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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, 2011

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

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

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 \$33,992,588 based on a price of \$1.48 per share, being the average of bid and ask prices on October 29, 2010 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: 37,961,481 shares of common stock issued and outstanding as of July 25, 2011.

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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; (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 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 over VoIP and extend their business phone system's features to desktop and mobile devices. Typically, small and medium sized businesses, or individual 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 over VoIP.

Our software uses the session initiation protocol which is a protocol standard for voice, video, instant messaging and presence communication. Certain of our applications can operate on personal computers running 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 server software in 2008. Since that time, over 300 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 telecom 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, 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 server 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' gateway server software applications 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.

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 1, 2008, we acquired FirstHand Technologies Inc., a private Ontario, Canada 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.

On November 1, 2010, our wholly-owned subsidiary, FirstHand Technologies Inc. was amalgamated with CounterPath Technologies Inc., carrying on as CounterPath Technologies Inc.

CounterPath Multi-Media Communicator Product Suite

The CounterPath softphone product suite includes five applications: (1) Bria; (2) eyeBeam; (3) Bria iPhone Edition; (4) Bria Android Edition; and (5) X-Lite. Bria, eyebeam, Bria iPhone Edition and Bria Android Edition 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 is CounterPath's flagship product. 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, multiple instant messaging and social network integration and high definition video softphone solution for consumer and enterprise markets. Bria has a contact-focused, versus a dial pad-focused, graphical user interface which highlights a user's address book rather than the more traditional telephone dial pad. 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 integrated into Microsoft's widely used Outlook application 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. Bria is built on the same software code platform as eyeBeam and has many of the same interoperability and compatibility features of eyeBeam. Bria's multiple panel layout enables our customers to specify areas for customer branding or revenue generating advertisements such as banner ads, click-to-call and interactive video messaging, as well as custom integration with network infrastructure.

- *eyeBeam*

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

- *Bria iPhone and Android Editions*

Bria iPhone and Android Editions are secure, standards-based VoIP softphone applications that work over both 3G and Wi-Fi networks on the Apple iPhone, iPad, iPod Touch or Android devices such as mobiles and tablets. Bria iPhone and Android Editions work 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 iOS 4+ operating systems, and uses the iPhone's native address book and its embedded Bluetooth Technology. The Bria Android Edition is compatible with a number of Android-based phones and tablets running Android 2.1 or greater operating systems and uses the device's native address book and its embedded Bluetooth Technology.

- *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 the interoperability of our applications with these products.

Mobility Suite

The Mobility Suite is comprised of: (1) a mobile service provider targeted offering called the Network Convergence Gateway for mobile Network Operators; (2) a VoIP or wireline operator targeted offering called the Network Convergence Gateway for Wireline Operators (formerly known as MCG); and (3) an enterprise targeted, business user offering called the Enterprise Mobility Gateway (EMG) and Bria Mobile client. The Network Convergence Gateway was the flagship product of BridgePort Networks which we acquired in February 2008. The EMG was the flagship product of FirstHand Technologies which we acquired in February 2008.

- *Network Convergence Gateway for Mobile Network Operators*

The Network Convergence Gateway is a carrier-based server application that bridges communication between the broadband Internet and mobile networks. The Network Convergence Gateway enables mobile service providers to provide converged services across the broadband Internet and mobile networks including voice, text, multimedia messaging and video services. The Network Convergence Gateway 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 Network Convergence Gateway applications include:

Convergent Voice and Messaging for Customers

By using the Network Convergence Gateway 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 Network Convergence Gateway 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 desktop computers and mobile phones. The NomadicPBX provides increased device options for the user with a single number accessible on any mobile phone, softphone or desktop Internet protocol phone.

The NomadicPBX enables wireless operators and other service providers to extend their offerings to small and medium enterprises and increase their revenues. The telecom service providers that we are targeting for the NomadicPBX are mobile network operators and mobile virtual network operators.

The NCG for Mobile Network Operators enables mobile operators to replace an enterprise's existing phone system and wireline service with a wireless solution that increases the enterprise's users productivity and mobility.

- *Network Convergence Gateway for Wireline Operators*

The Network Convergence Gateway for Wireline Operators is a carrier-based core network, fixed mobile convergence server application that bridges broadband and mobile networks in both pre-IMS (IP Multimedia subsystem) and IMS environments. The Network Convergence Gateway combines the personalization and mobility of mobile phone services with the flexibility, innovation and cost economics of the rapidly growing VoIP sector.

With the Network Convergence Gateway, wireline service providers can extend single-number mobile voice, text multimedia messaging and video services to residential, corporate and hotspot locations with broadband access. This is achieved on a service provider's existing networks while preparing them for the IMS platform of the future. Some particular features include:

Wireline Messaging – SMS, Instant Messaging and Presence

Provides VoIP users with the ability to send and receive text messages to and from the mobile network. It also enables an instant messaging service and presence capability.

Wireline Call Continuity

Enables users to move calls from their desktop PC or mobile VoIP phone to another device, including a standard mobile phone or smartphone. This eliminates the inconvenience with switching phones when leaving the office or home during a VoIP call.

Wireline Mobility

Enables messaging over any mobile phone and any mobile network. It also allows extended wireline voice and messaging services to smartphones and low end mobile phones.

The Network Convergence Gateway enables wireline operators to offer mobile services to their wireline customers. As these services work on any mobile phone and on any mobile network, no relationship with the mobile operators and the wireline operator offering these services is required. This enables the wireline operators to seek additional revenue from their customer base.

Our Enterprise Mobility Gateway and Bria Mobile Client applications 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. The Enterprise Mobility Gateway application enables workers to perform a variety of advanced collaborative functions such as searching the corporate directory, dialling by extension number, using visual voicemail and holding group calls with predefined groups of users.

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 Enterprise Mobility Gateway 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 Enterprise Mobility Gateway integrates with common enterprise telephony, directory and messaging platforms and securely extends these services to mobile devices. The Enterprise Mobility Gateway web-based user interface enables administrators to start, stop and reload server processes, update operating parameters, monitor users, track messaging statistics, and manage the distribution of Enterprise Mobility Gateway software.

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 suitable for companies looking for an easy to learn SDK. This is also a suitable 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 VoIP Services or mobile services to end users and enterprises. Our customers include: (1) large incumbent telecommunications service providers, Internet telephony service 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 300 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.

Marketing

Our products are marketed through a variety of means including by:

- our customers and partners
- advertising on our website;
- direct market campaigns;
- co-marketing with our partners, suppliers and customers;
- offering trial use of X-Lite, our 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.

We own or hold the exclusive license to twelve granted patents. In addition, we are pursuing four in-house developed patent applications and six licensed patent applications from Columbia University. Combined, the ten U.S. patent applications are pending, as well as counterparts pending in other jurisdictions around the world.

In October 2010, we were granted patent No. US 7,809,381: Presence detection for cellular and internet protocol telephony for presence detection in mobile and fixed broadband networks. This patent describes a way to automatically select the optimal network connection based on a user's location, to enable services such as least-cost routing and minimize dropped calls by streamlining the process of transferring calls from the cellular network to broadband network.

In September 2010, we were granted patent No. US 7,804,821: Circuit Switched Cellular Network to Internet Calling with Internet Antennas. This patent describes the assigning of single identity to multiple devices and how to route the communication services to those devices sharing single identity.

In February 2010, Openwave Systems Inc. was granted patent No. US 7,656,864: Data network computing device call processing, to which we hold the exclusive license. This patent describes a 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 a patent 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, 2011 were \$4,469,979 (2010: \$3,586,425).

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 two 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. 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 customizing, deploying and implementing our applications. 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, and G.729 which are licensed from various third-party patent owners or 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 from AT&T and MPEG LA.

Competition

There are numerous developers which compete with our company for market share. Small software development companies, typically compete on the basis of price, while large original equipment manufacturers, typically compete against us by selling their proprietary software applications as part of a component to an overall proprietary communications system. We compete by offering applications that are compatible with a broad spectrum of communication systems and with various devices and operating systems.

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, 2011, we employed 69 people full-time, 19 of whom are engaged in marketing and sales, 27 in research and development, 13 in services and support, 10 in general and administration, and 21 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 subsidiary, CounterPath Technologies Inc. employs 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 may 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, 2011, 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. If our customers 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.

Risks Associated with our Common Stock

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

We do not own any property. Our Canadian operations are conducted in three leased offices located in Vancouver and Victoria, British Columbia and Kanata, Ontario. Our U.S. operations are conducted in two leased offices located in Chicago, Illinois, and Charlestown, Massachusetts. Our head office is located on the 3rd Floor at Suite 300, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M3. On July 10, 2006, we entered into a lease for our head office premises of 15,559 square feet, which commenced on December 1, 2006 and expires on September 29, 2011 for which a deposit of \$87,158 was made. The monthly lease payment under this agreement is \$24,559 plus \$23,113 in operating costs. On January 11, 2011, we entered into a new lease at the same location, for 12,379 square feet, which will commence on October 1, 2011 and expire on September 30, 2014 for which a deposit of \$52,615 was made. The monthly lease payment under the agreement is \$21,289 plus \$20,702 in operating costs. Management believes that this office space is adequate for the operations of our company for the foreseeable future.

Item 3. Legal Proceedings.

None.

Item 4. [Removed and Reserved]

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 ⁽¹⁾ (U.S. dollars)		TSX Venture Exchange ⁽²⁾ (Canadian dollars)	
	High	Low	High	Low
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
July 31, 2010	\$1.35	\$0.61	\$1.34	\$0.85
October 31, 2010	\$1.45	\$0.00	\$1.50	\$1.01
January 31, 2011	\$2.60	\$0.00	\$2.60	\$1.50
April 30, 2011	\$2.55	\$0.00	\$2.45	\$1.95

- (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 25, 2011, the shareholders' list of our shares of common stock showed 105 registered shareholders and 37,961,481 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, 2011.

	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	3,607,663 (1)(2)	\$0.97	915,007 (3)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	3,607,663	\$0.97	915,007

- (1) As of April 30, 2011, we had issued stock options to purchase 3,607,663 shares of our common stock pursuant to our 2010 Stock Option Plan.
- (2) In addition to the 3,607,663 options outstanding as at April 30, 2011, we issued 1,000,000 warrants to a customer during fiscal year ended April 30, 2011 that were issued against securities available to be issued under the 2010 Stock Option Plan.
- (3) As of April 30, 2011, there were 915,007 underlying shares of our common stock remaining and available to be issued under our 2010 Stock Option Plan.

2010 Stock Option Plan

On September 27, 2010, our shareholders approved the 2010 stock option plan for employees, directors, officers and consultants of our company and our subsidiaries. This plan effectively merged our Company's 2004 and 2005 stock option plans. 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." Unless approved by the plan administrator and disinterested shareholders, no person shall be eligible to receive in any fiscal year options to purchase more than 5% of the outstanding shares of our common stock. 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 5,860,000 shares of our common stock under the 2010 stock option plan.

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, 2011, we issued 143,599 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. We are permitted to issue up to 2,000,000 deferred share units under the DSUP. As of April 30, 2011, we issued 1,386,713 deferred share units under the plan.

None.

Recent Sales of Unregistered Securities

On March 9, 2011, we granted 44,052 deferred share units to two employees exchangeable into 44,052 shares of our common stock on a one for one basis pursuant to our Deferred Share Unit Plan. 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. We issued 22,026 of the deferred share units to U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in reliance upon Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as applicable. We issued 22,026 of the deferred share units to a 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.

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 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.

On November 1, 2010, the Company's wholly-owned subsidiary, FirstHand Technologies Inc. was amalgamated with CounterPath Technologies Inc. and carrying on as CounterPath Technologies Inc.

Business of CounterPath

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 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, (2) original equipment manufacturers serving the networking and 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. 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, 2011 we had a restructuring accrual for severance of \$nil.

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 rateably 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, 2011 was 77.50% . 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, 2011 was 3.7 years. For the year ended April 30, 2011, the weighted-average risk-free interest rate used was 2.0% . 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, 2011, 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, 2011, we recorded an expense of \$812,485 in connection with share-based payment awards. A future expense of non-vested options of \$960,886 and non-vested deferred share units of \$309,459 is expected to be recognized over a weighted-average period of 3.19 years and 1.38 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 2011, did not result in an impairment charge for fiscal year 2011, 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 (2010 - \$nil).

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, 2011, consisted primarily of selling our IP telephony software and related services to telecom 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, 2011 and 2010 were as follows:

	2011		2010		Period-to-Period Change	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Amount	Percent Increase / (Decrease)
Revenue by Type						
Software	\$ 7,205,947	65%	\$ 5,974,712	75%	\$ 1,231,235	21%
Service	3,834,351	35%	2,042,145	25%	1,792,206	88%
Total revenue	\$ 11,040,298	100%	\$ 8,016,857	100%	\$ 3,023,441	38%
Revenue by Region						
International	\$ 4,652,784	42%	\$ 3,055,952	38%	\$ 1,596,832	52%
North America	6,387,514	58%	4,960,905	62%	1,426,609	29%
Total revenue	\$ 11,040,298	100%	\$ 8,016,857	100%	\$ 3,023,441	38%

For the year ended April 30, 2011, we generated \$11,040,298 in revenue compared to \$8,016,857 for the year ended April 30, 2010, representing an increase of \$3,023,441. We generated \$7,205,947 in software revenue for the year ended April 30, 2011 compared to \$5,974,712 for the year ended April 30, 2010, representing an increase of \$1,231,235. The increase in software revenue for the year ended April 30, 2011, was primarily a result of increases in sales to original equipment manufacturers and enterprises, as well as, sales from our online store. Software sales from our online store grew by approximately \$448,000 to approximately \$1,616,000, in part as a result of various online promotions offered throughout the year. For the year ended April 30, 2011, service revenue was \$3,834,351 compared to \$2,042,145 for the year ended April 30, 2010, representing an increase of \$1,792,206. The increase in service revenue for the year ended April 30, 2011, was primarily attributable to the customization services delivered to two new significant customers in preparation of their deployment of our software applications. International revenue outside of North America represented 42% of total revenue for the year ended April 30, 2011, compared to 38% for North American revenue. This compares to international revenue representing 38% of total revenue for the year ending April 30, 2010, compared to 62% for North American revenue. Revenue from Europe and Asia/Africa increased by approximately \$1,240,000 and \$384,000, respectively, while revenue from Central/South America decreased by approximately \$27,000 in total, for the year ended April 30, 2011.

Operating Expenses

Cost of Sales

Cost of sales for the year ended April 30, 2011 and 2010 were as follows:

	April 30, 2011		April 30, 2010		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 2,864,838	26%	\$ 2,825,480	35%	\$ 39,358	1%

Cost of sales was \$2,864,838 for the year ended April 30, 2011, compared to \$2,825,480 for the year ended April 30, 2010. The increase of \$39,358 was the result of an increase in personnel-related expenses of approximately \$166,000. This increase was offset by a decrease of approximately \$158,000 in license costs due to lower sales of royalty-bearing software. Cost of sales expressed as a percent of revenue was 26% of revenue for the year ended April 30, 2011, as against 35% for the year ended April 30, 2010. This decrease in percentage was the result of a substantial increase in revenue of \$3,023,441 for the year ended April 30, 2011 as compared to revenue for the year ended April 30, 2010, and further, there was only a marginal increase of approximately \$151,000 in variable costs. This has resulted in a 25% decrease in cost of sales expressed as a percentage of revenue for the year ended April 30, 2011 as compared to cost of sales expressed as a percentage for the year ended April 30, 2010.

Sales and marketing expenses for the year ended April 30, 2011 and 2010 were as follows:

	April 30, 2011		April 30, 2010		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 3,495,274	32%	\$ 3,063,523	38%	\$ 431,751	14%

Sales and marketing expenses were \$3,495,274 for the year ended April 30, 2011, compared to \$3,063,523 for the year ended April 30, 2010. The increase of \$431,751 was primarily the result of an increase in personnel-related expenses of approximately \$307,000 and travel-related expenses of approximately \$50,000. Additionally, other sales and marketing related expenses including stock-based compensation, office supplies, and tradeshowes increased by approximately \$75,000 during the year ended April 30, 2011, compared to the year ending April 30, 2010.

Research and Development

Research and development expenses for the year ended April 30, 2011 and 2010 were as follows:

	April 30, 2011		April 30, 2010		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 4,469,979	40%	\$ 3,586,425	45%	\$ 883,554	25%

Research and development expenses were \$4,469,979 for the year ended April 30, 2011, compared to \$3,586,425 for the year ended April 30, 2010. The increase of \$883,554 resulted primarily from an increase of approximately \$510,000 in personnel-related expenses. Additionally, there was a Scientific Research and Experimental Development (SR&ED) claim recorded in the year ended April 30, 2010 of approximately \$232,000. During the year ended April 30, 2010, we converted a research fee liability to Columbia University into shares of common stock which further resulted in a reduction in research and development expenses of approximately \$153,000. There was no SR&ED claim recorded in the year ended April 30, 2011, which resulted in higher year over year research and development expenses.

General and Administrative

General and administrative expenses for the years ended April 30, 2011 and 2010 were as follows:

	April 30, 2011		April 30, 2010		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Year ended	\$ 3,997,340	36%	\$ 3,689,900	46%	\$ 307,440	8%

General and administrative expenses for the year ended April 30, 2011, were \$3,997,340 compared to \$3,689,900 for the year ended April 30, 2010. The increase of \$307,440 in general and administrative expenses was primarily attributable to an increase in expense related to professional services of approximately \$260,000, personnel-related expenses of approximately \$220,000, an increase in patent-related expenses of approximately \$116,000, and an increase of \$64,000 in public relations-related expenses. These increases were partially offset by a \$120,000 decrease in amortization of capital assets as a number of capital assets became fully amortized in the year ended April 30, 2011, decrease in bad debts of approximately \$150,000 and a decrease in telephone and communication-related expenses of approximately \$60,000.

Restructuring charges for the years ended April 30, 2011 and 2010 were as follows:

	April 30, 2011		April 30, 2010		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase/ (Decrease)
Year ended	\$ nil	-%	\$ 44,912	1%	(\$44,912)	(100%)

Restructuring charges for the year ended April 30, 2011, were \$nil compared to \$44,912 for the year ended April 30, 2010. Restructuring charges in fiscal year 2010 were attributable to the one-time employee termination costs due to the integration of the FirstHand and BridgePort acquisitions.

Interest and Other Income

Interest income for the year ended April 30, 2011, was \$245,401 compared to \$221,493 for the year ended April 30, 2010. Interest expense for the year ended April 30, 2011, was \$80,365 compared to \$2,599 for the year ended April 30, 2010. Interest expense during the year ended April 30, 2011 primarily relates to the accretion of the convertible debenture discount of approximately \$56,000 and cash interest expense of approximately \$26,000.

Foreign exchange loss for the year ended April 30, 2011, was \$166,950 compared to a foreign exchange loss of \$378,828 for the year ended April 30, 2010. 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, 2011, we had \$1,707,397 in cash compared to \$1,556,813 at April 30, 2010, representing an increase of \$150,584. Our working capital was \$1,387,588 at April 30, 2011 compared to \$1,157,633 at April 30, 2010, representing an increase of \$229,955.

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, 2011, we had cash of approximately \$1.7 million and working capital of approximately \$1.4 million; however, our management projects that under our current operating plan we will require approximately \$12-14 million to fund our ongoing operating expenses and working capital requirements through April 30, 2012. We anticipate that this will be funded through cash flow generated from operations, working capital and external financing.

Subsequent to the year ended April 30, 2011, on June 14, 2011, we issued an aggregate of 3,145,800 units under a brokered private placement for aggregate gross proceeds of \$5,636,170 (CDN\$5,505,150) at a price of \$1.79 (CDN\$1.75) per unit, with each unit consisting of one share of our common stock and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of our common stock at an exercise price of CDN\$2.25 per share until June 14, 2013.

Operating Activities

Our operating activities resulted in a net cash outflow of \$1,369,630 for the year ended April 30, 2011. This compares with a net cash outflow of \$3,503,080 for the year ended April 30, 2010, representing a \$2,133,450 decrease in cash outflows from operations. The net cash outflow from operating activities for the year ended April 30, 2011 was primarily a result of a net loss of \$3,542,331, and an increase in accounts receivable of \$529,447 attributable to higher year over year revenue. The net cash outflow was offset by adjustment for non-cash expenses including \$812,485 for stock-based compensation, \$853,677 for amortization of intangible assets, and \$134,880 for depreciation and amortization.

The net cash outflow from operating activities for the year ended April 30, 2010, was primarily a result of a net loss of \$5,353,317 and a decrease in accounts payable of \$874,926, 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, \$874,700 for amortization of intangible assets, and \$276,410 for depreciation and amortization.

Investing Activities

Investing activities resulted in a net cash outflow of \$132,005 for the year ended April 30, 2011, primarily due to the purchase of equipment and to deposits made during the year. This compares with a net cash outflow of \$17,173 primarily due to the purchase of equipment during the year ended April 30, 2010. At April 30, 2011, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash inflow of \$1,660,373 for the year ended April 30, 2011, compared to a net cash inflow of \$1,896,082 for the year ended April 30, 2010.

On July 30, 2010, and October 29, 2010, we issued two convertible debentures in the principal amount of \$483,300 and \$490,750, respectively. The debentures are convertible by the holder, at any time prior to maturity, in whole or in part into common shares of our company at a conversion price of \$1.00 per share. On October 29, 2010, we issued a third convertible debenture in the principal amount of \$490,750. The debenture is convertible by the holder at any time prior to maturity, in whole or in part into common shares of our company at a conversion price of \$1.37 per share. On June 14, 2011, we issued 1,332,261 shares of common stock as a result of the holders converting all of their debentures.

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.

We may seek additional funding through public or private financings to fund our operations beyond 2012. 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 October 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-13, “Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force”, (“ASU 2009-13”). ASU 2009-13 addresses the accounting for multiple-deliverable arrangements and requires that the overall arrangement consideration be allocated to each deliverable in a revenue arrangement based on an estimated selling price when vendor specific objective evidence or third-party evidence of fair value is not available. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated to all deliverables using the relative selling price method. This will result in more revenue arrangements being separated into separate units of accounting. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. Companies can elect to apply this guidance (1) prospectively to new or materially modified arrangements after the effective date or (2) retrospectively for all periods presented. Our company is currently evaluating the impact, if any, that the adoption of ASU 2009-13 will have on its consolidated results of operations, financial condition or cash flows.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements", ("ASU 2009-14"). ASU 2009-14 changes the accounting model for revenue arrangements that include both tangible products and software elements. Tangible products containing both software and non-software components that function together to deliver the product's essential functionality will no longer be within the scope of ASC 985-605 "Software Revenue Recognition" ("ASC 985-605"). The entire product (including the software and non-software deliverables) will therefore be accounted for under accounting literature found in ASC 605. ASU 2009-14 is effective for fiscal years beginning on or after June 15, 2010. Companies can elect to apply this guidance (1) prospectively to new or materially modified arrangements after the effective date or (2) retrospectively for all periods presented. Our company is currently evaluating the impact, if any, that the adoption of ASU 2009-14 will have on its consolidated results of operations, financial condition or cash flows.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which is included in the ASC in Topic 820 (Fair Value Measurements and Disclosures). ASU 2010-06 requires new disclosures on the amount and reason for transfers in and out of Level 1 and 2 fair value measurements. ASU 2010-06 also requires disclosure of activities, including purchases, sales, issuances, and settlements within the Level 3 fair value measurements and clarifies existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The adopted the provisions of ASU 2010-06 and it did not have a material impact on the financial statements for the year ended April 30, 2011.

ASC 815: Our company adopted 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 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. ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. Because ASC 815 only requires additional disclosure, the adoption of ASC 815 did not impact our company's financial position, results of operations, and cash flows (see Note 11, "Derivative Instruments and Hedging Activities," of the Notes to 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, 2011

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Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders of CounterPath Corporation:

We have audited the accompanying consolidated balance sheets of CounterPath Corporation (the "Company") as of April 30, 2011 and 2010, 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, 2011 and 2010, 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 \$43,323,410 at April 30, 2011 and incurred a net loss for the year then ended of \$3,542,331. 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 25, 2011

COUNTERPATH CORPORATION
CONSOLIDATED BALANCE SHEETS

(Stated in U.S. Dollars)

	April 30, 2011	April 30, 2010
Assets		
Current assets:		
Cash	\$ 1,707,397	\$ 1,556,813
Accounts receivable (net of allowance for doubtful accounts of \$49,883 (2010 - \$1,116,119))	3,018,188	2,345,633
Investment tax credits recoverable	-	129,285
Prepaid expenses and deposits	110,412	221,041
Total current assets	4,835,997	4,252,772
Deposits	159,433	101,994
Equipment – Note 3	59,574	111,150
Intangible assets (net of accumulated amortization of \$5,097,578 (2010 - \$4,249,895) – Note 2(b))	859,664	1,674,359
Goodwill – Note 2(b)	9,247,993	8,740,025
Other assets	48,308	58,817
Total Assets	\$ 15,210,969	\$ 14,939,117
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities – Note 4	\$ 2,340,897	\$ 2,313,688
Unearned revenue	958,626	655,361
Customer deposits	2,018	5,127
Accrued warranty – Note 2(b)	146,868	120,963
Total current liabilities	3,448,409	3,095,139
Convertible debentures – Note 6	1,305,002	-
Deferred lease inducements	2,474	4,677
Unrecognized tax benefit – Notes 2(b) and 9	98,575	98,575
Total liabilities	4,854,460	3,198,391
Stockholders' equity:		
Preferred stock, \$0.001 par value – Note 7		
Authorized: 100,000,000		
Issued and outstanding: April 30, 2011 – 1; April 30, 2010 – 1	-	-
Common stock, \$0.001 par value – Note 8		
Authorized: 83,076,900		
Issued and outstanding:		
April 30, 2011 – 33,440,106; April 30, 2010 – 33,015,627	33,440	33,016
Additional paid-in capital	53,420,601	51,902,471
Accumulated deficit	(43,323,410)	(39,781,079)
Accumulated other comprehensive income (loss) – currency translation adjustment	225,878	(413,682)
Total stockholders' equity	10,356,509	11,740,726
Liabilities and Stockholders' Equity	\$ 15,210,969	\$ 14,939,117
Going concern – Note 2		
Commitments and contingent liability – Notes 12 and 13		

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,	
	2011	2010
Revenue – Note 10:		
Software	\$ 7,205,947	\$ 5,974,712
Service	3,834,351	2,042,145
Total revenue	11,040,298	8,016,857
Operating expenses:		
Cost of sales (includes depreciation of \$22,017 (2010 - \$6,361) and amortization of intangible assets of \$853,677 (2010 - \$874,700)) – Note 2(b)	2,864,838	2,825,480
Sales and marketing	3,495,274	3,063,523
Research and development	4,469,979	3,586,425
General and administrative	3,997,340	3,689,900
Restructuring costs – Note 14	–	44,912
Total operating expenses	14,827,431	13,210,240
Loss from operations	(3,787,133)	(5,193,383)
Interest and other income (expense), net		
Interest and other income	245,401	221,493
Interest expense	(80,365)	(2,599)
Foreign exchange loss	(166,949)	(378,828)
Gain on settlement of debt – Note 15	246,715	–
Net loss for the year	(3,542,331)	(5,353,317)
Other comprehensive income (loss):		
Foreign currency translation adjustments	639,560	2,324,461
Comprehensive loss	\$ (2,902,771)	\$ (3,028,856)
Net loss per share:		
Basic and diluted	\$ (0.11)	\$ (0.17)
Weighted average common shares outstanding:	33,191,749	31,067,445

See accompanying notes to the consolidated financial statements

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

	Years Ended	
	April 30,	
	2011	2010
Cash flows from operating activities:		
Net loss for the year	\$ (3,542,331)	\$ (5,353,317)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	134,880	276,410
Amortization of intangible assets	853,677	874,700
Shares issued as part of share purchase plan	25,327	15,489
Stock-based compensation	812,485	883,225
Warrant expense	269,633	-
Foreign exchange loss	166,949	378,828
Accretion of debenture discount	55,738	-
Changes in assets and liabilities:		
Accounts receivable	(529,447)	262,894
Prepaid expenses and deposits	111,801	109,906
Accounts payable and accrued liabilities	(35,745)	(874,926)
Other assets	(18,658)	(16,716)
Unearned revenue	303,265	(38,840)
Customer deposits	(3,109)	(4,316)
Accrued warranty	25,905	(16,417)
Net cash used in operating activities	(1,369,630)	(3,503,080)
Cash flows from investing activities:		
Purchase of equipment	(83,304)	(53,641)
Deposits	(48,701)	36,468
Net cash used in investing activities	(132,005)	(17,173)
Cash flows from financing activities:		
Common stock issued	195,573	1,896,082
Convertible debenture	1,464,800	-
Net cash provided by financing activities	1,660,373	1,896,082
Foreign exchange effect on cash	(8,154)	249,052
Increase (decrease) in cash	150,584	(1,375,119)
Cash, beginning of the year	1,556,813	2,931,932
Cash, end of the year	\$ 1,707,397	\$ 1,556,813
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ 25,835	\$ 2,599
Taxes	\$ -	\$ -
Non cash transactions – Notes 7 and 8		

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the Years Ended April 30, 2011 and 2010
(Stated in U.S. Dollars)

	Common shares		Preferred Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Par Value	Number of Shares	Par Value				
Balance, April 30, 2009	28,832,050	\$ 28,832	1	\$ -	\$ 48,718,443	\$ (34,427,762)	\$ (2,738,143)	\$ 11,581,370
Shares issued:								
Private placements – Note 8	3,333,334	3,333	-	-	1,849,793	-	-	1,853,126
Issued as part of debt settlement – Note 8	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 7	208,970	209	-	-	(209)	-	-	-
Stock-based compensation - Note 8	-	-	-	-	883,225	-	-	883,225
Net loss for the year	-	-	-	-	-	(5,353,317)	-	(5,353,317)
Foreign currency translation adjustment	-	-	-	-	-	-	2,324,461	2,324,461
Balance, April 30, 2010	33,015,627	33,016	1	-	51,902,471	(39,781,079)	(413,682)	11,740,726
Shares issued:								
Exercise of stock options	308,037	308	-	-	145,236	-	-	145,544
Employee Share Purchase Plan	55,571	56	-	-	75,300	-	-	75,356
Exchange of subsidiary preferred shares – Note 7	60,871	60	-	-	(60)	-	-	-
Stock-based compensation - Note 8	-	-	-	-	812,485	-	-	812,485
Share purchase warrants – Note 8	-	-	-	-	269,633	-	-	269,633
Discount on Convertible debenture beneficial								
conversion feature – Note 6	-	-	-	-	215,536	-	-	215,536
Net loss for the year	-	-	-	-	-	(3,542,331)	-	(3,542,331)
Foreign currency translation adjustment	-	-	-	-	-	-	639,560	639,560
Balance, April 30, 2011	33,440,106	\$ 33,440	1	\$ -	\$ 53,420,601	\$ (43,323,410)	\$ 225,878	\$ 10,356,509

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 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.

On November 1, 2010, the Company's wholly-owned subsidiary, FirstHand Technologies Inc. was amalgamated with CounterPath Technologies Inc. and carrying on as CounterPath Technologies Inc.

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 telecom carriers, telecom original equipment 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.

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

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

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, 2011, the Company has not yet achieved profitable operations and had an accumulated deficit of \$43,323,410 since incorporation and incurred a net loss for the year ended April 30, 2011 totalling \$3,542,331. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

Under its current operating plan the Company will require approximately \$12-14 million to fund ongoing operations and working capital requirements through April 30, 2012. Management is implementing a plan to address these uncertainties to enable the Company to continue as a going concern through the end of fiscal 2012 and beyond. This plan includes new equity financing in amounts sufficient to sustain operations, such as the private placement discussed in Note 16, 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, 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. (which subsequently was merged with CounterPath 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.

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)

- *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.

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 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.

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)

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, 2011 and April 30, 2010 using the assumptions more fully described in Note 8.

Use of Estimates:

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

Equipment and Amortization:

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

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

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

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

b) Significant Accounting Policies – (cont'd)

Research and Development:

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

Restructuring Costs:

The Company accounts for our restructuring activities in accordance with 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 14.

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.

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)

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.

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, 2012, and April 30, 2013, of the acquired technologies and customer asset is as follows:

	<u>NewHeights</u>	<u>FirstHand</u>	<u>BridgePort</u>	<u>Total</u>
2012	\$ 214,099	\$ 534,087	\$ 70,564	\$ 818,750
2013	40,914	–	–	40,914

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, 2011 and determined that there was no impairment of its intangible assets (2010 - \$nil).

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, 2011, the carrying value of the asset group was less than the undiscounted cash flows, indicating no impairment (2010 - \$nil).

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)

A summary of the Company's intangible assets, net, at April 30, 2011, is as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Impairment Charge</u>	<u>Net Carrying Amount</u>
Acquired technologies	\$ 6,314,811	\$ 4,038,003	\$ 1,888,658	\$ 388,150
Customer assets	2,747,117	1,059,575	1,216,028	471,514
Intangible assets, April 30, 2011	<u>\$ 9,061,928</u>	<u>\$ 5,097,578</u>	<u>\$ 3,104,686</u>	<u>\$ 859,664</u>

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	\$ 6,304,947	\$ 3,370,200	\$ 1,888,658	\$ 1,046,089
Customer assets	2,723,993	879,695	1,216,028	628,270
Intangible assets, April 30, 2010	<u>\$ 9,028,940</u>	<u>\$ 4,249,895</u>	<u>\$ 3,104,686</u>	<u>\$ 1,674,359</u>

Accounts Receivable and Allowance for Doubtful Accounts:

Accounts receivable are presented net of an allowance for doubtful accounts. The allowance was \$49,883 at April 30, 2011 (2010 - \$1,116,119). Bad debt expense for the year ended April 30, 2011, was \$183,893 (2010 - \$296,887).

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.

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)

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, 2011 and 2010 were as follows:

	Years Ended April 30,	
	2011	2010
Balance, beginning of year	\$ 120,963	\$ 137,378
Change	19,905	(16,415)
Balance, end of year	\$ 146,868	\$ 120,963

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 fair value of the Company's financial instruments, which consist of cash, accounts receivable, accounts payable and accrued liabilities, customer deposits and accrued warranty. The fair value for convertible debt approximates book value using current rates of interest.

As a basis for considering market participant assumptions in fair value measurements, ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy, as defined by ASC 820-10, contains three levels of inputs that may be used to measure fair value as follows:

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

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals; and Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

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

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

b) Significant Accounting Policies – (cont'd)

The Company's derivative financial instruments are valued using observable market-based inputs to industry valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility obtained from various market sources.

The Company measures certain financial assets, including any foreign currency option or 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.

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).

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 2 **Significant Accounting Policies and Going Concern - (cont'd)**

b) Significant Accounting Policies – (cont'd)

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. There are no exchangeable shares remaining as all have been exchanged into shares of common stock of the Company as of April 30, 2011.

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, 2011, loss per share excludes 7,606,591 (April 30, 2010 – 7,549,795) potentially dilutive common shares (related to stock options, warrants, and convertible debt) as their effect was anti-dilutive.

Investment tax credits:

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

Goodwill:

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired as of the acquisition date. 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, 2011 was \$7,055,616 (CDN\$6,704,947) (April 30, 2010 - \$6,668,070) and \$2,192,377 (CDN\$2,083,752) (April 30, 2010 - \$2,071,955), respectively. During the fourth quarter of its fiscal year ended April 30, 2011, 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, 2011. 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, 2011 (2010 - \$nil).

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

b) Significant Accounting Policies— (cont'd)

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 option or 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. The Company revalues 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.

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 (see Note 11 "Derivative Instruments and Hedging Activities," of the Notes to the Consolidated Financial Statements).

c) New Accounting Pronouncements

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.

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

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

c) New Accounting Pronouncements – (cont'd)

In September 2009, FASB's Emerging Issues Task Force issued ASU 2009-14 "Certain Revenue Arrangements That Include Software Elements." ASU 2009-14 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 ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which is included in the ASC in Topic 820 (Fair Value Measurements and Disclosures). ASU 2010-06 requires new disclosures on the amount and reason for transfers in and out of Level 1 and 2 fair value measurements. ASU 2010-06 also requires disclosure of activities, including purchases, sales, issuances, and settlements within the Level 3 fair value measurements and clarify existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted the provisions of ASU 2010-06 and it did not have a material impact on the financial statements for the year ended April 30, 2011.

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. The Company is currently evaluating the impact of the pending adoption of ASU 2010-17 on our consolidated financial statements.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 3 **Equipment**

	April 30, 2011		
	Cost	Accumulated Depreciation	Net
Computer hardware	\$ 730,148	\$ 730,148	\$ –
Computer software	774,769	753,298	21,471
Leasehold improvements	206,941	193,303	13,638
Office furniture	228,422	203,957	24,465
Websites	49,915	49,915	–
	\$ 1,990,195	\$ 1,930,621	\$ 59,574

	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

Note 4 **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at April 30, 2011 and 2010 are comprised of the following:

	April 30,	
	2011	2010
Accounts payable – trade	\$ 658,904	\$ 499,900
Accrued commissions	162,147	158,343
Accrued vacation	472,830	362,618
Codec royalties	462,423	493,868
Research fees	–	246,706
Accrued severance – Note 12	225,719	344,433
Other accrued liabilities	358,874	207,820
	\$ 2,340,897	\$ 2,313,688

Note 5 **Related Party Transactions**

The Company's Chairman is the Chairman and founding shareholder of Mitel Networks Corporation ("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, 2011, pursuant to the terms of these agreements, was \$525,968 (2010 - \$560,636).

As at April 30, 2011, the Company had an accounts receivable balance from Mitel of \$114,369 (April 30, 2010 - \$170,802).

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Stated in U.S. Dollars)

Note 5 **Related Party Transactions – (cont'd)**

During the year ended April 30, 2011, the Company provided consulting services totalling \$15,176 (2010 - \$nil) to Wesley Clover, a company controlled by the Chairman of the Company.

During the year ended April 30, 2011, the Company through its wholly owned subsidiary, CounterPath Technologies Inc., paid \$84,121 (2010 - \$79,500) to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Company's Chairman.

In connection with a non-brokered private placement which closed on October 29, 2010, the Company issued a convertible debenture in the principal amount of \$490,750 (CDN\$500,000) to Wesley Clover, a company controlled by the Chairman of the Company. The debenture is convertible by the holder at any time prior to maturity, in whole or in part into common shares of the Company at a conversion price of \$1.37 per share. The convertible debenture is unsecured, bearing interest at the prime bank rate as quoted by the Bank of Montreal with interest payable monthly and maturing on July 30, 2012. During the year ended April 30, 2011, the Company paid interest of \$7,381 to Wesley Clover towards interest on convertible debentures.

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, 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.

In addition, the Company entered into warrant exercise agreements with Wesley Clover to exercise 833,334 warrants at an exercise price of \$0.90 per share Wesley Clover acquired on October 29, 2009, on or before July 30, 2011, prior to the expiry of the warrants on October 29, 2011. In the event that Wesley Clover does not exercise all of the warrants on or before August 31, 2011, a default amount of \$250,000 will be immediately due and payable to the Company and will incur interest at the rate of 2% per month (on a pro-rata basis) on the default amount until the default amount is paid in full.

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

Note 6 **Convertible Debentures**

On July 30, 2010 and October 29, 2010, the Company issued two convertible debentures in the principal amounts of \$483,300 and \$490,750, respectively, to an investor. The debentures are convertible by the holder, at any time prior to maturity, in whole or in part into common shares of the Company at a conversion price of \$1.00 per share. On October 29, 2010, the Company issued a third convertible debenture in the principal amount of \$490,750 to a company controlled by the Chairman of the Company. The debenture is convertible by the holder at any time prior to maturity, in whole or in part into common shares of the Company at a conversion price of \$1.37 per share. The three convertible debentures are unsecured, bearing interest at the prime bank rate as quoted by the Bank of Montreal with interest payable monthly and maturing on July 30, 2012.

The convertible debentures may all be prepaid in whole or in part by the Company by paying 105% of the principal to be prepaid together with accrued and unpaid interest on or before July 30, 2011, or by paying 102.5% of the principal to be prepaid together with accrued and unpaid interest between July 31, 2011 and April 30, 2012, or by paying 100% of the principal to be prepaid together with accrued and unpaid interest between May 1, 2012 and July 30, 2012.

COUNTERPATH CORPORATION
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(Stated in U.S. Dollars)

Note 6 **Convertible Debentures – (cont'd)**

Pursuant to ASC Topic 470-20, "Debt with Conversion and Other Options," The Company has determined that the convertible debentures issued on October 29, 2010 contain a beneficial conversion feature, as the fair value of the Company's common stock on the date of issuance was greater than the initial conversion price. Accordingly, the Company allocated \$765,964 to the convertible debentures and \$215,536 to the beneficial conversion feature. The amounts allocated to the beneficial conversion feature represent a discount on the debt financing which is accreted to income over the term of the debt. During the year ended April 30, 2011, the Company accreted \$55,738 by way of discount on the debentures issued.

The convertible debentures issued on July 30, 2010 did not contain a beneficial conversion feature, as the fair value of the Company's common stock on the date of issuance was equal to or less than the initial conversion price.

The following table summarizes the Company's outstanding debentures for the year ended April 30, 2011, and April 30, 2010.

	April 30,	
	2011	2010
Issuance of convertible debenture	\$ 1,464,800	\$ –
Beneficial conversion feature	(215,536)	–
Accretion of debenture discount	55,738	–
Convertible debentures as at April 30, 2011	<u>\$ 1,305,002</u>	<u>\$ –</u>

Note 7 **Exchangeable Shares**

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

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

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. 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. On January 27, 2011, the Company issued 1,122 shares of common stock pursuant to a holder of 1,122 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights.

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

Note 7 **Exchangeable Shares – (cont'd)**

On January 28, 2011, the Company redeemed all of the remaining 9,749 exchangeable shares outstanding pursuant to the Company's redemption call right under the provisions attaching to the exchangeable shares of 6789722 Canada Inc. As a result there were no outstanding exchangeable shares as of April 30, 2011 (April 30, 2010 – 60,871). As the exchangeable shares have already been recognized in connection with the acquisition of NewHeights, the value ascribed to these shares on exchange is \$nil.

Note 8 **Common Stock**

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

On 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 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 (the "2010 Stock Option Plan") under which options to purchase common shares of the Company may be granted to employees, directors and consultants. This plan is effectively a merging of the Company's 2004 and 2005 stock option plans. 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 plan is 5,860,000 under the 2010 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.

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

Note 8 **Common Stock – (cont'd)**

Stock Options – (cont'd)

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 behaviour. 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 2011 and 2010 in determining the expense recorded in the accompanying consolidated statement of operations.

The weighted-average fair values of options granted during the year ended April 30, 2011 and 2010 were \$1.14 and \$0.34 respectively. The weighted-average assumptions utilized to determine such values are presented in the following table:

	Year Ended April 30, 2011	Year Ended April 30, 2010
Risk-free interest rate	2.00%	2.31%
Expected volatility	77.5%	84.5%
Expected term	3.7 yrs	3.7 yrs
Dividend yield	0%	0%
Weighted average fair value	\$ 1.14	\$ 0.34

The following is a summary of the status of the Company’s stock options as of April 30, 2011 and the stock option activity during the years ended April 30, 2011 and 2010:

	Number of Options	Weighted-Average Exercise Price per Share
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
Granted	827,000	\$1.93
Exercised	(308,037)	\$0.47
Forfeited / Cancelled	(1,093,407)	\$1.80
Expired	(435,600)	\$1.76
Outstanding at April 30, 2011	3,607,663	\$0.97
Exercisable at April 30, 2011	1,930,647	\$0.78
Exercisable at April 30, 2010	2,602,619	\$1.32

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

Note 8 Common Stock – (cont'd)

Stock Options – (cont'd)

The following table summarizes information regarding stock options outstanding as of April 30, 2011:

Exercise Price	Number of Options Outstanding	Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value
\$0.44	456,963	\$ 740,280	December 15, 2013 June 13, 2010 to	264,527	\$ 428,534
\$0.47	755,522	1,201,280	September 26, 2016	734,957	1,168,582
\$0.60	483,459	705,850	December 14, 2014	181,444	264,908
\$0.62	850,000	1,224,000	April 17, 2014 March 8, 2015 to	425,000	612,000
\$1.90	701,719	112,275	December 14, 2015 October 1, 2012 to	66,719	10,675
\$2.00	18,000	1,080	February 28, 2015	18,000	1,080
\$2.15	240,000	–	September 7, 2016	240,000	–
\$2.27	102,000	–	March 10, 2016	–	–
April 30, 2011	<u>3,607,663</u>	<u>\$ 3,984,765</u>		<u>1,930,647</u>	<u>\$ 2,485,779</u>
April 30, 2010	<u>4,617,707</u>	<u>\$ 895,060</u>		<u>2,602,619</u>	<u>\$ 404,859</u>

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of \$2.06 per share as of April 30, 2011 (April 30, 2010 – \$0.82), 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, 2011 was 1,690,647 (April 30, 2010 – 1,239,933). The total intrinsic value of options exercised during the year ended April 30, 2011 was \$488,907 (2010 – \$6,135). The grant date fair value of options vested during the year ended April 30, 2011 was \$302,915 (April 30, 2010 – \$3,711,399).

The following table summarizes information regarding the non-vested stock purchase options outstanding as of April 30, 2011:

	Number of Options	Weighted Average Grant-Date Fair Value
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)	\$ 1.04
Non-vested options at April 30, 2010	<u>2,015,088</u>	<u>\$ 0.39</u>
Granted	827,000	\$ 1.14
Vested	(690,011)	\$ 0.44
Forfeited	(475,061)	\$ 0.57
Non-vested options at April 30, 2011	<u>1,677,016</u>	<u>\$ 0.69</u>

As of April 30, 2011 there was \$960,886 of total unrecognized compensation cost related to unvested stock options. This unrecognized compensation cost is expected to be recognized over a weighted average period of 3.19 years.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 8 **Common Stock – (cont'd)**

Stock Options – (cont'd)

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the year ended April 30, 2011 and 2010 are as follows:

	Years Ended April 30,	
	2011	2010
Cost of sales	\$ 27,399	\$ 55,494
Sales and marketing	111,636	91,346
Research and development	35,335	78,535
General and administrative	165,944	467,153
Total stock-based compensation	\$ 340,314	\$ 692,528

Warrants

During the year ended April 30, 2011, the Company entered into a warrant agreement, as amended, with a customer whereby the Company issued 1,000,000 stock purchase warrants as part of a software licensing contract that the Company entered into with the customer. The warrants enable the holder thereof the right to purchase up to 1,000,000 shares of the Company's common stock, exercisable for two years at a price of \$1.50 per share until July 30, 2012. Under an amendment agreement, 50% of the warrants vest on a proportional basis to invoices delivered by the Company at the rate of one warrant for every \$3.00 invoiced and 50% of the warrants vest on a change of control of the Company. As the likelihood of a change of control was not determinable at the time of revenue recognition, the value of the applicable warrants subject to vesting on change of control was deemed to be nil during the year ended April 30, 2011. The warrants are held in trust and delivered once vested and payment, as applicable, has been received by the Company. The fair value of the 500,000 stock purchase warrants that was charged to revenue during the year ended April 30, 2011, was \$269,633 (2010 – \$nil). The remaining 500,000 warrants will be valued and charged against revenue if and when a change of control of the Company occurs.

During the year ended April 30, 2010, the Company issued 1,666,667 warrants on October 22, 2009 as a part of unit offering. The fair value of the stock purchase warrants granted was \$412,414. 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.

The assumptions utilized to determine such values for the years ended April 30, 2011 and April 30, 2010 are presented in the following table:

	Year Ended April 30, 2011	Year Ended April 30, 2010
Risk-free interest rate	0.23%	0.90%
Expected volatility	67.83%	79.94%
Expected term	1.25 yrs	2 yrs
Dividend yield	0%	0%
Weighted average fair value per warrant	\$ 0.95	\$ 0.23

COUNTERPATH CORPORATION
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Note 8 **Common Stock – (cont'd)**

Warrants – (cont'd)

The following table summarizes information regarding the warrants outstanding as of April 30, 2011 and April 30, 2010.

	Number of Warrants	Weighted Average Exercise Price	Expiry Dates
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
Granted	1,000,000	\$ 1.50	July 31, 2012
Expired	(1,265,421)	\$ 2.25	July 31, 2010 to October 28, 2010
Warrants at April 30, 2011	2,666,667	\$ 1.12	October 29, 2011 to July 30, 2012

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. During the year ended April 30, 2011 the Company matched \$25,327 (2010 - \$15,489) in shares purchased by employees under the ESPP.

A total of 700,000 shares have been reserved for issuance under the ESPP. As of April 30, 2011, a total of 556,401 shares were available for issuance under the ESPP. During the years ended April 30, 2011, 55,571 (2010 - 88,028) 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 over the vesting period.

A total of 2,000,000 shares have been reserved for issuance under the DSUP. During the year ended April 30, 2011, 866,552 (2010 - 520,161) deferred share units were issued under the DSUP, of which 672,026 were granted to officers and 172,500 were granted to directors. For the year ended April 30, 2011, a total of 613,287 shares were available for issuance under the DSUP.

COUNTERPATH CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 8 **Common Stock – (cont'd)**

Deferred Share Unit Plan – (cont'd)

The following table summarizes the Company's outstanding deferred share unit (DSU) awards as of April 30, 2011, 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	–	\$ –
DSU's at April 30, 2010	520,161	\$ 0.60
Granted	866,552	\$ 0.96
Conversions	–	\$ –
Outstanding at April 30, 2011	1,386,713	\$ 0.83

As of April 30, 2011 there was \$309,459 (2010 – \$121,400) 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 1.38 years (2010 – 2.62) . The total fair value of DSUs that vested during the year was \$313,906 (2010 - \$166,936).

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, 2011 and 2010 are as follows:

	<u>Year Ended April 30,</u>	
	<u>2011</u>	<u>2010</u>
General and administrative	\$ 472,171	\$ 190,697
Total deferred share unit-based compensation	\$ 472,171	\$ 190,697

The following table summarizes information regarding the non-vested deferred share units outstanding as of April 30, 2011:

	<u>Number of DSU's</u>	<u>Weighted Average Grant Date Fair Value per Unit</u>
Non-vested DSU's at April 30, 2009	–	\$ –
Granted	520,161	\$ 0.60
Vested	(278,226)	\$ 0.60
Non-vested DSU's at April 30, 2010	241,935	\$ 0.60
Granted	866,552	\$ 0.96
Vested	(682,404)	\$ 0.46
Non-vested DSU's at April 30, 2011	426,083	\$ 0.89

COUNTERPATH CORPORATION
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Note 9 **Income Taxes**

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

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

	Years Ended	
	April 30,	
	2011	2010
Tax loss carry forwards	\$ 15,189,000	\$ 12,894,000
Capital losses carried forward	314,000	–
Equipment	91,000	1,123,000
Other	72,000	–
Undeducted research and development expenses	3,916,000	2,645,000
Investment tax credits	625,000	1,322,000
Cumulative unrealized foreign exchange gain	704,000	(159,000)
Acquired technology and other intangibles	(751,000)	(706,000)
Valuation allowance established by management	(20,160,000)	(17,119,000)
Net deferred tax assets	<u>\$ –</u>	<u>\$ –</u>

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

	Years Ended	
	April 30,	
	2011	2010
Benefit from net loss, at U.S. rates	\$ (1,204,000)	\$ (1,857,000)
Foreign loss at other than U.S. rates	–	28,000
Non-deductible expenses	(191,000)	8,000
Non-deductible stock option compensation	295,000	300,000
Effect of reduction in foreign statutory rates	19,000	46,000
Foreign exchange losses on revaluation of deferred tax balances	(1,613,000)	(1,777,000)
Other	(347,000)	–
Expiry of non-operating losses	–	415,000
Increase in valuation allowance	3,041,000	2,837,000
Income tax expense for year	<u>\$ –</u>	<u>\$ –</u>

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.

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

As at April 30, 2011, 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\$	\$ 28,092,000	2026 – 2031
Canada – CDN\$	\$ 21,431,000*	2012 – 2031

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

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, and the U.K. 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, 2011 and April 30, 2010 were as follows:

	Years Ended	
	April 30,	
	2011	2010
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	\$ 98,575	\$ 98,575

Note 10 **Segmented Information**

Our chief operating decision maker reviews financial information presented on a consolidated basis, accompanied by desegregated information about revenues by geographic region for purposes of making operating decisions and assessing financial performance. Accordingly, we have concluded that we have one reportable operating segment. 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, 2011 and 2010:

	Years Ended	
	April 30,	
	2011	2010
North America	\$ 6,387,514	\$ 4,960,905
Europe	3,200,291	1,960,691
Asia and Africa	955,713	571,471
Central and South America	496,780	523,790
	\$ 11,040,298	\$ 8,016,857

COUNTERPATH CORPORATION
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Note 10 **Segmented Information - (cont'd)**

Contained within the results of North America for the year ended April 30, 2011 are revenues from the United States of \$4,049,673 (2010 - \$4,281,828) and from Canada of \$2,337,841 (2010 - \$679,077).

Contained within the results of Europe for the year ended April 30, 2011 are revenues from the United Kingdom of \$1,627,526 (2010 - \$461,470), from Germany of \$210,002 (2010 - \$320,039), from France of \$185,441 (2010 - \$50,906), from Iceland of \$164,890 (2010 - \$37,655), from Switzerland \$160,062 (2010 - \$146,375), and from the Netherlands of \$155,533 (2010 - \$233,095).

Contained within the results of Central and South America for the year ended April 30, 2011 are revenues from Mexico of \$163,318 (2010 - \$313,436), from Chile of \$134,798 (2010 - \$52,203), from Colombia of \$82,847 (2010 - \$47,689), from Brazil of \$63,254 (2010 - \$70,952), and from Argentina of \$12,704 (2010 - \$16,774).

Contained within the results of Asia and Africa for the year ended April 30, 2011 are revenues from Japan of \$270,926 (2010 - \$34,548), from Russian Federation of \$216,944 (2010 - \$18,989), from South Africa of \$87,282 (2010 - \$15,010), from Saudi Arabia of \$85,510 (2010 - \$nil), and from Australia of \$73,633 (2010 - \$68,427).

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,	
	2011	2010
Canada	\$ 10,190,468	\$ 11,825,188
United States	25,071	15,420
	\$ 10,215,539	\$ 11,840,608

Revenue from significant customers for the years ended April 30, 2011 and 2010 is summarized as follows:

	Years Ended April 30,	
	2011	2010
Customer A	12%	15%
Customer B	12%	—%
Customer C	11%	—%
	35%	15%

Accounts receivable balance for Customer A was \$93,837 as at April 30, 2011 (April 30, 2010 - \$1,000,975).
Accounts receivable balance for Customer B was \$881,400 as at April 30, 2011 (April 30, 2010 - \$nil).
Accounts receivable balance for Customer C was \$311,100 as at April 30, 2011 (April 30, 2010 - \$nil).

COUNTERPATH CORPORATION
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Note 11 **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, 2011, 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 option or 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. Valuations are based on exchange-quoted prices, which are classified as Level 1. Some of the valuations are adjusted by a forward yield curve or interest rates. In such cases, these derivative contracts are classified within Level 2. Changes in the fair market values of these contracts are recognized in the Consolidated Financial Statements as a component of foreign exchange (gain) loss.

During the year ended April 30, 2010 the Company purchased \$1,000,000 of forward contracts denominated in Canadian dollars which resulted in a gain of \$56,496 which was credited against the foreign exchange loss on the consolidated statement of operations. These forward contracts were settled prior to April 30, 2010. The Company did not enter any forward contracts during the year ended April 30, 2011.

COUNTERPATH CORPORATION
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Note 12 **Commitments**

- a) On December 30, 2010, the Company entered into an extension agreement on an existing lease, which commenced on April 1, 2011 and expires March 31, 2012. The monthly lease payment under the extension agreement is \$1,715. The lease expense for the year ended April 30, 2011 was \$25,729 (2010 - \$28,569).
- 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 \$10,448 was made. The monthly lease payment under this agreement is \$10,448 plus \$9,154 in operating costs. The Company is subleasing part of these premises for a monthly charge of \$7,898. 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 \$3,384 (CDN\$3,216) plus \$3,337 (CDN\$3,171) in operating costs. The lease expense net of rental revenue for the year ended April 30, 2011 was \$59,792 (2010 - \$75,901).
- c) On July 10, 2006, the Company 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 \$87,158 was made. The monthly lease payment under this agreement is \$24,559 plus \$23,113 in operating costs. On January 11, 2011, the Company entered into a new agreement on this lease, which commences on October 1, 2011, and expires September 30, 2014 for which a deposit of \$52,615 was made. The monthly lease payment under the agreement is \$21,289 plus \$20,702 in operating costs. The lease expense net of rental revenue for the year ended April 30, 2011 was \$531,550 (2010 - \$554,736). Management believes that this office space is adequate for the operations of the 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 \$7,010 (CDN\$ 6,662). This lease expense is a related party transaction as it was incurred with a company with a director in common with the Company. The lease expense for the year ended April 30, 2011 was \$84,121 (2010 - \$84,121).
- 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 \$520,889 (CDN\$495,000) over 45 months at a rate of CDN\$11,000 per month and pay for health benefits for 33 months from the date of the agreement.
- f) On July 29, 2010, the Company entered into extension of an existing lease agreement which commenced on August 1, 2010 and expires on July 31, 2011. The monthly lease payment under the new extension agreement is \$7,275. The lease expense for the year ended April 30, 2011 was \$93,075 (2010 - \$109,800).

Total rent expense for the year ended April 30, 2011 was \$1,011,913 (2010 - \$921,691). Total sublease income for the year ended April 30, 2011 was \$223,098 (2010 - \$150,727).

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

	Office Leases – Related Party	Office Leases – Unrelated Party	Sub Lease Income	Total Office Leases	Settlement Agreement
2012	\$ 84,121	\$ 669,398	\$ (175,432)	\$ 578,087	\$ 225,719
2013	–	627,578	(73,097)	554,481	–
2014	–	542,594	–	542,594	–
2015	–	182,674	–	182,674	–
	<u>\$ 84,121</u>	<u>\$ 2,022,244</u>	<u>\$ (248,529)</u>	<u>\$ 1,857,836</u>	<u>\$ 225,719</u>

COUNTERPATH CORPORATION
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Note 13 **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 14 **Restructuring**

As a result of the Company's post acquisition activities, the Company incurred restructuring costs of \$nil (2010 – \$44,912). 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.

	Years Ended April 30,	
	2011	2010
Balance, beginning of year	\$ 344,433	\$ 475,707
Provision	–	(44,912)
Settlement	(118,714)	(86,362)
Balance, end of year	\$ 225,719	\$ 344,433

Note 15 **Gain on Settlement of Debt**

During the year ended April 30, 2011, the Company recorded a gain on settlement of debt of \$246,715 as a result of the transfer of certain of non-core intellectual property rights (having no book value) licensed from an institution in settlement of a \$246,715 liability for research fees performed by the institution.

Note 16 **Subsequent Events**

(a) On June 14, 2011, the Company issued an aggregate of 3,145,800 units under a brokered private placement for aggregate gross proceeds of \$5,636,170 (CDN\$5,505,150) at a price of \$1.79 (CDN\$1.75) per unit, with each unit consisting of one share of the Company's common stock and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company's common stock at an exercise price of \$2.30 (CDN\$2.25) per share until June 14, 2013. In connection with the offering, the Company paid an aggregate of \$394,533 (CDN\$385,361) in cash commissions and issued an aggregate of 220,206 broker warrants, with each broker warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of CDN\$1.75 per share until December 14, 2012.

In addition, all of the outstanding convertible debentures of the Company in the aggregate principal amount of \$1,464,800 were converted on the closing of the Offering with a total of 1,332,261 common shares being issued to the holders.

In addition, the Company entered into warrant exercise agreements with two insiders that have agreed to each exercise 833,334 warrants at the original exercise price of \$0.90 per share on or before July 29, 2011, prior to the expiry of the warrants on October 29, 2011. In the event that a warrant holder does not exercise all of their respective warrants on or before August 31, 2011, a default amount of \$250,000 will be immediately due and payable to the Company by that respective warrant holder, and such default amount will incur interest at the rate of 2% per month (on a pro-rata basis) until the default amount is paid in full.

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Note 16 **Subsequent Events – (cont'd)**

The Company has agreed to use its best commercially reasonable efforts to file, and keep effective, a resale registration statement with the U.S. Securities and Exchange Commission relating to the securities sold in the private placement.

- (b) On July 25, 2011, the Company granted 201,351 deferred share units to six non-employee directors and two officers and one employee 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. 77,027 of the deferred share units vest immediately and 124,324 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.

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

None.

Item 9A. 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, 2011, 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, 2011.

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, 2011 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	42	April 24, 2006
David Karp British Columbia, Canada	Chief Financial Officer, Treasurer, Secretary	46	September 7, 2006
Terence Matthews Ontario, Canada	Chairman of the Board, Director	68	August 2, 2007
Owen Matthews ⁽²⁾ British Columbia, Canada	Vice-Chairman of the Board, Director	39	August 2, 2007
Peter Charbonneau ⁽³⁾ Ontario, Canada	Director	57	October 1, 2008
Chris Cooper ⁽²⁾⁽³⁾ British Columbia, Canada	Director	41	August 17, 2005
William Jin ⁽³⁾ Ontario, Canada	Director	42	October 1, 2008
Larry Timlick ⁽²⁾ British Columbia, Canada	Director	54	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) Member of our Compensation Committee.

(3) Member of our Audit Committee.

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. Mr. Matthews 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. When France-based Alcatel acquired Newbridge in May 2000, the company employed more than 6,500 employees and recorded FY 1999 revenue of \$1.8 billion. In 1972, before launching 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 including 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. In 2011, he was appointed Patron of the Cancer Stem Cell Research Institute at Cardiff University.

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. Matthews' 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 holding a number of positions including Chief Financial Officer, President and Chief Operating Officer, and Vice-Chairman. He was also a member of the company's board of directors from 1996 until 2000. 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 15 years of experience in management and finance in the oil and gas industry starting several junior issuers. Over the past several years, Mr. Cooper has successfully raised over \$120 million primarily through brokered and non-brokered equity issues as well as debt financing. Currently, Mr. Cooper is the President, Chief Executive Officer and founder of Aroway Energy Inc., a junior oil and gas issuer. Mr. Cooper received his Bachelor of Business Administration 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.

Larry Timlick

Mr. Timlick is a director of our company. Mr. Timlick has extensive knowledge of the enterprise and service provider markets with over 24 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.

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.

Peter Charbonneau was a director of Trellia Networks Inc. from May 2006 to present. On November 24, 2010, Trellia Networks Inc. filed a Notice of Intention to File a Proposal under the Bankruptcy and Insolvency Act. On January 14, 2011, the proposal was filed and was subsequently accepted by creditors on February 3, 2011, with court approval on February 10, 2011. The company disbursed all amounts on March 21, 2011 and successfully exited the bankruptcy process.

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, 2011 all filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with, with the exception of the following:

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Requested Forms
Terence Matthews	1(1)	1	Nil
David Karp	3(1)	3	Nil
Donovan Jones	5(1)	10	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.

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, 2011, 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, 2011; 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, 2011,

who we will collectively refer to as our “named executive officers”, of our company for the years ended April 30, 2011 and 2010, 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 President, Chief Executive Officer and Director	2011	295,687	121,823	293,998	Nil	27,258	738,767
	2010	279,466	46,671	96,774	Nil	25,762	448,673
David Karp Chief Financial Officer, Treasurer and Secretary	2011	186,064	55,296	82,541	Nil	11,282	335,183
	2010	159,055	25,202	48,387	Nil	10,096	242,740
Todd Carothers ⁽⁴⁾ VP, Product Management	2011	175,000	1,417	Nil	30,554	Nil	206,971
	2010	137,621	Nil	Nil	52,996	Nil	190,617
Jim O'Brien Director, NCG Customer Engineering	2011	147,200	4,573	Nil	5,730	Nil	157,503
	2010	148,342	Nil	Nil	4,652	Nil	152,994
Michael Hryb VP, Carrier Sales	2011	120,882	21,595	Nil	16,048	Nil	158,525
	2010	114,251	47,497	Nil	8,833	Nil	173,445

- (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, 2011, please review Note 8 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, 2011, please review Note 8 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. 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 12.5% of his annual salary per fiscal quarter based upon the achievement of pre-determined objectives. Mr. Jones is also entitled to a monthly expense allowance of CDN\$2,000. 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 and deferred share units, which have not vested shall immediately vest and become exercisable.

David Karp entered into an employment agreement with our company dated September 11, 2006, as amended, whereby we appointed Mr. Karp our Chief Financial Officer. Mr. Karp's current annual salary is CDN\$194,400. 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, plus any monthly allowance, 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, including his monthly expense allowance, for each year of employment, with partial years pro-rated. 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 and deferred share units 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, 2011. 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 unexercised Options (#) Exercisable	Number of Securities Underlying unexercised 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	300,000 ⁽¹⁾	300,000 ⁽¹⁾	—	\$0.62	April 17, 2014	107,527 ⁽¹⁴⁾ 100,000 ⁽¹⁵⁾ 70,741 ⁽¹⁶⁾	\$221,505 \$206,000 \$145,726	—	—
David Karp	240,000 ⁽²⁾ 43,750 ⁽³⁾ 125,000 ⁽⁴⁾	— 31,250 ⁽³⁾ 125,000 ⁽⁴⁾	— — —	\$2.15 \$0.44 \$0.62	September 7, 2016 December 15, 2013 April 17, 2014	53,763 ⁽¹⁷⁾ 50,000 ⁽¹⁸⁾ 22,026 ⁽¹⁹⁾	\$110,752 \$103,000 \$45,374	—	—
Michael Hryb	28,333 ⁽⁵⁾ 15,079 ⁽⁶⁾ 8,333 ⁽⁷⁾	11,667 ⁽⁵⁾ 9,921 ⁽⁶⁾ 16,667 ⁽⁷⁾	— — —	\$0.47 \$0.44 \$0.60	June 3, 2013 December 15, 2013 December 14, 2014	— — —	— — —	—	—

Name	Option Awards				Stock Awards				
	Number of Securities Underlying unexercised Options (#) Exercisable	Number of Securities Underlying unexercised 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 (\$)
Jim O'Brien	14,555 ⁽⁸⁾ 20,417 ⁽⁹⁾ 333 ⁽¹⁰⁾ —	— 14,583 ⁽⁹⁾ 667 ⁽¹⁰⁾ 35,000 ⁽¹¹⁾	— — — —	\$0.47 \$0.44 \$0.60 \$1.90	February 2, 2013 December 15, 2013 December 14, 2014 December 14, 2015	—	—	—	—
Todd Carothers	50,000 ⁽¹²⁾ —	100,000 ⁽¹²⁾ 150,000 ⁽¹³⁾	— —	\$0.60 \$1.90	December 14, 2014 December 14, 2015	22,026 ⁽²⁰⁾	\$45,374	—	—

- (1) Granted on April 17, 2009.
(2) Granted on September 7, 2006.
(3) Granted on December 15, 2008.
(4) Granted on April 17, 2009.
(5) Granted on June 3, 2008.
(6) Granted on December 15, 2008.
(7) Granted on December 14, 2009.
(8) Granted on February 2, 2008.
(9) Granted on December 15, 2008.
(10) Granted on December 14, 2009.
(11) Granted on December 14, 2010.
(12) Granted on December 14, 2009.
(13) Granted on December 14, 2010.
(14) Granted on December 14, 2009.
(15) Granted on June 18, 2010.
(16) Granted on September 27, 2010.
(17) Granted on December 14, 2009.
(18) Granted on June 18, 2010.
(19) Granted on March 9, 2011.
(20) Granted on March 9, 2011.

Compensation of Directors

During the fiscal year ended April 30, 2011, we compensated our non-employee directors for their services in fiscal year 2011 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; a 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, 2011, we issued 172,500 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, 2011:

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	29,516	Nil	N/A	N/A	Nil	29,516
Peter Charbonneau ⁽²⁾	Nil	39,355	Nil	N/A	N/A	Nil	39,355
Chris Cooper ⁽³⁾	Nil	59,032	Nil	N/A	N/A	Nil	59,032
William Jin ⁽⁴⁾	Nil	39,355	Nil	N/A	N/A	Nil	39,355
Terence Matthews ⁽⁵⁾	Nil	59,032	Nil	N/A	N/A	Nil	59,032
Owen Matthews ⁽⁶⁾	Nil	44,274	Nil	N/A	N/A	Nil	44,274
Greg Pelling ⁽⁷⁾	Nil	29,516	Nil	N/A	N/A	Nil	29,516
Larry Timlick ⁽⁸⁾	Nil	39,355	Nil	N/A	N/A	Nil	39,355

- (1) Resigned from the Board on March 10, 2011. As at April 30, 2011, Mr. Bruk held an aggregate of 39,194 deferred share units.
- (2) At April 30, 2011, Mr. Charbonneau held an aggregate of 52,258 deferred share units.
- (3) At April 30, 2011, Mr. Cooper held an aggregate of 40,000 stock options and 78,387 deferred share units.
- (4) At April 30, 2011, Mr. Jin held an aggregate of 52,258 deferred share units.
- (5) At April 30, 2011, Mr. Terence Matthews held an aggregate of 18,000 stock options and 78,387 deferred share units.
- (6) At April 30, 2011, Mr. Owen Matthews held an aggregate of 58,790 deferred share units.
- (7) Resigned from the Board on March 10, 2011. As at April 30, 2011, Mr. Pelling held an aggregate of 39,194 deferred share units.
- (8) At April 30, 2011, Mr. Timlick held an aggregate of 40,000 stock options and 52,258 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 25, 2011, 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 25, 2011, we had 37,961,481 shares of common stock issued and outstanding.

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	8,745,628 ⁽³⁾	22.5%
Covington Venture Fund Inc. 87 Front St. East Suite 400, Toronto, Ontario Canada, M5E 1B8	5,640,241 ⁽⁴⁾	14.5%
Steven Bruk 3790 Southridge Avenue West Vancouver, BC, Canada V7V 3J1	3,270,518 ⁽⁵⁾	8.6%
Owen Matthews Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	2,348,419	6.2%
Donovan Jones Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	940,706 ⁽⁶⁾	2.4%
David Karp Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	507,095 ⁽⁷⁾	1.3%
Chris Cooper 1910-1055 West Hastings Street, Vancouver, British Columbia Canada V6E 2E9	118,760 ⁽⁸⁾	**
Larry Timlick Suite 300, One Bentall Centre 505 Burrard Street Vancouver, British Columbia Canada, V7X 1M3	80,569 ⁽⁹⁾	**
Peter Charbonneau Tower B, 830 – 555 Legget Drive Ottawa, Ontario Canada K2K 2X3	63,069 ⁽¹⁰⁾	**
William Jin 200 Front Street West, Suite 3003 P.O. Box 10 Toronto, Ontario Canada M5V 3K2	63,069 ⁽¹¹⁾	**
Directors and Executive Officers as a Group	16,137,883	42.5%

** 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 37,961,481 shares of common stock outstanding on July 25, 2011, 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 25, 2011 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 7,799,691 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 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 94,603 shares subject to deferred share units.
- (4) Includes 833,334 warrants held by Covington Venture Fund Inc., 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.
- (5) Includes 146,000 shares of common stock held by the spouse of Mr. Bruk and 2,974,050 shares of common stock held by KMB Trac Two Holdings Ltd. ("KMB"). Mr. Bruk's spouse is the sole shareholder of KMB.
- (6) Includes 362,500 shares of common stock subject to vested stock options of a total of 600,000 shares of common stock subject to stock options and held by Mr. Jones that are exercisable within 60 days of July 25, 2011, issued on April 17, 2009 that are exercisable at a price of \$0.62 per share, expiring on April 17, 2014. Also includes 516,355 shares of a total of 761,290 shares subject to deferred share units.
- (7) Includes 442,604 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 25, 2011, 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, 51,562 stock options issued on December 15, 2008 that are exercisable at a price of \$0.44 per share, expiring on December 15, 2013, and 151,042 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 43,548 shares of a total of 152,671 shares subject to deferred share units.
- (8) Includes 40,000 shares of common stock subject to vested stock options issued on December 14, 2010 and held by Mr. Cooper that are vested, and are exercisable at a price of \$1.90 per share, expiring on December 14, 2015. Also includes 94,603 shares subject to deferred share units.
- (9) Includes 40,000 shares of common stock subject to vested stock options issued on December 14, 2010 and held by Mr. Timlick that are vested, and are exercisable at a price of \$1.90 per share, expiring on December 14, 2015. Also includes 63,069 shares subject to deferred share units.
- (10) Mr. Charbonneau is a principal of the general partner of Skypoint Telecom Fund II, which holds 1,807,692 shares of common stock. Represents 63,069 shares subject to deferred share units.
- (11) Mr. Jin is senior vice president of Covington Capital, a venture capital company which manages Covington Venture Fund Inc. which holds 4,806,907 shares of common stock and 833,334 warrants, each warrant of which entitles Covington Venture Fund Inc. to purchase one common share at the exercise price of \$0.90 per share on or before October 31, 2011. Represents 63,069 shares subject to deferred share units.

Changes in Control

As of July 25, 2011, 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, 2010, 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 our 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 \$525,968 (2010 - \$560,636). 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 3,333,334 units which closed on October 29, 2009, Wesley Clover Corporation, a company controlled by the chairman of the board of our company, 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.

In connection with a non-brokered private placement which closed on October 29, 2010, our company issued a convertible debenture in the principal amount of \$490,750 (CDN\$500,000) to Wesley Clover, a company controlled by the chairman of the board of our company. The debenture is convertible by the holder at any time prior to maturity, in whole or in part into common shares of our company at a conversion price of \$1.37 per share. The convertible debenture is unsecured, bearing interest at the prime bank rate as quoted by the Bank of Montreal with interest payable monthly and maturing on July 30, 2012. During the year ended April 30, 2011, our company paid interest of \$7,381 to Wesley Clover towards interest on convertible debentures.

In connection with a private placement on June 14, 2011, the Wesley Clover agreed to convert all of their outstanding convertible debentures of the Company in the aggregate principal amount of \$490,750 to 358,211 shares of common stock concurrent with the closing of the private placement. In addition, Wesley Clover and another insider agreed to each exercise 833,334 warrants at the original exercise price of \$0.90 per share on or before July 29, 2011, prior to the expiry of the warrants on October 29, 2011. In the event that a warrant holder does not exercise all of their respective warrants on or before August 31, 2011, a default amount of \$250,000 will be immediately due and payable to us by that respective warrant holder, and such default amount will incur interest at the rate of 2% per month (on a pro-rata basis) until the default amount is paid in full.

Director Independence

We currently act with seven directors, consisting of Donovan Jones, Terrence Mathews, 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, 2011 and 2010, were as follows:

	2011	2010
Audit Fees	\$ 151,854	\$ 132,196
Audit Related Fees	Nil	Nil
Tax Fees	Nil	Nil
All Other Fees	Nil	Nil
Total Fees	\$ 151,854	\$ 132,196

Audit Fees

This category includes the fees for the audit of our consolidated financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with Securities and Exchange filings including the Form S-8 and Form S-8/A in respect of registration of common shares of 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, 2011 and April 30, 2010.

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, 2011 and April 30, 2010.

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).
- 4.7 2010 Stock Option Plan effective September 27, 2010 (incorporated by reference from our Definitive Proxy Statement filed on August 31, 2010).

(10)	Material Contracts
10.1	2004 Stock Option Plan effective May 18, 2004 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
10.2	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).
10.3	2005 Stock Option Plan effective March 4, 2005 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
10.4	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).
10.5	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).
10.6	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).
10.7	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).
10.8	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).
10.9	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).
10.10	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).
10.11	2005 Amended and Restated Stock Option Plan effective January 10, 2006 (incorporated by reference from our Post-Effective Amendment No.1 to the Registration Statement on Form S-8 filed on January 30, 2009).
10.15	Employee Share Purchase Plan adopted October 1, 2008, and amended November 6, 2008 (incorporated by reference from our Registration Statement on Form S-8 filed on January 30, 2009).
10.16	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).
10.17	Form of Debt Conversion Agreement dated July 17, 2009 between our company and The Trustees of Columbia University in the City of New York (incorporated by reference from our Annual Report on Form 10-K filed on July 28, 2009).
10.18	Deferred Share Unit Plan effective October 22, 2009 (incorporated by reference from our Definitive Proxy Statement on Schedule 14A filed on September 8, 2009).
10.19	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).

- 10.20 Form of Subscription Agreement dated July 30, 2010 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 4, 2010).
- 10.21 2010 Stock Option Plan effective September 27, 2010 (incorporated by reference from our Definitive Proxy Statement filed on August 31, 2010).
- (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. \(incorporated in Canada\)](#)
- [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 26, 2011

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 26, 2011
<u>/s/ Donovan Jones</u> Donovan Jones	President, Chief Executive Officer and Director	July 26, 2011
<u>/s/ David Karp</u> David Karp	Chief Financial Officer, Treasurer and Secretary	July 26, 2011
<u>/s/ Owen Matthews</u> Owen Matthews	Vice Chairman and Director	July 26, 2011
<u>/s/ Peter Charbonneau</u> Peter Charbonneau	Director	July 26, 2011
<u>/s/ Chris Cooper</u> Chris Cooper	Director	July 26, 2011
<u>/s/ William Jin</u> William Jin	Director	July 26, 2011
<u>/s/ Larry Timlick</u> Larry Timlick	Director	July 26, 2011

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. 6789722 Canada Inc.	British Columbia, Canada Canada	CounterPath Technologies Inc. 6789722 Canada Inc.
BridgePort Networks, Inc.	Delaware	BridgePort Networks, Inc.
BridgePort Networks (Europe) Ltd.	United Kingdom	BridgePort Networks (Europe) Ltd.



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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Consent of Independent Registered Public Accounting Firm

CounterPath Corporation
Vancouver, Canada

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 and Form S-8/A (No.333-157036 and No. 333-125812, respectively) of CounterPath Corporation ("the Company") of our report dated July 25, 2011 relating to the consolidated financial statements which appears in this Form 10-K. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO Canada LLP

Vancouver, Canada
July 25, 2011

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.

**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, 2011 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 26, 2011

/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, 2011 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 26, 2011

/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, 2011, 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 26, 2011

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, 2011, 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 26, 2011
