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COUNTERPATH CORP

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**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 fiscal year ended **April 30, 2010**

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 (§ 232.405 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) 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 []

Non-accelerated filer []

(Do not check if a smaller reporting
company)

Accelerated filer []

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 \$8,441,464 based on a price of \$0.59 per share, being the average of bid and ask prices on October 30, 2009 as quoted on stockwatch.com.

APPLICABLE ONLY TO CORPORATE REGISTRANTS:

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 33,080,645 shares of common stock issued and outstanding as of July 23, 2010.

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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, 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 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, but not limited to Windows XP, Windows Vista, Windows 7, Mac OS X and Linux operating systems as well as on mobile devices running Symbian, RIM, Apple iOS and Google's Android operating systems.

We began selling our desktop applications in 2003 and our mobile applications and gateway software in 2008. Since that time, over 250 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. 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.

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. 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 Software Applications

CounterPath Multi-Media Communicator Product Suite

The CounterPath Multimedia Communicator product suite includes five softphone applications: (1) Bria; (2) eyeBeam; (3) Bria for Microsoft Outlook®; (4) Bria iPhone Edition; and (5) X-Lite. Bria, Bria for Microsoft Outlook, Bria iPhone Edition and eyeBeam 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 high definition VoIP, messaging and presence, and high definition video 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.

** 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 within the Outlook application.

* *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 iPhone Edition*

Bria iPhone Edition is a secure, standards-based VoIP softphone that works over both 3G and Wi-Fi networks on the Apple iPhone, iPad and iPod Touch. Bria iPhone Edition works seamlessly with other CounterPath desktop and convergence solutions, as well as with enterprise and carrier infrastructure equipment from major vendors. The Bria iPhone Edition is compatible with Apple's iPhone 3.0 and new iOS 4, and uses the iPhone's native address book and its embedded Bluetooth Technology.

We plan to support other mobile platforms, such as Android, in the future.

* *X-Lite*

X-Lite is a free softphone available for download on our website and intended for non-commercial, demonstration and evaluation purposes. 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 evaluate 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 dialling, 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.

NomadicPBX

NomadicPBX is a telecommunications application which combines mobile and VoIP network elements to enable the delivery of a unified presence-based, fixed and mobile voice, and instant messaging/short message service (IM/SMS) communications experience across multiple endpoints, including desktop computers and mobile phones.

Based on our Network Convergence Gateway (NCG) platform and our Bria softphone application, NomadicPBX enables wireless operators and other service providers to extend their offerings to small and medium enterprises. The service providers that we are targeting for the NomadicPBX are mobile network operators and mobile virtual network operators.

** 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 party's 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. 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 one-time 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 250 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 customer during the year ended April 30, 2010 was Cisco Systems, Inc., from whom we generated approximately 15% of our total revenue. 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. No other customers exceeded 10% of our total revenue for the years ended April 30, 2010 and 2009.

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, 2010, we own or hold the exclusive license to six granted patents. In addition, we are pursuing 16 in house developed patent applications 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 February 2010, Openwave Systems Inc. was granted patent No. 7,656,864: Data network computing device call processing, to which we hold the exclusive license. This patent describes fundamental fixed mobile convergence concept, which enables seamless transition of voice, data and multimedia sessions across disparate fixed and mobile networks.

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 certain 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., 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, 2010 were \$3,586,425 (2009: \$7,075,640).

After Sales Service and Support

We sell our software on an as-is or limited warranty 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 renewable annual 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

In circumstances where we provide a warranty on our software, we warrant that our software will perform substantially in accordance with the materials accompanying the software for periods of up to three months 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	EyeBall Networks	Service provider offering instant messaging services
Softphones	Movial Corp.	Service provider offering instant messaging services
Softphones	eyeP Media SA	Service provider, mobile
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
EMG & NCG	Tango Networks, Inc.	Mobile operators and network equipment providers
NCG	VocalTec Communications, Ltd.	Fixed mobile convergence providers
NCG	Alcatel-Lucent	Fixed mobile convergence providers
NCG	Mavenir Systems	Fixed mobile convergence providers

Government Approval

We have obtained approval from the United States government to export our software that contains 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, 2010, we employed 69 people full-time, 20 of whom are engaged in marketing and sales, 25 in research and development, 15 in services and support, 9 in general and administration, and 19 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. employ 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 annual report for the year ended April 30, 2010, raise substantial doubt on our ability to continue as a going concern. Our financial statements included in this annual report 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 has and may continue to 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 have been and may continue to 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 continue to delay or cancel spending on their IT infrastructure, that decision could result in further 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 partially 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 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.

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 two leased offices located in Vancouver, 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 \$23,210 plus \$21,843 in operating costs. Our office space is adequate for the operations of our company for the foreseeable future.

Item 3. Legal Proceedings.

None.

Item 4. [Removed and Reserved]**PART II****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 Bulletin Board and the TSX Venture Exchange, respectively.

Quarter Ended	OTC Bulletin Board (U.S. dollars)		TSX Venture Exchange ⁽²⁾ (Cdn dollars)	
	High	Low	High	Low
July 31, 2008 ⁽¹⁾	\$1.80	\$1.35	N/A	N/A
October 31, 2008 ⁽¹⁾	\$1.91	\$0.60	\$1.95	\$0.90
January 31, 2009 ⁽¹⁾	\$0.87	\$0.30	\$1.01	\$0.32
April 30, 2009 ⁽¹⁾	\$0.70	\$0.10	\$0.85	\$0.25
July 31, 2009	\$0.82	\$0.45	\$0.98	\$0.60
October 31, 2009	\$0.83	\$0.53	\$0.90	\$0.68
January 31, 2010	\$0.65	\$0.53	\$0.70	\$0.50
April 30, 2010	\$0.70	\$0.35	\$0.83	\$0.40

(1) Since March 19, 2008, our stock has been quoted on the OTC Bulletin Board under the trading symbol "CPAH".

(2) 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, 2010, the shareholders' list of our shares of common stock showed 77 registered shareholders and 33,080,645 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, 2010.

	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	4,617,707 (1)	\$1.03	1,242,293 (2)
Total	4,616,707	\$1.03	1,242,293

- (1) As of April 30, 2010, we had issued stock options to purchase 474,000 shares of our common stock pursuant to our 2004 Stock Option Plan and stock options to purchase 4,143,707 shares of our common stock pursuant to our 2005 Stock Option Plan.
- (2) As of April 30, 2010, there were 326,000 underlying shares of our common stock remaining and available to be issued under our 2004 Stock Option Plan and 916,293 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
October 22, 2009 ⁽¹⁾	4,260,000 shares	5,060,000 shares

- (1) On October 22, 2009, our shareholders approved the increase in the number of shares of common stock issuable under our 2005 Stock Option Plan by 800,000 shares, from 4,260,000 shares to 5,060,000 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 700,000 shares of our common stock under the plan. As of April 30, 2010, we issued 88,028 shares of our common stock under the plan.

Deferred Share Unit Plan

Under the terms of the deferred share unit plan (the "DSUP"); approved by the shareholders on October 22, 2009, each deferred share unit is equivalent to one share of common stock. The maximum number of shares of common stock that may be reserved for issuance to any one participant pursuant to deferred share units granted under the DSUP and any share compensation arrangement is 5% of the number of shares of common stock of our company outstanding at the time of reservation and, as applicable, any grants of deferred share units to any one participant may not exceed a value of \$100,000 per annum on the date of grant. A deferred share unit (DSU) granted to a participant who is a director of the board of our company shall vest immediately on the award date. A deferred share unit granted to a participant other than a director will generally vest as to one-third (1/3) of the number of deferred share units granted on the first, second and third anniversaries of the award date. Fair value of the DSU's, which is based on the closing price of our company's common stock on the date of grant, is recorded as compensation expense in the period of grant. As of April 30, 2010, we issued 520,161 deferred share units under the plan.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

On December 16, 2009, we issued 154,546 shares of our common stock to a holder of 154,546 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 154,546 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.

On April 27, 2009, we issued 4,424 shares of our common stock to a holder of 4,424 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 4,424 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.

On May 14, 2010, 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 the 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, 2010 we had a restructuring accrual for severance of \$350,520.

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) ASC 985-605 "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 ASC 605-25, "Revenue Arrangements with Multiple Deliverables" and revenues are recognized under ASC 605-35, "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 ASC 718 (prior authoritative literature: 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. ASC 718 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, 2010 was 84.5% . 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 ("SAB") No. 107 Share-Based Payment, and SAB 110 Share-Based Payment, beginning January 1, 2008. The expected term of options granted during the year ended April 30, 2010 was 3.7 years. For the year ended April 30, 2010, the weighted-average risk-free interest rate used was 2.31% . 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, ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied an estimated forfeiture rate of 15% in the year ended April 30, 2010 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, 2010, we recorded an expense of \$883,225 in connection with share-based payment awards. A future expense of non-vested options of \$681,413 and non-vested deferred share units of \$121,400 is expected to be recognized over a weighted-average period of 2.72 years and 2.63 years respectively.

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 ASC 360, "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 ASC 350, *Goodwill and Other Intangible Assets*. The provisions of ASC 350 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 at the end of the fourth quarter of fiscal 2010, did not result in an impairment charge for fiscal year 2010, nor did we record any goodwill impairment in fiscal 2010.

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 ASC 360, *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. 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 there was no impairment charge for the current year (2009-\$2.72 million consisting of \$1.75 million for the intangible assets of NewHeights and \$0.97 million for the intangible assets of FirstHand).

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, 2010 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

Revenue for the year ended April 30, 2010 and 2009 were as follows:

	2010		2009		Period-to-Period Change	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Amount	Percent Increase / (Decrease)
Revenue by Type						
Software	\$ 5,974,712	75%	\$ 6,868,980	70%	(\$894,268)	(13%)
Service	2,042,145	25%	2,964,121	30%	(921,976)	(31%)
Total revenue	\$ 8,016,857	100%	\$ 9,833,101	100%	(\$1,816,244)	(18%)
Revenue by Region						
International	\$ 3,055,952	38%	\$ 4,141,583	42%	(\$1,085,631)	(26%)
North America	4,960,905	62%	5,691,518	58%	(730,613)	(13%)
Total revenue	\$ 8,016,857	100%	\$ 9,833,101	100%	(\$1,816,244)	(18%)

For the year ended April 30, 2010, we generated \$8,016,857 in revenue compared to \$9,833,101 for the year ended April 30, 2009, representing a decrease of \$1,816,244. We generated \$5,974,712 in software revenue for the year ended April 30, 2010 compared to \$6,868,980 for the year ended April 30, 2009, representing a decrease of \$894,268. The decrease in software revenue was partially due to a decrease of approximately \$675,000 in software revenue from a significant customer, as well as a general decrease in sales to original equipment manufacturers. For the year ended April 30, 2010, service revenue was \$2,042,145 compared to \$2,964,121 for the year ended April 30, 2009. The decrease of \$921,976 in service revenue was partially due to lower service revenue generated on the applications acquired in the acquisitions of BridgePort and FirstHand. International revenue outside of North America represented 38% of total revenue for the year ended April 30, 2010 compared to 42% for North American revenues. This compares to international revenues representing 42% of total revenue for the year ending April 30, 2009 compared to 58% for North American revenues. Revenue from Asia and Africa, Central and South America, and Europe for the year ended April 30, 2010 decreased by approximately \$246,000, \$205,000, and \$634,000 respectively.

Operating Expenses

Cost of Sales

Cost of sales for the year ended April 30, 2010 and 2009 were as follows:

	April 30, 2010		April 30, 2009		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 2,933,749	37%	\$ 4,183,626	43%	(\$1,249,877)	(30%)

Cost of sales was \$2,933,749 for the year ended April 30, 2010 compared to \$4,183,626 for the year ended April 30, 2009. The decrease of \$1,249,877 was mainly due to a \$1,142,384 reduction in amortization of intangible assets as well as decreases in personnel and associated wages and benefits of approximately \$181,000.

Sales and marketing expenses for the year ended April 30, 2010 and 2009 were as follows:

	April 30, 2010		April 30, 2009		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 3,063,523	38%	\$ 4,147,626	42%	(\$1,084,103)	(26%)

Sales and marketing expenses were \$3,063,523 for the year ended April 30, 2010 compared to \$4,147,626 for the year ended April 30, 2009. The decrease of \$1,084,103 was primarily attributable to decreases in sales and marketing personnel and associated wages and commissions of approximately \$1,205,000 partially offset by an increase of approximately \$60,000 in consultancy services.

Research and Development

Research and development expenses for the year ended April 30, 2010 and 2009 were as follows:

	April 30, 2010		April 30, 2009		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 3,586,425	45%	\$ 7,075,640	72%	(\$3,489,215)	(49%)

Research and development expenses were \$3,586,425 for the year ended April 30, 2010 compared to \$7,075,640 for the year ended April 30, 2009. The decrease of \$3,489,215 was primarily attributable to decreases in research and development personnel and associated wages of approximately \$3,180,000. Additionally, there were decreases in professional services of approximately \$90,000 and office rent and related office expenses of approximately \$115,000 and \$104,000, respectively.

General and Administrative

General and administrative expenses for the years ended April 30, 2010 and 2009 were as follows:

	April 30, 2010		April 30, 2009		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 3,689,900	46%	\$ 6,507,332	66%	\$ 2,817,432	(43%)

General and administrative expenses for the year ended April 30, 2010 were \$3,689,900 compared to \$6,507,332 for the year ended April 30, 2009. The decrease of \$2,817,432 in general and administrative expenses was primarily attributable to decreases in general and administrative personnel and associated wages of approximately \$1,660,000 and in professional services of approximately \$840,000. There was also a reduction in bad debt expenses of approximately \$390,000.

Restructuring charges for the years ended April 30, 2010 and 2009 were as follows:

Year ended	April 30, 2010		April 30, 2009		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase/ (Decrease)
	\$ 44,912	1%	\$ 1,565,347	16%	(\$1,520,435)	(97%)

Restructuring charges for the year ended April 30, 2010 were \$44,912 compared to \$1,565,347 for the year ended April 30, 2009. Restructuring charges in fiscal year 2010 and 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, as well as restructuring costs of \$409,068 representing a termination cost related to a settlement agreement entered into with a former officer to be paid out equally over 45 months commencing on March 2009.

Interest and Other Income

Interest income for the year ended April 30, 2010 was \$221,493 compared to \$107,931 for the year ended April 30, 2009. The increase in interest income from the prior year was due to reversal of prior accruals and higher average cash balances during the year ended April 30, 2010. Interest expense for the year ended April 30, 2010 was \$2,599 compared to \$11,676 for the year ended April 30, 2009. Interest expense during the year ended April 30, 2010 pertains to all cash interest expense.

Foreign exchange loss for the year ended April 30, 2010 was \$378,828 compared to a foreign exchange gain of \$466,836 for the year ended April 30, 2009. The foreign exchange gain/loss represents the gain/loss on account of translation of the inter company accounts of subsidiaries who maintain their records in currencies other than U.S. dollars as well as transactional losses and gains.

Liquidity and Capital Resources

As of April 30, 2010, we had \$1,556,813 in cash compared to \$2,931,932 at April 30, 2009, representing a decrease of \$1,375,119. Our working capital was \$876,293 at April 30, 2010 compared to \$1,566,483 at April 30, 2009, representing a decrease of \$690,190.

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, 2010, we had cash of approximately \$1.6 million and working capital of approximately \$0.9 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, 2011. 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 October 29, 2009, we issued 3,333,334 units at a price of \$0.56 (CDN\$0.60) per unit for gross proceeds of approximately \$1,867,762 (CDN\$2,000,000). We incurred \$14,637 of transaction costs. 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 October 29, 2009 at an exercise price of \$0.90 per share.

Operating Activities

Our operating activities resulted in a net cash outflow of \$3,503,080 for the year ended April 30, 2010. This compares with a net cash outflow of \$6,535,523 for the year ended April 30, 2009, representing a \$3,032,443 decrease in cash outflows from operations. The net cash outflow from operating activities for the year ended April 30, 2010 was primarily a result of a net loss of \$5,461,586 and a decrease in accounts payable of \$760,403, partially offset by a decrease in accounts receivable of \$262,894. The decrease in accounts receivable is attributable to lower year over year revenues and collection of a number of outstanding large receivables during fiscal 2010. The net cash outflow was further offset by adjustment for non-cash expenses including \$378,828 for foreign exchange loss, \$883,225 for stock-based compensation, \$868,446 for amortization of intangible assets, and \$276,410 for depreciation and amortization.

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.

Investing Activities

Investing activities resulted in a net cash outflow of \$17,173 for the year ended April 30, 2010 primarily due to purchase of equipment and lease hold improvements during the year. This compares with a net cash outflow of \$99,425 primarily due to purchase of equipment during the year ended April 30, 2009. At April 30, 2010 we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash inflow of \$1,896,082 for the year ended April 30, 2010 compared to a net cash inflow of \$3,752,835 for the year ended April 30, 2009.

On October 29, 2009 we issued 3,333,334 units at a price of \$0.56 (CDN\$0.60) per unit for gross proceeds of approximately \$1,867,762 (CDN\$2,000,000). 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 October 29, 2009 at an exercise price of US\$0.90 per warrant.

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.

We intend to seek additional funding through public or private financings to fund our operations through fiscal 2011 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 ASC 805 (prior authoritative literature: SFAS No. 141(R), "Business Combinations"). ASC 805 requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition date fair values of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquirer. In the case of a bargain purchase the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. ASC 805 was effective for fiscal periods beginning after December 15, 2008. ASC 805 was adopted by our company effective May 1, 2009 and did not have a significant effect on our company's financial statements.

In December 2007, the FASB issued ASC 810-10-65 (prior authoritative literature: FAS No. 160, "Non-controlling Interests in Financial Statements—an amendment of ARB No. 51"). ASC 810-10-65 establishes 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. ASC 810-10-65 was adopted by our company effective May 1, 2009 and did not have a significant effect on our company's financial statements.

In February 2008, the FASB issued ASC 820-10-65 (prior authoritative literature: Staff Position (FSP) FAS 157-2), Effective Date of FASB Statement No. 157, which defers the implementation for non-recurring financial assets and liabilities from fiscal years beginning after November 15, 2007 to fiscal years beginning after November 15, 2008. The provisions of SFAS 157 will be applied prospectively. The adoption as of May 1, 2009 of the provisions did not have a material effect on our company's financial position and results of operations.

In March 2008, the FASB issued ASC 815-10-50 (prior authoritative literature: SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133"). ASC 815-10-50 amends and expands the disclosure requirements of ASC 815 (prior authoritative literature SFAS 133, "Accounting for Derivative Instruments and Hedging Activities") 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. ASC 815-10-50 was adopted by our company as of May 1, 2009, and did not have an impact on our company's results of operations, cash flows or financial positions. However, we were required to expand our disclosures around the use of and purpose for our derivative instruments.

In April 2009, the FASB issued ASC 820-10-65 (prior authoritative literature: Staff Position (FSP) FAS 157-4), which is effective for interim or annual reporting ending after June 15, 2009 and shall be applied prospectively. This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption did not have an impact on our company's financial statements.

In May 2009, the FASB issued Statement of ASC 855 (prior authoritative literature: FAS No. 165, "Subsequent Events") which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. ASC 855 provides guidance on the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Our company adopted ASC 855 during the first quarter of fiscal 2010, and its application had no impact on our company's condensed consolidated financial statements.

In June 2009, the FASB issued ASC 105-10-65 (prior authoritative literature: SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162”). On the effective date of this standard, FASB Accounting Standards Codification™ (ASC) will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). ASC significantly changes the way financial statement preparers, auditors, and academics perform accounting research but is not intended to change GAAP. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. ASC 105-10-65 was adopted by our company as of August 1, 2009 and the principal impact on our financial statements is limited to disclosures as all future references to authoritative accounting literature will be referenced in accordance with the Codification. In order to ease the transition to the Codification, our company is providing the Codification cross-reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

In August 2009, the FASB issued ASU No. 2009-05, Measuring Liabilities at Fair Value. This Standard amends ASC 820, Fair Value Measurements (ASC 820). The new guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities or similar liabilities when traded as assets and/or 2) a valuation technique that is consistent with the principles of ASC 820 (e.g. an income approach or market approach). The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. This Standard is effective the first reporting period, including interim periods, beginning after issuance. Our company adopted this Standard effective November 1, 2009. The adoption did not have a material impact on the consolidated financial statements.

In September 2009, the FASB revised the authoritative guidance for revenue recognition for arrangements with multiple deliverables. The new guidance modifies the requirements for determining whether a deliverable can be treated as a separate unit of accounting by removing the criteria that verifiable and objective evidence of fair value exists for the undelivered elements. In allocating transaction consideration among the deliverables, the guidance also introduced the concept of using management’s best estimate of a stand along selling price as an alternate basis for allocation. The guidance is effective in fiscal years beginning on or after June 15, 2010, and our company is required to adopt this guidance in its first quarter of fiscal 2012. Our company is currently evaluating the impact this guidance may have on its financial position, results of operations and cash flows.

In September 2009, FASB’s Emerging Issues Task Force issued EITF 09-3 “Certain Revenue Arrangements That Include Software Elements.” EITF 09-3 addresses certain revenue arrangements that include software elements. This guidance states that tangible products with hardware and software components that work together to deliver the product functionality are considered non-software products, and the accounting guidance under the revenue arrangements with multiple deliverables is to be followed. This guidance is effective for arrangements entered into, or materially modified, in periods beginning on or after June 15, 2010, with earlier adoption permitted, and our company is required to adopt this guidance in its first quarter of fiscal 2012. Our company is currently evaluating the impact this guidance may have on its financial position, results of operations and cash flows.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements (Topic 820)—Fair Value Measurements and Disclosures (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3. Certain provisions of this update will be effective for us in the first quarter of fiscal 2011 and we are currently evaluating the impact of the pending adoption of this standards update on our consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09, Subsequent Events. ASU 2010-09 was issued to amend ASC 855 to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. This change is intended to alleviate potential conflicts with current SEC guidance. The provisions of ASU 2010-09 are effective upon issuance. The adoption of ASC 855 and ASU 2010-09 did not have a material impact on our company’s financial statements.

In April 2010, the FASB issued Accounting Standards Update No. 2010-17, *Revenue Recognition—Milestone Method (Topic 605) – Revenue Recognition* (ASU 2010-17). ASU 2010-17 provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research or development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of a milestone as revenue in the period in which the milestone is achieved, if the milestone meets all the criteria to be considered substantive. ASU 2010-17 is effective for us in fiscal 2012 and should be applied prospectively. Early adoption is permitted. Our company is currently evaluating the impact of the pending adoption of ASU 2010-17 on our consolidated financial statements.

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

Not Applicable.

Item 8. Financial Statements and Supplementary Data.

COUNTERPATH CORPORATION
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April 30, 2010

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Report of Independent Registered Public Accounting Firm

**To the Directors and Stockholders
CounterPath Corporation**

We have audited the accompanying consolidated balance sheets of CounterPath Corporation (the "Company") as of April 30, 2010 and 2009, 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, 2010 and 2009, 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 \$39,779,781 at April 30, 2010 and incurred a net loss for the year then ended of \$5,461,586. 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 Canada LLP

Chartered Accountants

Vancouver, Canada
July 27, 2010

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

	April 30, 2010	April 30, 2009
Assets		
Current assets:		
Cash	\$ 1,556,813	\$ 2,931,932
Accounts receivable (net of allowance for doubtful accounts of \$1,116,119 (2009 - \$755,114))	2,345,633	2,524,220
Investment tax credits recoverable	129,285	143,334
Prepaid expenses and deposits	221,041	310,274
Total current assets	4,252,772	5,909,760
Deposits	101,994	114,267
Equipment – Note 3	111,150	258,442
Intangible assets (net of accumulated amortization of \$4,243,641 (2009 - \$3,375,195) – Note 2(b))	2,930,616	2,201,894
Goodwill – Note 2(b)	8,740,025	7,262,701
Other assets	58,817	92,101
Total Assets	\$ 16,195,374	\$ 15,839,165
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities – Note 4	\$ 2,667,997	\$ 3,488,001
Unearned revenue	655,361	708,455
Customer deposits	5,127	9,443
Accrued warranty – Note 2(b)	120,963	137,378
Total current liabilities	3,449,448	4,343,277
Deferred lease inducements	4,677	55,016
Unrecognized tax benefit – Notes 2(b) and 8	98,575	98,575
Total liabilities	3,552,700	4,496,868
Stockholders' equity:		
Preferred stock, \$0.001 par value – Note 6		
Authorized: 100,000,000		
Issued and outstanding: April 30, 2010 – 1; April 30, 2009 – 1	–	–
Common stock, \$0.001 par value – Note 7		
Authorized: 83,076,900		
Issued and outstanding:		
April 30, 2010 – 33,015,627; April 30, 2009 – 28,832,050	33,016	28,831
Additional paid-in capital	51,902,471	48,718,444
Accumulated deficit	(39,779,781)	(34,318,195)
Accumulated other comprehensive income (loss) – currency translation adjustment	486,968	(3,086,783)
Total stockholders' equity	12,642,674	11,342,297
Liabilities and Stockholders' Equity	\$ 16,195,374	\$ 15,839,165
Going concern – Note 2		
Commitments and contingent liability – Notes 10 and 11		

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,	
	2010	2009
Revenue – Note 9:		
Software	\$ 5,974,712	\$ 6,868,980
Service	2,042,145	2,964,121
Total revenue	8,016,857	9,833,101
Operating expenses:		
Cost of sales (includes depreciation of \$6,361 (2009 - \$50,743) and amortization of intangible assets of \$868,446 (2009 - \$2,010,830)) – Note 2(b)	2,933,749	4,183,626
Sales and marketing	3,063,523	4,147,626
Research and development	3,586,425	7,075,640
General and administrative	3,689,900	6,507,332
Impairment of intangible assets – Note 2(b)	–	2,755,333
Restructuring costs – Note 12	44,912	1,565,347
Total operating expenses	13,318,509	26,234,904
Loss from operations	(5,301,652)	(16,401,803)
Interest and other income (expense), net		
Interest income	221,493	107,931
Interest expense	(2,599)	(11,676)
Foreign exchange gain (loss)	(378,828)	466,836
Net loss for the year	(5,461,586)	(15,838,712)
Other comprehensive income (loss):		
Foreign currency translation adjustments	3,573,751	(3,818,372)
Comprehensive loss	\$ (1,887,835)	\$ (19,657,084)
Net loss per share:		
Basic and diluted	\$ (0.18)	\$ (0.57)
Weighted average common shares outstanding:	31,067,445	27,886,194

See accompanying notes to the consolidated financial statements

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

	Years Ended	
	April 30,	
	2010	2009
Cash flows from operating activities:		
Net loss for the year	\$ (5,461,586)	\$ (15,838,712)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	276,410	590,349
Amortization of intangible assets	868,446	2,010,830
Impairment of intangible assets	–	2,755,333
Severance paid by issuance of common stock	–	125,806
Shares issued as part of share purchase plan	15,489	–
Stock-based compensation	883,225	1,443,864
Foreign exchange (gain) loss	378,828	(466,836)
Changes in assets and liabilities:		
Accounts receivable	262,894	3,463,001
Prepaid expenses and deposits	109,906	306,706
Accounts payable and accrued liabilities	(760,403)	(636,562)
Other assets	(16,716)	35,648
Unearned revenue	(38,840)	(242,141)
Customer deposits	(4,316)	(75,840)
Warranty payable	(16,417)	(6,969)
Net cash used in operating activities	(3,503,080)	(6,535,523)
Cash flows from investing activities:		
Purchase of equipment	(53,641)	(71,145)
Deposits	36,468	(28,280)
Net cash used in investing activities	(17,173)	(99,425)
Cash flows from financing activities:		
Common stock issued	1,896,082	3,752,835
Decrease in due to related parties	–	–
Net cash provided by financing activities	1,896,082	3,752,835
Foreign exchange effect on cash	249,052	(409,568)
Increase (decrease) in cash	(1,375,119)	(3,291,681)
Cash, beginning of the year	2,931,932	6,223,613
Cash, end of the year	\$ 1,556,813	\$ 2,931,932
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ 2,599	\$ 11,676
Taxes	\$ –	\$ –
Common stock issued for severance	\$ –	\$ 125,806
Non cash transactions – Notes 6 and 7		

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the Years Ended April 30, 2010 and 2009
(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, 2008	25,921,797	\$ 25,922	1	\$ -	\$ 43,398,848	\$ (18,479,483)	\$ 731,589	\$ 25,676,876
Shares issued:								
Private placements – Note 7	2,530,841	2,531	-	-	3,750,304	-	-	3,752,835
Issued for severance – Note 7	279,412	279	-	-	125,527	-	-	125,806
Exchange of subsidiary preferred shares – Note 6	100,000	100	-	-	(100)	-	-	-
Stock-based compensation - Note 7	-	-	-	-	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	28,832,050	28,832	1	-	48,718,443	(34,318,195)	(3,086,783)	11,342,297
Shares issued:								
Private placements – Note 7	3,333,334	3,333	-	-	1,849,793	-	-	1,853,126
Issued as part of debt settlement	527,370	527	-	-	392,889	-	-	393,416
Exercise of stock options	25,875	26	-	-	11,952	-	-	11,978
Employee Share Purchase Plan	88,028	89	-	-	46,378	-	-	46,467
Exchange of subsidiary preferred shares – Note 6	208,970	209	-	-	(209)	-	-	-
Stock-based compensation - Note 7	-	-	-	-	883,225	-	-	883,225
Net loss for the year	-	-	-	-	-	(5,461,586)	-	(5,461,586)
Foreign currency translation adjustment	-	-	-	-	-	-	3,573,751	3,573,751
Balance, April 30, 2010	33,015,627	\$ 33,016	1	\$ -	\$ 51,902,471	\$ (39,779,781)	\$ 486,968	\$ 12,642,674

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, 2010, the Company has not yet achieved profitable operations and had an accumulated deficit of \$39,779,781 since incorporation and incurred a net loss for the year ended April 30, 2010 totalling \$5,461,586. 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, 2011. Management is implementing a plan to address these uncertainties to enable the Company to continue as a going concern through the end of fiscal 2011 and beyond. This plan includes new equity financing in amounts sufficient to sustain operations, such as the private placement discussed in Note 7, 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 ASC 985-605 (prior authoritative literature: 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 Accounting Standards Codification ("ASC") Subtopic 605-25 (Prior authoritative literature: Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables") and revenues are recognized under ASC 605-35 (prior authoritative literature: 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 ASC 718 (prior authoritative literature: 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 ASC 718, 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 ASC 718 and ASC 505-50 (prior authoritative literature: 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 ASC 718, 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, 2010 and April 30, 2009 using the assumptions more fully described in Note 7.

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 ASC 420 (prior authoritative literature: Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*). In accordance with ASC 420, a business restructuring is defined as an exit activity that includes but is not limited to a program that is planned and controlled by management, and materially changes either the scope of a business or the manner in which that business is conducted. Business restructuring charges include (i) one-time termination benefits related to employee separations, (ii) contract termination costs, and (iii) other costs associated with consolidating or closing of facilities. The Company's restructuring costs for its post acquisition activities are more fully described in Note 12.

Website Development Costs:

The Company recognizes the costs associated with developing a website in accordance with ACS Topic 350-40 (prior authoritative literature: 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 ASC Topic 350-50 (prior authoritative literature: 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 ASC Topic 360-10-15 (prior authoritative literature: 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.

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.

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

b) Significant Accounting Policies – (cont'd)

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.

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, 2011 to 2013 of the acquired technologies and customer asset is as follows:

	<u>NewHeights</u>	<u>FirstHand</u>	<u>BridgePort</u>	<u>Total</u>
2011	\$ 1,012,740	\$ 518,043	\$ 93,777	\$ 1,624,560
2012	441,947	715,598	70,560	1,228,105
2013	\$ 77,951	\$ –	\$ –	\$ 77,951

The above intangible assets are expected to be fully amortized as at April 30, 2013.

In accordance with ASC Topic 360-10-15 (prior authoritative literature: SFAS 144), the Company performed an assessment as of April 30, 2010 and determined that there was no impairment of its intangible assets (2009 - \$2,755,333). 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. For the Company this asset grouping is deemed to be at the reporting unit level and consists of acquired technology and customer relationships (which were recorded as a result of the acquisitions of FirstHand and NewHeights), and equipment. When performing this test at the reporting unit level, goodwill is included in the carrying value of the asset group. 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. For the year ended April 30, 2010, the carrying value of the asset group was less than the undiscounted cash flows, indicating no impairment.

For the year ended April 30, 2009 the Company determined that the significant adverse change in the business climate in the last six months of 2009 affected the value of the Company's intangible assets acquired through the acquisitions of FirstHand and NewHeights. In addition the cash flow losses as at April 30, 2009 had 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 reporting unit, 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 in fiscal 2009 of \$2,755,333 related to the intangible assets.

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

b) Significant Accounting Policies– (cont'd)

A summary of the Company's intangible assets, net, at April 30, 2010 is as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Impairment Charge</u>	<u>Net Carrying Amount</u>
Acquired technologies	\$ 6,886,253	\$ 3,354,708	\$ 1,636,114	\$ 1,895,431
Customer assets	3,043,337	888,933	1,119,219	1,035,185
Intangible assets, April 30, 2010	<u>\$ 9,929,590</u>	<u>\$ 4,243,641</u>	<u>\$ 2,755,333</u>	<u>\$ 2,930,616</u>

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	<u>\$ 8,332,422</u>	<u>\$ 3,375,195</u>	<u>\$ 2,755,333</u>	<u>\$ 2,201,894</u>

Accounts Receivable and Allowance for Doubtful Accounts:

Accounts receivable are presented net of an allowance for doubtful accounts. The allowance was \$1,116,119 at April 30, 2010 (2009 - \$755,114). Bad debt expense for the year ended April 30, 2010 was \$296,887 (2009 - \$594,589).

The Company evaluates, on a periodic basis, the collectability 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.

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 ASC Topic 830 (prior authoritative literature: 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.

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

b) Significant Accounting Policies– (cont'd)

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, 2010 and 2009 were as follows:

	Years Ended April 30,	
	2010	2009
Balance, beginning of year	\$ 137,378	\$ 144,347
Change	(16,415)	(6,969)
Balance, end of year	\$ 120,963	\$ 137,378

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.

Fair Value of Financial Instruments:

The Company applies the provisions of ASC 820 (prior authoritative literature: Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157")). ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 - assets and liabilities whose significant value drivers are unobservable by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist of cash, accounts receivables, accounts payable and accrued liabilities, customer deposits and accrued warranty approximate. The carrying values of the majority of the Company's financial instruments approximate fair value due to the short maturity of these instruments. We measure certain financial assets, including our foreign currency forward contracts at fair value. 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.

The fair value of forward contracts as of April 30, 2010 was \$nil (2009 - \$nil), as all forward contracts have since been settled. The forward contracts were considered as Level 2 inputs during the year ended

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

b) Significant Accounting Policies – (cont'd)

Income Taxes:

The Company accounts for income taxes by the asset and liability method in accordance with ASC Topic 740 (prior authoritative literature: 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.

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 ("FIN 48"), "Accounting for Uncertainty in Income Taxes", (codified in FASB ASC Topic 740). 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 ASC Topic 220 (prior authoritative literature: 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 ASC Topics 260 and ASC 260-10 (prior authoritative literature: SFAS No. 128, "Earnings Per Share", and EITF No. 03-06, "Participating Securities and the Two-Class Method under FASB Statement No. 128", respectively). 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.

ASC 260 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, 2010, loss per share excludes 7,549,795 (April 30, 2009 – 6,916,189) potentially dilutive common shares (related to stock options and warrants) as their effect was anti-dilutive.



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

b) Significant Accounting Policies – (cont'd)

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. ASC Topic 350 (prior authoritative literature: Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142")). ASC 350 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.

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. Translated to U.S. dollars using the period end rate, the goodwill balance at April 30, 2010 was \$6,668,070 (CDN\$6,704,947) (April 30, 2009-\$5,540,968) and \$2,071,955 (CDN\$2,083,752) (April 30, 2009 - \$1,721,733), respectively. During the fourth quarter of its fiscal year ended April 30, 2010, 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, 2010. 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, 2010 (2009 - \$nil).

Derivative Instruments and Hedging Activities:

The Company accounts for derivative instruments, consisting of foreign currency forward contracts, pursuant to the provisions of Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("SFAS 161"), effective at the beginning of the first quarter of fiscal year 2010. SFAS No. 161 was incorporated into ASC 815, Derivatives and Hedging ("ASC 815"). ASC 815 requires the Company to measure derivative instruments at fair value and record them in our balance sheet as either an asset or liability and expands financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, results of operations and cash flows. The Company does not use derivative instruments for trading purposes. ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

The Company manages foreign currency market risk using forward contracts to offset the risk associated with the effects of certain foreign currency exposures primarily related to non-functional currency intercompany loans and advances between our international subsidiaries as well as other balance sheet accounts, particularly accounts receivable, accounts payable and certain accrual accounts. We revalue all contracts to their current market value at the end of each reporting period and unrealized gains and losses are included in our results of operations for that period. These gains and losses largely offset gains and losses recorded from the revaluation of our non-functional currency balance sheet exposures. We expect this to mitigate some foreign currency transaction gains or losses in future periods. Our net realized gain or loss with respect to currency fluctuations will depend on the currency exchange rates and other factors in effect as the contracts mature.

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

b) Significant Accounting Policies— (cont'd)

We record our foreign currency forward contracts on our Consolidated Balance Sheets as other current assets or other current liabilities depending on whether the net fair value of such contracts is a net asset or net liability, respectively. For these derivatives, the Company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassifies it into earnings in the same period in which the hedged transaction affects earnings, and within the same line item on the consolidated statements of operations as the impact of the hedged transaction (see Note 10 "Derivative Instruments and Hedging Activities," of the Notes to the Consolidated Financial Statements).

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 ASC 805 (*prior authoritative literature*: SFAS No. 141(R), "Business Combinations"). ASC 805 requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition date fair values of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquirer. In the case of a bargain purchase the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. ASC 805 was effective for fiscal periods beginning after December 15, 2008. ASC 805 was adopted by the Company effective May 1, 2009 and did not have a significant effect on the Company's financial statements.

In December 2007, the FASB issued ASC 810-10-65 (*prior authoritative literature*: FAS No. 160, "Non-controlling Interests in Financial Statements—an amendment of ARB No. 51"). ASC 810-10-65 establishes 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. ASC 810- 10-65 was adopted by the Company effective May 1, 2009 and did not have a significant effect on the Company's financial statements.

In February 2008, the FASB issued ASC 820-10-65 (*prior authoritative literature*: Staff Position (FSP) FAS 157-2), Effective Date of FASB Statement No. 157, which defers the implementation for non-recurring financial assets and liabilities from fiscal years beginning after November 15, 2007 to fiscal years beginning after November 15, 2008. The provisions of SFAS 157 will be applied prospectively. The adoption as of May 1, 2009 of the provisions did not have a material effect on the Company's financial position and results of operations.

In March 2008, the FASB issued ASC 815-10-50 (*prior authoritative literature*: SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133"). ASC 815-10-50 amends and expands the disclosure requirements of ASC 815 (*prior authoritative literature* SFAS 133, "Accounting for Derivative Instruments and Hedging Activities") 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. ASC 815-10-50 was adopted by the Company as of May 1, 2009, and did not have an impact on the Company's results of operations, cash flows or financial positions. However, the Company was required to expand its disclosures around the use of and purpose for its derivative instruments.

In April 2009, the FASB issued ASC 820-10-65 (*prior authoritative literature*: Staff Position (FSP) FAS 157-4), which is effective for interim or annual reporting ending after June 15, 2009 and shall be applied prospectively. This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption did not have an impact on the Company's financial statements.

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

d) **New Accounting Pronouncements** – (cont'd)

In May 2009, the FASB issued Statement of ASC 855 (*prior authoritative literature*: FAS No. 165, “*Subsequent Events*”) which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. ASC 855 provides guidance on the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted ASC 855 during the first quarter of fiscal 2010, and its application had no impact on our company’s condensed consolidated financial statements.

In June 2009, the FASB issued ASC 105-10-65 (*prior authoritative literature*: SFAS No. 168, “*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*”). On the effective date of this standard, FASB Accounting Standards Codification™ (ASC) will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). ASC significantly changes the way financial statement preparers, auditors, and academics perform accounting research but is not intended to change GAAP. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. ASC 105-10-65 was adopted by the Company as of August 1, 2009 and the principal impact on our financial statements is limited to disclosures as all future references to authoritative accounting literature will be referenced in accordance with the Codification. In order to ease the transition to the Codification, the Company is providing the Codification cross- reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

In August 2009, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value*. This Standard amends ASC 820, *Fair Value Measurements* (ASC 820). The new guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities or similar liabilities when traded as assets and/or 2) a valuation technique that is consistent with the principles of ASC 820 (e.g. an income approach or market approach). The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. This Standard is effective the first reporting period, including interim periods, beginning after issuance. The Company adopted this Standard effective November 1, 2009. The adoption did not have a material impact on the consolidated financial statements.

In September 2009, the FASB revised the authoritative guidance for revenue recognition for arrangements with multiple deliverables. The new guidance modifies the requirements for determining whether a deliverable can be treated as a separate unit of accounting by removing the criteria that verifiable and objective evidence of fair value exists for the undelivered elements. In allocating transaction consideration among the deliverables, the guidance also introduced the concept of using management’s best estimate of a stand along selling price as an alternate basis for allocation. The guidance is effective in fiscal years beginning on or after June 15, 2010, and the Company is required to adopt this guidance in its first quarter of fiscal 2012. The Company is currently evaluating the impact this guidance may have on its financial position, results of operations and cash flows.

In September 2009, FASB’s Emerging Issues Task Force issued EITF 09-3 “*Certain Revenue Arrangements That Include Software Elements*.” EITF 09-3 addresses certain revenue arrangements that include software elements. This guidance states that tangible products with hardware and software components that work together to deliver the product functionality are considered non-software products, and the accounting guidance under the revenue arrangements with multiple deliverables is to be followed. This guidance is effective for arrangements entered into, or materially modified, in periods beginning on or after June 15, 2010, with earlier adoption permitted, and the Company is required to adopt this guidance in its first quarter of fiscal 2012. The Company is currently evaluating the impact this guidance may have on its financial position, results of operations and cash flows.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820)—Fair Value Measurements and Disclosures* (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3. Certain provisions of this update will be effective for us in fiscal 2011 and we are currently evaluating the impact of the pending adoption of this standards update on our consolidated financial statements.

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

d) **New Accounting Pronouncements** – (cont'd)

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events*. ASU 2010-09 was issued to amend ASC 855 to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. This change is intended to alleviate potential conflicts with current SEC guidance. The provisions of ASU 2010-09 are effective upon issuance. The adoption of ASC 855 and ASU 2010-09 did not have a material impact on the Company's financial statements.

In April 2010, the FASB issued Accounting Standards Update No. 2010-17, *Revenue Recognition—Milestone Method (Topic 605) – Revenue Recognition* (ASU 2010-17). ASU 2010-17 provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research or development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of a milestone as revenue in the period in which the milestone is achieved, if the milestone meets all the criteria to be considered substantive. ASU 2010-17 is effective for us in fiscal 2012 and should be applied prospectively. Early adoption is permitted. The Company is currently evaluating the impact of the pending adoption of ASU 2010-17 on our consolidated financial statements.

Note 3 **Equipment**

	April 30, 2010		
	Cost	Accumulated Depreciation	Net
Computer hardware	\$ 686,844	\$ 686,468	\$ 376
Computer software	734,769	726,378	8,391
Leasehold improvements	206,941	175,305	31,636
Office furniture	228,422	166,008	62,414
Websites	49,915	41,582	8,333
	\$ 1,906,891	\$ 1,795,741	\$ 111,150
	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

Note 4 **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at April 30, 2010 and 2009 are comprised of the following:

	April 30,	
	2010	2009
Accounts payable – trade	\$ 499,900	\$ 1,024,719
Accrued commissions	158,343	38,554
Accrued vacation	362,618	377,357
Codec royalties	848,177	709,290
Research fees	246,706	626,941
Accrued severance – Note 12	344,433	395,432
Other accrued liabilities	207,820	315,708
	\$ 2,667,997	\$ 3,488,001

COUNTERPATH CORPORATION
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Note 5 **Related Party Transactions**

During the years ended April 30, 2010 and 2009, the Company incurred the following lease expense to a company with a director in common with the Company:

	Years Ended April 30,	
	2010	2009
Lease payment	\$Nil	\$3,446

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

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 \$13.50 per copy deployed, declining to \$9.00 per copy deployed after two years and declining from \$9.00 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, 2010, pursuant to the terms of these agreements, was \$560,636 (2009 - \$1,225,757).

As at April 30, 2010, the Company had an accounts receivable balance from Mitel of \$170,802 (April 30, 2009 - \$155,208).

During the year ended April 30, 2010, the Company through its wholly owned subsidiary, FirstHand Technologies Inc., paid \$79,500 (2009 - \$277,451) to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Company's Chairman. As at April 30, 2010, the Company had an accounts payable balance to KRP of \$nil (April 30, 2009 - \$13,210).

In connection with a non-brokered private placement of 3,333,334 units which closed on October 29, 2009, Wesley Clover Corporation, a company controlled by the Chairman of the Company's Board, purchased 1,666,667 units, at a price of \$0.56 (CDN\$0.60) per unit, for aggregate proceeds of \$933,881 (CDN\$1,000,000). 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 \$0.90 for a period of two years from the closing of the private placement.

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

COUNTERPATH CORPORATION
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Note 6 **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.

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. On December 16, 2009, the Company issued 154,546 shares of common stock pursuant to a holder of 154,546 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights. On April 27, 2010, the Company issued 4,424 shares of common stock pursuant to a holder of 4,424 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights. There were 60,871 outstanding exchangeable shares as of April 30, 2010 (April 30, 2009 - 269,841). 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 7 **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 were 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 and as of April 30, 2010, all shares of common stock had been released from escrow.

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.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 7 **Common Stock – (cont'd)**

On July 17, 2009, in connection with a research agreement and omnibus agreement under which the Company licensed certain technologies from Columbia University, 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 fair value of the common stock was deemed equal the value of the liability. The common stock was issued at \$0.75 (CDN\$0.84) per share, and was calculated as the average daily actual sales price of the common stock on the TSX-V on each of the ten trading days immediately preceding July 17, 2009.

On October 29, 2009, the Company issued 3,333,334 units at a price of \$0.56 (CDN\$0.60) per unit for gross proceeds of approximately \$1,867,762 (CDN\$2,000,000). The Company incurred \$14,636 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 entitles the holder thereof to purchase one share of common stock in the capital of the Company for a period of two years commencing from October 29, 2009 at an exercise price of \$0.90 per warrant.

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 5,060,000 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 ASC 718 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 ASC 718 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, ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period, whereas prior to the adoption of ASC 718 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 2010 and 2009 in determining the expense recorded in the accompanying consolidated statement of operations.

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 ASC 718 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.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 7 **Common Stock – (cont'd)**

Stock Options – (cont'd)

The weighted-average fair values of options granted during the year ended April 30, 2010 and 2009 were \$0.34 and \$0.44 respectively. The weighted-average assumptions utilized to determine such values are presented in the following table:

	Year Ended April 30, 2010	Year Ended April 30, 2009
Risk-free interest rate	2.31%	2.12%
Expected volatility	84.5%	71.9%
Expected term	3.7 yrs	3.7 yrs
Dividend yield	0%	0%
Weighted average fair value	\$ 0.34	\$ 0.44

The following is a summary of the status of the Company's stock options as of April 30, 2010 and the stock option activity during the year ended April 30, 2010:

	Number of Options	Weighted-Average Exercise Price per Share
Outstanding at April 30, 2008	3,794,263	\$2.20
Granted	2,146,000	\$0.85
Exercised	–	\$ –
Forfeited / Cancelled	(1,116,440)	\$1.84
Expired	(173,055)	\$2.00
Outstanding at April 30, 2009	4,650,768	\$1.13
Granted	1,050,000	\$0.57
Exercised	(25,875)	\$0.46
Forfeited / Cancelled	(904,144)	\$1.14
Expired	(153,042)	\$0.62
Outstanding at April 30, 2010	4,617,707	\$1.03
Exercisable at April 30, 2010	2,602,619	\$1.32
Exercisable at April 30, 2009	2,474,207	\$1.41

The following table summarizes information regarding stock options outstanding as of April 30, 2010:

Exercise Price	Number of Options Outstanding	Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value
\$0.44	527,125	\$200,308	December 15, 2013	178,568	\$67,856
\$0.45	200,000	74,000	February 9, 2015	–	–
\$0.47	889,863	311,452	June 13, 2010 to September 26, 2016	828,865	290,103
\$0.49	20,000	6,600	March 11, 2015	–	–
\$0.60	580,000	127,600	December 14, 2014	20,000	4,400
\$0.62	850,000	170,000	April 17, 2014	212,500	42,500
\$0.65	30,000	5,100	April 27, 2015	–	–
\$1.75	250,000	–	May 14, 2013	119,792	–
\$1.90	66,719	–	March 8, 2015	66,719	–
\$1.95	582,400	–	September 7, 2010 to January 10, 2016	582,400	–
\$2.00	246,000	–	January 1, 2011 to February 28, 2015	246,000	–
\$2.15	240,000	–	September 7, 2016	215,000	–
\$3.05	135,600	–	May 23, 2016	132,775	–
April 30, 2010	<u>4,617,707</u>	<u>\$895,060</u>		<u>2,602,619</u>	<u>\$404,859</u>
April 30, 2009	<u>4,650,768</u>	<u>\$494,764</u>		<u>2,474,207</u>	<u>\$214,046</u>

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 7 **Common Stock – (cont'd)**

Stock Options – (cont'd)

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of \$0.82 per share as of April 30, 2010 (April 30, 2009 – \$0.69), 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, 2010 was 1,239,933 (April 30, 2009 – 972,936). The total intrinsic value of options exercised during the year ended April 30, 2010 was \$6,135 (2009 – \$nil). The grant date fair value of options vested during the year ended April 30, 2010 was \$3,711,399 (April 30, 2009 – \$3,511,509).

The following table summarizes information regarding the non-vested stock purchase options outstanding as of April 30, 2010:

	<u>Number of Options</u>	<u>Weighted Average Grant-Date Fair Value</u>
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	2,176,561	\$ 0.64
Granted	1,050,000	\$ 0.34
Vested	(828,797)	\$ 0.86
Forfeited	(382,676)	\$ 0.47
Non-vested options at April 30, 2010	<u>2,015,088</u>	<u>\$ 0.39</u>

As of April 30, 2010 there was \$681,413 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 2.72 years.

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the year ended April 30, 2010 and 2009 are as follows:

	<u>Years Ended April 30,</u>	
	<u>2010</u>	<u>2009</u>
Cost of sales	\$ 55,494	\$ 84,586
Sales and marketing	91,346	143,693
Research and development	78,535	273,441
General and administrative	657,850	942,144
Total stock-based compensation	<u>\$ 883,225</u>	<u>\$ 1,443,864</u>

Warrants

During the year ended April 30, 2010, the Company issued 1,666,667 (2009- 1,265,421) warrants on October 22, 2009 as a part of unit offering. The fair value of the stock purchase warrants granted was \$412,414 (2009- \$394,372). The warrants enable the holders the right to purchase up to 1,666,667 shares of the Company's common stock, exercisable for two years from the date of issue. 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 Year Ended

Risk-free interest rate	0.90%	1.58% - 2.52%
Expected volatility	79.94%	48.54% - 66.34%
Expected term	2 yrs	2 yrs
Dividend yield	0%	0%
Weighted average fair value per warrant	\$0.23	\$0.31 - \$0.44

COUNTERPATH CORPORATION
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Note 7 Common Stock – (cont'd)

Warrants – (cont'd)

The following table summarizes information regarding the warrants outstanding as of April 30, 2010 and April 30, 2009.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Expiry Dates</u>
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	November 30, 2009 to October 24, 2010
Granted	1,666,667	\$0.90	October 29, 2011
Forfeited/Cancelled	(750,000)	\$4.00	November 30, 2009
Expired	(250,000)	\$4.00	November 30, 2009
Warrants at April 30, 2010	2,932,088	\$1.50	July 31, 2010 to October 29, 2011

Employee Stock Purchase Plan

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 700,000 shares have been reserved for issuance under the ESPP. As of April 30, 2010, a total of 611,972 shares were available for issuance under the ESPP. During the years ended April 30, 2010 and 2009, 88,028 and nil shares were sold or issued to employees under the ESPP.

Deferred Share Unit Plan

Under the terms of the DSUP which is effective as at October 22, 2009, each deferred share unit is equivalent to one share of common stock. The maximum number of shares of common stock that may be reserved for issuance to any one participant pursuant to deferred share units granted under the DSUP and any share compensation arrangement is 5% of the number of shares of common stock of the Company outstanding at the time of reservation and, as applicable, any grants of deferred share units to any one participant may not exceed a value of \$100,000 per annum on the date of grant. A deferred share unit (DSU) granted to a participant who is a director of the board of the Company shall vest immediately on the award date. A deferred share unit granted to a participant other than a director will generally vest as to one-third (1/3) of the number of deferred share units granted on the first, second and third anniversaries of the award date. Fair value of the DSU's, which is based on the closing price of the Company's common stock on the date of grant, is recorded as compensation expense in the period of grant.

A total of 1,500,000 shares have been reserved for issuance under the DSUP. During the year ended April 30, 2010, 520,161 deferred share units were issued under the DSUP, of which 241,935 were granted to officers and 278,226 were granted to directors. For the year ended April 30, 2010, a total of 979,839 shares were available for issuance under the DSUP.

The following table summarizes the Company's outstanding DSU awards as of April 30, 2010, and changes during the period then ended:

	<u>Number of DSU's</u>	<u>Weighted Average grant date Fair value per unit</u>
DSU's at April 30, 2009	–	\$ –
Granted	520,161	\$ 0.60
Conversions	–	\$ –
Outstanding at April 30, 2010	520,161	\$ 0.60



COUNTERPATH CORPORATION
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Note 7 **Common Stock – (cont'd)**

Deferred Share Unit Plan – (cont'd)

As of April 30, 2010 there was \$121,400 (2009 – \$nil) of total unrecognized compensation cost related to unvested deferred share units awards. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.62 years (2009 – nil).

Employee and non-employee deferred share unit based compensation amounts classified in the Company's consolidated statements of operations for the year ended April 30, 2010 and 2009 are as follows:

	Year Ended	
	April 30,	
	2010	2009
General and administrative	\$ 190,697	\$ –
Total deferred share unit-based compensation	\$ 190,697	\$ –

Note 8 **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,	
	2010	2009
Tax loss carry forwards	\$ 12,894,000	\$ 10,975,000
Equipment	1,123,000	871,000
Undeducted research and development expenses	2,645,000	2,199,000
Investment tax credits	1,322,000	951,000
Undeducted financing costs	–	24,000
Cumulative unrealized foreign exchange gain	(159,000)	(251,000)
Acquired technology and other intangibles	(706,000)	(487,000)
Valuation allowance established by management	(17,119,000)	(14,282,000)
Net deferred tax assets	\$ –	\$ –

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,	
	2010	2009
Benefit from net loss, at US rates	\$ (1,857,000)	\$ (5,385,000)
Foreign loss at other than US rates	28,000	205,000
Non-deductible expenses	8,000	17,000
Non-deductible stock option compensation	300,000	491,000
Non-deductible loss on extinguishment of debt	–	–
Adjustment of valuation allowance	–	–
Effect of reduction in foreign statutory rates	46,000	832,000
Foreign exchange losses on revaluation of deferred tax balances	(1,777,000)	1,851,000
Expiry of non-operating losses	415,000	410,000
Increase in valuation allowance	2,837,000	1,579,000
Income tax expense for year	\$ –	\$ –

COUNTERPATH CORPORATION
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Note 8 **Income Taxes – (cont'd)**

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, 2010, 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\$	\$ 20,170,000	2026 – 2030
Canada – CDN\$	\$ 24,000,000*	2010 – 2030

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

These financial statements do not reflect the potential effect on future income taxes of the application of these losses.

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", (codified in FASB ASC Topic 740). The Company is subject to taxation in the U.S., Canada, 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, 2010 and April 30, 2009 were as follows:

	Years Ended	
	April 30,	
	2010	2009
Balance at beginning of year	\$ 98,575	\$ 98,575
Increases related to prior year tax positions (interest and penalties)	–	–
Increases related to current year tax positions (interest and penalties)	–	–
Settlements	–	–
Lapses in statute of limitations	–	–
Balance at end of year	<u>\$ 98,575</u>	<u>\$ 98,575</u>

Note 9 **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. The Company has determined that it is impracticable to report the revenues from external customers for each product and service or each group of similar products and services.

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, 2010 and 2009:

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 9 **Segmented Information – (cont'd)**

	Years Ended April 30,	
	2010	2009
North America	\$ 4,960,905	\$ 5,691,518
Europe	1,960,691	2,594,871
Asia and Africa	571,471	817,987
Central and South America	523,790	728,725
	\$ 8,016,857	\$ 9,833,101

Contained within the results of North America for the year ended April 30, 2010 are revenues from the United States of \$4,281,828 (2009 - \$4,373,763) and from Canada of \$679,077 (2009 - \$1,317,755).

Contained within the results of Europe for the year ended April 30, 2010 are revenues from the United Kingdom of \$461,470 (2009 - \$659,637), from Germany of \$320,039 (2009 - \$663,609), from the Netherlands of \$233,095 (2009 - \$100,216), from Switzerland \$146,375 (2009 - \$21,899), and from Slovenia \$112,454 (2009 - \$135,570).

Contained within the results of Central and South America for the year ended April 30, 2010 are revenues from Mexico of \$313,436 (2009 - \$238,730), from Brazil of \$70,952 (2009 - \$176,168), from Chile of \$52,203 (2009 - \$26,063), from Colombia of \$47,689 (2009 - \$54,886), and from Argentina of \$16,774 (2009 - \$73,124).

Contained within the results of Asia and Africa for the year ended April 30, 2010 are revenues from Nigeria of \$176,700 (2009 - \$nil), from Israel of \$94,320 (2009 - \$61,999), from Australia of \$68,427 (2009 - \$5,791), from Philippines of \$36,503 (2009 - \$nil), and from Japan of \$34,548 (2009 - \$249,806).

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,	
	2010	2009
Canada	\$ 11,825,188	\$ 9,793,247
United States	15,420	21,891
	\$ 11,840,608	\$ 9,815,138

Revenue from significant customers for the years ended April 30, 2010 and 2009 is summarized as follows:

	Years Ended April 30,	
	2010	2009
Customer A	15%	13%
Customer B	7%	12%
	22%	25%

Accounts receivable balance for Customer A was \$1,000,975 as at April 30, 2010 (April 30, 2009 - \$323,285). Accounts receivable balance for Customer B was \$170,802 as at April 30, 2010 (April 30, 2009 - \$155,208).

COUNTERPATH CORPORATION
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Note 10 **Derivative Instruments and Hedging Activities**

In the normal course of business, the Company is exposed to fluctuations in interest rates and the exchange rates associated with foreign currencies. The Company's primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk.

Foreign Currency Exchange Rate Risk

The Company accounts for derivative instruments, consisting of foreign currency forward contracts, pursuant to the provisions of Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("SFAS 161"), effective at the beginning of the first quarter of fiscal year 2010. SFAS No. 161 was incorporated into ASC 815, Derivatives and Hedging ("ASC 815"). ASC 815 requires the Company to measure derivative instruments at fair value and record them in our balance sheet as either an asset or liability and expands financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, results of operations and cash flows. The Company does not use derivative instruments for trading purposes. ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

A majority of the Company's revenue activities are transacted in U.S. dollars. However, the Company is exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies, of which the most significant to its operations for the year ended April 30, 2010 is the Canadian dollar. The Company is primarily exposed to a strengthening Canadian dollar as its operating expenses are primarily denominated in Canadian dollars while its revenues are primarily denominated in U.S. dollars. The Company's foreign currency risk management program includes foreign currency derivatives with cash flow hedge accounting designation that utilizes foreign currency forward contracts to hedge exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S. dollar-denominated cash flows. These instruments generally have a maturity of less than one year. For these derivatives, the Company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassifies it into earnings in the same period in which the hedged transaction affects earnings, and within the same line item on the consolidated statements of operations as the impact of the hedged transaction.

Volume of Derivative Activity

Total gross notional amounts for foreign currency forward contracts, presented by currency, are as follows:

	Years Ended	
	April 30,	
	2010	2009
Canadian Dollar	\$ 1,000,000	—
Total	\$ 1,000,000	—

The fair value of forward contracts as of April 30, 2010 was \$nil, as all forward contracts have since been settled.

Note 11 **Commitments**

- a) On March 14, 2008 the Company entered into a lease for accommodation which commenced on April 1, 2008 and expired on March 31, 2009. On January 14, 2010, the Company entered into extension agreement on this lease for the third time which commences on April 1, 2010 and expires March 31, 2011. The monthly lease payment under the new extension agreement is \$2,339.

- b) 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 \$9,874 was made. The monthly lease payment under this agreement is \$9,874 plus \$8,652 in operating costs. The Company is subleasing part of these premises for a monthly charge of \$7,464. The sublease commenced on August 1, 2007 and expires on September 30, 2012. On July 17, 2009, the Company signed a new subleasing agreement for another part of these premises, which commenced on August 1, 2009 and expires September 30, 2012. The monthly charge under this subleasing agreement is \$3,198 (CDN\$3,216) plus \$3,154 (CDN\$3,171) in operating costs.

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

Note 11 **Commitments – (cont'd)**

- c) 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 \$23,210 plus \$21,843 in operating costs. Our office space is adequate for the operations of our company for the foreseeable future.
- d) 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 commenced on May 1, 2009 and expires on April 20, 2012. The monthly lease payment under this agreement is \$6,625. This lease expense is a related party transaction as it was incurred with a company with a director in common with the Company.
- e) 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 a total of \$492,278 (CDN\$495,000) over 45 months at a rate of CDN\$11,000 per month and pay for health benefits for 21 months from the date of the agreement.

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

	<u>Office Leases – Related Party</u>	<u>Office Leases – Unrelated Party</u>	<u>Sub Lease Income</u>	<u>Total Office Leases</u>	<u>Settlement Agreement</u>
2011	\$ 79,500	\$ 816,275	\$ (165,796)	\$ 729,979	\$ 131,274
2012	79,500	447,572	(165,796)	361,276	131,274
2013	–	92,627	(69,082)	23,545	82,046
	<u>\$ 159,000</u>	<u>\$ 1,356,474</u>	<u>\$ (400,674)</u>	<u>\$ 1,114,800</u>	<u>\$ 344,594</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 \$44,912 (2009 – \$1,565,347). 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 completion 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>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 395,432	\$ –
Provision	–	1,565,347
Settlement	44,912	1,169,915
Balance, end of year	<u>\$ 350,520</u>	<u>\$ 395,432</u>

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

Note 14 **Subsequent Events**

- (a) On May 14, 2010, 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 18, 2010, the Company granted 322,500 deferred share units to eight non-employee directors and two officers pursuant to its deferred share unit plan. Each deferred share unit provides the holder thereof the right to exchange the unit into one share of common stock of the Company under the terms and conditions of the plan. 172,500 of the deferred share units vest immediately and 150,000 of the deferred share units vest as to 1/3 of the deferred share units on the first, second and third anniversary of the date of the grant, at which time the deferred share units are fully vested.

- (c) On July 23, 2010, the Company granted stock options to an employee to purchase an aggregate of 20,000 shares of common stock at an exercise price of \$1.10 per share, exercisable for a period of five years pursuant to the Company's 2005 Amended and Restated Stock Option Plan. The options 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.

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 as of April 30, 2010, 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 is effective as of April 30, 2010.

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

There has been no change in our internal controls over financial reporting that occurred during our latest fiscal quarter ended April 30, 2010 that has materially affected, or is reasonably likely to materially affect our internal controls 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	41	April 24, 2006
David Karp British Columbia, Canada	Chief Financial Officer, Treasurer, Secretary	45	September 7, 2006
Terence Matthews Ontario, Canada	Chairman of the Board, Director	67	August 2, 2007
Mark Bruk ⁽²⁾ British Columbia, Canada	Vice-Chairman of the Board, Director	51	April 27, 2004
Owen Matthews ⁽³⁾ British Columbia, Canada	Vice-Chairman of the Board, Director	38	August 2, 2007
Peter Charbonneau ⁽⁴⁾ Ontario, Canada	Director	56	October 1, 2008
Chris Cooper ⁽³⁾⁽⁴⁾ British Columbia, Canada	Director	40	August 17, 2005
William Jin ⁽⁴⁾ Ontario, Canada	Director	41	October 1, 2008
Greg Pelling ⁽⁵⁾ Ontario, Canada	Director	51	August 2, 2007
Larry Timlick ⁽³⁾⁽⁶⁾ British Columbia, Canada	Director	53	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

Sir Terence Matthews is our Chairman of the Board and a director of our company. He is the founder and Chairman of Wesley Clover Corporation, an investment vehicle and holding company. Mr. Matthews has either founded or funded over 80 companies since 1972 including Newbridge Networks, a company he founded in 1986 and which became a leader in the worldwide data networking industry. Prior to Newbridge, Mr. Matthews co-founded Mitel, a world leader in the design and manufacture of enterprise communications solutions. Wesley Clover now has interests in a broad range of next-generation technology companies, real estate, hotels and resorts. In addition to being the Chairman of Wesley Clover, Mr. Matthews is also Chairman of a number of private and publicly traded companies such as Mitel, March Networks, Bridgewater Systems and Solace Systems and sits as a director on the Boards of several others. Mr. Matthews holds an honours degree in electronics from the University of Wales 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 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 2007. Mr. Bruk is an entrepreneur and technologist who has worked in the software industry for the past 25 years. His primary focus is the design of new software technologies which deliver significant benefits to end users and affect their daily lives. Prior to founding CounterPath, Mr. Bruk founded, and was Chairman and Chief Executive Officer of eduverse.com. eduverse.com developed English as a Second Language (ESL) phonetic instruction solutions and partnered with Ministries of Education to deliver this advertising embedded educational software to students. eduverse.com signed agreements with the Ministry of Education, China, the Ministry of Education, Malaysia, the Ministry of University Affairs, Thailand, Acer, AOL, Proctor and Gamble, Sina.com, and StarTV. Prior to founding eduverse.com, Mr. Bruk served as Vice President of Applications and Research & Development for PNI Digital Media Inc., a multimedia software company, which developed image management software included with digital cameras manufactured by Casio, Nikon, Olympus and Kodak. Under Mr. Bruk's initiative and management PNI developed industry leading multimedia software.

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 Wesley Clover 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, 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 14 years of experience in management and finance in the oil and gas industry. Over the past several 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 issuer. 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 that was 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 – M&A based growth, business development, product innovation, market gains and profitability commitments. Prior to joining NewHeights, Mr. Pelling was Global Managing Director, Advanced IT and Global Development Services of Cisco Systems, Inc., responsible for 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, where he was responsible for delivering \$200 million in annual new business. As the Managing Director Asia Pacific and Japan for Cisco Systems Internet Business Solutions Group, he was also 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. Prior to Cisco, he was a senior leader with PwC from 1995 to 2001 and was Asia’s Senior Partner for PwC’s Technology Consulting practice. Prior to joining PwC, Mr. Pelling held management positions in several Canadian companies including Intergraph, SHL Systemhouse, Wang Labs and Richmond Technologies. 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 Kensington Court Ventures Inc., a publicly traded investment vehicle and a Territory Manager for Aruba Networks.

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, 2010 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	2(2)	3	Nil
Mark Bruk	1(2)	1	Nil
Chris Cooper	1(2)	1	Nil
David Karp	8(2)	8	Nil
Donovan Jones	9(2)	9	Nil
Greg Pelling	2(2)	8	Nil
Peter Charbonneau	1(1) 1(2)	0 1	Nil
William Jin	1(1) 1(2)	0 1	Nil
Covington Venture Fund	1(2)	2	Nil
Larry Timlick	1(2)	1	Nil
Owen Matthews	1(2)	1	Nil

- (1) The named director, officer or greater than 10% shareholder, as applicable, filed a late Form 3 – Initial Statement of Beneficial Ownership of Securities.
- (2) 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, 2010, 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 5605 (a)(2) of the NASDAQ Listing 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 Item 10 of this annual report under section entitled "Business Experience".

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” as defined in Item 407 (d)(5)(ii) of Regulation S-K. 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, 2010; 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, 2010,

who we will collectively refer to as our “named executive officers”, of our company for the years ended April 30, 2010 and 2009, 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 (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Other Annual Compensation (\$) ⁽³⁾	Total (\$)
Donovan Jones ⁽⁴⁾ President, Chief Executive Officer and Director	2010	279,466	46,671	96,774	Nil	25,762	448,673
	2009	223,560	92,394	Nil	421,645	22,689	760,288
David Karp Chief Financial Officer, Treasurer and Secretary	2010	159,055	25,202	48,387	Nil	10,096	242,740
	2009	160,326	33,999	Nil	101,117	Nil	295,442
Michael Hryb VP, Carrier Sales	2010	114,251	47,497	Nil	8,833	Nil	173,445
	2009	107,355	60,483	Nil	43,497	Nil	176,690
Jim O'Brien Director, NCG Customer Engineering	2010	148,342	Nil	Nil	353	Nil	152,994
	2009	147,779	Nil	Nil	7,766	Nil	152,326
Todd Carothers ⁽⁵⁾ VP, Product Management	2010	137,621	Nil	Nil	52,996	Nil	190,617
	2009	162,000	8,809	Nil	97,575	Nil	268,384

(1) The amount in this column reflects the grant date fair value of the deferred share units granted to named executive officers in each fiscal year listed. For a description of the methodology and assumptions used in valuing the deferred share units granted to our officers and directors during the year ended April 30, 2010, please review Note 7 to the financial statements included herein.

- (2) For a description of the methodology and assumptions used in valuing the option awards granted to our named executive officers and directors during the year ended April 30, 2010, please review Note 7 to the financial statements included herein.
- (3) 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.
- (4) 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.
- (5) Mr. Carothers was not employed by our company between July 30, 2009 and October 11, 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\$299,400 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\$182,400. 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, 2010. 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 deferred share units vest as to one-third (1/3) of the number of deferred share units granted on the first, second and third anniversaries of the award date.

Name	Option Awards					Stock Awards			
	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	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested (\$)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Donovan Jones	180,000 ⁽¹⁾	—	—	\$1.95	October 10, 2015	161,290 ⁽¹⁶⁾	\$132,258	—	—
	23,400 ⁽²⁾	—	—	\$1.95	January 10, 2016				
	132,775 ⁽³⁾	2,825 ⁽³⁾	—	\$3.05	May 23, 2016				
	119,792 ⁽⁴⁾	130,208 ⁽⁴⁾	—	\$1.75	May 14, 2013				
	150,000 ⁽⁵⁾	450,000 ⁽⁵⁾	—	\$0.62	April 17, 2014				
David Karp	215,000 ⁽⁶⁾	25,000 ⁽⁶⁾	—	\$2.15	September 7, 2016	80,645 ⁽¹⁷⁾	\$66,129	—	—
	25,000 ⁽⁷⁾	50,000 ⁽⁷⁾	—	\$0.44	December 15, 2013				
	62,500 ⁽⁸⁾	187,500 ⁽⁸⁾	—	\$0.62	April 17, 2014				
Michael Hryb	18,333 ⁽⁹⁾	21,667 ⁽⁹⁾	—	\$0.47	June 3, 2013	—	—	—	—
	9,127 ⁽¹⁰⁾	15,873 ⁽¹⁰⁾	—	\$0.44	December 15, 2013				
	—	25,000 ⁽¹¹⁾	—	\$0.60	December 14, 2014				
Jim O'Brien	14,555 ⁽¹²⁾	—	—	\$0.47	February 2, 2013	—	—	—	—
	11,667 ⁽¹³⁾	23,333 ⁽¹³⁾	—	\$0.44	December 15, 2013				
	—	1,000 ⁽¹⁴⁾	—	\$0.60	December 14, 2014				
Todd Carothers	—	150,000 ⁽¹⁵⁾	—	\$0.60	December 14, 2014	—	—	—	—

- (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 September 7, 2006.
(7) Granted on December 15, 2008.
(8) Granted on April 17, 2009.
(9) Granted on June 3, 2008.
(10) Granted on December 15, 2008.
(11) Granted on December 14, 2009.
(12) Granted on February 2, 2008.
(13) Granted on December 15, 2008.
(14) Granted on December 14, 2009.
(15) Granted on December 14, 2009.
(16) Granted on December 14, 2009
(17) Granted on December 14, 2009

Compensation of Directors

During the fiscal year ended April 30, 2010, we introduced compensation for our non-employee directors for their services in fiscal year 2010 and thereafter 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. During the fiscal year ended April 30, 2010, we issued 278,226 deferred share units in lieu of cash to our directors.

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, 2010:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽⁹⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark Bruk ⁽¹⁾	Nil	14,516	Nil	N/A	N/A	Nil	14,516
Peter Charbonneau ⁽²⁾	Nil	19,355	Nil	N/A	N/A	Nil	19,355
Chris Cooper ⁽³⁾	Nil	29,032	Nil	N/A	N/A	Nil	29,032
William Jin ⁽⁴⁾	Nil	19,355	Nil	N/A	N/A	Nil	19,355
Terence Matthews ⁽⁵⁾	Nil	29,032	Nil	N/A	N/A	Nil	29,032
Owen Matthews ⁽⁶⁾	Nil	21,774	Nil	N/A	N/A	Nil	21,774
Greg Pelling ⁽⁷⁾	Nil	14,516	Nil	N/A	N/A	Nil	14,516
Larry Timlick ⁽⁸⁾	Nil	19,355	Nil	N/A	N/A	Nil	19,355

- (1) At April 30, 2010, Mr. Bruk held an aggregate of 339,000 stock options and 24,194 deferred share units.
- (2) At April 30, 2010, Mr. Charbonneau held an aggregate of 32,258 deferred share units.
- (3) At April 30, 2010, Mr. Cooper held an aggregate of 40,000 stock options and 48,387 deferred share units.
- (4) At April 30, 2010, Mr. Jin held an aggregate of 32,258 deferred share units.
- (5) At April 30, 2010, Mr. Terence Matthews held an aggregate of 18,000 stock options and 48,387 deferred share units.
- (6) At April 30, 2010, Mr. Owen Matthews held an aggregate of 36,290 deferred share units.
- (7) At April 30, 2010, Mr. Pelling held an aggregate of 200,000 stock options and 24,194 deferred share units.
- (8) At April 30, 2010, Mr. Timlick held an aggregate of 40,000 stock options and 32,258 deferred share units.
- (9) Represents value on grant date of vested deferred share units.

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 27, 2010, 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 27, 2010, we had 33,073,926 shares of common stock issued and outstanding. In addition, as of July 27, 2010, there was one (1) series A special voting share and 60,871 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 27, 2010. 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	8,704,338 ⁽³⁾	25.4%
Steven Bruk 3790 Southridge Avenue West Vancouver, BC, Canada V7V 3J1	2,496,468 ⁽⁴⁾	7.5%
Owen Matthews Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	2,336,257	7.1%
Mark Bruk Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	1,515,335 ⁽⁵⁾	4.5%
Donovan Jones Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	767,588 ⁽⁶⁾	2.3%
Greg Pelling Suite 908-360 Bloor Street East Toronto, Ontario, M4W 3M3	722,836 ⁽⁷⁾	2.2%
David Karp Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	383,111 ⁽⁸⁾	1.1%
Chris Cooper 1910-1055 West Hastings Street, Vancouver, British Columbia Canada V6E 2E9	143,372 ⁽⁹⁾	**
Larry Timlick Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	102,258 ⁽¹⁰⁾	**

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percentage of Class ⁽²⁾
Peter Charbonneau Tower B, 830 – 555 Legget Drive Ottawa, Ontario Canada K2K 2X3	52,258 ⁽¹¹⁾	**
William Jin 200 Front Street West, Suite 3003 P.O. Box 10 Toronto, Ontario Canada M5V 3K2	52,258 ⁽¹²⁾	**
Michael Hryb Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	57,589 ⁽¹³⁾	**
Jim O'Brien 40 Warren Street, 3rd Floor Charlestown, MA 02129 USA	30,663 ⁽¹⁴⁾	**
Todd Carothers 651 W. Washington Blvd., Suite 500 Chicago, IL 60661 USA	30,595 ⁽¹⁵⁾	**
Directors and Executive Officers as a Group	17,394,926	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 33,080,645 shares of common stock outstanding on July 27, 2010, including shares of common stock subject to options, deferred share units, or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of July 27, 2010 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 7,441,408 shares of common stock held by Wesley Clover Corporation. 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, and 833,334 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 \$0.90 per share on or before October 29, 2011. Also includes 48,387 shares subject to deferred share units.
- (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.
- (5) Includes 339,000 shares of common stock issued on January 10, 2006 and held by Mr. Bruk that are vested 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. Also includes 24,194 shares subject to deferred share units.
- (6) Includes 697,333 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 27, 2010, including 180,000 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, 23,400 stock options issued on January 10, 2006 that are exercisable at \$1.95 per share until January 10, 2016, 135,600 stock options issued on May 23, 2006 that are exercisable at \$3.05 per share until May 23, 2016, 145,833 stock options issued on May 14, 2008 that are exercisable at \$1.75 per share until May 14, 2014 and 212,500 shares of common stock subject to stock options issued on April 17, 2009 that are exercisable at a price of \$0.62 per share, expiring on April 17, 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. Also includes 24,194 shares subject to deferred share units.
- (8) Includes 361,354 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 27, 2010, including 240,000 stock options issued on September 7, 2006 that are exercisable at a price of \$2.15 per share, expiring on September 7, 2016, 32,812 stock options issued on December 15, 2008 that are exercisable at a price of \$0.44 per share, expiring on December 15, 2013, and 88,542 stock options issued on April 19, 2009 that are

- exercisable at a price of \$0.62 per share, expiring on April 17, 2014. 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. Also includes 48,387 shares subject to deferred share units.
 - (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. Also includes 32,258 shares subject to deferred share units.
 - (11) Mr. Charbonneau is a principal of the general partner of Skypoint Telecom Fund II, which holds 1,807,692 shares of common stock. Also includes 32,258 shares subject to deferred share units.
 - (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. Also includes 32,258 shares subject to deferred share units.
 - (13) Includes 38,794 shares of common stock subject to vested stock options of a total of 90,000 shares of common stock subject to stock options and held by Mr. Hryb that are exercisable within 60 days of July 27, 2010, including 40,000 stock options issued on June 3, 2008 and repriced on March 12, 2009 that are exercisable at \$0.47 per share, expiring on June 3, 2013, 25,000 stock options issued on December 15, 2008 that are exercisable at \$0.44 per share, expiring on December 15, 2013, 25,000 stock options issued on December 14, 2009 that are exercisable at \$0.60 per share, expiring on December 14, 2014.
 - (14) Includes 30,663 shares of common stock subject to vested stock options of a total of 50,555 shares of common stock subject to stock options and held by Mr. O'Brien that are exercisable within 60 days of July 27, 2010, including 14,555 stock options issued on February 2, 2008 and repriced on March 12, 2009 that are exercisable at \$0.47 per share, expiring on February 2, 2013, 35,000 stock options issued on December 15, 2008 that are exercisable at \$0.44 per share, expiring on December 15, 2013, 1,000 stock options issued on December 14, 2009 that are exercisable at \$0.60 per share, expiring on December 14, 2014.
 - (15) Includes 28,125 shares of common stock subject to vested stock options of a total of 150,000 shares of common stock subject to stock options and held by Mr. Carothers that are exercisable within 60 days of July 27, 2010, including 28,125 stock options issued on December 14, 2009 that are exercisable at \$0.60 per share, expiring on December 14, 2014.

Changes in Control

As of July 27, 2010, 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, 2009, 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, 2010, pursuant to the terms of these agreements, was \$560,636 (2009 - \$1,225,757). 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 \$13.50 to \$9.00 per copy after two years and declining from \$9.00 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.

In connection with a non-brokered private placement of 3,333,334 units which closed on October 29, 2009, Wesley Clover Corporation, a company controlled by the Chairman of our Board, purchased 1,666,667 units, at a price of \$0.56 (CDN\$0.60) per unit, for aggregate proceeds of \$933,881 (CDN\$1,000,000). 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 \$0.90 for a period of two years from the closing of the private placement.

During the year ended April 30, 2010, our wholly owned subsidiary, FirstHand Technologies Inc., paid \$79,500 (2009 - \$277,451) 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 5605 (a)(2) of the Nasdaq Listing 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 Canada LLP for the years ended April 30, 2010 and 2009, were as follows:

	<u>2010</u>	<u>2009</u>
Audit Fees	\$ 132,196	\$ 152,188
Audit Related Fees	Nil	Nil
Tax Fees	Nil	\$ 4,017
All Other Fees	Nil	Nil
Total Fees	<u>\$ 132,196</u>	<u>\$ 156,205</u>

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 S8 and Form S8/A in respect of registration of common shares of our company pursuant to our Employee Share Purchase Plan and the 2004 Stock Option Plan and the Amended and Restated 2005 Stock Option Plan during the year ended April 30, 2010.

Audit Related Fees

There were no audit related fees paid to BDO Canada LLP, for our fiscal years ended April 30, 2010 and April 30, 2009.

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 Canada LLP, that are not covered under the headings set out above for our fiscal years ended April 30, 2010 and April 30, 2009.

We do not use BDO Canada 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 Canada LLP, to provide compliance outsourcing services.

Effective May 6, 2003, the SEC adopted rules that require that before BDO Canada 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 Canada LLP, and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining the independence of BDO Canada 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; 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).
- 10.33 Form of Subscription Agreement dated October 29, 2009 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on November 4, 2009).

(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 \(filed herewith\)](#)

(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, 2010

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, 2010
<u>/s/ Donovan Jones</u> Donovan Jones	President, Chief Executive Officer and Director	July 27, 2010
<u>/s/ David Karp</u> David Karp	Chief Financial Officer, Treasurer and Secretary	July 27, 2010
<u>/s/ Owen Matthews</u> Owen Matthews	Vice Chairman and Director	July 27, 2010
<u>/s/ Mark Bruk</u> Mark Bruk	Vice Chairman and Director	July 27, 2010
<u>/s/ Peter Charbonneau</u> Peter Charbonneau	Director	July 27, 2010
<u>/s/ Chris Cooper</u> Chris Cooper	Director	July 27, 2010
<u>/s/ William Jin</u> William Jin	Director	July 27, 2010
<u>/s/ Greg Pelling</u> Greg Pelling	Director	July 27, 2010
<u>/s/ Larry Timlick</u> Larry Timlick	Director	July 27, 2010

LIST OF SUBSIDIARIES OF COUNTERPATH CORPORATION

<u>Name</u>	<u>State/Jurisdiction 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.

Consent of Independent Registered Public Accounting Firm

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 27, 2010, relating to the consolidated financial statements and financial statement schedules of CounterPath Corporation which appear in this Form 10-K.

/s/BDO Canada LLP

BDO Canada LLP
Vancouver, Canada

July 27 2010

**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, 2010 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, 2010 /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, 2010 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, 2010

/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, 2010, 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, 2010

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, 2010, 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, 2010
