This standard also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. This standard is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently evaluating the impact of this statement on our company's consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Non controlling Interests In Consolidated Financial Statements – an amendment to ARB No.51* ("SFAS No. 160"). This standard Amends ARB 51 to establish accounting and reporting standards for a non-controlling interest in a subsidiary and for deconsolidation of a subsidiary. This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This standard may not be applied before that date. We are currently evaluating the impact of this statement.

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("FAS 161"). FAS 161 modifies existing requirements to include qualitative disclosures regarding the objectives and strategies for using derivatives, fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The pronouncement also requires the cross-referencing of derivative disclosures within the financial statements and notes thereto. This statement is effective for financial statements issued for years beginning after November 15, 2008 and interim periods within those years. We are currently evaluating the impact of this statement.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepting Accounting Principles—A Replacement of FASB Statement No. 162* ("FAS 168") which established the "FASB Accounting Standards Codification" ("Codification") as the single source of authoritative nongovernmental U.S. GAAP which was launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009 and will not have an impact on our company's financial condition or results of operations. We are currently evaluating the impact to our financial reporting process of providing Codification references in our public filings.

FASB Staff Position ("FSP") EITF 03-06-1, *Participating securities and instruments granted in share-based payment transactions* addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting that should be included in the earnings allocation in computing earnings per share under the two-class method described FAS 128, *Earnings per Share*. This FSP is effective for years beginning after December 15, 2008, and interim periods within those years. We are currently evaluating the impact of this FASB staff position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable

Item 8. Financial Statements and Supplementary Data.

COUNTERPATH CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2009

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>35</u>
<u>Consolidated Balance Sheets</u>	<u>36</u>
<u>Consolidated Statements of Operations and Comprehensive Loss</u>	<u>37</u>
<u>Consolidated Statements of Cash Flows</u>	<u>38</u>
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	<u>39</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>40-61</u>



Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders of CounterPath Corporation:

We have audited the accompanying consolidated balance sheets of CounterPath Corporation (the "Company") as of April 30, 2009 and 2008, and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity 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 financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CounterPath Corporation at April 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company had an accumulated deficit of \$34,318,195 at April 30, 2009 and incurred a net loss for the year then ended of \$15,838,712. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO Dunwoody LLP

Chartered Accountants

Vancouver, Canada

July 23, 2009

COUNTERPATH CORPORATION
CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars)

	<u>April 30, 2009</u>	<u>April 30, 2008</u>
Assets		
Current assets:		
Cash	\$ 2,931,932	\$ 6,223,613
Accounts receivable (net of allowance for doubtful accounts of \$755,114 (2008 - \$407,050))	2,524,220	5,409,658
Investment tax credits recoverable	143,334	1,061,133
Prepaid expenses and deposits	310,274	646,679
Total current assets	5,909,760	13,341,083
Deposits	114,267	103,017
Equipment – Note 4	258,442	736,854
Intangible assets (net of accumulated amortization of \$3,375,195 (2008 - \$1,364,365)) – Notes 2(b)	2,201,894	8,534,666
Goodwill – Note 2(b)	7,262,701	8,674,990
Other assets	92,101	177,749
Total Assets	\$ 15,839,165	\$ 31,568,359
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities – Note 5	\$ 3,488,001	\$ 4,529,201
Unearned revenue	708,455	936,343
Customer deposits	9,443	85,283
Accrued warranty – Note 2(b)	137,378	144,347
Total current liabilities	4,343,277	5,695,174
Deferred lease inducements	55,016	97,734
Unrecognized tax benefit – Notes 2(b) and 9	98,575	98,575
Total liabilities	4,496,868	5,891,483
Stockholders' equity:		
Preferred stock, \$0.001 par value – Note 7		
Authorized: 100,000,000		
Issued and outstanding: April 30, 2009 – 1; April 30, 2008 – 1	–	–
Common stock, \$0.001 par value – Note 8		
Authorized: 83,076,900		
Issued and outstanding:		
April 30, 2009 – 28,832,050; April 30, 2008 – 25,921,797	28,831	25,921
Additional paid-in capital	48,718,444	43,398,849
Accumulated deficit	(34,318,195)	(18,479,483)
Accumulated other comprehensive income (loss) – currency translation adjustment	(3,086,783)	731,589
Total stockholders' equity	11,342,297	25,676,876
Liabilities and Stockholders' Equity	\$ 15,839,165	\$ 31,568,359

Going concern – Note 2

Commitments and contingent liability – Notes 11 and 12

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in U.S. Dollars)

	Years Ended	
	April 30,	
	2009	2008
Revenue – Note 10:		
Software	\$ 6,868,980	\$ 6,437,192
Service	2,964,121	2,649,708
Total revenue	9,833,101	9,086,900
Operating expenses:		
Cost of sales (includes depreciation of \$50,743 (2008 - \$136,274) and amortization of intangible assets of \$2,010,830 (2008 - \$1,364,365) – Note 2(b))	4,183,626	3,089,073
Sales and marketing	4,147,626	3,945,290
Research and development	7,075,640	6,863,235
General and administrative	6,507,332	6,440,493
Impairment of intangible assets – Note 2(b)	2,755,333	–
Restructuring costs – Note 13	1,565,347	558,394
Total operating expenses	26,234,904	20,896,485
Loss from operations	(16,401,803)	(11,809,585)
Interest and other income (expense), net		
Interest income	107,931	125,970
Interest expense	(11,676)	(695,961)
Foreign exchange gain (loss)	466,836	(155,343)
Net loss for the year	(15,838,712)	(12,534,919)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(3,818,372)	812,169
Comprehensive loss	\$ (19,657,084)	\$ (11,722,750)
Net loss per share:		
Basic and diluted	\$ (0.57)	\$ (0.70)
Weighted average common shares outstanding:	27,886,194	17,808,027

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in U.S. Dollars)

	Years Ended April 30,	
	2009	2008
Cash flows from operating activities:		
Net loss for the year	\$ (15,838,712)	\$ (12,534,919)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	590,349	440,312
Amortization of intangible assets	2,010,830	1,364,365
Impairment of intangible assets	2,755,333	–
Severance paid by issuance of common stock – Note 8	125,806	–
Stock-based compensation – Note 8	1,443,864	1,601,434
Accretion of convertible debenture discount – Note 14	–	90,570
Loss on conversion of convertible debentures – Note 14	–	540,200
Foreign exchange (gain) loss	(466,836)	155,343
Changes in assets and liabilities:		
Accounts receivable	3,463,001	(1,362,335)
Prepaid expenses and deposits	306,706	(257,425)
Accounts payable and accrued liabilities	(636,562)	(713,956)
Decrease (increase) in other assets	35,648	(23,995)
Unearned revenue	(242,141)	454,916
Customer deposits	(75,840)	79,668
Warranty payable	(6,969)	60,578
Net cash used in operating activities	<u>(6,535,523)</u>	<u>(10,105,244)</u>
Cash flows from investing activities:		
Cash acquired on acquisitions, net of transaction costs	–	9,077,780
Purchase of equipment	(71,145)	(51,953)
Deposits	(28,280)	(7,774)
Net cash provided by (used in) investing activities	<u>(99,425)</u>	<u>9,018,053</u>
Cash flows from financing activities:		
Common stock issued	3,752,835	5,506,832
Decrease in due to related parties	–	(25,417)
Net cash provided by financing activities	<u>3,752,835</u>	<u>5,481,415</u>
Foreign exchange effect on cash	<u>(409,568)</u>	<u>149,169</u>
Increase (decrease) in cash	(3,291,681)	4,543,393
Cash, beginning of the year	6,223,613	1,680,220
Cash, end of the year	<u>\$ 2,931,932</u>	<u>\$ 6,223,613</u>
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ 11,676	\$ 52,222
Taxes	\$ –	\$ –
Common stock and stock options issued in connection with the acquisition of NewHeights Software Corporation	\$ –	\$ 15,477,343
Common stock and stock options issued in connection with the acquisition of FirstHand Technologies Inc.	\$ –	\$ 11,981,151
Common stock issued for severance	\$ 125,806	–
Convertible debentures converted into common stock	\$ –	\$ 4,000,000

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the Years Ended April 30, 2009 and 2008
(Stated in U.S. Dollars)

	Common shares		Preferred Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Par Value	Number of Shares	Par Value				
Balance May 1, 2007	7,588,197	\$ 7,588	–	\$ –	\$ 4,850,422	\$ (5,872,151)	\$ (80,580)	\$ (1,094,721)
Shares issued:								
Acquisition of NewHeights – Note 3	7,680,168	7,680	–	–	15,169,181	–	–	15,176,861
Acquisition of FirstHand – Note 3	5,900,014	5,900	–	–	11,881,661	–	–	11,887,561
Conversion of debentures – Note 14	2,000,000	2,000	–	–	3,998,000	–	–	4,000,000
Private placements – Note 3	2,750,000	2,750	–	–	5,497,250	–	–	5,500,000
Exercise of stock options	3,418	3	–	–	6,829	–	–	6,832
Fair value of vested stock options exchanged								
– Note 3	–	–	–	–	394,072	–	–	394,072
Shares issued: Preferred	–	–	1	–	–	–	–	–
Stock-based compensation – Note 8					1,601,434	–	–	1,601,434
Net loss for the year	–	–	–	–	–	(12,534,919)	–	(12,534,919)
Foreign currency translation adjustment							812,169	812,169
Cumulative-effect adjustment – Note 2(b)	–	–	–	–	–	(72,413)	–	(72,413)
Balance, April 30, 2008	<u>25,921,797</u>	<u>25,921</u>	<u>1</u>	<u>–</u>	<u>43,398,849</u>	<u>(18,479,483)</u>	<u>731,589</u>	<u>25,676,876</u>
Shares issued:								
Private placements – Note 8	2,530,841	2,531	–	–	3,750,304	–	–	3,752,835
Issued for severance – Note 8	279,412	279	–	–	125,527	–	–	125,806
Exchange of subsidiary preferred shares –								
Note 7	100,000	100	–	–	(100)	–	–	–
Stock-based compensation - Note 8	–	–	–	–	1,443,864	–	–	1,443,864
Net loss for the year	–	–	–	–	–	(15,838,712)	–	(15,838,712)
Foreign currency translation adjustment	–	–	–	–	–	–	(3,818,372)	(3,818,372)
Balance, April 30, 2009	<u>28,832,050</u>	<u>\$ 28,831</u>	<u>1</u>	<u>\$ –</u>	<u>\$ 48,718,444</u>	<u>\$ (34,318,195)</u>	<u>\$ (3,086,783)</u>	<u>\$ 11,342,297</u>

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 1 **Nature of Operations**

CounterPath Corporation (the "Company") was incorporated in the State of Nevada on April 18, 2003. The Company changed its name from CounterPath Solutions, Inc. to CounterPath Corporation on October 17, 2007. The Company's common shares are quoted for trading on the Over-The-Counter Bulletin Board in the United States of America and the TSX Venture Exchange in Canada.

On August 2, 2007, the Company acquired all of the shares of NewHeights Software Corporation ("NewHeights") through the issuance of 7,680,168 shares of the Company's common stock and 369,836 preferred shares issued from a subsidiary of the Company that are exchangeable into 369,836 shares of common stock of the Company. For accounting purposes, the Company was deemed to be the acquirer of NewHeights based on certain factors including the number of common shares issued in the transaction as a proportion of the total common shares outstanding, and the composition of the board after the transaction.

On February 1, 2008, the Company acquired FirstHand Technologies Inc. ("FirstHand"), a private Ontario, Canada corporation, through the issuance of 5,900,014 shares of the Company's common stock. For accounting purposes, the Company was deemed to be the acquirer of FirstHand based on certain factors including the number of common shares issued in the transaction as a proportion of the total common shares outstanding, and the composition of the board after the transaction.

On February 1, 2008, the Company acquired BridgePort Networks, Inc. ("BridgePort"), a private Delaware corporation, by way of merger in consideration for the assumption of all of the assets and liabilities of BridgePort. For accounting purposes, the Company was deemed to be the acquirer of BridgePort based on certain factors primarily being the composition of the board after the transaction.

On February 5, 2008, the Company's wholly-owned subsidiaries, NewHeights and CounterPath Solutions R&D Inc. were merged as a wholly-owned subsidiary of the Company under the name CounterPath Technologies Inc.

On March 19, 2008, the Company's Board of Directors approved a five for one common stock consolidation. As a result, the Company's authorized capital decreased from 415,384,500 shares of common stock to 83,076,900 shares of common stock. The par value of the common stock was unaffected by the stock consolidation and remains at \$0.001 per share. All per share amounts and outstanding shares, including all common stock equivalents (stock options and warrants) have been retroactively adjusted in the Consolidated Financial Statements and in the Notes to the Consolidated Financial Statements for all periods presented to reflect the stock consolidation.

The Company focuses on the design, development, marketing and sales of desktop and mobile communications application software, conferencing software, gateway (server) software and related professional services, such as pre and post sales technical support and customization services. The Company's products are sold into the Voice over Internet Protocol (VoIP) market primarily to carriers, infrastructure manufacturers and businesses in North America, Central and South America, Europe and Asia.

Note 2 **Significant Accounting Policies and Going Concern**

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and are stated in U.S. dollars except where otherwise disclosed. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for the period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its stockholders, the ability of the Company to obtain necessary debt and equity financing to continue operations and to generate sustainable significant revenue. There is no guarantee that the Company will be able to raise any equity financing or generate profitable operations. As at April 30, 2009, the Company has not yet achieved profitable operations and had an accumulated deficit of \$34,318,195 since incorporation and incurred a net loss for the year ended April 30, 2009 totalling \$15,838,712. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern - (cont'd)**

Under its current operating plan the Company will require approximately \$11-13 million to fund ongoing operations and working capital requirements through April 30, 2010. Management is implementing a plan to address these uncertainties to enable the Company to continue as a going concern through the end of fiscal 2010 and beyond. This plan includes new equity financing in amounts sufficient to sustain operations, such as the private placement discussed in Note 8, and to increase revenues and decrease costs from operations.

Realizable values may be substantially different from carrying values as shown in these financial statements should the Company be unable to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The consolidated financial statements have, been properly prepared within the framework of the significant accounting policies as follows:

a) Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CounterPath Technologies Inc., a company existing under the laws of the province of British Columbia, Canada, FirstHand Technologies Inc., continued under laws of the province of British Columbia, BridgePort Networks, Inc. incorporated under the laws of the state of Delaware and 6789722 Canada Inc., incorporated under the Canada Business Corporations Act. The results of NewHeights Software Corporation (which subsequently merged with another subsidiary to become CounterPath Technologies Inc.) are included from August 2, 2007, the date of acquisition. The results of FirstHand Technologies Inc. and BridgePort Networks, Inc. are included from February 1, 2008, the date of acquisition. All inter-company transactions and balances have been eliminated.

b) Significant Accounting Policies

Revenue Recognition:

The Company recognizes revenue in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position ("SOP") 97-2 "Software Revenue Recognition", as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions". In accordance with these standards, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection of the related accounts receivable is deemed probable. In making these judgments, management evaluates these criteria as follows:

- *Persuasive evidence of an arrangement.* The Company considers a noncancelable agreement signed by the Company and the customer to be representative of persuasive evidence of an arrangement.
- *Delivery has occurred.* The Company considers delivery to have occurred when the product has been delivered to the customer and no post delivery obligations exist. In instances where customer acceptance is required, delivery is deemed to have occurred when customer acceptance has been achieved.
- *Fees are fixed or determinable.* The Company considers the fee to be fixed or determinable unless the fee is subject to refund or adjustment or is not payable within normal payment terms. If the fee is subject to refund or adjustment, the Company recognizes revenue when the refund or adjustment right lapses. If offered payment terms exceed the Company's normal terms, the Company recognizes revenue as the amounts become due and payable or upon the receipt of cash when extended payment terms beyond 180 days are offered.
- *Collection is deemed probable.* Collection is deemed probable if, based upon the Company's evaluation, the Company expects that the customer will be able to pay amounts under the arrangement as payments become due. If the Company determines that collection is not probable, revenue is deferred and recognized upon the receipt of cash.

A substantial amount of the Company's sales involve multiple element arrangements, such as products, support, professional services, and training. When arrangements include multiple elements, the Company allocates the total fee among the various elements using the residual method. Under the residual method, revenue is recognized when vendor specific objective evidence (VSOE) of fair value exists for all of the undelivered elements of the arrangement, but does not exist for one or more of the delivered elements of the arrangement. Each arrangement requires the Company to analyze the individual elements in the transaction and to estimate the fair value of each undelivered element, which typically represents support services.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern ' (cont'd)**

b) Significant Accounting Policies– (cont'd)

Revenue is allocated to each of the undelivered elements based on its respective fair value.

For contracts with elements related to customized network solutions and certain network build-outs, we apply FASB Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" and revenues are recognized under SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", generally using the percentage-of-completion method.

In using the percentage-of-completion method, revenues are generally recorded based on a completion of milestones as described in the agreement. Profit estimates on long-term contracts are revised periodically based on changes in circumstances and any losses on contracts are recognized in the period that such losses become known.

Service revenue includes sales of support and other services, including professional services, training, and reimbursable travel. Support services include telephone support, e-mail support and unspecified rights to product updates and upgrades, and are generally recognized ratably over the term of the service period, which is generally 12 months. Support revenue is generally deferred until the related product has been accepted and all other revenue recognition criteria have been met. Professional services and training revenue is recognized as the related service has been performed.

Stock-Based Compensation:

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Accounting for Stock-Based Compensation", using the modified prospective method on May 1, 2006. Under this application, the Company is required to record compensation expense, based on the fair value of the awards, for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding as at the date of adoption. In accordance with SFAS No. 123R for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period.

Stock options granted to non-employees were accounted for in accordance with SFAS No. 123 "Accounting for Stock- Based Compensation" and EITF No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling Goods or Services" and were measured at the fair value of the options as determined by an option pricing model on the measurement date and compensation expense is amortized over the vesting period or, if none exists, over the service period. Compensation expense for unvested options to non-employees is revalued at each balance sheet date and is being amortized over the vesting period of the options.

With the adoption of SFAS No. 123R, the Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. The Company has estimated the fair value of option awards to employees and non-employees for the years ended April 30, 2009 and April 30, 2008 using the assumptions more fully described in Note 8.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires the Company's management to make estimates and assumptions which affect the amounts reported in these consolidated financial statements, the notes thereto, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Equipment and Amortization:

Equipment is recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives as follows:

Computer hardware	Two years
Computer software	Two years

Leasehold improvements	Shorter of lease term or estimated economic life
Office furniture	Five years
Website	Three years

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern** ' (cont'd)

b) Significant Accounting Policies– (cont'd)

Research and Development:

Research and development expense includes costs incurred to develop intellectual property. The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. Management has determined that technological feasibility is established at the time a working model of software is completed. Because management believes that the current process for developing software will be essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

Restructuring Costs:

The Company accounts for our restructuring activities in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The Company's restructuring costs for its post acquisition activities are more fully described in Note 13.

Website Development Costs:

The Company recognizes the costs associated with developing a website in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Relating to website development costs the Company follows the guidance pursuant to the Emerging Issues Task Force (EITF) No. 00-2, "Accounting for Website Development Costs".

Internal and external costs incurred during the preliminary project stage are expensed as they are incurred. Internal and external costs incurred to develop internal-use computer software during the application development stage are capitalized. Training costs are not internal-use software development costs and, if incurred during this stage, are expensed as incurred.

These capitalized costs are amortized based on their estimated useful life over three years. Payroll and other related costs are not capitalized, as the amounts principally relate to maintenance.

Impairment of Long-Lived Assets:

In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets are reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Intangible assets include the intangibles purchased in connection with the acquisition of NewHeights Software Corporation on August 2, 2007 and FirstHand Technologies Inc. and BridgePort Networks, Inc. on February 1, 2008 (Note 3).

The intangible assets of NewHeights are reported at acquisition cost and include amounts initially allocated to acquired technologies of \$3,454,839 (CDN\$3,678,100) and customer asset of \$2,283,908 (CDN\$2,431,500). The acquired technologies are amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of Management's estimate of the future cash flows from this asset over approximately five years, which is Management's estimate of the useful life of the customer asset.

The intangible assets of FirstHand are reported at acquisition cost and include amounts initially allocated to acquired technologies of \$2,804,700 (CDN\$2,804,700) and customer asset of \$587,000 (CDN\$587,000). The acquired technologies are amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of Management's estimate of the future cash flows from this asset over approximately five years, which is Management's estimate of the useful life of the customer asset.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern** ' (cont'd)

b) Significant Accounting Policies– (cont'd)

The intangible assets of BridgePort are being carried and reported at acquisition cost and include amounts initially allocated to acquired technologies of \$476,703 and customer asset of \$43,594. The acquired technologies are amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of Management's estimate of the future cash flows from this asset over approximately five years, which is Management's estimate of the useful life of the customer asset.

The expected amortization to be recorded for years ended April 30, 2009 to 2013 of the acquired technologies and customer asset is as follows:

	<u>NewHeights</u>	<u>FirstHand</u>	<u>BridgePort</u>	<u>Total</u>
2010	\$ 433,588	\$ 268,595	\$ 75,055	\$ 777,238
2011	358,061	268,595	93,776	720,432
2012	170,421	429,863	70,528	670,812
2013	\$ 33,412	\$ –	\$ –	\$ 33,412

In accordance with SFAS 144, the Company performed an assessment as of April 30, 2009, and determined that the significant adverse change in the business climate in the last six months has affected the value of the Company's intangible assets acquired through the acquisitions of FirstHand and NewHeights. In addition the cash flow losses have exceeded expectations for both of the groups of long-lived assets originating from those acquisitions. The Company performed its assessment at the asset group level which represented the lowest level of cash flows that are largely independent of cash flows of other assets and liabilities. The Company assessed the recoverability of the carrying value of its long-lived assets based on estimated undiscounted cash flows to be generated from such assets. The carrying value of the asset group was greater than the undiscounted cash flows, indicating impairment. The Company performed step two of the impairment test and determined there was a partial impairment of its intangible assets reducing those assets to their fair value. The fair value was determined based on the price that a willing buyer would pay in an orderly liquidation of those assets using discounted cash-flow analysis. As a result, the Company recorded an impairment charge of \$2,755,333 related to the intangible assets (2008 - \$nil).

A summary of the Company's intangible assets, net, at April 30, 2009 is as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Impairment Charge</u>	<u>Net Carrying Amount</u>
Acquired technologies	\$ 5,796,494	\$ 2,751,326	\$ 1,636,114	\$ 1,409,054
Customer assets	2,535,928	623,869	1,119,219	792,840
Intangible assets, April 30, 2009	\$ 8,332,422	\$ 3,375,195	\$ 2,755,333	\$ 2,201,894

A summary of the Company's intangible assets, net at April 30, 2008 is as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Impairment Charge</u>	<u>Net Carrying Amount</u>
Acquired technologies	\$ 6,875,876	\$ 1,153,484	\$ –	\$ 5,722,392
Customer assets	3,023,155	210,881	–	2,812,274
Intangible assets, April 30, 2008	\$ 9,899,031	\$ 1,364,365	\$ –	\$ 8,534,666

Accounts Receivable and Allowance for Doubtful Accounts:

Accounts receivable are presented net of an allowance for doubtful accounts. The allowance was \$755,114 at April 30, 2009 (2008 - \$407,050). Bad debt expense for the year ended April 30, 2009 was \$594,589 (2008 - \$350,234).

The Company evaluates, on a periodic basis, the collectibility of its accounts receivable balances on an individual customer basis considering a number of factors including the length of time accounts

receivable are beyond the contractual payment terms, the Company's previous loss history with the customer and the customer's ability to pay its obligation to the Company.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern** ' (cont'd)

b) Significant Accounting Policies– (cont'd)

When the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company, the Company records a specific bad debt provision to reduce the customer's related accounts.

Foreign Currency Translation:

The Company's wholly-owned subsidiaries with a functional currency other than the U.S. dollar translate amounts to the reporting currency, United States dollars, in accordance with SFAS No. 52, "Foreign Currency Translation". At each balance sheet date, assets and liabilities that are denominated in a currency other than U.S. dollars are adjusted to reflect the current exchange rate which may give rise to a foreign currency translation adjustment accounted for as a separate component of stockholders' equity and included in comprehensive loss.

For transactions undertaken by the Company in foreign currencies, monetary assets and liabilities are translated into the functional currency at the exchange rate in effect at the end of the year. Non-monetary assets and liabilities are translated at the exchange rate prevailing when the assets were acquired or the liabilities assumed. Revenues and expenses are translated at the rate approximating the rate of exchange on the transaction date. Exchange gains and losses are included in the determination of net income (loss) for the year.

Accrued Warranty:

The Company's warranty policy generally provides for one year of warranty for its products. The Company records a liability for estimated warranty obligations at the date products are sold. The estimated cost of warranty coverage is based on the Company's actual historical experience with its current products or similar products. For new products, the required reserve is based on historical experience of similar products until such time as sufficient historical data has been collected on the new product. Estimated liabilities for warranty exposures, which relate to normal product warranties and a one-year obligation to provide for potential future liabilities for product sales for the years ended April 30, 2009 and 2008 were as follows:

	<u>Years Ended April 30,</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 144,347	\$ 83,769
Provision	(6,969)	60,578
Balance, end of year	<u>\$ 137,378</u>	<u>\$ 144,347</u>

Trademarks:

Costs related to trademark applications have been deferred and are included in other assets. Once granted, trademark costs will be amortized over their useful lives.

Financial Instruments:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, customer deposits and accrued warranty approximate fair value due to the short maturity of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Income Taxes:

The Company accounts for income taxes by the asset and liability method in accordance with SFAS 109, *Accounting for Income Taxes*. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized in the current year for temporary differences between the tax and accounting bases 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. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 Significant Accounting Policies and Going Concern ' (cont'd)

b) Significant Accounting Policies– (cont'd)

The Company has not recorded a deferred tax liability related to its investment in foreign subsidiaries. The Company has determined that its investment in these subsidiaries is permanent in nature and it does not intend to dispose of these investments in the foreseeable future. The amount of the deferred tax liability related to the Company's investment in foreign subsidiaries is not reasonably determinable.

On May 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (FAS No. 109)". FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties accrued on unrecognized tax benefits within general and administrative expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction in general and administrative expenses in the period that such determination is made.

The cumulative effect of adopting FIN 48 of \$72,413 was recorded as an increase to accumulated deficit on May 1, 2007.

Comprehensive Loss:

The Company has adopted SFAS No. 130 "Reporting Comprehensive Income". Comprehensive loss is comprised of foreign currency translation adjustments.

Basic and Diluted Loss per Share:

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings Per Share", and EITF No. 03-06, "Participating Securities and the Two-Class Method under FASB Statement No. 128". Basic earnings per share is computed based on the weighted average number of ordinary shares outstanding and assumes an allocation of net income to the preferred shares issued from 6789722 Canada Inc., a subsidiary of the Company, that are exchangeable shares of common stock of the Company (Note 7) for the period or portion of the period that this security is outstanding.

SFAS No. 128 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS gives effect to all dilutive potential common shares outstanding during the year including stock options and warrants using the treasury stock method. In computing diluted EPS, the average stock price for the year is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. For the year ended April 30, 2009, loss per share excludes 6,916,189 (April 30, 2008 – 4,794,263) potentially dilutive common shares (related to stock options and warrants) as their effect was anti- dilutive.

Investment tax credits:

Investment tax credits are accounted for under the cost reduction method whereby they are netted against the expense or property and equipment to which they relate. Investment tax credits are recorded when the qualifying expenditures have been incurred and if it is more likely not that the tax credits will be realized.

Goodwill:

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired as of the acquisition date. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 requires goodwill to be tested for impairment annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company's business enterprise below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern** ' (cont'd)

b) Significant Accounting Policies– (cont'd)

Management has determined that the Company currently has a single reporting unit which is CounterPath Corporation. If the recorded value of the assets, including goodwill, and liabilities (“net book value”) of the reporting unit exceeds its fair value, an impairment loss may be required.

Goodwill of \$6,339,717 (CDN\$6,704,947), and \$2,083,960 (CDN\$2,083,752) was initially recorded in connection with the acquisition of NewHeights Software Corporation on August 2, 2007 and FirstHand Technologies Inc. on February 1, 2008 (Note 3). Translated to U.S. dollars using the period end rate, the goodwill balance at April 30, 2009 (April 30, 2008) was \$5,540,968 (CDN\$6,704,947) and \$1,721,733 (CDN\$2,083,752), respectively. During the fourth quarter of its fiscal year ended April 30, 2009, the Company performed its annual impairment test. In the first step, Management compared the fair value of the Company to its carrying value based upon an analysis of a number of factors including the Company’s market capitalization and transaction values of comparable companies as at April 30, 2009. On this basis Management determined that the Company’s implied fair value exceeded its carrying value and has not recognized any impairment of goodwill in the consolidated financial statements for the year ended April 30, 2009 (2008 - \$nil).

c) Comparative Figures

Certain comparative figures have been reclassified to conform to the current period’s presentation.

d) New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (“SFAS No. 141R”). This standard replaces SFAS141 and establishes principles and requirements for how an acquirer recognizes and measures in its financial statement the identifiable assets acquired and liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired.

This standard also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. This standard is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of this statement.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Non controlling Interests In Consolidated Financial Statements – an amendment to ARB No.51* (“SFAS No. 160”). This standard Amends ARB 51 to establish accounting and reporting standards for a non-controlling interest in a subsidiary and for deconsolidation of a subsidiary. This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This standard may not be applied before that date. The Company is currently evaluating the impact of this statement.

In March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* (“FAS 161”). FAS 161 modifies existing requirements to include qualitative disclosures regarding the objectives and strategies for using derivatives, fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The pronouncement also requires the cross-referencing of derivative disclosures within the financial statements and notes thereto. This statement is effective for financial statements issued for years beginning after November 15, 2008 and interim periods within those years. The Company is currently evaluating the impact of this statement.

In June 2009, the FASB issued SFAS No. 168, "*The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepting Accounting Principles—A Replacement of FASB Statement No. 162*" ("FAS 168") which established the "FASB Accounting Standards Codification" ("Codification") as the single source of authoritative nongovernmental U.S. GAAP which was launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009 and will not have an impact on the Company's financial condition or results of operations. The Company is currently evaluating the impact to its financial reporting process of providing Codification references in its public filings.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 2 **Significant Accounting Policies and Going Concern** ' (cont'd)

d) New Accounting Pronouncements – (cont'd)

FASB Staff Position ("FSP") EITF 03-06-1, "*Participating securities and instruments granted in share-based payment transactions*" addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting that should be included in the earnings allocation in computing earnings per share under the two-class method described FAS 128, *Earnings per Share*. This FSP is effective for years beginning after December 15, 2008, and interim periods within those years. The Company is currently evaluating the impact of this FASB staff position.

Note 3 **Business Combinations**

a) NewHeights Software Corporation

On August 2, 2007, the Company acquired all of the shares of NewHeights Software Corporation ("NewHeights") through the issuance of 7,680,168 shares of the Company's common stock and 369,836 preferred shares issued from 6789722 Canada Inc., a subsidiary of the Company, that are exchangeable into 369,836 shares of common stock of the Company. Upon closing, the Company's convertible debenture holders converted their existing debentures in the amount of \$4 million into 2 million shares of common stock pursuant to the terms of the convertible debenture agreement (Note 14). In addition, the Company completed private placements of \$1.3 million, \$0.5 million and \$1.7 million on August 2, 2007, September 30, 2007 and November 2, 2007, respectively, issuing a total of 1.75 million shares of common stock at \$2.00. The Company also entered into subscription agreements with investors to raise an additional \$2.0 million through the issuance of one million shares of common stock at \$2.00 per share, which private placements were completed on February 2, 2008 and March 2, 2008, respectively.

Concurrent with the transaction, the Company issued 857,701 replacement employee options to former optionees of NewHeights. Included in the year ended April 30, 2008 statement of operations is a \$388,786 compensation charge (being the incremental fair value of the vested options) recorded in association with the issuance of these options, with \$17,428, \$50,171, \$108,574 and \$212,613 being allocated to cost of sales, sales and marketing, research and development and general and administration, respectively.

The Company acquired NewHeights to gain access to NewHeights' technology and customer base. NewHeights has a portfolio of standards based software applications aimed at simplifying and enhancing real-time communications over the Internet. The Company accounted for the acquisition using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Accordingly, the purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values on the acquisition date. Purchase price in excess of fair value of the net tangible and identifiable intangible assets acquired has been allocated to goodwill. Any goodwill allocated on the acquisition is not be deductible for tax purposes. The Company's consolidated statements of operations and comprehensive loss include the operating results of NewHeights from August 2, 2007, the date of acquisition. The functional currency of NewHeights is the Canadian dollar, hence, the values of the assets and liabilities of NewHeights including goodwill will fluctuate with changes in exchange rates.

The following table summarizes the allocation of the purchase price and related transaction costs to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash	\$	2,634,910
Other current assets		1,563,127
Accounts payable and accrued liabilities		(944,981)
Equipment		261,092
Acquired technologies		3,454,839
Customer asset		2,283,908
Goodwill		6,339,717
Other assets		2,276
Total net assets acquired	\$	15,594,888
Consideration:		
Purchase price - fair value of shares issued	\$	15,176,861
Fair value of the surrendered options of NewHeights		300,482

Transaction costs	117,545
Total	<u>\$ 15,594,888</u>

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 3 **Business Combination** ' (cont'd)

a) NewHeights Software Corporation – (cont'd)

The fair value of common shares issued is based on the weighted average closing common share price for the five trading days prior to, and the five trading days after the announcement of acquisition. The Black-Scholes option pricing model has been used to determine the fair value of the surrendered options of NewHeights granted to former optionees of NewHeights as of the transaction date of August 2, 2007.

The equipment acquired in the acquisition of NewHeights primarily consists of computer equipment, furniture and fixtures and have been recorded at fair value, which approximates net book value. These assets are amortized on the basis of declining balances. The acquired technologies and customer asset represent finite life intangible assets. The customer asset represents a relationship with an existing customer of NewHeights. The acquired technologies will be amortized based on their estimated useful life of four years and the customer asset will be amortized on the basis of management's estimate of the future cash flows from this asset over approximately five years, which is management's estimate of the useful life of the customer asset.

b) FirstHand Technologies Inc.

On February 1, 2008, the Company acquired all of the shares of FirstHand Technologies Inc. ("FirstHand") through the issuance of 5,900,014 shares of the Company's common stock. Concurrent with the transaction, the Company issued 279,126 replacement employee options to former optionees of FirstHand. Included in the year ended April 30, 2008 statement of operations is a \$71,142 compensation charge (being the incremental fair value of the vested options) recorded in association with the issuance of these options \$4,754, \$9,273, \$21,571 and \$35,544 being allocated to cost of sales, sales and marketing, research and development and general and administration, respectively.

The Company acquired FirstHand to gain access to FirstHand's technology and customer base. FirstHand develops and markets mobile telecommunication software applications aimed at the enterprise market.

The Company accounted for the acquisition using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Accordingly, the purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values on the acquisition date. Purchase price in excess of fair value of the net tangible and identifiable intangible assets acquired has been allocated to goodwill. Any goodwill allocated on the acquisition is not be deductible for tax purposes. The Company's consolidated statements of operations and comprehensive loss include the operating results of FirstHand from February 1, 2008, the date of acquisition. The functional currency of FirstHand is the Canadian dollar, hence, the values of the assets and liabilities of FirstHand including goodwill will fluctuate with changes in exchange rates.

The following table summarizes the allocation of the purchase price and related transaction costs to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Cash	\$	6,452,287
Other current assets		1,646,631
Accounts payable and accrued liabilities		(1,754,733)
Equipment		340,450
Long term debt		(97,281)
Acquired technologies		2,804,700
Customer asset		587,000
Goodwill		2,083,960
Total net assets acquired	<u>\$</u>	<u>12,063,014</u>
Consideration:		
Purchase price - fair value of shares issued	\$	11,887,561
Fair value of the surrendered options of FirstHand		93,590
Transaction costs		81,863
Total	<u>\$</u>	<u>12,063,014</u>

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 3 **Business Combinations** – (cont'd)

b) FirstHand Technologies Inc. – (cont'd)

The fair value of common shares issued is based on the weighted average closing common share price for the five trading days prior to, and the five trading days after the announcement of acquisition. The Black-Scholes option pricing model has been used to determine the fair value of the surrendered options of FirstHand granted to former optionees of FirstHand as of the transaction date of February 1, 2008.

The equipment acquired in the acquisition of FirstHand primarily consists of computer equipment, furniture and fixtures and have been recorded at fair value, which approximates net book value. These assets are amortized on the basis of declining balances. The acquired technologies and customer asset represent finite life intangible assets. The customer asset represents a relationship with an existing customer of FirstHand. The acquired technologies and customer asset are amortized based on their estimated useful life of four years.

c) BridgePort Networks, Inc.

On February 1, 2008, the Company acquired all of the shares of BridgePort Networks, Inc. ("BridgePort") by way of a merger in consideration for the assumption of all of the assets and liabilities of BridgePort. BridgePort develops and markets fixed mobile convergence software applications aimed at the telecom service provider market.

The Company acquired BridgePort to gain access to BridgePort's technology. BridgePort develops and markets mobile telecommunication software applications aimed at the telecom service provider market.

The Company accounted for the acquisition using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. Accordingly, the purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values on the acquisition date. The Company's consolidated statements of operations and comprehensive loss include the operating results of BridgePort from February 1, 2008, the date of acquisition.

The following table summarizes the allocation of the purchase price and related transaction costs to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Cash	\$	241,708
Other current assets		228,138
Accounts payable and accrued liabilities		(1,263,629)
Equipment		189,027
Other assets		136,176
Acquired technologies		476,703
Customer asset		43,594
Total net assets acquired	<u>\$</u>	<u>51,717</u>
Consideration:		
Purchase price being the transaction costs incurred	<u>\$</u>	<u>51,717</u>

The equipment acquired in the acquisition of BridgePort primarily consists of computer equipment, furniture and fixtures and have been recorded at fair value, which approximates net book value. These assets will be amortized on the basis of declining balances. The acquired technologies and customer asset represent finite life intangible assets. The customer asset represents a relationship with an existing customer of BridgePort. The acquired technologies and customer asset are amortized based on their estimated useful life of four years.

d) The following table presents unaudited pro forma results of operations for the year ended April 30, 2008, as if the acquisitions of NewHeights, FirstHand and BridgePort had occurred on May 1, 2007:

	<u>Year Ended</u> <u>April 30, 2008</u>
Revenue	\$ 11,539,566
Net loss for the year	\$ (21,007,272)

Net loss per share:
Basic and diluted

\$ (0.84)

50

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 4 **Equipment**

	April, 30 2009		
	Cost	Accumulated Depreciation	Net
Computer hardware	\$ 636,993	\$ 623,735	\$ 13,258
Computer software	726,908	696,252	30,656
Leasehold improvements	183,498	108,824	74,674
Office furniture	230,459	107,554	122,905
Websites	49,915	32,966	16,949
	\$ 1,827,773	\$ 1,569,331	\$ 258,442
	April, 30 2008		
	Cost	Accumulated Depreciation	Net
Computer hardware	\$ 623,571	\$ 347,955	\$ 275,616
Computer software	724,631	558,949	165,682
Leasehold improvements	167,007	52,467	114,540
Office furniture	225,713	45,403	180,310
Websites	24,915	24,209	706
	\$ 1,765,837	\$ 1,028,983	\$ 736,854

Note 5 **Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities at April 30, 2009 and 2008 are comprised of the following:

	April 30,	
	2009	2008
Accounts payable – trade	\$ 1,024,719	\$ 1,094,207
Accrued commissions	38,554	278,619
Accrued vacation	377,357	633,698
Codec royalties	709,290	765,708
Research fees	626,941	402,027
Accrued severance – Note 11(c)	395,432	–
Other accrued liabilities	315,708	1,354,942
	\$ 3,488,001	\$ 4,529,201

Note 6 **Related Party Transactions**

During the years ended April 30, 2009 and 2008, the Company incurred the following lease expense to a company with a director in common with the Company and interest expenses to a company controlled by the spouse of a significant shareholder of the Company:

	Years Ended April 30,	
	2009	2008
Interest on convertible debenture	\$ Nil	\$ 40,000
Lease payment	\$ 3,446	\$ 78,719

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 6 **Related Party Transactions – (cont'd)**

The Company's Chairman is the Chairman and founding shareholder of Mitel Networks Corporation ("Mitel"). NewHeights Software Corporation entered into a distribution agreement with Mitel on June 15, 2004 and amended such agreement on August 7, 2007. NewHeights was acquired by the Company on August 2, 2007 and was amalgamated on February 5, 2008 with the Company's wholly-owned subsidiary, CounterPath Solutions R&D Inc. under the name CounterPath Technologies Inc. The distribution agreement with Mitel renews automatically for one-year periods and contains termination rights of both parties. Under the terms of the distribution agreement, the Company earns a specified fee from Mitel based on the number of product licenses sold to Mitel.

On July 31, 2008 the Company entered into a source code license agreement whereby the Company licensed to Mitel the source code for the Your Assistant product in consideration of a payment of \$650,000. Associated with the agreement are ongoing license fees to be paid by Mitel of \$12.00 per copy deployed, declining to \$7.50 per copy deployed after two years and declining from \$7.50 to nil after four years. In addition, the agreement provides Mitel with a first right to match any third party offer to purchase the source code software and related intellectual property.

The Company's software license revenue for the year ended April 30, 2009, pursuant to the terms of these agreements, was \$1,225,757 (2008 - \$2,026,557).

As at April 30, 2009, the Company has an accounts receivable balance from Mitel of \$155,208 (April 30, 2008 - \$1,177,000). During the year ended April 30, 2009, the Company through its wholly owned subsidiary, FirstHand Technologies Inc., paid \$277,451 (2008 - \$71,500) to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Company's Chairman. As at April 30, 2009, the Company had an accounts payable balance to KRP of \$13,210 (April 30, 2008 - \$2,656).

The above transactions are in the normal course of operations and are recorded at amounts established and agreed to between the related parties.

Note 7 **Exchangeable Shares**

On August 2, 2007, the Company entered into a voting and exchange trust agreement among its subsidiary, 6789722 Canada Inc., and Valiant Trust Company whereby the Company issued and deposited with Valiant Trust a special preferred voting share of the Company in order to enable Valiant Trust to execute certain voting and exchange rights as trustee from time to time for and on behalf of the registered holders of the preferred shares of 6789722 Canada Inc. Each preferred share of 6789722 Canada Inc. is exchangeable into one share of common stock of the Company at the election of the shareholder, or, in certain circumstances, of the Company.

On October 9, 2008, and November 19, 2008, the Company issued 50,000 shares each totaling to 100,000 shares of common stock pursuant to a holder of 100,000 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights. There were 269,841 outstanding exchangeable shares as of April 30, 2009 (April 30, 2008 - 369,841). As the exchangeable shares have already been recognized in connection with the acquisition of NewHeights, the value ascribed to these shares on exchange is \$nil.

Note 8 **Common Stock**

On March 19, 2008, the Company's Board of Directors approved a five for one common stock consolidation. As a result, the Company's authorized capital decreased from 415,384,500 shares of common stock to 83,076,900 shares of common stock. All per share amounts and outstanding shares, including all common stock equivalents (stock options and warrants) have been retroactively adjusted in the Consolidated Financial Statements and in the Notes to the Consolidated Financial Statements for all periods presented to reflect the stock consolidation.

On April 11, 2008, certain officers, directors and affiliates of the Company entered into an escrow agreement with the TSX-V whereby a total of 11,481,635 shares of common stock in the Company were deposited into escrow with Valiant Trust acting as escrow agent as a condition to listing of the Company's shares of common stock on the TSX-V. The shares are released as to 25% upon entering in to the agreement and 25% on each date that is 6, 12 and 18 months from the date of the escrow agreement. As of April 30, 2009, 8,611,226 shares of common stock had been released from escrow.

COUNTERPART CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 8 **Common Stock** – (cont'd)

On July 30, 2008, the Company announced a private placement of up to approximately 3.3 million units at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of up to approximately \$5 million (CDN\$5.1 million). On July 31, 2008 and October 28, 2008, the Company issued 2,433,439 units and 97,402 units, respectively, at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$3,784,439 (CDN\$3,897,497). The Company incurred \$31,604 of transaction costs. Each unit consists of one share of common stock in the capital of the Company and one-half of one non-transferable common share purchase warrant. Each warrant shall entitle the holder thereof to purchase one share of common stock in the capital of the Company for a period of two years commencing from the date of issue at an exercise price of \$2.25 per warrant share. Certain officers and directors of the Company subscribed for 759,559 units at a price of \$1.50 (CDN\$1.54) per unit, including warrants entitling the holders thereof to purchase one share of common stock in the capital of the Company for a period of two years commencing from the date of issue at an exercise price of \$2.25 per warrant share for gross proceeds of \$1,142,306 (CDN\$1,169,721). As the unit price of \$1.50 (CDN\$1.54) per unit was below the closing market price of \$1.60 (CDN\$1.64) per share of the Company's common stock on the date of the transaction and included one-half of one common share purchase warrant, the Company recorded a compensatory charge to general and administrative expenses for the year ended April 30, 2009 of \$195,293.

On March 12, 2009, the Company issued 279,412 shares in lieu of severance of \$125,806 (CDN\$142,500) to an officer of the Company as part of a settlement agreement.

Stock Options

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to employees, directors and consultants. Stock options entitle the holder to purchase common stock at a subscription price determined by the Board of Directors of the Company at the time of the grant. The options generally vest in the amount of 12.5% on the date which is six months from the date of grant and then beginning in the seventh month at 1/42 per month for 42 months, at which time the options are fully vested.

The maximum number of shares of common stock authorized by the stockholders and reserved for issuance by the Board of Directors of the Company under the stock option plans are 800,000 under the 2004 Stock option plan and 4,260,000 under the 2005 Stock option plan.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. In accordance with SFAS No. 123R for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is amortized over the vesting period or, if none exists, over the service period. Compensation associated with unvested options granted to non-employees is remeasured on each balance sheet date using the Black-Scholes option pricing model. The expected volatility of options granted has been determined using the method described under SFAS No. 123R using the historical stock price. The expected term of options granted to employees in the current fiscal year has been determined utilizing the "simplified" method as prescribed by SAB No. 107, Share-Based Payment, as amended by SAB No. 110 on January 1, 2008. The simplified method was used because the Company does not have sufficient detailed information about employee exercise behavior. For non-employees, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123R requires companies to utilize an estimated forfeiture rate when calculating the expense for the period, whereas prior to the adoption of SFAS No. 123R the Company recorded forfeitures based on actual forfeitures and recorded a compensation expense recovery in the period when the awards were forfeited. As a result, based on the Company's experience, the Company applied an estimated forfeiture rate of 15% in fiscal 2009 and 2008 in determining the expense recorded in the accompanying consolidated statement of operations.

On August 2, 2007, the Company issued 857,701 stock options to former optionees of NewHeights Software Corporation ("NewHeights") to replace their existing options. The replacement options were granted at \$2.00 per share and generally vest in the amount of 33.3% after each of three years from the original date of grant at which time the options are fully vested. The fair value of the surrendered NewHeights options of \$300,482 was included in the purchase price of NewHeights and a compensation charge of \$388,786 (being the incremental fair value of the options which have vested) was recorded in the statement of operations in association with the issuance of these options. On February 2, 2008, the Company issued 279,126 stock options to former optionees of FirstHand Technologies Inc. ("FirstHand") to replace their existing options. The replacement options were granted at \$1.90 per share and generally vest in the amount of 33.3% after each of three years from the original date of grant at which time the options are fully vested. The fair value of the surrendered FirstHand options of \$93,590 was included in the purchase price of FirstHand and a compensation charge of \$71,142 (being the incremental fair value of the options which have vested) was recorded in the statement of operations in association with the issuance of these options.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 8 **Common Stock** – (cont'd)

On March 12, 2009, the Company reduced the exercise price of 1,282,711 employee incentive stock options to \$0.47 (CDN \$0.60) per common share for all of its employees and contractors holding stock options, other than for its officers and directors. In accordance with SFAS No. 123R the Company measured the new fair value of the repriced options and also revalued the original options as of the date of modification. The excess fair value of the repriced options over the re-measured value of the original options represents incremental compensation cost. The total incremental cost of the repriced options is approximately \$191,425 of which \$139,281 has been recognized to the statement of operations on the transaction date with \$52,144 to recognize over the remaining service period of the repriced options.

The weighted-average fair value of options granted during the year ended April 30, 2009 and 2008 were \$0.44 and \$0.94 respectively. The weighted-average assumptions utilized to determine such values are presented in the following table:

	Year Ended April 30, 2009	Year Ended April 30, 2008
Risk-free interest rate	2.12%	3.62%
Expected volatility	71.9%	67.0%
Expected term	3.7 yrs	3.6 yrs
Dividend yield	0%	0%
Weighted average fair value	\$ 0.44	\$ 0.94

The following is a summary of the status of the Company's stock options as of April 30, 2009 and the stock option activity during the year ended April 30, 2009:

	Number of Options	Weighted- Average Exercise Price per Share
Outstanding at April 30, 2007	2,693,620	\$2.30
Granted	410,645	\$1.87
Issued to NewHeights' former optionees	857,701	\$2.00
Issued to FirstHands' former optionees	279,126	\$1.90
Exercised	(3,418)	\$2.00
Forfeited / Cancelled	(406,691)	\$1.90
Expired	(36,720)	\$2.00
Outstanding at April 30, 2008	3,794,263	\$2.20
Granted	2,146,000	\$0.85
Forfeited / Cancelled	(1,116,440)	\$1.84
Expired	(173,055)	\$2.00
Outstanding at April 30, 2009	4,650,768	\$1.13
Exercisable at April 30, 2009	2,474,207	\$1.41
Exercisable at April 30, 2008	2,360,979	\$2.30

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 8 **Common Stock** – (cont'd)

The following table summarizes information regarding stock purchase options outstanding as of April 30, 2009:

Exercise Price	Number of Options Outstanding	Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value
\$0.44	615,000	\$153,750	December 15, 2013	–	\$–
\$0.47	1,279,611	281,514	July 21, 2009 to September 26, 2016	972,936	214,046
\$0.62	850,000	59,500	April 17, 2014	–	–
\$1.75	250,000	–	May 14, 2013	57,291	–
\$1.85	4,873	–	February 2, 2013	4,873	–
\$1.90	79,218	–	March 8, 2015 to January 25, 2017	79,218	–
\$1.95	812,100	–	September 7, 2010 to January 10, 2016	721,651	–
\$2.00	355,549	–	August 20, 2009 to March 18, 2015	355,549	–
\$2.15	240,000	–	September 7, 2016	155,000	–
\$3.05	164,417	–	May 23, 2016	127,689	–
April 30, 2009	<u>4,650,768</u>	<u>\$494,764</u>		<u>2,474,207</u>	<u>\$214,046</u>
April 30, 2008	<u>3,794,263</u>	<u>\$17,333</u>		<u>2,360,979</u>	<u>\$7,635</u>

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of \$0.69 per share as of April 30, 2009 (April 30, 2008 – \$1.80), which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of April 30, 2009 was 972,936 (April 30, 2008 – 43,021). The total intrinsic value of options exercised during the year ended April 30, 2009 was \$nil (2008 – \$nil). The grant date fair value of options vested during the year ended April 30, 2009 was \$3,511,509 (April 30, 2008 – \$1,817,972).

The following table summarizes information regarding the non-vested stock purchase options outstanding as of April 30, 2009:

	Number of Options	Weighted Average Grant-Date Fair Value
Non-vested options at April 30, 2007	1,760,733	\$1.60
Granted	1,547,472	\$0.94
Vested	(1,563,364)	\$1.16
Forfeited	(311,423)	\$1.21
Expired	(134)	\$0.44
Non-vested options at April 30, 2008	1,433,284	\$1.48
Granted	2,146,000	\$0.45
Vested	(876,511)	\$1.47
Forfeited	(526,212)	\$1.04
Non-vested options at April 30, 2009	<u>2,176,561</u>	<u>\$0.64</u>

As of April 30, 2009 there was \$1,248,757 of total unrecognized compensation cost related to unvested share-based compensation awards. This unrecognized compensation cost is expected to be recognized over a weighted average period of 1.15 years.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 8 **Common Stock** – (cont'd)

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the year ended April 30, 2009 and 2008 are as follows:

	Years Ended	
	April 30,	
	2009	2008
Cost of sales	\$ 84,586	\$ 107,004
Sales and marketing	143,693	208,736
Research and development	273,441	485,577
General and administrative	942,144	800,117
Total stock-based compensation	\$ 1,443,864	\$ 1,601,434

Warrants

During the year ended April 30, 2009, the Company issued 1,216,720 warrants on July 31, 2008 and 48,701 warrants on October 28, 2008 as part of a unit offering. The fair value of the stock purchase warrants granted was \$394,372. The warrants enable the holders the right to purchase up to 1,265,421 shares of the Company's common stock, exercisable for two years from the date of issue. The assumptions utilized to determine such values are presented in the following table:

	Year Ended
	April 30, 2009
Risk-free interest rate	1.58% - 2.52%
Expected volatility	48.54% - 66.34%
Expected term	2 yrs
Dividend yield	0%
Weighted average fair value per warrant	\$0.31 - \$0.44

The following table summarizes information regarding the warrants outstanding as of April 30, 2009.

	Number of	Weighted Average	Expiry Dates
	Options	Exercise Price	
Warrants at April 30, 2008	1,000,000	\$4.00	November 30, 2009
Granted	1,265,421	\$2.25	July 31, 2010 to October 24, 2010
Warrants at April 30, 2009	2,265,421	\$3.04	

Employee Stock Purchase Plan

As of February 1, 2009 the Company offers the Employee Stock Purchase Plan ("ESPP") to all regular salaried (non-probationary) employees. Shares issued to employees as a result of purchases or exercises under these plans will generally be issued from shares held in treasury.

Under the terms of the ESPP all regular salaried (non-probationary) employees can purchase up to 6% of their base salary in common shares of the Company at market price. The Company will match 50% of the shares purchased by issuing up to 3% of the respective employee's base salary in shares.

A total of 1,500,000 shares have been reserved for issuance under the ESPP. As of April 30, 2009, a total of 1,500,000 shares were available for issuance under the ESPP. During the years ended April 30, 2009 and 2008, no shares were sold to employees under the ESPP.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 9 **Income Taxes**

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values 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.

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	Years Ended	
	April 30,	
	2009	2008
Tax loss carry forwards	\$ 10,975,000	\$ 10,253,000
Equipment	871,000	1,073,000
Undeducted research and development expenses	2,199,000	2,697,000
Investment tax credits	951,000	1,075,000
Undeducted financing costs	24,000	7,000
Cumulative unrealized foreign exchange gain	(251,000)	(272,000)
Acquired technology and other intangibles	(487,000)	(2,400,000)
Valuation allowance established by management	(14,282,000)	(12,703,000)
Net deferred tax assets	<u>\$ –</u>	<u>\$ –</u>

The provision for income taxes differ from the amount calculated using the US federal and state statutory income tax rates as follows:

	Years Ended	
	April 30,	
	2009	2008
Benefit from net loss, at US rates	\$ (5,385,000)	\$ (4,262,000)
Foreign loss at other than US rates	205,000	(43,000)
Non-deductible expenses	17,000	56,000
Non-deductible stock option compensation	491,000	544,000
Non-deductible loss on extinguishment of debt	–	184,000
Adjustment of valuation allowance	–	(129,000)
Effect of reduction in foreign statutory rates	832,000	–
Foreign exchange losses on revaluation of deferred tax balances	1,851,000	–
Expiry of non-operating losses	410,000	–
Increase in valuation allowance	1,579,000	3,650,000
Income tax expense for year	<u>\$ –</u>	<u>\$ –</u>

The tax benefit of net operating losses carried forward and the associated valuation allowance was increased by \$nil (2008 -\$7,856,000) representing the tax effect of losses which were acquired with the acquisitions during the year ended April 30, 2008.

The Company establishes its valuation allowance based on projected future operations. Management has determined that the allowance should be 100% of the deferred tax assets. When circumstances cause a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance will be reflected in current income.

As at April 30, 2009, the Company had net operating loss carry-forwards available to reduce taxable income in future years as follows:

Country	Amount	Expiration Dates
United States – US\$	\$ 12,950,000	2026 – 2029
Canada – CDN\$	\$ 25,000,000*	2009 – 2029

* These losses are subject to tax legislation that limits the use of the losses against future income of the Company's Canadian subsidiaries.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 9 **Income Taxes – (cont'd)**

On May 1, 2007, the Company adopted Financial Accounting Standards Board (“FASB”) interpretation No. 48, “Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (FAS No. 109)”. The Company is subject to taxation in the U.S., Canada, the U.K. and Japan. It is subject to tax examinations by tax authorities for all taxation years commencing in or after 2002. The Company does not expect any material increase or decrease in its income tax expense, in the next twelve months, related to examinations or changes in uncertain tax positions.

Changes in the Company’s uncertain tax positions for the year ended April 30, 2009 and April 30, 2008 were as follows:

	Years Ended	
	April 30,	
	2009	2008
Balance at beginning of year	\$ 98,575	\$ 72,413
Increases related to prior year tax positions (interest and penalties)	–	26,162
Balance at end of year	\$ 98,575	\$ 98,575

Note 10 **Segmented Information**

Our chief operating decision maker reviews financial information presented on a consolidated basis, accompanied by desegregated information about revenues by geographic region for purposes of making operating decisions and assessing financial performance. Accordingly, we have concluded that we have one reportable operating segment.

Foreign revenues are based on the country in which the customer is located. The following is a summary of total revenues by geographic area for the years ended April 30, 2009 and 2008:

	Years Ended	
	April 30,	
	2009	2008
North America	\$ 5,691,518	\$ 4,965,779
Europe	2,594,871	2,414,002
Asia	817,987	348,728
Central and South America	728,725	1,280,181
Other	–	78,210
	\$ 9,833,101	\$ 9,086,900

Contained within the results of North America for the year ended April 30, 2009 are revenues from the United States of \$4,373,763 (2008 - \$2,916,798) and from Canada of \$1,317,755 (2008 - \$2,048,981).

Contained within the results of Europe for the year ended April 30, 2009 are revenues from Germany of \$663,609 (2008 - \$335,282), the United Kingdom of \$659,637 (2008 - \$882,770), Denmark of \$319,124 (2008 - \$76,830), and Portugal of \$161,954 (2008 - \$nil).

Contained within the results of Central and South America for the year ended April 30, 2009 are revenues from Mexico of \$238,730 (2008 - \$916,793), Brazil of \$176,168 (2008 - \$82,352), Argentina of \$73,124 (2008 - \$41,573), and the Dominican Republic of \$66,310 (2008 - \$137,309).

Contained within the results of Asia for the year ended April 30, 2009 are revenues from Japan of \$249,806 (2008 - \$16,105), China of \$206,956 (2008 - \$21,254), and India of \$121,114 (2008 - \$43,787).

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 10 **Segmented Information** – (cont'd)

All of the Company's long-lived assets, which includes equipment, goodwill, intangible assets and other assets, are located in Canada and the United States as follows:

	As at April 30,	
	2009	2008
Canada	\$ 9,793,247	\$ 17,877,198
United States	21,891	247,061
Total	\$ 9,815,138	\$ 18,124,259

Revenue from significant customers for the years ended April 30, 2009 and 2008 is summarized as follows:

	Years Ended April 30,	
	2009	2008
Customer A	13%	4%
Customer B	12%	23%
	25%	27%

Accounts receivable balances for Customer A were \$323,285 as at April 30, 2009 (April 30, 2008 - \$432,019). Accounts receivable balances for Customer B were \$155,208 as at April 30, 2009 (April 30, 2008 - \$1,177,000).

Note 11 **Commitments**

- a) On June 28, 2005, the Company entered into a software development consulting agreement extension, which commenced on June 30, 2006 and expires June 30, 2009. The payment schedule is tied to specific milestones as they are completed and requires total payments of \$109,000 in fiscal year 2009 and \$109,000 in fiscal year 2010.
- b) On March 14, 2008 the Company entered into a lease for office space which commenced on April 1, 2008 and expired on March 31, 2009. On February 5, 2009, the Company entered into an extension agreement on this lease which commences on April 1, 2009 and expires on September 30, 2009. The monthly lease payment under the extension agreement is \$2,576.
- c) On March 12, 2009, the Company and its wholly-owned subsidiary, CounterPath Technologies Inc., entered into a settlement agreement with a founder and former officer of the Company. Under the settlement agreement, the Company will pay at total of \$409,068 (CDN\$495,000) over 45 months at a rate of CDN\$11,000 per month and pay for health benefits for 21 months.
- d) On April 29, 2005, the Company entered into a lease for office premises, which commenced on October 1, 2005 and expires on September 30, 2012 for which a deposit of \$8,205 was made. The monthly lease payment under this agreement is \$8,205 plus \$6,552 in operating costs. Currently, the Company is subleasing a part of these premises for a monthly charge of \$6,575. The sub lease commenced on August 1, 2007 and expires on September 30, 2012.
- e) On May 1, 2009 the Company modified its existing lease agreement for office premises, as a result of which it surrendered a substantial part of the previously leased area. The new agreement commences on May 1, 2009 and expires on April 20, 2012. The monthly lease payment under this agreement is \$5,505. The previous extension of this lease was entered into on February 15, 2005. It commenced on April 1, 2005 and expired on March 31, 2010. The monthly lease payment under this agreement was \$10,087 plus \$17,425 in operating costs. This monthly lease increased to \$11,348 on April 1, 2009.

- f) The Company is subject to a license agreement (the "Amended Omnibus Agreement") and a sponsored research agreement (the "Amended Research Agreement") with Columbia University pertaining to certain technologies acquired in the acquisition of FirstHand Technologies Inc. on February 1, 2008. Pursuant to the Amended Omnibus Agreement and the Amended Research Agreement, the Company is required to provide financial support for SIP (Session Initiation Protocol) research in the field of Internet/Ethernet Telephony conducted at Columbia's Department of Computer Science. Subject to certain limitations, the Company is entitled to an exclusive license from Columbia University for all inventions and research information directly relating to the field of Internet/Ethernet Telephony.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 11 **Commitments** – (cont'd)

Commencing on the one year anniversary date of the of the termination or expiration of the Amended Research Agreement, the Company shall be required to pay a minimum annual royalty of \$100,000 to Columbia University net of any royalties paid to Columbia University under the Amended Omnibus Agreement.

Total payable over the term of the agreements for the years ended April 30, are as follows:

	Office Leases – Related Party	Office Leases – Unrelated Party	Sub Lease Income	Total Office Leases	Settlement Agreement
2010	\$ 66,062	\$ 711,309	\$ (78,897)	\$ 698,474	\$ 109,085
2011	66,062	653,944	(78,897)	641,109	109,085
2012	66,062	364,277	(78,897)	351,442	109,085
2013	–	73,786	(32,874)	40,912	68,178
	<u>\$ 198,186</u>	<u>\$ 1,803,316</u>	<u>\$ (269,565)</u>	<u>\$ 1,731,937</u>	<u>\$ 395,433</u>

Note 12 **Contingent Liability**

On February 17, 2006, a competitor filed a statement of claim in the Supreme Court of British Columbia claiming among other things, general, punitive and aggravated damages of unspecified amounts with respect to alleged business ethics matters. Management of the Company believes that the claim is without foundation or merit. Any loss as a result of this claim will be recorded in the period that the loss is probable and measurable.

Note 13 **Restructuring**

As a result of the Company's post acquisition activities, the Company incurred restructuring costs of \$1,565,347 (2008 – \$558,394). Restructuring costs were related to employee severance arrangements as a result of the consolidation of administrative, sales, marketing, and research and development departments after the close of acquisitions of NewHeights Software Corporation, FirstHand Technologies Inc. and BridgePort Networks, Inc. These charges are shown as a separate line item in the consolidated statement of operations.

	<u>Years Ended April 30,</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ –	\$ –
Provision	1,565,347	558,394
Settlement	1,169,915	(558,394)
Balance, end of year	<u>\$ 395,432</u>	<u>\$ –</u>

Note 14 **Convertible Debentures**

On August 2, 2007, in conjunction with the acquisition of NewHeights Software Corporation (Note 3) the Company's convertible debenture holders converted their existing debentures in the amount of \$4,000,000 into 2,000,000 shares of common stock at a conversion price of \$2.00 per share. As a result, the remaining balance of the unaccreted debt discount on the date of conversion of \$540,200 was recorded in the consolidated statement of operations as additional interest expense. The convertible debenture and debt discount are summarized as follows:

	<u>Face Amount</u>	<u>Discount</u>	<u>Carrying Value</u>
Balance, April 30, 2007	\$ 4,000,000	\$ 630,770	\$ 3,369,230
Accretion of debt discount to date of conversion	-	(90,570)	90,570
Conversion of debentures on August 2, 2007	(4,000,000)	(540,200)	(3,459,800)
Balance, April 30, 2008 and 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the years ended April 30, 2009 and 2008, the Company recorded an accretion expense of \$nil and \$90,570 respectively on this discount.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)

Note 15 **Subsequent Events**

- (a) On May 11, 2009, the Company issued 50,000 shares of common stock pursuant to a holder of 50,000 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights. As the exchangeable shares have already been recognized in connection with the acquisition of NewHeights, the value ascribed to these shares on exchange will be \$nil.

- (b) On June 24, 2009 the Company entered into foreign currency forward contracts totaling to \$1 million to sell US dollars and buy Canadian dollars. The contracts of \$500,000 each expire on September 30, 2009 and March 31, 2010 respectively.

- (c) On July 17, 2009, in connection with a research agreement and omnibus agreement under which the Company licensed certain technologies from Columbia University (Note 11(f)), the Company entered into a debt conversion agreement and an amended omnibus agreement with The Trustees of Columbia University ("Columbia"), whereby as a result of the restructuring of certain terms and obligations of the existing research and licensing agreements, the Company issued 527,370 shares of common stock to Columbia to settle all outstanding amounts due to Columbia under such agreements and rights to certain technologies have reverted back to Columbia. The common stock was issued at \$0.75 (CDN\$0.84) per share.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable

Item 9A(T). Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

In connection with this annual report, as required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer concluded that subject to the inherent limitations noted in Part II, Item 9A(T) as of April 30, 2009, our disclosure controls and procedures are effective as at the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on certain criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting are effective as of April 30, 2009.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

During the year ended April 30, 2009, we added additional administrative staff in order to provide greater segregation of duties within our transaction processing system. In addition, we determined that greater segregation of duties amongst our existing administrative staff is feasible and implemented processes to segregate duties in various administrative functions effecting financial reporting. Aside from changes resulting from reassigning duties among staff, there were no other changes in our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth the names, positions and ages of our executive officers and directors. All our directors serve until the next annual meeting of our shareholders or until their successors are elected and qualify. Our board of directors appoints officers and their terms of office are, except to the extent governed by employment contract, at the discretion of our board of directors.

Name and Residence	Position Held with the Company	Age	Date First Elected or Appointed
Donovan Jones ⁽¹⁾ British Columbia, Canada	President, Chief Executive Officer, Director	40	April 24, 2006
David Karp British Columbia, Canada	Chief Financial Officer, Treasurer, Secretary	44	September 7, 2006
Terence Matthews Ontario, Canada	Chairman of the Board, Director	66	August 2, 2007
Mark Bruk ⁽²⁾ British Columbia, Canada	Vice-Chairman of the Board, Director	50	April 27, 2004
Owen Matthews ⁽³⁾ British Columbia, Canada	Vice-Chairman of the Board, Director	37	August 2, 2007
Peter Charbonneau ⁽⁴⁾ Ontario, Canada	Director	55	October 1, 2008
Chris Cooper ⁽³⁾⁽⁴⁾ British Columbia, Canada	Director	39	August 17, 2005
William Jin ⁽⁴⁾ Ontario, Canada	Director	40	October 1, 2008
Greg Pelling ⁽⁵⁾ Ontario, Canada	Director	50	August 2, 2007
Larry Timlick ⁽³⁾⁽⁶⁾ British Columbia, Canada	Director	52	June 17, 2005

- (1) Appointed President and Chief Operating Officer on April 24, 2006, Director on June 1, 2007 and President and Chief Executive Officer on April 30, 2008.
- (2) Chief Executive Officer between April 27, 2004 and August 2, 2007.
- (3) Member of our Compensation Committee.
- (4) Member of our Audit Committee.
- (5) Appointed Chief Executive Officer on August 2, 2007 until April 30, 2008 and Chief Strategy Officer between April 30, 2008 and February 11, 2009.
- (6) Appointed interim President between June 2005 and August 2005.

Business Experience

The following is a brief account of the education and business experience of each of our directors, executive officers and key employees during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization in which he or she was employed.

Donovan Jones

Mr. Jones is a director of our company, has been our President and Chief Executive Officer since April 30, 2008 and was President and Chief Operating Officer since April 2006. Between May 2005 and April 2006, he was our company's Vice President of Sales.

Prior to this, from February 2005 and June 2006, Mr. Jones was with a boutique investment banking firm, where he was responsible for sourcing and executing transactions for mid-market private companies. From May 1996 to October 2004, with TELUS Communications, Canada's second largest Telecommunications company, Mr. Jones held increasingly senior positions in Corporate Development and Client Solutions, which had him involved in planning and executing a series of merger, acquisition and divestiture activities in the Telecommunications, Application Development and Data Network Integration space. Additionally, Mr. Jones was involved with the strategic planning process for businesses focused on Application and Web Development, Hosting, Human Resources, Supply Operations and Sales Efficiency; Mr. Jones' efforts with TELUS culminated in his position of Director/Chief Operating Officer Marketing with responsibility for a business unit focused on the selling, implementing and management of Enterprise voice, data and IP infrastructure. Prior to this, Mr. Jones consulted on strategy, process improvement, human resource strategy, and funding for several software and high technology companies. Mr. Jones holds a Masters in Business Administration from the University of Calgary and an Economics degree from the University of Alberta.

David Karp

Mr. Karp has been our Chief Financial Officer since September 2006. Mr. Karp became Treasurer and Corporate Secretary on November 3, 2006. From May 2004 to August 2006, Mr. Karp was Chief Financial Officer of Chemokine Therapeutics Corp., where he led the company's initial public offering and listing on the TSX. From February 2002 to May 2004, Mr. Karp was Chief Financial Officer of Neuro Discovery Inc., a Vancouver based, publicly traded investment Management Company focused on biotechnology investing. Mr. Karp assisted in raising capital and making private investments in early stage biotechnology companies in addition to having overall responsibility for all treasury, reporting and control functions. From August 1997 to September 2001, Mr. Karp was Vice President, Investment Banking for BMO Nesbitt Burns in Vancouver. His experience includes raising capital and managing a number of merger, acquisition and restructuring assignments for companies in a variety of industries. Mr. Karp holds a Bachelor of Science degree in Mechanical Engineering from the University of Waterloo in Ontario and an MBA from the Ivey School of Business at the University of Western Ontario in London, Ontario. He is a Chartered Financial Analyst (CFA) charter holder and a Professional Engineer.

Terence Matthews

Mr. Matthews is our Chairman of the Board and a director of our company. Mr. Matthews also serves as Chairman of Wesley Clover Corporation and Chairman of Mitel Networks Corporation and March Networks Corporation, two companies active in developing IP systems for enterprise applications. Prior to joining March Networks, Mr. Matthews served as Chief Executive Officer and Chairman of Newbridge Networks Corporation, a company he founded in 1986. Providing leadership and vision for 14 years, Mr. Matthews helped Newbridge become a leader in the worldwide data networking industry. In 1972, before launching Newbridge, Mr. Matthews co-founded Mitel Corporation. Under his leadership, Mitel grew quickly to become a world leader in the design and manufacture of enterprise voice systems and products. In 1985, British Telecom bought controlling interest in Mitel. In 2001, Mr. Matthews purchased the worldwide Communications Systems division of Mitel, and the Mitel name, and is now owner and non-executive Chairman of Mitel Corporation, a company focused on providing next generation IP telephony solutions for broadband networks. Mr. Matthews also serves on the board of directors for a number of high technology companies and is Chairman or serves on the Board of Directors of Newport Networks Corporation, Bridgewater Systems Corporation, Dragonwave Inc. and Solace Systems. In addition Mr. Matthews holds an honours degree in electronics from the University of Wales, Swansea and is a Fellow of the Institute of Electrical Engineers and of the Royal Academy of Engineering. He has been awarded honorary doctorates by several universities, including the University of Wales, Glamorgan and Swansea, and Carleton University in Ottawa. In 1994, he was appointed an Officer of the Order of the British Empire, and in the 2001 Queen's Birthday Honours, he was awarded a Knighthood.

Mark Bruk

Mr. Bruk is a founder and a director of our company, our Vice-Chairman of the Board, and was the Chief Executive Officer from October 2002 to August 2, 2007. Mr. Bruk has been involved primarily in software development over the past 20 years. In May 1998, he founded, and was the Chief Executive Officer, of eduverse.com (formerly known as Eduverse Accelerated Learning Systems Inc.) where he had overall control of the company's development and direction, and also managed operations in Asia. eduverse.com signed agreements with the Ministry of Education, China, the Ministry of Education, Malaysia, the Ministry of University Affairs, Thailand, AOL, StarTV, Sina, ZapMe, Acer, eHOLA, The Star (Malaysia), and Proctor and Gamble Manufacturing (Thailand) Co., Ltd.

Prior to founding eduverse.com, Mr. Bruk served as Vice President of applications and subsequently Vice President of research & development for InMedia Presentations, Inc., a multimedia software company. Under Mr. Bruk's initiative and management, InMedia developed the world's first web-based 100% pure HTML slide show player and also the world's first 100% pure Java slide show player. InMedia's software was bundled with digital cameras manufactured by Casio, Nikon, Olympus and Kodak.

Owen Matthews

Mr. Matthews is our Vice-Chairman of the Board and a director of our company. Mr. Matthews also currently serves as the Executive Vice-President of Wesley Clover Corporation, an investment management company. Between October 1998 and August 2, 2007, Mr. Matthews was Chief Executive Officer of NewHeights Software Inc. In this capacity, Mr. Matthews was responsible for NewHeights' overall corporate growth and ensuring that the company delivers the most evolved personal communications management solutions in the industry. Mr. Matthews was active in driving the NewHeights' sales process, both domestically and internationally, and regularly engaged in technology strategy sessions with carriers, customer-premise equipment vendors and PC equipment manufacturers. In 1998, Mr. Matthews co-founded NewHeights in response to the emerging shift towards the development of commercial IP Telephony systems. Foreseeing the widespread adoption of IP PBXs and hosted IP Centrex, Mr. Matthews launched NewHeights to develop an intuitive, next-generation software client that would bring together the power of both the telephony and data networks in an intuitive graphic interface. Mr. Matthews has been extensively involved in the business of telecommunications and delivering innovation to market for over a decade and is also the son of Terence Matthews, founder of Mitel Networks and NewBridge Networks. Mr. Matthew's business and technology acumen was in part seasoned under various Matthews' business holdings, including NewBridge Networks and the Wesley Clover Corporation and its portfolio of technology corporations.

Peter Charbonneau

Mr. Charbonneau is a director of our company. Mr. Charbonneau is a principal of the general partner of SkyPoint Telecom Fund II. Mr. Charbonneau joined the general partner, a venture capital company focused on communications and information technology, in 2001. He also sits on the boards of Mitel Networks Corporation, March Networks Corporation, BreconRidge Corporation, Teradici Corporation, Trellia Networks Inc., and TrueContext Corporation, as well as, the board of directors and audit committee of CBC/Radio Canada. Prior to Skypoint, Mr. Charbonneau was a senior executive with Newbridge Networks Corporation, where he played a key role during the company's period of growth. He joined Newbridge in its early days as chief financial officer and over the next 13 years was promoted to the positions of Executive Vice-President, President and Chief Operating Officer, and Vice-Chairman. He was also a member of the company's board of directors from 1996 until 2000. As the Chief Financial Officer of Newbridge, he led the company's successful cross-border IPO in 1989 and its second cross-border offering three years later. As Vice-Chairman, he focused on enhancing the company's relations with key external stakeholders. While at Newbridge, Mr. Charbonneau was instrumental in establishing the company's Affiliates Program and was involved in the funding of more than 40 affiliate companies and representing Newbridge as a board member for many of these affiliates. Mr. Charbonneau is a member of the Institute of Chartered Accountants of Ontario. In June 2003, he was elected a Fellow of the Institute in recognition of his outstanding career achievements and leadership contributions to the community and his profession. He holds a Bachelor of Science from the University of Ottawa and a Master's in Business Administration degree from the Richard Ivey School of Business. Mr. Charbonneau also holds the ICD.D certification, having completed the Directors' Education Program of the Institute of Corporate Directors of Canada.

Chris Cooper

Mr. Cooper is a director of our company. Mr. Cooper has ten years of experience in management and finance in the oil and gas industry. Over the past nine years Mr. Cooper has successfully raised funds primarily through brokered and non-brokered equity issues as well as debt financing. Since April 2003, Mr. Cooper has been the President, Chief Executive Officer and founder of Northern Sun Exploration Company Inc., a junior oil and gas producer. In 2000, Mr. Cooper co-founded Choice Resources Corp., an intermediate oil and gas producer that has since been acquired by Buffalo Resources Corp. He is a co-founder and member of the board of directors of Watch Resources Ltd., a public gas producer in a joint venture with the Fishing Lake Métis Settlement in northern Alberta that was more recently acquired by Pearl Exploration. He acted as the Chief Financial Officer and Treasurer for Velvet Exploration Ltd. in its start-up phase, and assisted it in raising early stage financing. Mr. Cooper received his Bachelor of Arts from Hofstra University and his Master's in Business Administration from Dowling College, both in New York State.

William Jin

Mr. Jin is a director of our company. Mr. Jin is Senior Vice-President of Covington Capital, a venture capital investment company, based in Toronto. Covington Capital is one of Canada's largest providers of venture capital investment funds. Mr. Jin joined Covington Capital in November 2002 and his responsibilities include the assessment, execution and management of existing investments and management of exit investment opportunities. Mr. Jin focuses on transactions in the service, distribution, manufacturing, and software sectors. He represents Covington on the board of directors of a number of investee companies. Prior to joining Covington, Mr. Jin was a partner with a Toronto based investment banking boutique, with over 11 years financial industry experience specializing in M&A advisory and valuations. There he was responsible for providing fairness opinions and formal OSC 9.1 valuations for public and private companies. He holds an HBA and an MBA degree from the Richard Ivey School of Business. Mr. Jin is a Chartered Financial Analyst and a member of the Toronto Society of Financial Analysts.

Greg Pelling

Mr. Pelling is a director of our company. Mr. Pelling is a 20-year technology and IT industry veteran, whose career includes Senior Industry Partner at PricewaterhouseCoopers ("PwC") and as part of Cisco Systems Inc.'s strategic leadership team. Between August 2007 and April 2008, Mr. Pelling acted as our Chief Executive Officer and between May 2008 and February 2009, he acted as our Chief Strategy Officer. Prior to joining our company in August 2007 as Chief Executive Officer, Mr. Pelling was the President of NewHeights Software Corporation and was responsible for leading the company in corporate strategy, business development, product innovation, market gains and profitability commitments. Prior to joining NewHeights, Mr. Pelling was Global Managing Director, Advanced IT Services of Cisco Systems, Inc. where he was responsible for delivering new business and building out the company's Global Development Centers; prior to which he was Managing Director, Asia Pacific/Japan, Internet Business Solutions Group of Cisco Systems from January 2001 to August 2004. As the Managing Director Asia Pacific and Japan for Cisco Systems Internet Business Solutions Group, he was an advisor to governments and Fortune 500 corporations where he provided strategic advice on creating competitive advantage from IT and the Internet to the top corporations and governments in the region. Before joining Cisco, he was Executive Director, Partner and Senior Industry Partner at PwC from 1995 to 2001. Prior to joining PwC, Mr. Pelling held executive positions in several Canadian companies including Intergraph, SHL Systemhouse, Wang Labs and Richmond Technologies. Prior to Cisco, he was Asia's Senior Partner for PwC's Technology Consulting Practice. Considered a thought leader, Mr. Pelling is also the author of "Cisco Net Impact: Competitive Advantage from Internet Innovators in Asia Pacific and Japan." Mr. Pelling is a graduate of the University of British Columbia and holds an Executive Master's in Business Administration in International Management.

Larry Timlick

Mr. Timlick is a director of our company. Mr. Timlick has extensive knowledge of the enterprise and service provider markets with over 23 years of technical sales and management experience and has been a director of our company since June 2005. Mr. Timlick has been Vice President of Corporate Planning since November 2006 for the Kingsway Group of Companies, a corporate vehicle for real estate investments. Mr. Timlick acted as interim President of our company between June 2005 and August 2005. Between 1991 and 2004, Mr. Timlick was with Cisco Systems Canada. While with Cisco Systems Canada, Mr. Timlick was responsible for developing a sales region for TELUS, a major telecommunications carrier in Canada, which was named Region of the Year, Americas International in FY 2004. Mr. Timlick gained many accomplishments with Cisco Systems including: Top Americas International Performer – Regional Manager FY 2000; Highest Regional Percentage of Goal – Americas International FY 2000; Top Canadian Regional Performance FY 2001 – Western Region Service Providers; and Top Customer Satisfaction Americas International FY 2002. As the first Cisco Systems employee in Western Canada, Mr. Timlick expanded the business and opened offices in Vancouver, Calgary, Edmonton, Regina and Winnipeg. Mr. Timlick has also held management positions with AT&T Canada and Telex/Tulsa Computer Products. Mr. Timlick is also a director of Stage Capital Corp, a publicly traded investment vehicle.

Family Relationships

Except as set forth below, there are no family relationships among our directors or our executive officers.

Owen Matthews, our Vice-Chairman of the Board is the son of Terence Matthews, our Chairman of the Board.

Involvement in Certain Legal Proceedings.

Except as set forth below, none of our directors, nominees, executive officers and control persons have been involved in any of the following events during the past five years:

- any bankruptcy petition filed by or against any business of which such person was an executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Peter Charbonneau was a director of Metconnex Canada Inc. from October 6, 2004 to June 19, 2007. An application was made to the courts under Section 47(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, C. B3, as amended, to appoint an interim receiver of 4061101 Canada Inc. (formerly known as Metconnex Canada Inc.) as provided for in the court filing no: 06-CL-6670 (dated September 26, 2006). The receiver has submitted a proposal to creditors and distribution of proceeds is pending final approval from creditors.

Chris Cooper is currently the President and Chief Executive Officer of Northern Sun Exploration Company Inc. On August 1, 2008, Northern Sun filed a Notice of Intention to make a proposal pursuant to the Bankruptcy and Insolvency Act. The company is currently under Bankruptcy and Insolvency Act protection while it attempts to restructure its creditor obligations.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by our company, or written representations from certain reporting persons that no Form 5s were required for those persons, we believe that, during the year ended April 30, 2009 all filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with, with the exception of the following:

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Requested Forms
Terence Matthews	1(1)	3	Nil

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Requested Forms
Mark Bruk	1(1)	2	Nil
Chris Cooper	1(1)	2	Nil
David Karp	5(1)	6	Nil
Donovan Jones	3(1)	3	Nil
Greg Pelling	2(1)	6	Nil
Jason Fischl	1(1)	1	Nil

(1) The named director, officer or greater than 10% shareholder, as applicable, filed a late Form 4 – Statement of Changes in Beneficial Ownership of Securities.

Code of Ethics

Effective April 24, 2008, our board of directors adopted a Code of Business Conduct and Ethics and Compliance Program that applies to, among other persons, members of our board of directors, our officers, contractors, consultants and advisors. As adopted, our Code of Business Conduct and Ethics and Compliance Program sets forth written standards that are designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the Code of Business Conduct and Ethics and Compliance Program to an appropriate person or persons identified in the Code of Business Conduct and Ethics and Compliance Program; and
- accountability for adherence to the Code of Business Conduct and Ethics and Compliance Program.

Our Code of Business Conduct and Ethics and Compliance Program requires, among other things, that all of our company's personnel shall be accorded full access to our Chief Executive Officer with respect to any matter which may arise relating to the Code of Business Conduct and Ethics and Compliance Program. Further, all of our company's personnel are to be accorded full access to our company's board of directors if any such matter involves an alleged breach of the Code of Business Conduct and Ethics and Compliance Program by our officers.

In addition, our Code of Business Conduct and Ethics and Compliance Program emphasizes that all employees, and particularly managers and/or supervisors, have a responsibility for maintaining financial integrity within our company, consistent with generally accepted accounting principles, and federal, provincial and state securities laws. Any employee who becomes aware of any incidents involving financial or accounting manipulation or other irregularities, whether by witnessing the incident or being told of it, must report it to his or her immediate supervisor or to our corporate secretary. If the incident involves an alleged breach of the Code of Business Conduct and Ethics and Compliance Program by an executive officer, the incident must be reported to any member of our board of directors. Any failure to report such inappropriate or irregular conduct of others is to be treated as a severe disciplinary matter.

It is against our company policy to retaliate against any individual who reports in good faith the violation or potential violation of our company's Code of Business Conduct and Ethics and Compliance Program by another.

Our Code of Business Conduct and Ethics and Compliance Program was filed with the SEC as Exhibit 14.2 to our quarterly report on Form 10-Q dated July 31, 2008 filed on September 15, 2008. Our Code of Business Conduct and Ethics and Compliance Program and Compliance Program is also posted on our website at www.counterpath.com. We will provide a copy of the Code of Business Conduct and Ethics and Compliance Program to any person without charge, upon request. Requests can be sent to: CounterPath Corporation, Suite 300, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada V7X 1M3, Attention Corporate Secretary.

Director Nominations

As of the date of this annual report, we did not effect any material changes to the procedures by which our shareholders may recommend nominees to our board of directors. Our company does not currently have a policy with regard to the consideration of any director candidates recommended by our stockholders. Our board of directors does not believe that it is necessary to have a policy with regard to the consideration of any director candidates recommended by stockholders as any such candidates can be appropriately evaluated by our board of directors. We, however, encourage stockholders to recommend candidates directly to the Corporate Secretary by sending communications to "The Secretary of CounterPath Corporation", c/o CounterPath Corporation, Suite 300 - 505 Burrard Street, Box 95, Vancouver, British Columbia, Canada V7M 1X3.

Committees Of The Board Of Directors

We currently act with a standing Audit Committee and Compensation Committee. We do not have a standing nominating committee or corporate governance committee but our entire board of directors acts as our nominating and corporate governance committee.

Audit Committee

The Audit Committee was formed in September 2007. During the year ended April 30, 2009, the Audit Committee held four meetings. The Audit Committee currently consists of Peter Charbonneau, Chris Cooper and William Jin. Mr. Cooper acts as the Audit Committee Chairman. Messrs. Charbonneau, Cooper and Jin are also non-employee directors of our company. Messrs. Charbonneau, Cooper and Jin are considered independent directors as defined by Rule 4200(a)(15) of the Rules of Nasdaq Marketplace Rules and National Instrument 52-110, adopted by various Canadian securities commissions. Each of the members of the Audit Committee are financially literate as defined by National Instrument 52-110. For a description of Messrs. Charbonneau, Cooper and Jin's education and experience, see the section of this proxy statement entitled "Nominees for Election".

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee is directed to review the scope, cost and results of the independent audit of our books and records, the results of the annual audit with management and the adequacy of our accounting, financial and operating controls; to recommend annually to our board of directors the selection of the independent registered accountants; to consider proposals made by the independent registered accountants for consulting work; and to report to our board of directors, when so requested, on any accounting or financial matters. Our board of directors adopted a charter for the Audit Committee on December 13, 2007, a copy of which is attached as Exhibit B to our definitive proxy statement filed with the SEC on August 29, 2008.

Audit Committee Financial Expert

The Securities Exchange Act requires the board of directors to determine if a member of its Audit Committee is an "audit committee financial expert." According to these requirements, an Audit Committee member can be designated an Audit Committee financial expert only when the Audit Committee member satisfies specified qualification requirements, such as experience (or "experience actively supervising" others engaged in) preparing, auditing, analyzing, or evaluating financial statements presenting a level of accounting complexity comparable to what is encountered in connection with our company's financial statements. Such qualifications may be acquired through specified means of experience or education. The board of directors has determined that Mr. Charbonneau qualifies as an Audit Committee financial expert.

Item 11. Executive Compensation.

The particulars of compensation paid to the following persons:

(a) our principal executive officer;

(b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended April 30, 2009; and

(c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the year ended April 30, 2009,

who we will collectively refer to as our “named executive officers”, of our company for the years ended April 30, 2009 and 2008, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officer, whose total compensation does not exceed \$100,000 for the respective fiscal year:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)⁽¹⁾	Other Annual Compensation (\$)⁽²⁾	Total (\$)
Donovan Jones ⁽³⁾ President, Chief Executive Officer and Director	2009	223,560	92,394	Nil	230,524	22,689	569,166
	2008	185,634	174,512	Nil	153,793	19,984	533,923
Greg Pelling ⁽⁴⁾ Chief Strategy Officer and Director	2009	165,534	91,596	Nil	97,210	279,422	633,762
	2008	155,891	83,754	Nil	131,113	17,914	388,672
David Karp Chief Financial Officer, Treasurer and Secretary	2009	160,326	33,999	Nil	108,093	Nil	302,418
	2008	176,328	72,771	Nil	96,717	Nil	345,816
Jason Fischl ⁽⁵⁾ Chief Technology Officer	2009	141,138	36,535	Nil	119,714	Nil	297,387
	2008	176,187	27,090	Nil	125,579	Nil	328,856
James Lapalme ⁽⁶⁾ Vice President Sales - Channels and Strategic Accounts	2009	132,428	61,915	Nil	13,474	Nil	207,817
	2008	37,312	Nil	Nil	28,524	Nil	65,836

(1) For a description of the methodology and assumptions used in valuing the option awards granted to our officers and directors during the year ended April 30, 2009, please review Note 8 to the financial statements included herein.

(2) The value of perquisites and other personal benefits, securities and property for the individuals included in the summary compensation table that does not exceed \$10,000 is not reported herein.

(3) Mr. Jones was appointed as our President and Chief Operating Officer on April 24, 2006 and our President and Chief Executive Officer on April 30, 2008.

(4) Mr. Pelling was appointed Chief Executive Officer on August 2, 2007 and continued serving as such until April 30, 2008, when he was appointed our Chief Strategy Officer. Mr. Pelling resigned on February 11, 2009. Pursuant to a Settlement Agreement entered into on November 1, 2008 between Mr. Pelling and our company, we paid Mr. Pelling \$125,806 (CDN\$142,500) in shares of common stock of our company by the issuance of 279,412 shares.

(5) Mr. Fischl resigned from our company on March 31, 2009.

(6) Mr. Lapalme joined our company on February 1, 2008 and his employment with our company was terminated on June 3, 2009.

Employment Agreements with Named Executive Officers

Donovan Jones entered into an employment agreement with our company dated September 13, 2007, as amended, whereby we pay to Mr. Jones CDN\$297,000 per year. In addition, Mr. Jones may earn a bonus of up to \$25,000 per fiscal quarter based upon the achievement of pre-determined objectives. Mr. Jones is also entitled to a bi-monthly expense allowance of CDN\$1,000. If Mr. Jones' employment agreement is terminated without cause, or there is a change of control (to the extent of at least 40.01% of the equity of our company), we, or Mr. Jones may, without cause, terminate his employment upon 6 months' written notice to our company. Following such notice, we will pay to Mr. Jones (i) CDN\$675,000 (in addition to any applicable bonus and/or incentive in respect of the last pay periods in which such bonus and/or incentive has not yet been awarded with objectives being considered fully met); (ii) extended medical and dental insurance coverage for a period of 24 months from termination; and (iii) all options, which have not vested shall immediately vest and become exercisable.

David Karp entered into an employment agreement with our company dated September 11, 2006, whereby we appointed Mr. Karp our Chief Financial Officer. Mr. Karp's current annual salary is CDN\$180,000. In addition, Mr. Karp may earn a bonus of up to 30% of his salary based upon the achievement of pre-determined objectives. Mr. Karp is also entitled to a monthly expense allowance of CDN\$800. If we terminate the agreement for any reason other than for cause, we are required to pay Mr. Karp a sum equal to CDN\$120,000 in addition to any applicable bonus or compensation as set out in the Employment Agreement. In addition, for each year of employment, our company is required to pay Mr. Karp an amount equal to one month of his total compensation for each year of employment. In addition, 1/24th of the number of stock options granted, multiplied by the number of months Mr. Karp is employed with us from the date of each respective grant, is immediately vested and exercisable. In the event of a change of control or greater than 50.01% of the issued and outstanding common shares of our company, all stock options granted to Mr. Karp will become immediately vested and exercisable.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes the outstanding equity awards held by each named executive officer of our company as of April 30, 2009: The options generally vest in the amount of 12.5% on the date which is six months from the date of grant and then beginning in the seventh month at 1/42 per month for 42 months, at which time the options are fully vested.

Option Awards					
Name	Number of Securities Underlying Options (#) Exercisable	Number of Securities Underlying Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
Donovan Jones	157,500 ⁽¹⁾	22,500 ⁽¹⁾	—	\$1.95	October 10, 2015
	19,013 ⁽²⁾	4,388 ⁽²⁾	—	\$1.95	January 10, 2016
	98,875 ⁽³⁾	36,725 ⁽³⁾	—	\$3.05	May 23, 2016
	57,292 ⁽⁴⁾	192,708 ⁽⁴⁾	—	\$1.75	May 14, 2013
	—	600,000 ⁽⁵⁾	—	\$0.62	April 17, 2014
Greg Pelling	200,000 ⁽⁶⁾	—	—	\$2.00	December 31, 2014
David Karp	85,000 ⁽⁷⁾	155,000 ⁽⁷⁾	—	\$2.15	September 7, 2016
	—	75,000 ⁽⁸⁾	—	\$0.44	December 15, 2013
	—	250,000 ⁽⁹⁾	—	\$0.62	April 17, 2014
Jason Fischl	205,000 ⁽¹⁰⁾	205,000 ⁽⁸⁾	—	\$1.95	October 10, 2015
	24,700 ⁽¹¹⁾	24,700 ⁽⁹⁾	—	\$1.95	January 10, 2016
	28,817 ⁽¹²⁾	28,817 ⁽¹⁰⁾	—	\$3.05	May 23, 2016

Option Awards					
Name	Number of Securities Underlying Options (#) Exercisable	Number of Securities Underlying Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
James Lapalme	37,466 ⁽¹³⁾ —	44,758 ⁽¹³⁾ 25,000 ⁽¹⁴⁾	— —	\$0.43 \$0.44	February 24, 2016 December 15, 2013

- (1) Granted on October 10, 2005.
(2) Granted on January 10, 2006.
(3) Granted on May 23, 2006.
(4) Granted on May 14, 2008.
(5) Granted on April 17, 2009.
(6) Granted on August 2, 2007.
(7) Granted on September 7, 2006.
(8) Granted on December 15, 2008.
(9) Granted on April 17, 2009.
(10) Granted on October 10, 2005. Employment terminated on March 31, 2009.
(11) Granted on January 10, 2006. Employment terminated on March 31, 2009.
(12) Granted on May 23, 2006. Employment terminated on March 31, 2009.
(13) Granted on February 1, 2008. Employment terminated on June 3, 2009.
(14) Granted on December 15, 2008. Employment terminated on June 3, 2009.

Compensation of Directors

During the fiscal year ended April 30, 2009, there were no standard or other arrangements pursuant to which any of our directors were compensated for services provided in their capacity as directors. During the fiscal year ended April 30, 2009, there were no options granted to our directors except as set forth below. We plan to compensate directors for their services in fiscal year 2010 according to the following schedule: A retainer of CDN\$15,000 for each board member; a retainer of CDN\$15,000 for the chairman; a retainer of CDN\$5,000 for the audit committee chair; and retainer of CDN\$2,500 for the compensation committee chair; and a retainer of CDN\$5,000 for each audit committee or compensation committee member. Directors may be paid the retainers in cash, or at the Board's option, in a form of equity compensation under an existing equity compensation plan of our company.

Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our Board. The Board may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director.

The following table summarizes compensation paid to all of our non-employee directors for the fiscal year ended April 30, 2009:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark Bruk ⁽¹⁾	Nil	Nil	Nil	N/A	N/A	N/A	Nil
Peter Charbonneau	Nil	Nil	Nil	N/A	N/A	N/A	Nil
Chris Cooper ⁽²⁾	Nil	Nil	Nil	N/A	N/A	N/A	Nil
William Jin	Nil	Nil	Nil	N/A	N/A	N/A	Nil
Terence Matthews ⁽³⁾	Nil	Nil	Nil	N/A	N/A	N/A	Nil
Owen Matthews	Nil	Nil	Nil	N/A	N/A	N/A	Nil
Larry Timlick ⁽⁴⁾	Nil	Nil	Nil	N/A	N/A	N/A	Nil

- (1) At April 30, 2009, Mr. Bruk held an aggregate of 339,000 stock options.
(2) At April 30, 2009, Mr. Cooper held an aggregate of 40,000 stock options.
(3) At April 30, 2009, Mr. Matthews held an aggregate of 18,000 stock options.
(4) At April 30, 2009, Mr. Timlick held an aggregate of 40,000 stock options.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of our shares of common stock as of July 23, 2009, by each person who is known by us to beneficially own more than 5% of our shares of common stock, by each of our officers and directors and by all of our officers and directors as a group. In general, a person is deemed to be a “beneficial owner” of a security if that person has or shares the power to vote or direct the voting of such security, or the power to dispose or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which the person has the right to acquire beneficial ownership within 60 days. As of July 23, 2009, we had 29,409,420 shares of common stock issued and outstanding. In addition, as of July 23, 2009, there was one (1) series A special voting share and 219,841 exchangeable shares of 6789722 Canada Inc. outstanding. The voting share entitles the holder to one (1) vote for each exchangeable share of 6789722 Canada outstanding as of July 23, 2009. Each exchangeable share of 6789722 Canada is exchangeable at any time, at the election of the holder thereof, or in certain circumstances, our company, into one (1) share of common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percentage of Class ⁽²⁾
Terence Matthews 350 Legget Drive, P.O. Box 13089 Kanata, Ontario	6,125,950 ⁽³⁾	20.6%
Steven Bruk 3790 Southridge Avenue West Vancouver, BC, Canada V7V 3J1	3,746,468 ⁽⁴⁾	12.4%
Owen Matthews 2710 Thorpe Place Victoria, BC V8R 2W4	2,277,467	7.7%
Mark Bruk Suite 302, 738 Broughton Street Vancouver, British Columbia Canada V6G 3A7	1,447,889 ⁽⁵⁾	4.9%
Donovan Jones 2266 – 1384 Street White Rock, British Columbia Canada V3C 2G7	447,868 ⁽⁶⁾	1.5%
Greg Pelling Suite 908-360 Bloor Street East Toronto, Ontario, M4W 3M3	400,000 ⁽⁷⁾	1.3%
David Karp 3780 Bayridge Ave. West Vancouver, British Columbia Canada V7V 3J2	211,024 ⁽⁸⁾	**
Chris Cooper 5630 Olympic Street, Vancouver, British Columbia Canada V6N 1Z5	64,995 ⁽⁹⁾	**
Larry Timlick 4750 The Glen West Vancouver, British Columbia Canada V7S 3C3	50,000 ⁽¹⁰⁾	**
Peter Charbonneau Tower B, 830 – 555 Legget Drive Ottawa, Ontario Canada K2K 2X3	Nil ⁽¹¹⁾	Nil
William Jin 200 Front Street West, Suite 3003 P.O. Box 10 Toronto, Ontario Canada M5V 3K2	Nil ⁽¹²⁾	Nil
Directors and Executive Officers as a Group	14,771,643	46.3%

** Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.
- (2) Percentage based on 29,409,420 shares of common stock outstanding on July 23, 2009, including shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of July 23, 2009 which are deemed outstanding for

computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

- (3) Includes 5,468,038 shares of common stock held by Wesley Clover Corporation and 306,775 shares of common stock held by Celtic Tech Jet Limited. Also includes shares subject to stock options of a total of 18,000 shares of common stock issued on August 2, 2007 and held by Mr. Matthews that are vested and are exercisable at a price of \$2.00 per common share, expiring between October 1, 2012 and February 28, 2015. Also includes 333,137 warrants held by Wesley Clover Corporation, each warrant of which entitles the holder to purchase one share of common stock at the exercise price of \$2.25 per share on or before July 31, 2010.
- (4) Includes 146,000 shares of common stock held by the spouse of Mr. Bruk and 2,000,000 shares of common stock held by KMB Trac Two Holdings Ltd. ("KMB"). Mr. Bruk's spouse is the sole shareholder of KMB. Also includes 750,000 warrants held by KMB, each warrant of which entitles the holder to purchase one share of common stock at the exercise price of \$4.00 per share on or before November 30, 2009.
- (5) Includes 310,748 shares of common stock subject to vested stock options of a total of 339,000 shares of common stock subject to stock options issued on January 10, 2006 and held by Mr. Bruk that will be vested within 60 days of July 23, 2009, and are exercisable at a price of \$1.95 per share, expiring on January 10, 2011. Also includes 16,667 warrants, each warrant of which entitles Mr. Bruk to purchase one share of common stock at the exercise price of \$2.25 per share on or before July 31, 2010.
- (6) Includes 394,035 shares of common stock subject to vested stock options of a total of 1,189,000 shares of common stock subject to stock options and held by Mr. Jones that are exercisable within 60 days of July 23, 2009, including 176,250 stock options issued on June 1, 2005 and repriced on October 10, 2005 that are exercisable at \$1.95 per share until October 7, 2010, 21,453 stock options issued on January 10, 2006 that are exercisable at \$1.95 per share until January 10, 2016, 113,000 stock options issued on May 23, 2006 that are exercisable at \$3.05 per share until May 23, 2016 and 83,332 stock options issued on May 14, 2008 that are exercisable at \$1.75 per share until May 14, 2014. Also includes 16,667 warrants, each warrant of which entitles Mr. Jones to purchase one share of common stock at the exercise price of \$2.25 per share on or before July 31, 2010.
- (7) Includes 200,000 shares of common stock subject to stock options issued on August 2, 2007 and held by Mr. Pelling that are vested and are exercisable at a price of \$2.00 per share, expiring on December 31, 2014. Also includes 50,000 exchangeable shares, each exchangeable share of which entitles Mr. Pelling to exchange one exchangeable share for one share of common stock.
- (8) Includes 194,063 shares of common stock subject to vested stock options of a total of 565,000 shares of common stock subject to stock options and held by Mr. Karp that will be vested within 60 days of July 23, 2009, including 180,000 stock options issued on September 7, 2006 that are exercisable at a price of \$2.15 per share, expiring on September 7, 2016 and 14,063 stock options issued on December 15, 2008 that are exercisable at a price of \$0.44 per share, expiring on December 15, 2013. Also includes 5,000 warrants, each warrant of which entitles Mr. Karp to purchase one common share at the exercise price of \$2.25 per share on or before July 31, 2010.
- (9) Includes 40,000 shares of common stock subject to vested stock options issued on September 7, 2005 and held by Mr. Cooper that are vested, and are exercisable at a price of \$2.15 per share, expiring on September 7, 2010. Also includes 8,328 warrants, each warrant of which entitles Mr. Cooper to purchase one common share at the exercise price of \$2.25 per share on or before July 31, 2010.
- (10) Includes 40,000 shares of common stock subject to vested stock options issued on September 7, 2005 and held by Mr. Timlick that are vested, and are exercisable at a price of \$2.15 per share, expiring on September 7, 2010.
- (11) Mr. Charbonneau is a principal of the general partner of Skypoint Telecom Fund II, which holds 1,807,692 shares of common stock.
- (12) Mr. Jin is senior vice president of Covington Capital, a venture capital company which manages Covington Venture Fund Inc. which holds 3,140,240 shares of common stock and 666,274 warrants, each warrant of which entitles Covington Venture Fund Inc. to purchase one common share at the exercise price of \$2.25 per share on or before July 31, 2010.

Changes in Control

As of July 23, 2009, management had no knowledge of any arrangements which may at a subsequent date result in a change in control of our company.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transaction with related persons, promoters and certain control persons

No director, nominee, executive officer, principal shareholder holding at least 5% of our shares of common stock, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transactions, since May 1, 2008, the beginning of our last fiscal year, in which the amount involved in the transaction exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years other than the following:

Our Chairman of the Board is the Chairman and founding shareholder of Mitel Networks Corporation. NewHeights Software Corporation entered into a distribution agreement with Mitel on June 15, 2004 and amended such agreement on August 7, 2007. NewHeights was acquired by our company on August 2, 2007 and was amalgamated on February 5, 2008 with our company's wholly-owned subsidiary, CounterPath Solutions R&D Inc. under the name CounterPath Technologies Inc. Under the terms of the distribution agreement, we earn a specified fee from Mitel based on the number of product licenses sold to Mitel. Our software revenue for the year ended April 30, 2009, pursuant to the terms of these agreements, was \$1,225,757 (2008 - \$2,026,557). On July 31, 2008 we entered into a source code license agreement whereby we licensed to Mitel the source code for our Your Assistant product in consideration of a payment of \$650,000.

Associated with the agreement are ongoing license fees per copy deployed to be paid by Mitel over four years and declining from \$12.00 to \$7.50 per copy after two years and declining from \$7.50 to nil after four years. In addition, the agreement provides Mitel with a first right to match any third party offer to purchase the source code software and related intellectual property.

In connection with a non-brokered private placement of 2,433,439 units which closed on July 31, 2008, Wesley Clover Corporation, a company controlled by the Chairman of our Board, purchased 666,274 units, at a price of \$1.50 (CDN\$1.54) per unit, for aggregate proceeds of \$1,002,463 (CDN\$1,026,062). Each unit consisted of one share of common stock and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one share of common stock at a price of \$2.25 for a period of two years from the closing of the private placement. As the unit price of \$1.50 (CDN\$1.54) per unit was below the closing market price of \$1.60 (CDN\$1.64) per share of our common stock on the date of the transaction and included one-half of one common share purchase warrant, our company recorded a compensatory charge to general and administrative expenses for the year ended April 30, 2009 of \$171,308.

During the year ended April 30, 2009, our wholly owned subsidiary, FirstHand Technologies Inc., paid \$277,451 (2008 - \$71,500) to Kanata Research Park Corporation for leased office space. Kanata Research Park is controlled by the Chairman of our Board.

Director Independence

We currently act with nine directors, consisting of Donovan Jones, Greg Pelling, Terrence Mathews, Mark Bruk, Owen Matthews, Chris Cooper, Larry Timlick, Peter Charbonneau and William Jin. We have determined that Chris Cooper, Larry Timlick, Peter Charbonneau and William Jin are independent directors as defined by Rule 4200(a)(15) of the Rules of Nasdaq Marketplace Rules and National Instrument 52-110, adopted by various Canadian securities commissions.

Item 14. Principal Accountant Fees and Services.

Audit fees and other services provided by our independent registered public accounting firms, BDO Dunwoody LLP during the years ended April 30, 2009 and 2008, were as follows:

	2009	2008
Audit Fees	\$ 152,188	\$ 229,798
Audit Related Fees	Nil	Nil
Tax Fees	\$ 4,017	\$ 42,277
All Other Fees	Nil	Nil
Total Fees	\$ 156,205	\$ 272,075

Audit Fees

This category includes the fees for the audit of our consolidated financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with Securities and Exchange filings including the Form S-8 and Form S-8/A in respect of registration of common shares of the Company pursuant to the Employee Share Purchase Plan and the 2004 Stock Option Plan and Amended and Restated 2005 Stock Option Plan during the year ended April 30, 2009.

Audit Related Fees

There were no audited related fees paid to BDO Dunwoody LLP, during our fiscal years ended April 30, 2009 and April 30, 2008.

Tax Fees

This category includes the fees for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

There were no fees paid to BDO Dunwoody LLP, that are not covered under the headings set out above during our fiscal years ended April 30, 2009 and April 30, 2008.

We do not use BDO Dunwoody LLP, for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally or by other service providers. We do not engage BDO Dunwoody LLP, to provide compliance outsourcing services.

Effective May 6, 2003, the SEC adopted rules that require that before BDO Dunwoody LLP is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or
- entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

Our audit committee who act as our audit committee pre-approved all services provided by our independent accountant. All of the services and fees described under the categories of "Audit Fees", "Audit Related Fees", "Tax Fees" and "All Other Fees" were reviewed and approved by our board of directors before the respective services were rendered.

Our audit committee has considered the nature and amount of the fees billed by BDO Dunwoody LLP, and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining the independence of BDO Dunwoody LLP.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

List of documents filed as part of the report

The following documents are filed as part of this report:

(a)(1) Financial Statements:

1. Report of Independent Registered Public Accounting Firm;
2. Consolidated Balance Sheets;
3. Consolidated Statements of Operations and Comprehensive Loss;
4. Consolidated Statements of Cash Flows;
5. Consolidated Statement of Changes in Stockholders' Equity (Capital Deficit); and
6. Notes to the Consolidated Financial Statements.

(a)(2) Financial Statement Schedules:

None.

(a)(3) Exhibits:

(3) Articles of Incorporation and By-laws

- 3.1 Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).
- 3.2 Bylaws (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).
- 3.3 Amended Bylaws (incorporated by reference from our Registration Statement on Form SB-2/A filed on September 3, 2003).
- 3.4 Articles of Merger (incorporated by reference from our Current Report on Form 8-K filed on September 15, 2005).
- 3.5 Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on April 28, 2006).
- 3.6 Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on April 22, 2008).

(4) Instruments defining the rights of security holders, including indentures

- 4.1 2004 Stock Option Plan effective May 18, 2004 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
- 4.2 Form of Stock Option Agreement for 2004 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
- 4.3 2005 Stock Option Plan effective March 4, 2005 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
- 4.4 Form of Stock Option Agreement for 2005 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
- 4.5 Form of Amended & Restated Stock Option and Subscription Agreement (Canadian) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).
- 4.6 Form of Amended & Restated Stock Option and Subscription Agreement (US) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).

(10) Material Contracts

- 10.1 Employment Agreement between CounterPath Solutions, Inc. and Jason Fischl dated August 29, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).
- 10.2 Employment Agreement between CounterPath Solutions, Inc. and Donovan Jones dated June 1, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).
- 10.3 Employment Agreement between CounterPath Solutions, Inc. and David Karp dated September 11, 2006 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2006).
- 10.4 Form of Subscription Agreement dated November 30, 2006, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.5 Form of Subscription Agreement dated November 30, 2006, between our company and KMB Trac Two Holdings Ltd (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).

- 10.6 Form of Convertible Note dated November 30, 2006 (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.7 Form of Warrant Certificate dated November 30, 2006 (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.8 Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated February 1, 2007 (incorporated by reference from our Quarterly Report on Form 10QSB filed on March 9, 2007).
- 10.9 Employment Agreement between Mark Bruk and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated March 8, 2007 (incorporated by reference from our Quarterly Report on Form 10QSB filed on March 9, 2007).
- 10.10 Arrangement Agreement among CounterPath Solutions, Inc., 6789722 CANADA INC., a wholly owned subsidiary of CounterPath Solutions, Inc. and NewHeights Software Corporation dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8-K filed on June 18, 2007).
- 10.11 Support and Lock-Up Agreements between CounterPath Solutions, Inc and each of Owen Matthews and Wesley Clover dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8-K filed on June 18, 2007).
- 10.12 Subscription Agreement between CounterPath Solutions, Inc and Wesley Clover dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8-K filed on June 18, 2007).
- 10.13 Amended Employment Agreement between Mark Bruk and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated July 24, 2007 (incorporated by reference from our Annual Report on Form 10-KSB/A filed on July 30, 2007).
- 10.14 Exchangeable Share Support Agreement between CounterPath Solutions, Inc. and 6789722 Canada Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.15 Voting and Exchange Trust Agreement among CounterPath Solutions, Inc., 6789722 Canada Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. and Valiant Trust Company dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.16 Piggyback Registrations Rights Agreement among our company and various shareholders, dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.17 Form of Subscription Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.18 Installment Subscription Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.19 Loan Conversion Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.20 Form of Stock Option and Subscription Agreement dated August 2, 2007, between our company and each of the former optionees of NewHeights Software Corporation (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.21 Escrow Agreement among our company, Owen Matthews, Wesley Clover and Clark Wilson LLP dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

- 10.22 Employment Agreement between Greg Pelling and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2007).
- 10.23 Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2007).
- 10.24 Employment Agreement between Mark Bruk and CounterPath Corporation dated December 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on December 17, 2007).
- 10.25 Share Exchange Agreement dated January 28, 2008 among CounterPath Corporation, FirstHand Technologies Inc. and certain shareholders of FirstHand Technologies Inc. (incorporated by reference from our Current Report on Form 8-K filed on January 29, 2008).
- 10.26 Escrow Agreement dated February 1, 2008 among CounterPath Corporation, FirstHand Technologies Inc. and certain shareholders of FirstHand Technologies Inc. (incorporated by reference from our Current Report on Form 8-K filed on February 5, 2008).
- 10.27 Agreement of Merger and Plan of Reorganization dated February 1, 2008 among our company, CounterPath Acquisition Corp., BridgePort Networks, Inc. and certain shareholders of BridgePort Networks, Inc. (incorporated by reference from our Current Report on Form 8-K filed on February 5, 2008).
- 10.28 Form of Subscription Agreement dated July 31, 2008 between our company and various investors (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 15, 2008).
- 10.29 Form of Subscription Agreement dated October 28, 2008 between our company and an investor (filed herewith).
- 10.30 Settlement Agreement amongst Greg Pelling, CounterPath Corporation and CounterPath Technologies Inc. dated October 31, 2008 (incorporated by reference from our Quarterly Report on Form 10-Q filed on December 15, 2008).
- 10.31 Settlement Agreement amongst Mark Bruk, CounterPath Corporation, and CounterPath Technologies Inc. dated March 12, 2009 (incorporated by reference from our Quarterly Report on Form 10-Q filed on March 12, 2009).

[10.32 Form of Debt Conversion Agreement dated July 17, 2009 between our company and The Trustees of Columbia University in the City of New York \(filed herewith\).](#)

(14) Code of Ethics

- 14.1 Code of Business Conduct and Ethics (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2004).
- 14.2 Code of Business Conduct and Ethics and Compliance Program (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 15, 2008).

(21) Subsidiaries of CounterPath Corporation

[CounterPath Technologies Inc. \(incorporated in the Province of British Columbia, Canada\)](#)

[6789722 Canada Inc. \(incorporated in Canada\)](#)

[FirstHand Technologies Inc. \(continued into the Province of British Columbia, Canada\)](#)

[BridgePort Networks, Inc. \(incorporated in the state of Delaware\)](#)

[BridgePort Networks \(Europe\) Ltd. \(incorporated in the United Kingdom\)](#)

(23) Consent of Experts and Counsel

[23.1 Consent of Independent Registered Public Accounting Firm](#)

(31) Section 302 Certifications

[31.1 Section 302 Certification of Donovan Jones \(filed herewith\).](#)

[31.2 Section 302 Certification of David Karp \(filed herewith\).](#)

(32) Section 906 Certifications

[32.1 Section 906 Certification of Donovan Jones \(filed herewith\).](#)

[32.2 Section 906 Certification of David Karp \(filed herewith\).](#)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COUNTERPATH CORPORATION

By: /s/ Donovan Jones
Donovan Jones
President, Chief Executive Officer & Director
Date: July 27, 2009

Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Terence Matthews</u> Terence Matthews	Chairman and Director	July 27, 2009
<u>/s/ Donovan Jones</u> Donovan Jones	President, Chief Executive Officer and Director	July 27, 2009
<u>/s/ David Karp</u> David Karp	Chief Financial Officer, Treasurer and Secretary	July 27, 2009
<u>/s/ Owen Matthews</u> Owen Matthews	Vice Chairman and Director	July 27, 2009
<u>/s/ Mark Bruk</u> Mark Bruk	Vice Chairman and Director	July 27, 2009
<u>/s/ Peter Charbonneau</u> Peter Charbonneau	Director	July 27, 2009
<u>/s/ Chris Cooper</u> Chris Cooper	Director	July 27, 2009
<u>/s/ William Jin</u> William Jin	Director	July 27, 2009
<u>/s/ Greg Pelling</u> Greg Pelling	Director	July 27, 2009
<u>/s/ Larry Timlick</u> Larry Timlick	Director	July 27, 2009

NONE OF THE SECURITIES TO WHICH THIS PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT (THE "AGREEMENT") RELATES HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY U.S. STATE SECURITIES LAWS, AND, UNLESS SO REGISTERED, NONE MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO U.S. PERSONS (AS THAT TERM IS DEFINED IN REGULATION S UNDER THE 1933 ACT) EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE 1933 ACT, PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT, OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND IN EACH CASE ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES SHALL NOT TRADE THE SECURITIES BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY FROM DATE OF ISSUANCE.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY FROM DATE OF ISSUANCE.

DEBT CONVERSION AGREEMENT

(U.S. Subscriber)

TO: **CounterPath Corporation** (the "Company")
Suite 300, One Bentall Centre, 505 Burrard Street
Vancouver, British Columbia, Canada V7X 1M3

WHEREAS:

A. The Trustees of Columbia University in the City of New York ("Columbia" or the "Subscriber") and FirstHand Technologies Inc. ("FirstHand") are parties to: (i) an Amended Research Agreement dated as of June 30, 2003, together with all amendments to such agreement to date, and (ii) an Amended Omnibus Agreement dated as of June 30, 2003, together with all amendments to such agreement to date (collectively, as amended, the "Columbia Agreements");

B. On February 1, 2008, the Company acquired all of the issued and outstanding shares of FirstHand pursuant a Share Exchange Agreement (the "Exchange Agreement") dated January 28, 2008 between the Company and certain shareholders of FirstHand;

C. In connection with the Exchange Agreement, the Company, FirstHand and Columbia executed a joint Agreement and Acknowledgement whereby it was agreed that, among other things, the closing of the Exchange Agreement would not terminate the Columbia Agreements and that FirstHand and the Company would continue to be bound by the terms of the Columbia Agreements;

D. In connection with the Columbia Agreements, FirstHand, the Company and Columbia have agreed that the total amount of debt to be settled by way of equity issuance is US\$393,416.61 (the "Outstanding Debt"), which includes all of the outstanding and unpaid patent fees of US\$193,416.61 owing up until March 19, 2009, net of US\$100,000 credited to FirstHand in consideration of certain technologies reverted back to Columbia, in accordance with the Third Amendment to the Omnibus Agreement (the "Omnibus Amendment"), which is being entered into by the parties and FirstHand simultaneously with the execution and delivery of this Agreement, and all

of the agreed upon outstanding and unpaid research fees of US\$200,000 due under the Columbia Agreements up until June 30, 2009 (excluding an additional US\$246,519 of such fees, the due date for which has been extended to June 30, 2010) representing all of the research fees remaining under the Amended Research Agreement together with all amendments; and

E. Columbia has agreed to convert the Outstanding Debt into common shares of the Company pursuant to the terms and conditions of this Agreement.

NOW THEREFORE this Agreement witnesses that for and in consideration of the mutual covenants, agreements, representations and warranties in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each party, the parties agree as follows:

1. Acknowledgment of Debt

1.1 The Company and the Subscriber acknowledge and agree that, as of the date of this Agreement, FirstHand and the Company are, jointly and severally, indebted to the Subscriber in the amount of the Outstanding Debt comprised of the following:

- (a) US\$193,416.61 for patent fees up until March 19, 2009, net of US\$100,000 credited to FirstHand, as described above; and
- (b) US\$200,000 of the outstanding US\$446,591 in research fees owing up until June 30, 2009.

2. Subscription and Release

2.1 On the basis of the representations and warranties and subject to the terms and conditions set forth herein, the Subscriber hereby irrevocably agrees, subject to Sections 4 and 10, on the Closing Date (as defined in Section 4.1), to convert the entire amount of the Outstanding Debt into the number of common shares of the Company (rounding any fraction of a share to the nearest whole share), determined by dividing the entire amount of the Outstanding Debt (calculated in Canadian dollars by multiplying the US dollar amount of the Outstanding Debt by the prior day exchange rate in Canadian dollars of one US dollar, as listed in the New York edition of the Wall Street Journal on the TSX-V trading day immediately preceding the date that the Company receives acceptance from the TSX-V of the offering and the transactions contemplated hereby (the "Acceptance Date") by a conversion price (provided that such conversion price is not less than the Discounted Market Price as such term is defined in the policies of the TSX-V) per common share of the Company equal to the average daily actual sales price of the Common Stock on the TSX-V on each on the ten (10) trading days immediately preceding the Acceptance Date, or, if no such sales have occurred on any of such dates, utilizing for each such date on which no sales have occurred, the average of the closing bid and asked prices on the TSX-V on such date, and (such subscription and agreement to convert being the "Subscription" and such number of common shares being the "Shares"). The Company shall not effect any stock split, reverse stock split, stock dividend or any other capital change to its common stock on or prior to, or which has a record date on or prior to, the Closing Date. The conversion of the Outstanding Debt into the Shares shall occur automatically upon the Closing Date, without further action on the part of either party hereto.

2.2 On the basis of the representations and warranties and subject to the terms and conditions set forth herein, the Company hereby irrevocably agrees to issue the Shares, as duly issued and authorized, fully paid and non-assessable shares, and deliver a duly and validly issued certificate representing the Shares, to the Subscriber on the Closing Date, in exchange for the conversion of the Outstanding Debt. The Subscriber hereby agrees that upon delivery of the Shares by the Company in accordance with the provisions of this Agreement and applicable law, all amounts outstanding under the Outstanding Debt will be fully satisfied and extinguished, and the Subscriber will remise, release and forever discharge FirstHand and the Company and their respective directors, officers, employees, successors, solicitors, agents and assigns from any and all obligations to pay the Outstanding Debt, other than any such obligations arising out of or in connection with the issuance, sale and delivery of the Shares or otherwise under this Agreement and/or the Omnibus Amendment.

3. Documents Required from Subscriber

3.1 The Subscriber has completed, signed and returned to the Company the following documents:

- (a) two (2) executed copies of this Agreement;
- (b) an Accredited Investor Questionnaire in the form attached as Exhibit A (the "Questionnaire"); and
- (c) if the Subscriber does not have a current Corporate Placee Registration Form on file with the TSX Venture Exchange (the "TSX-V"), the Corporate Placee Registration Form attached as Exhibit B hereto.

3.2 The Subscriber shall complete, sign and return to the Company, within thirty (30) days following request by the Company, any additional documents, questionnaires, notices and undertakings as may be required to be furnished by Columbia to comply with applicable securities or stock exchange laws and regulations in connection with the issuance of the Shares.

4. Conditions and Closing

4.1 Closing of the offering of shares shall occur on the fifth business day following the Acceptance Date (the "Closing Date"). The Company shall, at its own cost and expense, use all reasonable efforts to obtain the acceptance by the TSX-V of this Agreement and the transactions contemplated hereby as soon as may be practicable following the execution and delivery of this Agreement. Not later than the first business day following the Acceptance Date, the Company shall furnish to Columbia by facsimile (i) a copy of all documentation evidencing such acceptance by the TSX-V; (ii) notice of the Closing Date; and (iii) a reasonably detailed calculation of the number of Shares, including specification of each of the daily price components utilized in such calculation, the average thereof and the exchange rate involved. Notwithstanding the foregoing, if (A) the Company has breached any of its representations, warranties, covenants or agreements contained herein on or prior to the Closing Date; or (B) the Acceptance Date has not occurred on or prior to July 31, 2009, then Columbia may, by notice to the Company on or prior to the proposed Closing Date then Columbia may, at any time, by notice to the Company on or prior to the proposed Closing Date (in the case of clause (A) above) or by notice to the Company on or following July 8, 2009 (in the case of clause (B) above) rescind this Agreement and in such event, the Outstanding Debt continue to be outstanding.

5. Acknowledgements and Agreements of Subscriber

5.1 The Subscriber acknowledges and agrees that:

- (a) none of the Shares have been or, except as contemplated herein, will be registered under the 1933 Act, or under any state securities or "blue sky" laws of any state of the United States, and, unless so registered, may not be offered or sold in the United States or, directly or indirectly, to U.S. Persons, as that term is defined in Regulation S under the 1933 Act ("Regulation S"), except in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the 1933 Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and in each case only in accordance with applicable state and provincial securities laws;
 - (b) except as contemplated herein, the Subscriber acknowledges that the Company has not undertaken, and will have no obligation, to register any of the Shares under the 1933 Act;
 - (c) by completing the Questionnaire, the Subscriber is representing and warranting that the Subscriber is an "Accredited Investor", as defined in Regulation D of the 1933 Act;
 - (d) except as contemplated by or provided in this Agreement, including, without limitation, paragraphs (e) and (f) below, and the other agreements, instruments and documents delivered by
-

or on behalf of the Company in connection with the transactions contemplated by this Agreement (the "Transaction Documents"), the decision to execute this Agreement and acquire the Shares agreed to be acquired hereunder has not been based upon any oral or written representation as to fact or otherwise made by or on behalf of the Company and such decision is based entirely upon a review of any public information which has been filed by the Company with the Securities and Exchange Commission ("SEC") in compliance, or intended compliance, with applicable securities legislation;

- (e) the Subscriber and the Subscriber's advisor(s) have had a reasonable opportunity to ask questions of and receive answers from the Company in connection with the distribution of the Shares hereunder, and to obtain additional information, to the extent possessed or obtainable without unreasonable effort or expense, necessary to verify the accuracy of the information about the Company;
- (f) the books and records of the Company were available upon reasonable notice for inspection, subject to certain confidentiality restrictions, by the Subscriber during reasonable business hours at its principal place of business, and all documents, records and books in connection with the distribution of the Shares hereunder have been made available for inspection by the Subscriber, the Subscriber's lawyer and/or advisor(s);
- (g) the Company is entitled to rely on the representations and warranties of the Subscriber contained in this Agreement and the Questionnaire;
- (h) the Company will refuse to register any transfer of the Shares not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the 1933 Act or pursuant to an available exemption from the registration requirements of the 1933 Act and in accordance with any other applicable securities laws;
- (i) the Subscriber has been advised to consult the Subscriber's own legal, tax and other advisors with respect to the merits and risks of an investment in the Shares and with respect to applicable resale restrictions;
- (j) in addition to resale restrictions imposed under U.S. securities laws, there are additional restrictions on the Subscriber's ability to resell in Canada any of the Shares under the Securities Act (British Columbia) (the "B.C. Act") and National Instrument 45-102 adopted by the British Columbia Securities Commission;
- (k) the Subscriber consents to the placement of a legend on any certificate or other document evidencing any of the Shares to the effect that such securities have not been registered under the 1933 Act or any state securities or "blue sky" laws and setting forth or referring to the restrictions on transferability and sale thereof contained in this Agreement such legend to be substantially as follows:

NONE OF THE SECURITIES TO WHICH THIS AGREEMENT RELATES HAVE BEEN REGISTERED UNDER THE 1933 ACT, OR ANY U.S. STATE SECURITIES LAWS, AND, UNLESS SO REGISTERED, NONE MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED HEREIN) EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE 1933 ACT, PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT, OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND IN EACH CASE ONLY IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES SHALL NOT TRADE THE SECURITIES BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY FROM DATE OF ISSUANCE.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY FROM DATE OF ISSUANCE.”

- (l) the Company has advised the Subscriber that the Company is relying on an exemption from the requirements to provide the Subscriber with a prospectus to issue the Shares and, as a consequence of acquiring the Shares pursuant to such exemption certain protections, rights and remedies provided by the applicable securities legislation of British Columbia including statutory rights of rescission or damages, will not be available to the Subscriber;
- (m) the statutory and regulatory basis for the exemption claimed for the offer and sale of the Shares, although in technical compliance with Regulation S, would not be available if the offering is part of a plan or scheme to evade the registration provisions of the 1933 Act;
- (n) neither the SEC nor any other securities commission or similar regulatory authority has reviewed or passed on the merits of any of the Shares;
- (o) no documents in connection with the sale of the Shares hereunder have been reviewed by the SEC or any state securities administrators;
- (p) there is no government or other insurance covering any of the Shares; and
- (q) this Agreement is not enforceable by the Subscriber unless it has been accepted by the Company.

6. Representations, Warranties and Covenants of the Subscriber

6.1 The Subscriber hereby represents and warrants to and covenants with the Company (which representations, warranties and covenants shall survive the Closing) that:

- (a) it has the legal capacity and competence to enter into and execute this Agreement and to take all actions required pursuant hereto and, if the Subscriber is a corporate entity, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals have been obtained to authorize execution and performance of this Agreement on behalf of the Subscriber;
 - (b) the entering into of this Agreement and the transactions contemplated hereby do not result in the violation of any of the terms and provisions of any law applicable to, or, if the Subscriber is a corporate entity, the constating documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which the Subscriber is or may be bound; provided that no representation or warranty is made in this paragraph (b) concerning the Columbia Agreements;
 - (c) the Subscriber has duly executed and delivered this Agreement and it constitutes a valid and binding agreement of the Subscriber enforceable against the Subscriber;
-

- (d) the Subscriber has received and carefully read this Agreement;
 - (e) the Subscriber is acquiring the Shares as principal for investment only and not with a view to resale or distribution;
 - (f) the Subscriber is aware that an investment in the Company is speculative and involves certain risks, including the possible loss of the entire investment;
 - (g) the Subscriber has made an independent examination and investigation of an investment in the Shares and the Company and has depended on the advice of its legal and financial advisors;
 - (h) the Subscriber (i) has adequate net worth and means of providing for its current financial needs and possible personal contingencies, (ii) has no need for liquidity in this investment, and (iii) is able to bear the economic risks of an investment in the Shares for an indefinite period of time;
 - (i) the Subscriber understands and agrees that the Company and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained in this Agreement and the Questionnaire and agrees that if any of such acknowledgements, representations and agreements are no longer accurate or have been breached *prior to the Closing*, the Subscriber shall promptly notify the Company;
 - (j) the Subscriber (i) is able to fend for itself in the Subscription; (ii) has such knowledge and experience in business matters as to be capable of evaluating the merits and risks of its prospective investment in the Shares; and (iii) has the ability to bear the economic risks of its prospective investment and can afford the complete loss of such investment;
 - (k) the Subscriber understands and agrees that none of the Shares have been registered under the 1933 Act, or under any state securities or "blue sky" laws of any state of the United States, and, unless so registered, may not be offered or sold in the United States or, directly or indirectly, to U.S. Persons except in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the 1933 Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and in each case only in accordance with applicable state and provincial securities laws;
 - (l) by completing the Questionnaire, the Subscriber is representing and warranting that it is an "Accredited Investor" as that term is defined in Regulation D of the 1933 Act;
 - (m) all information contained in the Questionnaire is complete and accurate and may be relied upon by the Company, and the Subscriber will notify the Company immediately of any material change in any such information occurring prior to the closing of the purchase of the Shares;
 - (n) the Subscriber is not an underwriter of, or dealer in, the common shares of the Company, nor is the Subscriber participating, pursuant to a contractual agreement or otherwise, in the distribution of the Shares;
 - (o) the Subscriber understands and agrees that the Company will refuse to register any transfer of the Shares not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the 1933 Act or pursuant to an available exemption from the registration requirements of the 1933 Act;
 - (p) the Subscriber is not aware of any advertisement of any of the Shares and is not acquiring the Shares as a result of any form of general solicitation or general advertising including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
-

- (q) except as otherwise contemplated by this Agreement or the other Transaction Documents, no person has made to the Subscriber any written or oral representations:
 - (i) that any person will resell or repurchase any of the Shares;
 - (ii) that any person will refund the purchase price of any of the Shares;
 - (iii) as to the future price or value of any of the Shares; or
 - (iv) that any of the Shares will be listed and posted for trading on any stock exchange or automated dealer quotation system or that application has been made to list and post any of the Shares of the Company on any stock exchange or automated dealer quotation system; and
- (r) the Subscriber has provided to the Company, along with an executed copy of this Agreement:
 - (i) fully completed and executed Questionnaire in the form attached hereto as Exhibits A, and
 - (ii) such other supporting documentation that the Company or its legal counsel may request to establish the Subscriber's qualification as a qualified investor.

6.2 In this Agreement, the term "U.S. Person" shall have the meaning ascribed thereto in Regulation S promulgated under the 1933 Act and for the purpose of the Agreement includes any person in the United States.

7. Present Ownership of Securities

7.1 The Subscriber either ***[check appropriate box]***:

- does not own directly or indirectly, or exercise control or direction over, any common shares of the Company ("Common Shares") or securities convertible into Common Shares; or
- owns directly or indirectly, or exercises control or direction over, _____ Common Shares and convertible securities entitling the holder thereof to acquire an additional _____ Common Shares.

8. Insider Status

8.1 The Subscriber either ***[check appropriate box]***:

- is an "Insider" of the Company as defined in the *Securities Act* (British Columbia), namely: "Insider" means:
 - (i) a director or senior officer of the Company;
 - (ii) a director or senior officer of a person that is itself an insider or subsidiary of the Company;
 - (iii) a person that has:
 - A. direct or indirect beneficial ownership of;
 - B. control or direction over; or
-

C. a combination of direct or indirect beneficial ownership of and of control or direction over

securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution; or

(iv) the Company itself, if it has purchased, redeemed or otherwise acquired any securities of its own issue, for so long as it continues to hold those securities; or

is not an Insider of the Company.

9. Member of "Pro Group"

9.1 The Subscriber either ***[check appropriate box]:***

is a Member of the "Pro Group" as defined in the Rules of the TSX-V, namely: "Pro Group" means:

- (i) Subject to subparagraphs (ii), (iii) and (iv) below, "Pro Group" shall include, either individually or as a group:
 - A. the member (i.e. a member of the TSX-V under the TSX-V requirements);
 - B. employees of the member;
 - C. partners, officers and directors of the member;
 - D. affiliates of the member; and
 - E. associates of any parties referred to in subparagraphs (i) through (iv).
 - (ii) The TSX-V may, in its discretion, include a person or party in the Pro Group for the purposes of a particular calculation where the TSX-V determines that the person is not acting at arm's length of the member.
 - (iii) The TSX-V may, in its discretion, exclude a person from the Pro Group for the purposes of a particular calculation where the TSX-V determines that the person is acting at arm's length of the member.
 - (iv) The member may deem a person who would otherwise be included in the Pro Group pursuant to subparagraph (i) to be excluded from the Pro Group where the member determines that:
 - A. the person is an affiliate or associate of the member acting at arm's length of the member;
 - B. the associate or affiliate has a separate corporate and reporting structure;
 - C. there are sufficient controls on information flowing between the member and the associate or affiliate; and
 - D. the member maintains a list of such excluded persons; or
-

[x] is not a member of the Pro Group.

10. Conditional upon TSX-V Acceptance.

10.1 Without limitation, this Subscription and the transactions contemplated hereby are subject conditional upon and subject to Section 4.1, including the Company receiving acceptance from the TSX-V of the offering and the transactions contemplated hereby.

11. Representations and Warranties will be Relied Upon by the Company

11.1 The Subscriber acknowledges that the representations and warranties contained herein are made by it with the intention that such representations and warranties may be relied upon by the Company and its legal counsel in determining the Subscriber's eligibility to acquire the Shares under applicable securities legislation. The Subscriber further agrees that by accepting delivery of the certificates representing the Shares on the Closing Date, it will be representing and warranting that the representations and warranties contained herein are true and correct as at the Closing Date with the same force and effect as if they had been made by the Subscriber on the Closing Date and that they will survive the acquisition by the Subscriber of the Shares and notwithstanding any subsequent disposition by the Subscriber of such securities.

12. Piggyback Registration Rights; Rule 144 Compliance

12.1 If the Company determines to proceed with the preparation and filing with the SEC of a registration statement (the "Registration Statement") relating to an offering for its own account or the account of others under the 1933 Act of any of its common shares, other than on Form S-4 or Form S-8 (each as promulgated under the 1933 Act) or its then equivalents relating to equity securities issuable in connection with stock option or other employee benefit plans, the Company shall send to the Subscriber written notice of such determination and, if within thirty (30) days after receipt of such notice, the Subscriber shall so request in writing, the Company will cause the registration under the 1933 Act of the Shares and (the "Registrable Securities"), provided that if at any time after giving written notice of its intention to register any of its common shares and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such common shares, the Company may, at its election, give written notice of such determination to the Subscriber and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register the Registrable Securities in connection with such registration, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering the Registrable Securities for the same period as the delay in registering such other common shares. The Company shall include in such registration statement all or any part of the Registrable Securities provided however that the Company shall not be required to register any Shares that are eligible for sale without volume restrictions pursuant to Rule 144 under the 1933 Act. Notwithstanding any other provision in this Section 12, if the Company receives a comment from the SEC which effectively results in the Company having to reduce the number of Registrable Securities included on such Registration Statement, then the Company may, in its sole discretion, reduce on a pro rata basis the number of Registrable Securities to be included in such Registration Statement.

12.2 In connection with each Registration Statement described in this Section 12, the Subscriber will furnish to the Company in writing such information and representation letters with respect to itself and the proposed distribution by it as reasonably shall be necessary in order to assure compliance with federal and applicable state securities laws. The Company may require the Subscriber to furnish to the Company a certified statement as to the number of shares of common stock beneficially owned by the Subscriber and the name of the natural person thereof that has voting and dispositive control over the Shares.

12.3 All fees and expenses incident to the performance of or compliance with the filing of the Registration Statement shall be borne by the Company whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with the OTC Bulletin Board or other exchange or quotation service on which the common stock of the Company is then listed for trading, and (B) in compliance with applicable state securities or Blue Sky laws), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable

Securities and of printing prospectuses if the printing of prospectuses is reasonably requested by the holders of a majority of the Registrable Securities included in the Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) 1933 Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other persons retained by the Company in connection with the filing of the Registration Statement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the filing of the Registration Statement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, if applicable. In no event shall the Company be responsible for any broker or similar commissions or, except to the extent provided for hereunder, any legal fees or other costs of the Subscriber; provided that if the Company is otherwise paying for the fees or expenses of counsel to any selling holders in connection with such registration, then Columbia shall be entitled, at the cost and expense of the Company, to utilize the services of such counsel.

12.4 The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless the Subscriber, its officers, trustees, directors, agents and employees, and each person who controls the Subscriber (within the meaning of Section 15 of the 1933 Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "1934 Act")) and the officers, directors, agents and employees of each such controlling person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (i) any untrue or alleged untrue statement of a material fact contained in the Registration Statement, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) any violation or breach, actual or alleged, by the Company, its directors, officers, agents and employees, each person who controls the Company (within the meaning of Section 15 of the 1933 Act and Section 20 of the 1934 Act), and the directors, officers, agents or employees of such controlling persons, of any applicable securities or stock exchange laws, rules and regulations, except to the extent, but only to the extent, that (A) such untrue statements or omissions are based solely upon information regarding the Subscriber furnished in writing to the Company by the Subscriber expressly for use therein, or to the extent that such information relates to the Subscriber or the Subscriber's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by the Subscriber expressly for use in the Registration Statement, or in any amendment or supplement thereto or (B) the use by the Subscriber of an outdated or defective Registration Statement after the Company has notified the Subscriber in writing that the Registration Statement is outdated or defective.

12.5 The Subscriber shall indemnify and hold harmless the Company, its directors, officers, agents and employees, each person who controls the Company (within the meaning of Section 15 of the 1933 Act and Section 20 of the 1934 Act), and the directors, officers, agents or employees of such controlling persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising solely out of or based solely upon: (x) the Subscriber's failure to comply with the prospectus delivery requirements of the 1933 Act or (y) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by the Subscriber to the Company specifically for inclusion in the Registration Statement or (ii) to the extent, but only to the extent, that such untrue statements or omissions are based solely upon information regarding the Subscriber furnished in writing to the Company by the Subscriber expressly for use therein, or (iii) to the extent that such information relates to the Subscriber or the Subscriber's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by the Subscriber expressly for use in the Registration Statement or in any amendment or supplement thereto or (z) the use by the Subscriber of an outdated or defective Registration Statement after the Company has notified the Subscriber in writing and the Subscriber has received notice that the Registration Statement is outdated or defective. In no event shall the liability of the Subscriber hereunder be greater in amount than the dollar amount of the net proceeds received by the Subscriber upon the sale of the Registrable Securities giving rise to such indemnification obligation.

12.6 If a claim for indemnification hereunder is unavailable to either the Company or the Subscriber (in each case, an "Indemnified Party or Indemnified Parties", as applicable) (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Subscription, any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this section was available to such party in accordance with its terms. The parties hereto agree that it would not be just and equitable if contribution pursuant to this section were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this section, no Subscriber shall be required to contribute, in the aggregate, any amount in excess of the amount by which the proceeds actually received by the Subscriber from the sale of the Registrable Securities subject to the proceeding exceeds the amount of any damages that the Subscriber has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, except in the case of fraud by the Subscriber.

12.7 With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Shares to the public without registration after the initial public offering, Company agrees to (i) make and keep public information available, as those terms are understood and defined in Rule 144 under the 1933 Act, (ii) use Company's best efforts to file with the SEC in a timely manner all reports and other documents required of Company under the 1933 Act and the 1934 Act, (iii) furnish to each holder of Registrable Securities (as hereinafter defined) forthwith upon request a written statement by Company as to Company's compliance with the reporting requirements of Rule 144 and of the 1933 Act and the 1934 Act, a copy of the most recent annual or quarterly report of Company, and such other reports and documents so filed by Company as such holder may reasonably request in availing itself of any rule or regulation of the SEC allowing such holder to sell any Shares without registration, and (iv) use Company's best efforts to satisfy the requirements of Rule 144, the 1933 Act and the 1934 Act and all related rules and regulations promulgated under such Acts in order to permit the sale of Subscriber's shares without restriction at the earliest possible date.

13. Representations and Warranties of the Company

13.1 The Company hereby represents and warrants to and covenants with the Subscriber (which representations, warranties and covenants shall survive the Closing) that:

- (a) the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has all requisite corporate power and authority to own and lease its properties, to carry on its business as presently conducted and as presently proposed to be conducted and to execute, deliver and perform this Agreement, and each other document or instrument to be executed and delivered by or on behalf of the Company in connection with the execution and delivery of this Agreement, and to consummate the transactions contemplated by this Agreement. The Company is authorized to do business and is in good standing as a foreign corporation in each jurisdiction the laws of which require it to be so qualified or in good standing. The execution, delivery and performance by the Company of, and the consummation by the Company of the transactions contemplated by, this Agreement have been duly authorized by all requisite corporate action by or on behalf of the Company, and this Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms;
-

- (b) the offer, sale, issuance and delivery of the Shares have been duly authorized by all requisite corporate action by or on behalf of the Company and when so issued, sold and delivered, the Shares will be validly issued and outstanding, fully paid and nonassessable and not subject to any preemptive or other rights of any shareholder of the Company or any other party and free and clear of any and all liens, charges or other encumbrances, other than any encumbrances created under applicable securities law resale restrictions;
 - (c) the execution, delivery and performance of, and the consummation of the transactions contemplated by, this Agreement, including, without limitation, the offer, sale, issuance and delivery of the Shares pursuant to this Agreement, have not resulted and will not result in (a) any violation of, or default under, or conflict with, or constitute, with or without the passage of time and/or the giving of notice, any violation of, or default under or give rise to any right of termination, cancellation or acceleration under (i) any term or provision of the Company's Certificate of Incorporation or By-laws, (ii) any term or provision of any (A) contract, agreement, instrument, arrangement or understanding, or (B) judgment, order, writ, injunction or decree of any court, government agency or any arbitrator, in each case, to which the Company is a party or by which it or its properties or assets are bound, or (iii) any statute, rule or regulation applicable to the Company or its properties or assets, or (b) the creation of any lien, charge or other encumbrance upon any of the properties or assets of the Company;
 - (d) no consent, approval, waiver or authorization of, or designation, declaration or filing with, any court, governmental authority or instrumentality or arbitrator or any other person or entity is required in connection with the valid execution, delivery and performance of, and the consummation of the transactions contemplated by, this Agreement by or on behalf of the Company, including, without limitation, the offer, sale, issuance or delivery of the Shares, except for the acceptance of such issuance by the TSX-V and qualification (or taking such action as may be necessary to secure an exemption from qualification, if available) of the offer and sale of the Shares under applicable state securities or blue sky laws, which qualifications and other action, if required, will be duly accomplished in a timely manner;
 - (e) the offer and sale of the Shares to be issued in conformity with the terms of this Agreement constitute transactions exempt from the registration requirements of Section 5 of the 1933 Act and, and in compliance with all applicable Canadian federal and state and provincial securities or blue sky laws, rules and regulations. The issuance of the Shares is exempt from registration and prospectus requirements under the B.C. Act and B.C. Regulations;
 - (f) the Company has a class of Shares registered under the 1934 Act. As of their respective dates, each report, schedule, registration statement and proxy statement filed by the Company with the SEC (collectively, and as such documents have since the time of their filing been amended, the "Company SEC Documents") complied in all material respects with the requirements of the 1933 Act, or the 1934 Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such the Company SEC Documents. The Company SEC Documents constitute all of the documents and reports that the Company was required to file with the SEC pursuant to the 1933 Act, the 1934 Act and the rules and regulations promulgated by the SEC under each such Act;
 - (g) the Company is a reporting issuer under the laws of British Columbia and is in good standing as a reporting issuer and is not on the list of defaulting issuers maintained pursuant to securities laws of British Columbia. As of their respective dates, all documents filed with the securities commissions or equivalent regulatory authorities and/or the TSX-V, as the case may be, (collectively, and as such documents have since the time of their filing been amended, the "Company TSX-V Documents"; the Company TSX-V Documents, together with the Company SEC Documents, the "Company Filed Documents") in order for the Company to be in compliance with its timely and continuous disclosure obligations under National Instrument 51-102 and applicable securities legislation in British Columbia and the rules and policies of the TSX-V complied with the requirements of National Instrument 51-102 and applicable securities
-

legislation in British Columbia and the rules and policies of the TSX-V, as the case may be. The Company TSX-V Documents constitute all of the documents and reports that the Company was required to file with the securities commission or equivalent regulatory authority and/or the TSX-V in order for the Company to be in compliance with its timely and continuous disclosure obligations under National Instrument 51-102 and applicable securities legislation in British Columbia and the rules and policies of the TSX-V;

- (h) none of the Company Filed Documents, on the date of filing, contain any contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;
 - (i) since January 31, 2009, the date of the latest financial statements included in the Company Filed Documents, except as and to the extent disclosed in the Company SEC Documents, there has not been (i) a Material Adverse Effect with respect to the Company; or (ii) any material change by the Company in its accounting methods, principles or practices. For the purposes of this Agreement, "Material Adverse Effect" means, when used in connection with an entity, any change, event, violation, inaccuracy, circumstance or effect that is materially adverse to the business, assets (including intangible assets), Liabilities (as defined below), capitalization, ownership, financial condition or results of operations of such entity or subsidiaries taken as a whole. For the purposes of this Agreement, the term "Liabilities" includes any direct or indirect indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, fixed or unfixed, known or unknown, asserted choate or inchoate, liquidated or unliquidated, secured or unsecured;
 - (j) the Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;
 - (k) the Company is currently quoted on the OTC Bulletin Board and the TSX-V and has not, in the 12 months preceding the date hereof, received any notice from the OTC Bulletin Board, the TSX-V or any other trading market on which the Company's common stock is or has been listed or quoted to the effect that the Company is not in compliance with the respective quoting, listing or maintenance requirements of the OTC Bulletin Board, the TSX-V or such other trading market. No securities commission or other regulatory authority has issued any order preventing, ceasing, halting or suspending the trading of the Company securities or prohibiting or conditioning (other than the requirement for TSX-V acceptance, as described in Section 10.1) the issuance of the Shares to be delivered hereunder, and, to the best of the Company's knowledge, no investigations or proceedings for any such purpose are pending or threatened. Neither the Company nor any of its past or present officers or directors is the subject of any formal or informal inquiry or investigation by the SEC or FINRA or any other securities exchange, commission or other securities regulatory or self-regulatory authority. The Company currently does not have any outstanding comment letters, other correspondences or notice of any other unresolved issues from the SEC, FINRA or any other securities commission or other securities regulatory authority; and
 - (l) no representation or warranty by the Company in this Agreement nor any certificate, schedule, statement, document or instrument furnished or to be furnished to the Subscriber pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact required to be stated herein or therein or necessary to make any statement herein or therein not materially misleading.
-

14. Representations and Warranties will be Relied Upon by Columbia

14.1 The Company acknowledges that the representations and warranties contained herein are made by it with the intention that such representations and warranties may be relied upon by the Subscriber and its legal counsel in determining the Subscriber's willingness to convert the Outstanding Debt and acquire the Shares. The Company further agrees that by delivery of the certificates representing the Shares on the Closing Date, it will be representing and warranting that the representations and warranties contained herein are true and correct as at the Closing Date with the same force and effect as if they had been made by the Company on the Closing Date and that they will survive the acquisition by the Subscriber of the Shares and notwithstanding any subsequent disposition by the Subscriber of such securities.

15. Resale Restrictions

15.1 The Subscriber acknowledges that any resale of the Shares will be subject to resale restrictions contained in the securities legislation applicable to the Subscriber or proposed transferee. The Subscriber acknowledges that none of the Shares have been registered under the 1933 Act or the securities laws of any state of the United States. None of the Shares may be offered or sold in the United States unless registered in accordance with United States federal securities laws and all applicable state and provincial securities laws or exemptions from such registration requirements are available.

16. Legending and Registration of Subject Securities

16.1 The Subscriber hereby acknowledges that a legend may be placed on the certificates representing the Shares in accordance with Section 5.1(k), to the effect that the Shares represented by such certificates are subject to a hold period and may not be traded until the expiry of such hold period except as permitted by applicable securities legislation.

16.2 The Subscriber hereby acknowledges and agrees to the Company making a notation on its records or giving instructions to the registrar and transfer agent of the Company in order to implement the restrictions on transfer set forth and described in this Agreement.

16.3 Notwithstanding anything herein to the contrary, the restrictions imposed by this Agreement on the transferability of any Shares shall cease and terminate when: (a) any such Shares are transferred or otherwise disposed of in accordance with the intended method of disposition set forth in a registration statement or such other method that does not require that the securities transferred bear the legend set forth in Section 5.1(k) hereof; or (b) the holder of such Shares has met the requirements for transfer without volume restrictions pursuant to Rule 144 under the 1933 Act. Whenever such restrictions imposed have terminated in accordance with the preceding sentence or (in the opinion, reasonably acceptable to the Company, of counsel to the holder of the Shares) have otherwise terminated, a holder of a certificate for such Shares as to which such restrictions have terminated shall be entitled to receive from the Company, without expense, as soon as practicable (and, in any event, no later than 10 days following such termination or delivery of such opinion to the Corporation, as the case may be), a new certificate not bearing the restrictive legend set forth in Section 5.1(k) hereof and not containing any other reference to the restrictions imposed by this Agreement.

17. Collection of Personal Information

17.1 The Subscriber acknowledges and consents to the fact that the Company is collecting the Subscriber's personal information for the purpose of fulfilling this Agreement and completing the transactions contemplated herein. The Subscriber's personal information (and, if applicable, the personal information of those on whose behalf the Subscriber is contracting hereunder) may be disclosed by the Company to (a) stock exchanges or securities regulatory authorities, (b) the Company's registrar and transfer agent, (c) Canadian tax authorities, (d) authorities pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* and (e) any of the other parties involved in the transactions contemplated herein, including legal counsel, and may be included in record books in connection with the transactions contemplated herein. By executing this Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of the Subscriber's personal

information (and, if applicable, the personal information of those on whose behalf the Subscriber is contracting hereunder) and to the retention of such personal information for as long as permitted or required by law or business practice. Notwithstanding that the Subscriber may be purchasing Shares as agent on behalf of an undisclosed principal, the Subscriber agrees to provide, on request, particulars as to the identity of such undisclosed principal as may be required by the Company in order to comply with the foregoing.

18. Consent

18.1 By executing this Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of each beneficial purchaser on whose behalf the Subscriber is acting) acknowledges and expressly consents to:

- (a) the disclosure of Personal Information by the Company to the TSX-V (as described in TSX-V Appendix 6A, a copy of which is attached as Exhibit C hereto) pursuant to Form 4B; and
- (b) the collection, use and disclosure of personal information by the TSX-V for the purposes described in Appendix 6A or as otherwise identified by the TSX-V, from time to time.

For the purposes of this Section 17, "Personal Information" means any information about the Subscriber, and includes information contained in Part II Items 8, 9, 10 and Part IV Item 3(a), as applicable, of Form 4B, and "Form 4B" means TSX-V Form 4B entitled Private Placement Notice Form.

19. Costs

19.1 Each party shall bear its own costs and expenses (including any fees and disbursements of any counsel retained by such party) relating to the issuance of the Shares and the other transactions contemplated by this Agreement.

20. Governing Law

20.1 This Agreement shall be governed by New York law applicable to agreements made and to be fully performed in the State of New York. The parties agree that any and all claims arising under this Agreement or relating thereto shall be heard and determined exclusively in the United States District Court for the Southern District of New York or in the courts of the State of New York located in the City and County of New York, and the parties agree to submit themselves to the personal jurisdiction of those courts and not to raise any objection to venue being had in those courts.

21. Currency

21.1 Any reference to currency is to the currency of the United States of America unless otherwise indicated.

22. Survival

22.1 This Agreement, including without limitation the representations, warranties and covenants contained herein, shall survive and continue in full force and effect and be binding upon the parties hereto notwithstanding the completion of the purchase of the Shares by the Subscriber pursuant hereto.

23. Assignment

23.1 This Agreement, and each of the provisions hereof, shall be binding upon, and inure to the benefit of the Company and Columbia and their respective successors and assigns as to this Agreement or any such provision. Notwithstanding the foregoing, neither this Agreement nor any provision hereof may be assigned by the Company without Columbia's prior written consent.

23.2 This Agreement is not transferable or assignable.

24. Severability

24.1 The invalidity or unenforceability of any particular provision of this Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Agreement.

25. Entire Agreement

25.1 Except as expressly provided in this Agreement and in the agreements, instruments and other documents contemplated or provided for herein, this Agreement contains the entire agreement between the parties with respect to the sale of the Shares.

26. Notices

26.1 All notices, requests, consents and other communications to be given, delivered or otherwise made hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person, by overnight courier, or duly sent by first class registered or certified mail, postage prepaid, addressed to such party to the address set forth below or such other address as may hereafter be designated in writing by either party by notice to the other; provided that the Company notice to Columbia (provided for in Section 4.1 shall be sent by facsimile or e-mail to Calvin Chu, email: cc2962@columbia.edu, Fax: (212) 854-8463):

(a) If to the Corporation, to:

Suite 300, One Bentall Centre
505 Burrard Street
Vancouver, British Columbia
Canada V7X 1M3

(b) If to Columbia, to:

Executive Director
Science & Technology Ventures
Columbia University
80 Claremont Ave. #4F
Mail Code 9606
New York, NY 10027-5712

with a copy to:

Office of the General Counsel
Columbia University
412 Low Memorial Library
535 West 116th Street, Mailcode 4308
New York, NY 10027

All such notices and other communications shall be deemed to have been received on the date of delivery.

27. Counterparts and Electronic Means

27.1 This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall constitute an original and all of which together shall constitute one instrument. Delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date hereinafter set forth.

IN WITNESS WHEREOF the Subscriber has duly executed this Agreement as of the date of acceptance by the Company.

THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF
NEW YORK

(EIN)

80 Claremont Avenue Suite 8F,

New York, NY 10027

USA

A C C E P T A N C E

The above-mentioned Agreement in respect of the Shares are hereby accepted by CounterPath Corporation.

DATED at Vancouver, British Columbia, the _____ day of July, 2009.

COUNTERPATH CORPORATION

Per: _____
Authorized Signatory

ACCREDITED INVESTOR QUESTIONNAIRE

All capitalized terms herein, unless otherwise defined, have the meanings ascribed thereto in the Agreement.

This Questionnaire is for use by the Subscriber who has indicated an interest in purchasing the Shares to be issued by CounterPath Corporation (the "Company"). The purpose of this Questionnaire is to assure the Company that the Subscriber will meet the standards imposed by the United States Securities Act of 1933 (the "1933 Act") and the appropriate exemptions of applicable state securities laws. The Company will rely on the information contained in this Questionnaire for the purposes of such determination. Except as contemplated by the Agreement, the Shares will not be registered under the 1933 Act in reliance upon the exemption from registration afforded by Section 3(b) and/or Section 4(2) and Regulation D of the 1933 Act. This Questionnaire is not an offer of the Shares or any other securities of the Company in any state other than those specifically authorized by the Company.

All information contained in this Questionnaire will be treated as confidential. However, by signing and returning this Questionnaire, the Subscriber agrees that, if necessary, this Questionnaire may be presented to such parties as the Company deems appropriate to establish the availability, under the 1933 Act or applicable state securities law, of an exemption from registration in connection with the sale of the Securities hereunder.

The Subscriber covenants, represents and warrants to the Company that it satisfies one or more of the categories of "Accredited Investors", as defined by Regulation D promulgated under the 1933 Act, as indicated below: (Please initial in the space provide those categories, if any, of an "Accredited Investor" which the Subscriber satisfies)

___ Category 1 An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Securities, with total assets in excess of US \$5,000,000;

___ Category 2 A natural person whose individual net worth, or joint net worth with that person's spouse, on the date of purchase exceeds US \$1,000,000;

___ Category 3 A natural person who had an individual income in excess of US \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of US \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

___ Category 4 A "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the *Securities Exchange Act of 1934* (United States); an insurance company as defined in Section 2(13) of the 1933 Act; an investment company registered under the *Investment Company Act of 1940* (United States) or a business development company as defined in Section 2(a)(48) of such Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); a plan with total assets in excess of \$5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors;

___ Category 5 A private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States);

____ Category 6 A director or executive officer of the Company;

____ Category 7 A trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act;

____ Category 8 An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories;

Note that the Subscriber claiming to satisfy one of the above categories of Accredited Investor may be required to supply the Company with a balance sheet, prior years' federal income tax returns or other appropriate documentation to verify and substantiate the Subscriber's status as an Accredited Investor.

If the Subscriber is an entity which initialled Category 8 in reliance upon the Accredited Investor categories above, state the name, address, total personal income from all sources for the previous calendar year, and the net worth (exclusive of home, home furnishings and personal automobiles) for each equity owner of the said entity:

The Subscriber hereby certifies that the information contained in this Questionnaire is complete and accurate and the Subscriber will notify the Company promptly of any change in any such information. If this Questionnaire is being completed on behalf of a corporation, partnership, trust or estate, the person executing on behalf of the Subscriber represents that it has the authority to execute and deliver this Questionnaire on behalf of such entity.

IN WITNESS WHEREOF, the undersigned has executed this Questionnaire as of the __ day of July, 2009.

If a Corporation, Partnership or Other
Entity:

If an Individual:

Print or Type Name of Entity

Signature

Signature of Authorized Signatory

Print or Type Name

Type of Entity



FORM 4C
CORPORATE PLACEE REGISTRATION FORM

Where subscribers to a Private Placement are not individuals, the following information about the placee must be provided. This Form will remain on file with the Exchange. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed companies. If as a result of the Private Placement, the Placee becomes an Insider of the Corporation, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information:

Name: _____

Complete Address: _____

Jurisdiction of Incorporation or Creation: _____

2. (a) Is the Placee purchasing securities as a portfolio manager (Yes/No)? _____

(b) Is the Placee carrying on business as a portfolio manager outside of Canada (Yes/No)? _____

3. If the answer to 2(b) above was "Yes", the undersigned certifies that:

- (a) It is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;
- (b) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in _____ [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;
- (c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;
- (d) the total asset value of the investment portfolios it manages on behalf of clients is not less than \$20,000,000; and
- (e) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing.

4. If the answer to 2(a). above was "No", please provide the names and addresses of control persons of the Placee:

Name	City	Province or State	Country

The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions (See for example, sections 87 and 111 of the *Securities Act* (British Columbia) and sections 176 and 182 of the *Securities Act* (Alberta)).

Acknowledgement - Personal Information

"Personal Information" means any information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Form.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated at _____ on _____.

(Name of Subscriber - please print)

(Authorized Signature)

(Official Capacity - please print)

(please print name of individual whose signature appears above)

THIS IS NOT A PUBLIC DOCUMENT

**APPENDIX 6A
ACKNOWLEDGEMENT – PERSONAL INFORMATION**

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including the TSX Venture Exchange (collectively referred to as “the Exchange”) collect Personal Information in certain Forms that are submitted by the individual and/or by an Issuer or Applicant and use it for the following purposes:

- to conduct background checks,
- to verify the Personal Information that has been provided about each individual,
- to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Issuer or Applicant,
- to consider the eligibility of the Issuer or Applicant to list on the Exchange,
- to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Issuer, or its associates or affiliates,
- to conduct enforcement proceedings, and
- to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the public markets in Canada.

As part of this process, the Exchange also collects additional Personal Information from other sources, including but not limited to, securities regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, regulations services providers and each of their subsidiaries, affiliates, regulators and authorized agents, to ensure that the purposes set out above can be accomplished.

The Personal Information the Exchange collects may also be disclosed:

- (a) to the agencies and organizations in the preceding paragraph, or as otherwise permitted or required by law, and they may use it in their own investigations for the purposes described above; and
- (b) on the Exchange’s website or through printed materials published by or pursuant to the directions of the Exchange.

The Exchange may from time to time use third parties to process information and/or provide other administrative services. In this regard, the Exchange may share the information with such third party service providers.

LIST OF SUBSIDIARIES OF COUNTERPATH CORPORATION

<u>Name</u>	<u>State of Incorporation</u>	<u>Name Under Which Subsidiary Does Business</u>
CounterPath Technologies Inc.	British Columbia, Canada	CounterPath Technologies Inc.
6789722 Canada Inc.	Canada	6789722 Canada Inc.
BridgePort Networks, Inc.	Delaware	BridgePort Networks, Inc.
BridgePort Networks (Europe) Ltd.	United Kingdom	BridgePort Networks (Europe) Ltd.
FirstHand Technologies Inc.	Ontario, Canada	FirstHand Technologies Inc.
BridgePort Networks K.K.	Japan	BridgePort Networks K.K.

Consent of Independent Registered Public Accounting Firm

CounterPath Corporation
Vancouver, BC

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 and Form S8/A (No. 333-157036 and No. 333-125812 respectively) of CounterPath Corporation of our report dated July 23, 2009, relating to the consolidated financial statements of CounterPath Corporation which appears in this Form 10-K.

/s/ BDO Dunwoody LLP

BDO Dunwoody, LLP
Vancouver, BC

July 23, 2009

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Donovan Jones, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended April 30, 2009 of CounterPath Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2009

/s/ Donovan Jones

Donovan Jones
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Karp, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended April 30, 2009 of CounterPath Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2009

/s/ David Karp

David Karp
Chief Financial Officer, Treasurer and
Secretary

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Donovan Jones, Chief Executive Officer of CounterPath Corporation (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Annual Report of the Company on Form 10-K for the year ended April 30, 2009, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donovan Jones

Donovan Jones
President and Chief Executive Officer

July 27, 2009

I, David Karp, Chief Financial Officer of CounterPath Corporation (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Annual Report of the Company on Form 10-K for the year ended April 30, 2009, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Karp

David Karp
Chief Financial Officer, Treasurer and
Secretary

July 27, 2009
