

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended **July 31, 2007**

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

For the transition period from _____ to _____

Commission file number **000-50346**

COUNTERPATH SOLUTIONS, INC.

(Name of small business issuer as 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)

(604) 320-3344

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange
Act
during the past 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 is a shell company (as defined in Rule 12b-2 of the Exchange
Act).

(Check one): Yes No

As of September 12, 2007, there were 89,591,803 shares of the issuer's common stock issued and
outstanding,
par value \$0.001.

Transitional Small Business Disclosure Format (Check one): Yes No

COUNTERPATH SOLUTIONS, INC.
JULY 31, 2007 QUARTERLY REPORT ON FORM 10-QSB

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COUNTERPATH SOLUTIONS, INC.
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JULY 31, 2007
(Unaudited)
(Stated in U.S. Dollars)

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COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars)

	July 31, 2007	April 30, 2007
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash	\$ 1,411,173	\$ 1,680,220
Accounts receivable (net of allowance for doubtful accounts of \$57,984 and \$56,817 respectively)	1,619,383	1,924,899
Prepaid expenses and deposits	<u>103,002</u>	<u>129,534</u>
Total current assets	3,133,558	3,734,653
Deposits - Note 7	78,084	74,613
Equipment	227,032	276,599
Deferred income tax asset	173,385	-
Other assets	<u>105,649</u>	<u>25,716</u>
Total Assets	<u>\$ 3,717,708</u>	<u>\$ 4,111,581</u>
Liabilities and Capital Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,392,728	\$ 1,314,083
Due to related parties	25,417	25,417
Unearned revenue	607,521	408,188
Customer deposits	39,206	5,615
Warranty payable	<u>69,173</u>	<u>83,769</u>
Total current liabilities	2,134,045	1,837,072
Convertible debentures – Note 4	3,459,800	3,369,230
Unrecognized tax benefit – Note 2(c)	271,960	-
Total liabilities	<u>5,865,805</u>	<u>5,206,302</u>
Stockholders' equity (capital deficit):		
Common stock, \$0.001 par value – Note 5		
Authorized: 415,384,500		
Issued and outstanding:		
July 31, 2007 – 37,940,983; April 30, 2007 – 37,940,983	37,941	37,941
Additional paid-in capital	5,050,343	4,820,069
Accumulated deficit	(7,149,861)	(5,872,151)
Accumulated other comprehensive loss – currency translation adjustment	<u>(86,520)</u>	<u>(80,580)</u>
Total capital deficit	<u>(2,148,097)</u>	<u>(1,094,721)</u>
Liabilities and Capital Deficit	<u>\$ 3,717,708</u>	<u>\$ 4,111,581</u>
Going concern (Note 2)		
New accounting pronouncement (Note 2(c))		
Commitments and Contingent Liability (Notes 7 and 8)		
Subsequent events (Note 9)		

See accompanying notes to the consolidated financial statements

COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in U.S. Dollars)
(Unaudited)

	Three Months Ended	
	July 31,	
	2007	2006
Revenue – Note 6:		
Software	\$ 769,008	\$ 1,409,719
Service	457,783	351,162
Total revenue	<u>1,226,791</u>	<u>1,760,881</u>
Cost of revenue:		
Software	134,415	253,877
Service	226,743	190,971
Total cost of revenue	<u>361,158</u>	<u>444,848</u>
Gross profit	<u>865,633</u>	<u>1,316,033</u>
Operating expenses:		
Sales and marketing	454,883	318,608
Research and development	766,468	754,934
General and administrative	724,527	689,672
Total operating expenses	<u>1,945,878</u>	<u>1,763,214</u>
Loss from operations	<u>(1,080,245)</u>	<u>(447,181)</u>
Interest and other income (expense), net		
Interest income	15,524	12,035
Interest expense - Notes 3 and 4	(140,576)	(42,996)
Net loss for the period	<u>\$ (1,205,297)</u>	<u>\$ (478,142)</u>
Other comprehensive loss:		
Foreign currency translation adjustments	(5,940)	(754)
Comprehensive loss	<u>\$ (1,211,237)</u>	<u>\$ (478,896)</u>
Net loss per share:		
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding:	37,940,983	37,926,439

See accompanying notes to the consolidated financial statements

COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in U.S. Dollars)
(Unaudited)

	Three Months Ended	
	July 31,	
	2007	2006
Cash flows from operating activities:		
Net loss for the period	\$ (1,205,297)	\$ (478,142)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	64,224	75,005
Stock-based compensation -Note 5	230,274	266,429
Accretion of convertible debenture discount - Note 4	90,570	17,102
Cumulative-effect adjustment – Note 2(c)	(72,413)	–
Changes in assets and liabilities:		
Accounts receivable	307,255	(1,187,044)
Prepaid expenses and deposits	27,086	(16,912)
Deferred income taxes	(173,385)	–
Accounts payable and accrued liabilities	50,004	230,188
Unearned revenue	199,333	(9,789)
Customer deposits	33,591	51,857
Unrecognized tax benefit – Note 2(c)	271,960	–
Warranty payable	(14,596)	13,970
Net cash used in operating activities	<u>(191,394)</u>	<u>(1,037,336)</u>
Cash flows from investing activities:		
Purchase of equipment	(14,658)	(119,933)
Deposits	–	(73,187)
Increase in other assets	(79,933)	(1,186)
Net cash used in investing activities	<u>(94,591)</u>	<u>(194,306)</u>
Cash flows from financing activities:		
Common stock issued	–	9,954
Decrease in due to related parties	–	(13,218)
Net cash used in financing activities	<u>–</u>	<u>(3,264)</u>
Foreign currency translation effect on cash	<u>16,938</u>	<u>(754)</u>
Decrease in cash during the year	(269,047)	(1,235,660)
Cash, beginning of the period	1,680,220	2,369,021
Cash, end of the period	<u>\$ 1,411,173</u>	<u>\$ 1,133,161</u>
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	<u>\$ 50,006</u>	<u>\$ 25,000</u>

See accompanying notes to the consolidated financial statements

COUNTERPATH SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIT
for the Three Months Ended July 31, 2007
(Stated in U.S. Dollars)

	Number Of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, May 1, 2007	37,940,983	\$ 37,941	\$ 4,820,069	\$ (5,872,151)	\$ (80,580)	\$ (1,094,721)
Stock-based compensation - Note 5	-	-	230,274	-	-	230,274
Net loss for the period	-	-	-	(1,205,297)	-	(1,205,297)
Foreign currency translation adjustment	-	-	-	-	(5,940)	(5,940)
Cumulative-effect adjustment – Note 2(c)	-	-	-	(72,413)	-	(72,413)
Balance, July 31, 2007 (Unaudited)	<u>37,940,983</u>	<u>\$ 37,941</u>	<u>\$ 5,050,343</u>	<u>\$ (7,149,861)</u>	<u>\$ (86,520)</u>	<u>\$ (2,148,097)</u>

See accompanying notes to the consolidated financial statements

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 1 **Nature of Operations**

CounterPath Solutions, Inc. was incorporated in the State of Nevada on April 18, 2003. The Company's common shares are quoted for trading on the NASD Over-The-Counter Bulletin Board in the United States of America. On August 2, 2007, the Company completed the acquisition of all of the shares of NewHeights Software Corporation through the issuance of 38,400,820 shares of the Company's common stock and 1,849,180 preferred shares issued from a wholly-owned subsidiary of the Company that are exchangeable into 1,849,180 shares of common stock of the Company (see – Note 9 (b)).

The Company provides Voice over Internet Protocol software and related services to customers in North America, South America, Europe, Asia and other areas of the world including Australia, New Zealand and Africa.

Note 2 **Significant Accounting Policies, Going Concern and Change in Accounting Policy**

These interim 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 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 judgement. Actual results may vary from these estimates.

These interim consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its stockholders, the ability of the Company to obtain necessary 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 July 31, 2007, the Company has not yet achieved profitable operations and has generated an accumulated deficit of \$7,149,861 since incorporation. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. 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 interim consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

a) **Basis of Presentation**

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CounterPath Solutions R&D Inc., a company incorporated by the Company on May 10, 2004 in British Columbia, Canada. All inter-company transactions and balances have been eliminated.

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 2 Significant Accounting Policies, Going Concern and Change in Accounting Policy – (cont'd)

b) Interim Reporting

The information presented in the accompanying interim consolidated financial statements is without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. Except where noted, these interim financial statements follow the same accounting policies and methods of their application as the Company's April 30, 2007 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's April 30, 2007 annual consolidated financial statements.

Operating results for the three months ended July 31, 2007 are not necessarily indicative of the results that can be expected for the year ending April 30, 2008.

c) New Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FAS 109 ("FIN 48") which clarifies the accounting for uncertainty in income taxes recognized in accordance with FAS 109, "Accounting For Income Taxes." FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold for a tax position taken or expected to be taken in a tax return that is required to be met before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Additionally, companies are required to accrue interest and related penalties, if applicable, on all tax exposures consistent with jurisdictional tax laws. This interpretation is effective for fiscal years beginning December 15, 2006. The Company adopted the provisions of FIN 48 on May 1, 2007. The cumulative effect of adopting FIN 48 of \$72,413 was recorded as a reduction to retained earnings. The total amount of unrecognized tax benefits as of the date of adoption was \$245,362. Of this amount, \$245,362 represents the amount that would reduce the Company's effective income tax rate, if recognized in future periods.

The Company recognizes interest and penalties accrued on unrecognized tax benefits within income tax expense. As of the date of adoption, we had \$100,813 of interest and penalties accrued associated with unrecognized tax benefits.

The Company is subject to taxation in the U.S. and Canada. It is subject to tax examinations by tax authorities for all taxation years commencing in or after 2002.

As of July 31, 2007, the amount of unrecognized tax benefits has increased by \$26,598

d) Comparative Figures

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

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 3 **Related Party Transactions**

During the three months ended July 31, 2007 and 2006, the Company incurred the following expenses to a company with a director in common with the Company and to a company controlled by the spouse of a significant shareholder of the Company:

	Three Months Ended	
	July 31, 2007	
	2007	2006
Interest on convertible debenture	\$ 38,333	\$ 25,000

The above transactions are in the normal course of operations and are recorded at amounts established and agreed to between the related parties. The amounts due to these related parties at July 31, 2007 are unsecured, non-interest bearing and have no stated terms of repayment.

Note 4 **Convertible Debenture**

On November 30, 2006, the Company completed the issuance of convertible debentures in the principal amount of \$4,000,000 to a group of investors including a company controlled by the spouse of a significant shareholder of the Company. The debentures are unsecured, bear interest at 5% per annum with interest payable quarterly and mature on November 30, 2008. The investors may convert the debentures at any time, and from time to time, in whole or in part into common shares of the Company at a conversion price of \$0.40 per share. Consideration for \$2,000,000 of the new convertible debenture was the cancellation of the \$2,000,000 debenture originally issued on December 13, 2005. In addition, the outstanding share purchase warrants for the purchase of up to 2,500,000 shares of common stock at a price of \$0.80 per share, which were issued in connection with the December 2005 debenture were cancelled on closing. The new debentures rank senior to the Company's other existing and future indebtedness as long as they remain outstanding. Under the terms of the private placement, the investors also received share purchase warrants for the purchase of up to 5,000,000 shares of the Company's common stock, exercisable for three years at a price of \$0.80 per share.

The new convertible debenture was recorded on the date of issuance at its fair value which is estimated to approximate its face value with the proceeds raised allocated between the convertible debenture, share purchase warrants (based on their relative fair values) and beneficial conversion feature on the basis of their relative fair values in accordance with EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments" ("EITF 00-27"). The Company used the Black-Scholes option pricing model to determine the fair value of the share purchase warrants using the Company's historical prices and the following assumptions (i) risk-free interest rate of 4.52%, (ii) expected volatility of 82.02%, (iii) expected life of 3 years, and (iv) a dividend yield of nil. At the date of issuance of the new debenture, the Company allocated \$3,227,590 to the convertible debenture \$336,205 to the share purchase warrants and \$436,206 to the beneficial conversion feature. The amounts allocated to the share purchase warrants and beneficial conversion feature represents a discount on the debt financing which is accreted to income over the term of the debt.

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 4 **Convertible Debenture** – (cont'd)

The convertible debenture and debt discount are summarized as follows:

	<u>Face Amount</u>	<u>Discount</u>	<u>Carrying Value</u>
Convertible debenture at April 30, 2007	\$ 4,000,000	\$ 630,770	\$ 3,369,230
Accretion of debt discount	-	(90,570)	90,570
Convertible debenture at July 31, 2007	<u>\$ 4,000,000</u>	<u>\$ 540,200</u>	<u>\$ 3,459,800</u>

During the three months ended July 31, 2007, the Company recorded an accretion expense of \$90,570 (2006 – \$17,102)

Note 5 **Common Stock**

Stock Options

The Company has a stock option plan under which options to purchase common shares of the Company may be granted to employees, directors and consultants. Stock options entitle the holder to purchase common stock at a subscription price determined by the Board of Directors 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 under the stock option plans are 4,000,000 under 2004 Stock option plan and 12,000,000 under the 2005 Stock option plan.

Effective May 1, 2006, with the adoption of SFAS No. 123R, the Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. In accordance with SFAS No. 123R for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is amortized over the contract services period or, if none exists, from the date of grant until the options vest. Compensation associated with unvested options granted to non-employees is remeasured on each balance sheet date using the Black-Scholes option pricing model.

The expected volatility of options granted has been determined using the method described under SFAS No. 123R using the historical stock price. The expected term of options granted to employees in the current fiscal year has been determined utilizing the “simplified” method as prescribed by SAB No. 107, Share-Based Payment. For non-employees, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123R requires companies to utilize an estimated forfeiture rate when calculating the expense for the period, whereas prior to the adoption of SFAS No. 123R the Company recorded forfeitures based on actual forfeitures and recorded 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 2007 in determining the expense recorded in the accompanying consolidated statement of operations.

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 5 **Common Stock** – (cont'd)

Stock Options – (cont'd)

The weighted-average fair value of options granted during the three months ended July 31, 2007 was \$0.18. The weighted-average assumptions utilized to determine such values are presented in the following table:

	Three Months Ended July 31, 2007
Risk-free interest rate	4.78%
Expected volatility	70.0%
Expected term	3.7 yrs
Dividend yield	0%
Weighted average fair value	\$ 0.18

The following is a summary of the status of the Company's stock options as of July 31, 2007 and the stock option activity during the three months ended July 31, 2007:

	Number of Options	Weighted-average Exercise Price per Share
Outstanding at April 30, 2007	13,468,100	\$0.46
Granted	575,000	\$0.34
Forfeited	(256,250)	\$0.38
Cancelled	(63,750)	\$0.38
Outstanding at July 31, 2007	13,723,100	\$0.46
Exercisable at July 31, 2007	5,400,220	\$0.52
Exercisable at April 30, 2007	4,664,437	\$0.54

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 5 **Common Stock** – (cont'd)

Stock Options – (cont'd)

The following table summarizes information regarding stock purchase options outstanding as of July 31, 2007.

Exercise Price	Number of Options Outstanding	Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value
\$0.30	255,000	\$25,500	August 1, 2016	58,438	\$5,844
\$0.34	575,000	34,500	May 1, 2012	–	–
\$0.38	340,000	6,800	October 1, 2011	63,750	1,275
\$0.39	8,820,000	88,200	Sept. 7, 2010 to January 10, 2016	3,829,835	38,298
\$0.43	1,200,000	–	September 7, 2016	250,000	–
\$0.56	250,000	–	February 20, 2016	88,542	–
\$0.59	300,000	–	July 26, 2016	75,000	–
\$0.61	983,100	–	May 23, 2016	286,738	–
\$0.67	275,000	–	June 13, 2010 to July 11, 2016	125,000	–
\$0.68	100,000	–	April 10, 2016	31,250	–
\$0.75	50,000	–	March 3, 2016	16,667	–
\$1.07	150,000	–	March 29, 2010	150,000	–
\$1.17	175,000	–	February 22, 2010	175,000	–
\$1.58	150,000	–	October 24, 2009	150,000	–
\$1.87	100,000	–	July 21, 2009	100,000	–
July 31, 2007	<u>13,723,100</u>	<u>\$155,000</u>		<u>5,400,220</u>	<u>\$45,417</u>
April 30, 2007	<u>13,468,100</u>	<u>\$10,200</u>		<u>4,664,437</u>	<u>\$1,700</u>

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of \$0.40 per share as of July 31, 2007 (April 30, 2007 – \$0.34), 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 July 31, 2007 was 3,952,023 (April 30, 2007 – 42,500). As of July 31, 2007, approximately 5.4 million outstanding options (April 30, 2007 – 4.7 million) were vested and exercisable, and the weighted average exercise price was \$0.52 (April 30, 2007 – \$0.54). The total intrinsic value of options exercised during the three months ended July 31, 2007 was \$nil (April 30, 2007 – \$nil). The grant date fair value of options vested during the three months ended July 31, 2007 was \$4,180,005 (April 30, 2007 – \$1,323,055).

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 5 Common Stock – (cont'd)

Stock Options – (cont'd)

The following table summarizes information regarding the non-vested stock purchase options outstanding as of July 31, 2007.

	Number of Options	Weighted Average Grant-Date Fair Value
Non-vested options at April 30, 2007	8,806,663	\$0.32
Granted	575,000	\$0.18
Vested	(802,533)	\$0.32
Forfeited	(256,250)	\$0.26
Non-vested options at July 31, 2007	8,322,880	\$0.31

As of July 31, 2007 there was \$2,202,430 of total unrecognized compensation cost related to unvested share-based compensation awards. This unrecognized compensation cost is expected to be recognized over a weighted average period of 1.4 years.

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the three months ended July 31, 2007 and 2006 are as follows:

	Three Months Ended July 31, 2007	Three Months Ended July 31, 2006
Cost of revenue	\$ 14,224	\$ 13,944
Sales and marketing	22,690	19,249
Research and development	64,550	76,610
General and administrative	128,810	156,626
Total stock-based compensation	<u>\$ 230,274</u>	<u>\$ 266,429</u>

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 5 **Common Stock – (cont'd)**

Warrants

The fair value of stock purchase warrants granted during the year ended April 30, 2007 was \$0.16. The warrants enable the holders the right to purchase up to 5,000,000 shares of the Company's common stock, exercisable for three years from November 30, 2006 at a price of \$0.80 per share. The assumptions utilized to determine such values are presented in the following table:

	Three Months Ended July 31, 2007	Year Ended April 30, 2007
Risk-free interest rate	-%	4.52%
Expected volatility	-%	82.02%
Expected term	Nil	3 yrs
Dividend yield	Nil%	0%
Weighted average fair value	\$ -	\$ 0.16
Total warrants outstanding	5,000,000	5,000,000

Note 6 **Segmented Information**

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

Foreign revenues are based on the country in which the customer is located. The following is a summary of total revenues by geographic area for the three months ended July 31, 2007 and 2006:

	Three Months Ended July 31, 2007	Three Months Ended July 31, 2006
North America	\$ 446,554	\$ 813,308
Europe	531,384	875,997
Asia	43,518	46,950
South America	192,326	19,092
Other	13,009	5,534
	<u>\$ 1,226,791</u>	<u>\$ 1,760,881</u>

Contained within the results for North America are revenues from the United States of \$349,952 and \$510,129 for the three months ended July 31, 2007 and 2006, respectively. Contained within the results of Europe are revenues from the United Kingdom of \$352,379 and \$696,421 for the three months ended July 31, 2007 and 2006, respectively.

All of the Company's long-lived assets are located in Canada.

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 6 **Segmented Information** – (cont'd)

Revenue from significant customers for the three months ended July 31, 2007 and 2006 is summarized as follows:

	Three Months Ended July 31, 2007	Three Months Ended July 31, 2006
Customer A	26%	26%
Customer B	–	14%
Customer C	–	12%
Customer D	–	10%
	26%	62%

Accounts receivable balances for Customer A were \$250,000 as at July 31, 2007 and \$419,874 as at July 31, 2006. Accounts receivable balances for Customer B were \$347,222 as at July 31, 2007 and \$242,334 as at July 31, 2006. Accounts receivable balances for Customer C were \$nil as at July 31, 2007 and \$158,333 as at July 31, 2006. Accounts receivable balances for Customer D were \$320,416 as at July 31, 2007 and \$161,460 as at July 31, 2006.

Note 7 **Commitments**

- a) On July 10, 2006, the Company entered into a lease for office premises, which commenced on December 1, 2006 and expires on September 29, 2011 for which a deposit of \$78,084 was made.
- b) On June 7, 2007, the Company entered into an agreement for investor relations consulting services which commenced on June 7, 2007 and expires on December 7, 2007.
- c) On February 8, 2007, the Company entered into an agreement for public relations consulting services which commenced on February 2007 and expires on January 31, 2008.

Total rent and consultancy fees payable over the term of the agreements for the years ended April 30 is as follows:

	Office Lease	Investor Relations	Public Relations
2008	\$ 358,044	\$ 37,800	\$ 22,507
2009	480,635	–	–
2010	497,658	–	–
2011	509,818	–	–
2012	212,424	–	–
	\$ 2,058,579	\$ 37,800	\$ 22,507

- d) The Company has entered an employment agreement with an officer of the Company in which the Company is committed to pay severance totalling up to \$844,020 if certain events occur including a change in control of the Company or change of duty of the officer followed by the resignation of the officer.

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in U.S. Dollars)
(Unaudited)

Note 8 **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 the loss is probable and measurable.

Note 9 **Subsequent Events**

- a) On June 14, 2007, the Board of Directors unanimously ratified and approved the amendment to the Company's Articles to create 100,000,000 preferred shares in the capital of the Company. Subsequent to our Board of Directors' approval of the amendment, the holders of the majority of the outstanding shares of the Company provided their written consent to the amendment to the Company's Articles on June 20, 2007. In order to create the rights of the preferred shares, the Company filed the Articles of Amendment to amend the Company's Articles with the Secretary of State of the State of Nevada which became effective on August 9, 2007.

- b) On August 2, 2007 the Company announced that it had acquired all of the shares of NewHeights Software Corporation ("NewHeights") through the issuance of 38,400,820 shares of the Company's common stock and 1,849,180 preferred shares issued from 6789722 Canada Inc., a wholly-owned subsidiary of the Company, that are exchangeable into 1,849,180 shares of common stock of the Company. Upon closing, the Company's convertible debenture holders converted their existing debentures in the amount of \$4 million into 10 million shares of common stock as per the terms of the convertible debenture agreement. In addition, the Company completed a private placement of \$1.3 million issuing 3.25 million shares of common stock at \$0.40 and entered into subscription agreements to raise an additional \$4.2 million through the issuance of 10.5 million shares of common stock at \$0.40 per share to investors. The additional commitment of \$4.2 million is scheduled to be invested through a series of closings over a seven month period ending March 2, 2008. Concurrent with the transaction, the Company issued 4,279,882 replacement employee options to former optionees of NewHeights. These options entitle the holders thereof the right to purchase one common share for each option held at \$0.40 per share. These options expire over various periods ending on June 15, 2015 and generally vest over three years from original issuance. Concurrent with the issuance of the options, the Board of Directors of the Company amended the Company's 2005 Stock option plan to increase the amount of stock options available for grant under the plan from 12,000,000 to 15,000,000.

- c) On August 9, 2007, the Company granted 235,000 employee stock options entitling the holders thereof the right to purchase one common share for each option held at \$0.40 per share. These options expire on August 9, 2012. These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month thereafter.

Item 2. Management's Discussion and Analysis or Plan of Operation.

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 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 Solutions, Inc., unless otherwise indicated.

Overview

Background

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

On April 30, 2004, we changed our business following the merger of our company with Xten Networks, Inc., a private Nevada company. Xten Networks was incorporated under the laws of the State of Nevada on October 28, 2002. As a result of the merger, we acquired all of the 9,000,000 issued and outstanding shares in Xten Networks in exchange for agreeing to issue 18,000,000 shares of our common stock to the stockholders of Xten Networks. The stockholders of Xten Networks were entitled to receive two shares of our common stock for each one share of Xten Networks.

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

On August 2, 2007, the Company announced that it had acquired all of the shares of NewHeights Software Corporation through the issuance of 38,400,820 shares of the Company's common stock and 1,849,180 preferred shares issued from a wholly-owned subsidiary of the Company, which preferred shares are exchangeable into 1,849,180 shares of common stock of the Company.

Business of CounterPath Solutions

Our business focuses on the design, development and sale of multimedia application software. Our software applications are based on session initiation protocol which is the recognized standard for interactive end points that involve multimedia elements such as voice, video, instant messaging, and presence (the ability to monitor a person's availability). Users of our software in combination with voice over internet protocol service are able to communicate and make voice and video calls from a device running our software. Our software has been designed to run in multiple operating environments such as Windows 2000, Windows XP, Mac OS X, Linux and Windows Mobile 5 (used for personal digital assistants or PDA's).

We are focused on the development of technology that takes advantage of the market known as the voice over internet protocol (VoIP) market. VoIP is a general term for technologies that use internet protocol for transmission of packets of data which 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 (PSTN). 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 large incumbent telecom providers, telecom original equipment manufacturers, large equipment providers and internet telephony service providers. Our software enables

voice communication from the end user through the network to another end user and enables the service provider to deliver other streaming content to end users such as video, radio or the weather.

Revenue

We derive revenue from the sale of software licenses and software development kits (SDKs), USB sticks on which our software operates 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. Our distribution partners generally purchase our products after they have received a purchase order from their customers and do not maintain an inventory of our products in anticipation of sales to their customers.

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.

Cost of Revenue

Cost of product revenue primarily consists of (a) payments to third party vendors for compression/decompression software known as codecs, (b) salaries and benefits related to personnel including stock based compensation, (c) related overhead, (d) costs of USB sticks on which our software resides and (d) amortization of capitalized software that is implemented into our products.

Cost of service revenue primarily consists of (a) salaries and benefits related to professional services and technical support personnel, (b) billable and non-billable travel, lodging, and other out-of-pocket expenses, (c) related overhead, and (d) warranty expense.

Gross Profit

Our gross profit has been, and will be, affected by many factors, including (a) the demand for our products and services, (b) the average selling price of our products, which in turn depends in part on the type and volume of products sold, (c) new product introductions, (d) the costs of our software products, and (e) the costs of our professional services and technical support.

Operating Expenses

Operating expenses consist of sales and marketing, research and development, and general and administrative expenses. Personnel-related costs are the most significant component of each of these expense categories. We expect to continue to hire a number of new employees to support our growth.

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 expense has been expensed as incurred. We intend to continue to invest in our research and development efforts, which we believe are essential to maintaining our competitive position. We expect research and development expense to increase for the foreseeable future and to decrease as a percentage of total revenue in the future.

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 organizations, (b) accounting, legal and regulatory fees, and (c) other related overhead. We expect general and administrative expense to continue to increase for the foreseeable future as we invest in personnel to support continued growth and incur expenses related to being a publicly traded company.

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, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

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

In all of our arrangements, we do not recognize any revenue until we can determine that persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and we deem collection to be probable. For reseller arrangements, fees are fixed or determinable and collection probable as 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 (“EITF”) Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (“EITF 00-21”) and revenues are recognized under SOP 81-1, “Accounting for Performance of Construction-Type and Certain Production-Type Contracts”, generally using the percentage-of-completion method.

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

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

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

We provide a one year warranty on software products. 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.

Our products and services are distributed indirectly through distribution partners and directly through our sales force. Revenue arrangements with distribution partners are recognized when the above criteria are met and only when we receive evidence that the distribution partner has an order from an end-user customer or an irrevocable purchase by the distribution partner.

Stock-Based Compensation

Stock options granted are accounted for under SFAS No. 123R "Share-Based Payment" and are recognized at the fair value of the options as determined by an option pricing model as the related services are provided and the options earned. SFAS No.123R replaces existing requirements under FAS 123 and APB 25, and requires public companies to recognize the cost of employee services received in exchange for equity instruments, based on the fair value of those instruments on the measurement date which generally is the grant date, with limited exceptions. We have adopted SFAS No. 123R as of May 1, 2006 using the modified prospective method of adoption. The adoption of SFAS No. 123R did not have a material effect on our financial position or cash flow for any period.

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 three months ended July 31, 2007 was 70.02% . The expected life of options granted after April 30, 2006 has been determined utilizing the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107, *Share-Based Payment*. The expected term of options granted during the three months ended July 31, 2007 was 3.7 years. For the three months ended July 31, 2007, the weighted-average risk free interest rate used was 4.78% . The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, SFAS No. 123R requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied an estimated forfeiture rate of 15.0% in the three months ended July 31, 2007 in determining the expense recorded in our consolidated statement of operations.

Cost of revenue and operating expenses include stock-based compensation expense. For the three months ended July 31, 2007, we recorded an expense of \$230,274 in connection with share-based payment awards. A future expense of non-vested options of \$2,202,460 is expected to be recognized over a weighted-average period of 1.4 years.

Research and Development Expense for Software Products

Research and development expense includes costs incurred to develop intellectual property. The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until

technological feasibility has been established, at which time any additional costs would be capitalized. We have determined that technological feasibility is established at the time a working model of software is completed. Because we believe our current process for developing software will be essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

Accounts Receivable and Allowance for Doubtful Accounts

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

Results of Operations

Our operating activities during the three months ended July 31, 2007 consisted primarily of selling our IP telephony software to telecom companies and IP telephony service providers, which provide IP telephony services to end users, and the continued development of our IP telephony software products.

Revenue

	Three Months Ended July 31,				Period-to-Period Change	
	2007		2006			
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Amount	Percent Increase / (Decrease)
Revenue by Type						
Software	\$ 769,008	63%	\$ 1,409,719	80%	(\$640,711)	(45%)
Service	457,783	37%	351,162	20%	106,621	30%
Total revenue	\$ 1,226,791	100%	\$ 1,760,881	100%	(\$534,090)	(30%)
Revenue by Region						
International	\$ 780,237	64%	\$ 947,573	54%	(\$167,336)	(18%)
North America	446,554	36%	813,308	46%	(366,754)	(45%)
Total revenue	\$ 1,226,791	100%	\$ 1,760,881	100%	(\$534,090)	(30%)

For the three months ended July 31, 2007, we recognized \$1,226,791 in revenue compared to \$1,760,881 for the three months ended July 31, 2006. This represents a decrease of \$534,090 or 30% from the same period last year. We recognized \$769,008 in software revenue for the three months ended July 31, 2007 compared to \$1,409,719 for the three months ended July 31, 2006, representing a decrease of \$640,711 or 45%. The decrease in software revenue was due to fewer large sales to major telecom companies compared to the same period last year. For the three months ended July 31, 2007, service revenue was \$457,783 compared to \$351,162 for the three months ended July 31, 2006. The increase of \$106,621 in service revenue reflects the increase in services we provide primarily to our larger customers to support their deployed software. International revenue outside of North America declined by 18% during the three months ended July 31, 2007 compared to the three months ended July 31, 2006, being most impacted by fewer European software sales. North American revenue decreased by 45%, compared to the three months ended July 31, 2006, as a result of both lower software sales and service revenues in this region.

Cost of Revenue and Gross Profit

	Three Months Ended July 31,				Period-to-Period Change	
	2007		2006			
	Amount	Percent of Related Revenue	Amount	Percent of Related Revenue	Amount	Percent Increase / (Decrease)
Cost of Revenue						
Software	\$ 134,415	17%	\$ 253,877	18%	(\$119,462)	(47%)
Service	226,743	50%	190,971	54%	35,772	19%
Total cost of revenue	\$ 361,158	29%	\$ 444,848	25%	(\$83,690)	(19%)
Gross Profit						
Software	\$ 634,593	83%	\$ 1,155,842	82%	(\$521,249)	(45%)
Service	231,040	50%	160,191	46%	70,849	44%
Total gross profit	\$ 865,633	71%	\$ 1,316,033	75%	(\$450,400)	(34%)

Cost of revenue was \$361,158 for the three months ended July 31, 2007 compared to \$444,848 recorded for the three months ended July 31, 2006. The total gross profit margin was 71% for the three months ended July 31, 2007 compared to 75% for the three months ended July 31, 2006 as lower margin service revenue represented a larger portion of revenues compared to the same quarter of last year. Cost of software was \$134,415 for the three months ended July 31, 2007, resulting in a gross profit margin on software of 83% compared to 82% for the three months ended July 31, 2006. Cost of service was \$226,743 during the three months ended July 31, 2007, resulting in a gross profit margin on service of 50% compared to 46% for the three months ended July 31, 2006.

Operating Expenses

Sales and Marketing

Sales and marketing expenses for the three months ended July 31, 2007 and 2006 were as follows:

	July 31, 2007		July 31, 2006		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
	Year ended	\$ 454,883	37%	\$ 318,608	18%	\$ 136,275

Sales and marketing expenses were \$454,883 for the three months ended July 31, 2007 compared to \$318,608 recorded for the three months ended July 31, 2006. The increase of \$136,275 was primarily attributable to increases in consulting fees, wages and travel related expenses of marketing personnel and strengthening of the Canadian dollar vis-à-vis the US dollar.

Research and Development

Research and development expenses for the three months ended July 31, 2007 and 2006 were as follows:

	July 31, 2007		July 31, 2006		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
	Year ended	\$ 766,468	62%	\$ 754,934	43%	\$ 11,534

Research and development expenses were \$766,468 for the three months ended July 31, 2007 compared to \$754,934 for the three months ended July 31, 2006. Research and development personnel and related wages and benefits remained relatively constant period over period regardless of the amount of revenue recognized in the period.

General and Administrative

General and administrative expenses for the three months ended July 31, 2007 and 2006 were as follows:

	<u>July 31, 2007</u>		<u>July 31, 2006</u>		<u>Period-to-Period Change</u>	
	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent Increase / (Decrease)</u>
Year ended	\$ 724,527	59%	\$ 689,672	39%	\$ 34,855	5%

General and administrative expenses for the three months ended July 31, 2007 were \$724,527 compared to \$689,672 for the three months ended July 31, 2006.

The increase of \$34,855 in general and administrative expenses was primarily attributable to an increase in personnel and the associated compensation of personnel.

Interest and Other Income

Interest income for the three months ended July 31, 2007 was \$15,524 compared to \$12,035 for the same respective period in 2006. The increase relates to higher average cash balances. Interest expense for the three months ended July 31, 2007 was \$140,576 compared to \$42,996 for the same respective period in 2006. Interest expense during fiscal 2008 includes both a cash interest component of \$50,006 and a non-cash component of \$90,570 relating to the accretion of the discount on the convertible debenture.

Liquidity and Capital Resources

As of July 31, 2007, we had \$1,411,173 in cash compared to \$1,680,220 at April 30, 2007, representing a decrease of \$269,047. Our working capital was \$999,513 at July 31, 2007 compared to \$1,897,581 at April 30, 2007, representing a decrease of \$898,068. Current assets declined by \$601,095, during the three months ended July 31, 2007, while current liabilities increased by \$296,973.

Operating Activities

Our operating activities resulted in a net cash outflow of \$191,394 for the three months ended July 31, 2007. This compares with a net cash outflow of \$1,037,336 for the same period last year and represents a \$845,972 decrease in cash outflows from operations compared to the same period last year. The net cash outflow from operating activities for the three months ended July 31, 2007 was primarily a result of a net loss of \$1,205,297 offset by a decrease in accounts receivable of \$307,255. The decrease in accounts receivable is attributable to a decline in sales and a corresponding increase in collections from customers. The net cash outflow was also offset by an increase in accounts payable and accrued liabilities of \$50,004, as well as an increase of \$199,333 for unearned revenue and adjustments for non-cash expenses including \$230,724 for stock-based compensation, \$90,570 for accretion of convertible debenture discount and \$64,224 for depreciation and amortization.

The net cash outflow from operating activities for the three months ended July 31, 2006 of \$1,037,336 was primarily a result of a net loss of \$478,142 and an increase in accounts receivable of \$1,187,044, partially offset by an increase in accounts payable and accrued liabilities of \$230,188 and adjustments for non-cash expenses including \$266,429 for stock based compensation and \$75,005 for depreciation and amortization.

Investing Activities

Investing activities resulted in a net cash outflow of \$94,591 for the three months ended July 31, 2007 primarily from purchases of equipment and an increase in other assets consisting of costs related to the NewHeights Software transaction. This compares with a net cash outflow from investing activities of \$194,306 for the same period last year which was primarily for purchases of equipment and deposits. At July 31, 2007, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash inflow of \$nil for the three months ended July 31, 2007 as there were no financings in the quarter compared to a net cash outflow of \$3,264 for the same period last year.

On August 2, 2007, we announced the closing of the acquisition of NewHeights Software Corp. As part of the transaction, our convertible debenture holders completed an investment of \$1,300,000 for 3.25 million shares of common stock at \$0.40 per share, and entered into subscription agreements to raise an additional \$4.2 million through the issuance of 10.5 million shares of common stock at \$0.40 per share to investors. The additional commitment of \$4.2 million is scheduled to be invested through a series of closings over a seven month period ending March 2, 2008.

We believe that our current working capital and anticipated proceeds from the investments as part of the NewHeights transaction and our cash flows will be sufficient to fund our combined operations for the next eighteen months. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. 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.

We intend to seek additional funding through public or private financings, but our business and shareholders' investment are at risk if we are unable to obtain additional financing on acceptable terms or at all which raise substantial doubt on our ability to continue as a going concern.

Long Term Obligations

As at July 31, 2007, our company had \$4 million of convertible debentures outstanding, convertible at \$0.40 per share of common stock. On August 2, 2007 we announced that concurrent with the acquisition of NewHeights Software, the convertible debenture holders converted their existing convertible debentures in the amount of \$4,000,000 into 10,000,000 shares of common stock resulting in the extinguishment of all of our long term obligations.

On July 10, 2006, we entered into a lease for office premises, which commenced on December 1, 2006 and expires on September 29, 2011 for which a deposit of \$78,084 was made. On June 7, 2007, we entered into an agreement for investor relations consulting services, which commenced on June 7, 2007 and expires on December 7, 2007. On February 8, 2007, we entered into an agreement for public relations consulting services, which commenced on February 2007 and expires on January 31, 2008.

Total rent and consultancy fees payable over the term of the agreements for the years ended April 30 is as follows:

	Office Lease	Investor Relations	Public Relations
2008	\$ 358,044	\$ 37,800	\$ 22,507
2009	480,635	-	-
2010	497,658	-	-
2011	509,818	-	-
2012	212,424	-	-
	<u>\$ 2,058,579</u>	<u>\$ 37,800</u>	<u>\$ 22,507</u>

We have entered into an employment agreement with an officer in which we are committed to pay severance totalling up to \$844,020 as a result of certain events including a change in control of our company or change of duty of the officer followed by the resignation of the officer.

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 July 2006, FASB issued interpretation No. 48, "*Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (FAS No. 109)*" ("FIN 48"). This interpretation prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, our company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in a) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable, b) a reduction in a deferred tax asset or an increase in a deferred tax liability or c) both a and b. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FAS No. 109 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation. This interpretation is effective for fiscal years beginning after December 15, 2006. The cumulative effect of adopting FIN 48 of \$72,413 was recorded as a reduction to retained earnings. The total amount of unrecognized tax benefits as of the date of adoption was \$245,362. Of this amount, \$245,362 represents the amount that would reduce the Company's effective income tax rate, if recognized in future periods. We recognize interest and penalties accrued on unrecognized tax benefits within income tax expense. As of the date of adoption, we had \$100,813 of interest and penalties accrued associated with unrecognized tax benefits. We are subject to taxation in the U.S. and Canada. We are subject to tax examinations by tax authorities for all taxation years commencing in or after 2002. As of July 31, 2007, the amount of unrecognized tax benefits has increased by \$26,598.

Off-Balance Sheet Arrangements

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

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. 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 raise substantial doubt on our ability to continue as a going concern.

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

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

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

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

We 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. Other than registering the domain names: www.counterpath.com and www.xten.com, among others, applying to register the trademarks eyeBeam™ and Bria™, among others, and filing one patent on a process for configuring audio and video devices with a softphone, we have not taken any action to protect our proprietary technology. If any of our competitors' copies or otherwise gains access to our proprietary technology or develops similar technologies independently, we would not be able to compete as effectively. We also consider our family of registered and unregistered trademarks including CounterPath, Bria, eyeBeam, X-Pro, X-Lite, X-Web, X-Tunnels, X-Look, X-Cipher and X.Net, 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 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 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 415,384,500 shares of common stock and 100,000,000 shares of preferred 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 Sales Practice Requirements of the National Association of Securities Dealers Inc., or NASD, may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the NASD 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 NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD 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 3(A)T. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of the end of the period covered by this quarterly report, being July 31, 2007. 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 our company's disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no significant changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission'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 company's reports filed under the Exchange Act is accumulated and communicated to management, including our company's president as appropriate, to allow timely decisions regarding required disclosure.

PART II

Item 1. Legal Proceedings.

Except as set out below, we know of no material, active, or pending legal proceeding against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation where such claims or action involves damages for a value of more than 10% of our assets as of July 31, 2007, or any proceeding in which any of our company's directors, officers, or affiliates, or any registered or beneficial shareholders, is an adverse party or has a material interest advance to our company's interest.

On February 17, 2006, Eyeball Networks Inc., filed a statement of claim in the Supreme Court of British Columbia (Action No. S-061080, Vancouver Registry) against our company, Mr. Mark Bruk, and two employees, alleging breach of (i) confidentiality, and (ii) previous employment agreements between the two employees (Dr. Joseph Vass and Mark Klagenberg) and Eyeball. Eyeball is seeking an injunction requiring our company, Mr. Bruk, and the two employees, to deliver to Eyeball any confidential information they have in their possession, power or control relating to Eyeball and its business, restraining our company from developing, manufacturing or marketing power meters, although we do not currently develop, manufacture or market power meters. Among other things, Eyeball is claiming general, punitive and aggravated damages of unspecified amounts. Management of our company has filed a Statement of Defence denying all allegations, and strongly believes that any allegations made by Eyeball in connection with our company's current business operations are without foundation or merit. We intend to continue to vigorously defend these proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

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

On July 19, 2007, we filed an information statement on Schedule 14C advising shareholders that we received the written consent of our shareholders to the amendment of our Articles of Incorporation to permit our company to create up to 100,000,000 preferred shares with the rights and restrictions of such shares to be designated by our Board of Directors from time to time. Shareholders holding 19,197,251 shares of our common stock, representing 50.6% of our issued and outstanding shares of common stock, provided their consent in favour of the amendment

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibits Required by Item 601 of Regulation S-B

(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 Certificate of Amendment to the Articles of Incorporation, dated August 9, 2007.

3.7 Certificate of Designation, dated August 9, 2007.

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

4.1 2004 Stock Option Plan effective May 18, 2004 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.2 Form of Stock Option Agreement for 2004 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.3 2005 Stock Option Plan effective March 4, 2005 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.4 Form of Stock Option Agreement for 2005 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.5 Form of Amended & Restated Stock Option and Subscription Agreement (Canadian) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).

4.6 Form of Amended & Restated Stock Option and Subscription Agreement (US) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).

(10) Material Contracts

10.1 Domain Name Assignment Agreement, dated May 2, 2003, between Broad Scope Enterprises, Inc. and Hon Kit Ng (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.2 Subscription Agreement, dated April 20, 2003, between Broad Scope Enterprises Inc. and Hon Kit Ng (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.3 Subscription Agreement, dated May 1, 2003, between Broad Scope Enterprises Inc. and Hon Kit Ng (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.4 Subscription Agreement, dated May 2, 2003, between Broad Scope Enterprises Inc. and Simon Au (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.5 Form of Subscription Agreement between Broad Scope Enterprises Inc. and various private placement placees (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.6 Agreement and Plan of Merger among Broad Scope Enterprises Inc., Xten Networks, Inc., Broad Scope Acquisition Corp. and Mark Bruk (incorporated by reference from our Current Report on Form 8-K filed on May 10, 2004).

10.7 Agreement and Plan of Merger between Broad Scope Enterprises Inc. and Xten Networks, Inc. (incorporated by reference from our Current Report on Form 8-K filed on May 10, 2004).

10.8 Software Development Agreement between Xten Networks, Inc. (formerly Evove, Inc.) and Xten Networks (Canada) Inc. (formerly Xten Networks Inc.) (incorporated by reference from our Current Report on Form 8-K filed on May 10, 2004).

10.9 Debt Settlement and Subscription Agreement dated April 19, 2005 between Xten Networks, Inc. and Steven Bruk (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2005).

10.10 Employment Agreement dated June 16, 2005 between Xten Networks R&D Inc. and Larry Timlick (incorporated

- by reference from our Annual Report on Form 10-KSB filed on July 29, 2005).
- 10.11 Settlement Agreement and Release dated June 29, 2005 between Xtend Communications Corp. and Xten Networks, Inc. (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2005).
- 10.12 Form of Amendment to Stock Option and Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on July 17, 2006).
- 10.13 Form of Stock Option and Subscription Agreement for U.S. Persons (incorporated by reference from our Current Report on Form 8-K filed on July 17, 2006).
- 10.14 Form of Stock Option and Subscription Agreement for Non-U.S. Persons (incorporated by reference from our Current Report on Form 8-K filed on July 17, 2006).
- 10.15 Employment Agreement between CounterPath Solutions, Inc. and Jason Fischl dated August 29, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).
- 10.16 Employment Agreement between CounterPath Solutions, Inc. and Donovan Jones dated June 1, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).
- 10.17 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).
- 10.18 Form of Subscription Agreement dated November 30, 2006, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.19 Form of Subscription Agreement dated November 30, 2006, between our company and KMB Trac Two Holdings Ltd (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.20 Form of Convertible Note dated November 30, 2006 (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.21 Form of Warrant Certificate dated November 30, 2006 (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.22 Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated January 1, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on March 9, 2007).
- 10.23 Employment Agreement between Mark Bruk and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated March 8, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on March 9, 2007).
- 10.24 Arrangement Agreement among CounterPath Solutions, Inc., 6789722 Canada Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. and NewHeights Software Corporation dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8K filed on June 18, 2007)
- 10.25 Support and Lock Up Agreements between CounterPath Solutions, Inc and each of Owen Matthews and Wesley Clover dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8K filed on June 18, 2007)
- 10.26 Subscription Agreement between CounterPath Solutions, Inc and Wesley Clover dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8K filed on June 18, 2007)
- 10.27 Amended Employment Agreement between Mark Bruk and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated July 24, 2007.
- 10.28 Exchangeable Share Support Agreement between CounterPath Solutions, Inc. and 6789722 Canada Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.29 Voting and Exchange Trust Agreement among CounterPath Solutions, Inc., 6789722 Canada Inc., a wholly

owned subsidiary of CounterPath Solutions, Inc. and Valiant Trust Company dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

10.30 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).

10.31 Form of Subscription Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

10.32 Installment Subscription Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

10.33 Loan Conversion Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

10.34 Form of Stock Option and Subscription Agreement dated August 2, 2007, between our company and each of the former optionees of NewHeights Software Corp. (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

10.35 Escrow Agreement among our company, Owen Matthews, Wesley Clover and Clark Wilson LLP dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).

[10.36*Employment Agreement between Greg Pelling and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007.](#)

[10.37*Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007.](#)

(21) Subsidiaries of CounterPath Solutions, Inc.

CounterPath Solutions R&D Inc. (incorporated in the Province of British Columbia, Canada)

NewHeights Software Corporation (incorporated in the Province of British Columbia, Canada)

6789722 Canada Inc. (incorporated under the Canadian Business Corporations Act)

(31) Section 302 Certification

[31.1* Section 302 Certification of Chief Executive Officer.](#)

[31.2* Section 302 Certification of Chief Financial Officer.](#)

(32) Section 906 Certification

[32.1*Section 906 Certification of Chief Executive Officer.](#)

[32.2*Section 906 Certification of Chief Financial Officer.](#)

* filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COUNTERPATH SOLUTIONS, INC.

By: /s/ Greg Pelling

Greg Pelling
Chief Executive Officer & Director
(Principal Executive Officer)
Date: September 14, 2007

By: /s/ David Karp

David Karp
Chief Financial Officer, Secretary & Treasurer
(Principal Financial Officer and Principal Accounting Officer)
Date: September 14, 2007