

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **October 31, 2008**

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

For the transition period from _____ to _____

Commission file number **000-50346**

COUNTERPATH CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-0004161

(IRS Employer Identification No.)

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

(Address of principal executive offices)

(604) 320-3344

(Registrant's telephone number)

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

Title of each class

Nil

Name of each exchange on which registered

Nil

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

Common Stock, par value \$0.001

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 2b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 28,552,638 shares of common stock issued and outstanding as of December 15, 2008.

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
OCTOBER 31, 2008 QUARTERLY REPORT ON FORM 10-Q

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PART I

Item 1. Financial Statements.

It is the opinion of management that the interim consolidated financial statements for the quarter ended October 31, 2008 include all adjustments necessary in order to ensure that the interim consolidated financial statements are not misleading.

The interim consolidated financial statements are stated in United States dollars and are prepared in accordance with generally accepted accounting principles in the United States of America.

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2008
(Unaudited)
(Stated in U.S. Dollars)

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COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
INTERIM CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars)

	October 31, 2008	April 30, 2008
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 3,244,741	\$ 6,223,613
Accounts receivable (net of allowance for doubtful accounts of \$562,580 and \$407,050, respectively)	5,605,362	5,409,658
Investment tax credits recoverable	–	1,061,133
Prepaid expenses and deposits	442,348	646,679
Total current assets	9,292,451	13,341,083
Deposits	154,855	103,017
Equipment	368,663	736,854
Intangible assets (net of accumulated amortization of \$2,420,009 and \$1,364,365) – Note 2(d)	5,923,815	8,534,666
Goodwill – Note 2(d)	7,273,247	8,674,990
Other assets	100,942	177,749
Total Assets	\$ 23,113,973	\$ 31,568,359
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,888,637	\$ 4,529,201
Unearned revenue	1,065,406	936,343
Customer deposits	5,917	85,283
Warranty accrual	156,787	144,347
Total current liabilities	5,116,747	5,695,174
Deferred lease inducements	60,724	97,734
Unrecognized tax benefit	98,575	98,575
Total liabilities	5,276,046	5,891,483
Stockholders' equity:		
Preferred stock, \$0.001 par value – Note 7		
Authorized: 100,000,000		
Issued and outstanding: October 31, 2008 – 1; April 30, 2008 – 1		
Common stock, \$0.001 par value – Note 5		
Authorized: 415,384,500		
Issued and outstanding:		
October 31, 2008 – 28,502,638 ; April 30, 2008 – 25,921,797	28,502	25,921
Additional paid-in capital	47,969,056	43,398,849
Accumulated deficit	(27,859,359)	(18,479,483)
Accumulated other comprehensive income (loss) – currency translation adjustment	(2,300,272)	731,589
Total stockholders' equity	17,837,927	25,676,876
Liabilities and Stockholders' Equity	\$ 23,113,973	\$ 31,568,359

Going concern – Note 2

Commitments and contingent liability – Notes 7 and 8

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in U.S. Dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2008	2007	2008	2007
Revenue – Note 6:				
Software	\$ 2,113,617	\$ 2,042,133	\$ 3,961,922	\$ 2,811,141
Service	903,213	402,578	1,667,668	860,361
Total revenue	<u>3,016,830</u>	<u>2,444,711</u>	<u>5,629,590</u>	<u>3,671,502</u>
Operating expenses:				
Cost of sales (includes depreciation of \$36,862 and \$73,273 and amortization of intangible assets of \$1,055,644 and \$295,231 – Note 2(d))	1,086,203	701,371	2,464,046	1,062,529
Sales and marketing	1,186,713	1,112,119	2,668,664	1,567,002
Research and development	2,103,685	1,633,445	5,121,097	2,399,912
General and administrative	1,559,672	1,831,642	3,787,799	2,556,168
Restructuring costs – Note 9	742,035	182,107	932,996	182,107
Total operating expenses	<u>6,678,308</u>	<u>5,460,684</u>	<u>14,974,602</u>	<u>7,767,718</u>
Loss from operations	<u>(3,661,478)</u>	<u>(3,015,973)</u>	<u>(9,345,012)</u>	<u>(4,096,216)</u>
Interest and other income (expense), net				
Interest income	32,198	33,554	50,266	49,078
Interest expense – Note 3	(3,140)	(547,975)	(10,435)	(688,552)
Foreign exchange gain (loss)	108,346	53,516	(74,695)	53,516
Net loss for the period	<u>\$ (3,524,074)</u>	<u>\$ (3,476,878)</u>	<u>\$ (9,379,876)</u>	<u>\$ (4,682,174)</u>
Other comprehensive income (loss):				
Foreign currency translation adjustments	<u>(3,052,311)</u>	<u>1,694,235</u>	<u>(3,031,861)</u>	<u>(5,940)</u>
Comprehensive loss	<u>\$ (6,576,385)</u>	<u>\$ (1,782,643)</u>	<u>\$ (12,411,737)</u>	<u>\$ (4,688,114)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.12)</u>	<u>\$ (0.19)</u>	<u>\$ (0.35)</u>	<u>\$ (0.37)</u>
Weighted average common shares outstanding:	28,682,680	17,900,447	26,441,072	12,744,322

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in U.S. Dollars)
(Unaudited)

	Six Months Ended	
	October 31,	
	2008	2007
Cash flows from operating activities:		
Net loss for the period	\$ (9,379,876)	\$ (4,682,174)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	411,273	153,149
Amortization of intangible assets	1,055,644	295,231
Stock-based compensation – Note 5	819,953	936,810
Accretion of convertible debenture discount	–	90,570
Loss on conversion of convertible debentures	–	540,200
Foreign exchange loss	74,695	–
Changes in assets and liabilities:		
Accounts receivable	539,443	(728,635)
Prepaid expenses and deposits	178,715	(95,089)
Accounts payable and accrued liabilities	(255,459)	240,276
Unearned revenue	129,063	105,650
Customer deposits	(79,366)	78,961
Warranty payable	12,440	(18,911)
Net cash used in operating activities	(6,493,475)	(3,083,962)
Cash flows from investing activities:		
Cash acquired on acquisition of NewHeights	–	2,517,365
Purchase of equipment	(81,308)	(42,773)
Deposits	(71,016)	(33,587)
Decrease (increase) in other assets	76,777	(12,022)
Net cash provided by investing activities	(75,547)	2,428,983
Cash flows from financing activities:		
Common stock issued, net of transaction costs	3,752,835	1,801,946
Decrease in due to related parties	–	(3,895)
Net cash provided by financing activities	3,752,835	1,798,051
Foreign exchange effect on cash	(162,685)	400,694
Increase (decrease) in cash	(2,978,872)	1,543,766
Cash, beginning of the period	6,223,613	1,680,220
Cash, end of the period	\$ 3,244,741	\$ 3,223,986
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ 10,435	\$ 2,222
Common stock and stock options issued in connection with the acquisition of NewHeights Software Corporation	\$ –	\$ 15,477,343
Convertible debentures converted into common stock	\$ –	\$ 4,000,000

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the Six Months Ended October 31, 2008
(Stated in U.S. Dollars)

	Common shares		Preferred Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Par Value	Number of Shares	Par Value				
Balance, April 30, 2008	25,921,797	\$ 25,921	1	\$ -	\$ 43,398,849	\$ (18,479,483)	\$ 731,589	\$ 25,676,876
Shares issued:								
Private placement – Note 5	2,530,841	2,531	-	-	3,750,304	-	-	3,752,835
Exchange of subsidiary preferred shares- Note 4	50,000	50	-	-	(50)	-	-	-
Stock-based compensation - Note 5	-	-	-	-	819,953	-	-	819,953
Net loss for the period	-	-	-	-	-	(9,379,876)	-	(9,379,876)
Foreign currency translation adjustment	-	-	-	-	-	-	(3,031,861)	(3,031,861)
Balance, October 31, 2008 (unaudited)	<u>28,502,638</u>	<u>\$ 28,502</u>	<u>1</u>	<u>\$ -</u>	<u>\$ 47,969,056</u>	<u>\$ (27,859,359)</u>	<u>\$ (2,300,272)</u>	<u>\$ 17,837,927</u>

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1 **Nature of Operations**

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

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

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

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

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

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

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

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

These 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 otherwise disclosed. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for the period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

These 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 October 31, 2008, the Company has not yet achieved profitable operations and had an accumulated deficit of \$27,859,359 since incorporation. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern.

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Management is implementing a plan to address these uncertainties to enable the Company to continue as a going concern through the end of fiscal 2010 and beyond. This plan includes new equity financing in amounts sufficient to sustain operations, such as the private placement discussed in Note 5, and to increase revenues from operations.

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

a) **Basis of Presentation**

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

b) **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, 2008 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, 2008 annual consolidated financial statements.

Operating results for the six months ended October 31, 2008 are not necessarily indicative of the results that can be expected for the year ending April 30, 2009.

c) **New Accounting Pronouncements**

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). This standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of this statement did not have an impact on the Company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115*. ("SFAS No. 159"). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of this statement did not have an impact on the Company's consolidated financial statements.

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

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

c) New Accounting Pronouncements – (cont'd)

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

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

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

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (“FAS 162”). FAS 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section, 411 *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles”*. The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP). The Company is currently evaluating the impact of this statement.

d) Goodwill and Intangible Assets

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired as of the acquisition date. Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”) SFAS No. 142 requires goodwill to be tested for impairment annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company’s business enterprise below its carrying value. The impairment test requires management to estimate the fair value of the Company’s overall business enterprise down to the reporting unit level which is CounterPath Corporation.

Goodwill of \$6,339,717 (CDN\$6,704,947), and \$2,083,960 (CDN\$2,083,752) was initially recorded in connection with the acquisition of NewHeights Software Corporation on August 2, 2007 and FirstHand Technologies Inc. on February 1, 2008. Translated to U.S. dollars using the period end rate, the goodwill balance at October 31, 2008 (April 30, 2008) was \$5,549,014 (CDN\$6,704,947) and \$1,724,233 (CDN\$2,083,752), respectively. Management will perform its annual impairment test in its fiscal fourth quarter. No impairment charges were recorded in the six months ended October 31, 2008 (2007 - \$nil).

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

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

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

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

d) **Goodwill and Intangible Assets – (cont'd)**

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

Statement of Financial Accounting Standard No. 144, "The Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), SFAS No. 144 requires the Company to review the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment charges were recorded for the six months ended October 31, 2008 (2007 - \$nil).

A summary of the Company's intangible assets, net, at October 31, 2008 is as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Acquired technologies	\$ 5,804,273	\$ 1,986,331	\$ 3,817,942
Customer assets	2,539,551	433,678	2,105,873
Intangible assets, October 31, 2008	\$ 8,343,824	\$ 2,420,009	\$ 5,923,815

e) **Comparative Figures**

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

Note 3 **Related Party Transactions**

During the three months ended October 31, 2008 and 2007, the Company incurred the following lease expense to a company with a director in common with the Company and interest expenses to a company controlled by the spouse of a significant shareholder of the Company:

	<u>Three Months Ended October 31,</u>		<u>Six Months Ended October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Interest on convertible debenture	\$ Nil	\$ 1,667	\$ Nil	\$ 40,000
Lease payment	\$ Nil	\$ 28,933	\$ 3,446	\$ 57,866

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

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

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

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3 **Related Party Transactions – (cont'd)**

The Company's software license revenue for the six months ended October 31, 2008, pursuant to the terms of these agreements, was \$687,508 (2007 - \$980,500).

As at October 31, 2008, the Company has an accounts receivable balance from Mitel of \$706,471 (April 30, 2008 - \$1,177,000).

During the three and six months ended October 31, 2008, the Company through its wholly owned subsidiary, FirstHand Technologies Inc., paid \$69,199 (2007 - \$nil) and \$138,398 (2007 - \$nil), respectively, to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Company's Chairman. As at October 31, 2008, the Company had an accounts payable balance to KRP of \$11,538 (April 30, 2008 - \$2,656).

Note 4 **Exchangeable Shares**

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

On October 9, 2008, the Company issued 50,000 shares of common stock pursuant to a holder of 50,000 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights. As the exchangeable shares have already been recognized in connection with the acquisition of NewHeights, the value ascribed to these shares on exchange is \$nil.

Note 5 **Common Stock**

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

On April 11, 2008, certain officers, directors and affiliates of the Company entered into an escrow agreement with the TSX-V whereby a total of 11,489,635 shares of common stock in the Company were deposited into escrow with Valiant Trust acting as escrow agent as a condition to listing of the Company's shares of common stock on the TSX-V. The shares are released as to 25% upon entering in to the agreement and 25% on each date that is 6, 12 and 18 months from the date of the escrow agreement.

On July 30, 2008, the Company announced a private placement of up to approximately 3.3 million units at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of up to approximately \$5 million (CDN\$5.1 million). On July 31, 2008 and October 24, 2008, the Company issued 2,433,439 units and 97,402 units, respectively, at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$3,784,439 (CDN\$3,897,497). The Company incurred \$31,604 of transaction costs. Each unit consists of one share of common stock in the capital of CounterPath and one-half of one non-transferable common share purchase warrant. Each warrant shall entitle the holder thereof to purchase one share of common stock in the capital of CounterPath for a period of two years commencing from the date of issue at an exercise price of \$2.25 per warrant share.

Certain officers and directors of the Company subscribed for 759,559 units at a price of \$1.50 (CDN\$1.54) per unit, including warrants entitling the holders thereof to purchase one share of common stock in the capital of CounterPath for a period of two years commencing from the date of issue at an exercise price of \$2.25 per warrant share for gross proceeds of \$1,142,306 (CDN\$1,169,721). As the unit price of \$1.50 (CDN\$1.54) per unit was below the closing market price of \$1.60 (CDN\$1.64) per share of the Company's common stock on the date of the transaction and included one-half of one common share purchase warrant, the Company recorded a compensatory charge to general and administrative expenses for the six months ending October 31, 2008 of \$195,293 (Note 3).

COUNTERPATH CORPORATION
(Formerly CounterPath Solutions, Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 5 **Common Stock – (cont’d)**

Stock Options

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

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

The Company 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 vesting period or, if none exists, over the service period. Compensation associated with unvested options granted to non-employees is remeasured on each balance sheet date using the Black-Scholes option pricing model.

The expected volatility of options granted has been determined using the method described under SFAS No. 123R using the historical stock price. The expected term of options granted to employees in the current fiscal period 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 a compensation expense recovery in the period when the awards were forfeited. As a result, based on the Company’s experience, the Company applied an estimated forfeiture rate of 15% in fiscal 2009 and 2008 in determining the expense recorded in the accompanying consolidated statement of operations.

The weighted-average fair value of options granted during the six months ended October 31, 2008 was \$0.86. The weighted-average assumptions utilized to determine such values are presented in the following table:

	Six Months Ended October 31, 2008	Six Months Ended October 31, 2007
Risk-free interest rate	3.23%	4.79%
Expected volatility	66.8%	69.7%
Expected term	4.4 yrs	4.5 yrs
Dividend yield	0%	0%
Weighted average fair value	\$ 0.86	\$ 1.10

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 5 **Common Stock – (cont'd)**

Stock Options – (cont'd)

The following is a summary of the status of the Company's stock options as of October 31, 2008 and the stock option activity during the six months ended October 31, 2008:

	Number of Options	Weighted-average Exercise Price per Share
Outstanding at April 30, 2008	3,794,263	\$2.20
Granted	564,000	\$1.71
Exercised	—	—
Forfeited / Cancelled	(318,410)	\$1.97
Expired	(168,855)	\$2.00
Outstanding at October 31, 2008	<u>3,870,998</u>	<u>\$2.18</u>
Exercisable at October 31, 2008	2,466,789	\$2.29
Exercisable at April 30, 2008	2,360,979	\$2.30

The following table summarizes information regarding stock purchase options outstanding as of October 31, 2008:

Exercise Price	Number of Options Outstanding	Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value
\$1.50	40,000	—	August 1, 2016	21,667	—
\$1.55	100,000	—	October 30, 2013	—	—
\$1.64	40,000	—	June 3, 2013	—	—
\$1.70	35,000	—	May 1, 2012	12,396	—
\$1.75	370,000	—	May 14, 2013	—	—
\$1.80	40,000	—	August 20, 2013	40,000	—
\$1.85	149,534	—	February 2, 2013	113,365	—
\$1.90	249,268	—	October 1, 2011 to June 26, 2017	202,291	—
\$1.95	1,539,330	—	September 7, 2010 to January 10, 2016	1,197,414	—
\$2.00	561,443	—	December 15, 2008 to March 18, 2015	394,637	—
\$2.15	240,000	—	September 7, 2016	125,000	—
\$2.25	13,918	—	December 13, 2012	5,208	—
\$2.80	50,000	—	February 20, 2016	33,333	—
\$2.95	60,000	—	October 26, 2016	33,750	—
\$3.05	187,297	—	May 23, 2016	117,520	—
\$3.35	55,000	—	June 13, 2010 to October 11, 2016	37,500	—
\$3.40	20,000	—	April 10, 2016	12,500	—
\$3.75	5,208	—	March 3, 2016	5,208	—
\$5.35	30,000	—	March 29, 2010	30,000	—
\$5.85	35,000	—	February 22, 2010	35,000	—
\$7.90	30,000	—	October 24, 2009	30,000	—
\$9.35	20,000	—	October 21, 2009	20,000	—
October 31, 2008	<u>3,870,998</u>	<u>\$—</u>		<u>2,466,789</u>	<u>\$—</u>
April 30, 2008	<u>3,794,263</u>	<u>\$17,333</u>		<u>2,360,979</u>	<u>\$7,635</u>

COUNTERPATH CORPORATION
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Note 5 **Common Stock – (cont'd)**

Stock Options – (cont'd)

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of \$1.02 per share as of October 31, 2008 (April 30, 2008 – \$1.80), which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of October 31, 2008 was nil (April 30, 2008 – 43,021). The total intrinsic value of options exercised during the six months ended October 31, 2008 was \$nil (2007 – \$341). The grant date fair value of options vested during the six months ended October 31, 2008 was \$556,308 (April 30, 2008 – \$1,817,972).

The following table summarizes information regarding the non-vested stock purchase options outstanding as of October 31, 2008:

	Number of Options	Weighted Average Grant-Date Fair Value
Non-vested options at April 30, 2008	1,433,284	\$1.48
Granted	564,000	\$0.86
Vested	(388,109)	\$1.47
Forfeited	(204,966)	\$1.61
Non-vested options at October 31, 2008	1,404,209	\$1.27

As of October 31, 2008 there was \$1,517,367 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 1.01 years.

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the three and six months ended October 31, 2008 and 2007 are as follows:

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2008	2007	2008	2007
Cost of sales	\$ 18,601	\$ 31,673	\$ 38,517	\$ 45,897
Sales and marketing	40,702	91,175	68,951	113,865
Research and development	77,036	197,310	164,829	261,860
General and administrative	175,626	386,738	547,656	515,188
Total stock-based compensation	<u>\$ 311,965</u>	<u>\$ 706,896</u>	<u>\$ 819,953</u>	<u>\$ 936,810</u>

Warrants

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

	Six Months Ended
	October 31, 2008
Risk-free interest rate	1.58% - 2.52%
Expected volatility	48.54% - 66.34%
Expected term	2 yrs
Dividend yield	0%
Weighted average fair value per warrant	\$0.31 - \$0.44

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 5 **Common Stock – (cont'd)**

Warrants – (cont'd)

The following table summarizes information regarding the warrants outstanding as of October 31, 2008.

	Number of Options	Weighted Average Exercise Price
Warrants at April 30, 2008	1,000,000	\$4.00
Granted	1,265,421	\$2.25
Exercised	–	–
Expired	–	–
Warrants at October 31, 2008	<u>2,265,421</u>	<u>\$3.04</u>

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 and six months ended October 31, 2008 and 2007:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2008	2007	2008	2007
North America	\$ 1,710,996	\$ 1,557,729	\$ 3,432,538	\$ 2,004,283
Europe	812,944	707,302	1,389,514	1,238,686
Asia	285,782	73,560	359,803	117,078
Central and South America	207,108	102,876	447,735	295,202
Other	–	3,244	–	16,253
	<u>\$ 3,016,830</u>	<u>\$ 2,444,711</u>	<u>\$ 5,629,590</u>	<u>\$ 3,671,502</u>

Contained within the results of North America for the three and six months ended October 31, 2008 are revenues from the United States of \$1,628,016 and \$2,669,992 (2007 - \$380,012 and \$946,146) respectively and from Canada of \$82,980 and \$762,546 (2007 - \$1,177,717 and \$1,058,137) respectively.

Contained within the results of Europe for the three and six months ended October 31, 2008 are revenues from the United Kingdom of \$267,215 and \$382,714 (2007 - \$219,459 and \$571,895) respectively, from Germany of \$199,186 and \$301,302 (2007 - \$73,023 and \$154,991) respectively, from Denmark of \$108,449 and \$278,493 (2007 - \$nil) respectively, and from Portugal of \$91,792 and \$150,202 (2007 - \$nil) respectively.

Contained within the results of South America for the three and six months ended October 31, 2008 are revenues from Brazil of \$97,500 and \$113,688 (2007 - \$18,718 and \$33,124) respectively, from Mexico of \$78,840 and \$202,203 (2007 - \$6,132 and \$112,325) respectively and from the Dominican Republic of \$nil and \$60,837 (2007 - \$nil and \$55,698) respectively.

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

	As at	
	October 31, 2008	April 30, 2008
Canada	\$ 6,270,456	\$ 9,202,208
United States	122,964	247,061
Total	<u>\$ 6,393,420</u>	<u>\$ 9,449,269</u>

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

Revenue from significant customers for the three and six months ended October 31, 2008 and 2007 is summarized as follows:

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2008	2007	2008	2007
Customer A	20%	3%	16%	2%
Customer B	17%	–	12%	–
Customer C	4%	42%	14%	28%
Customer D	5%	7%	4%	13%
	<u>46%</u>	<u>52%</u>	<u>46%</u>	<u>43%</u>

Accounts receivable balances for Customer A were \$904,248 as at October 31, 2008 (April 30, 2008 - \$432,019). Accounts receivable balances for Customer B were \$411,062 as at October 31, 2008 (April 30, 2008 - \$46,796). Accounts receivable balances for Customer C were \$706,471 as at October 31, 2008 (April 30, 2008 - \$1,177,000). Accounts receivable balances for Customer D were \$287,500 as at October 31, 2008 (April 30, 2008 - \$400,000).

Note 7 **Commitments**

- a) On June 28, 2005, the Company entered into a software development consulting agreement extension, which commenced on June 30, 2006 and expires June 30, 2009. The payment schedule is tied to specific milestones as they are completed and requires total payments of \$109,000 in fiscal year 2009 and \$109,000 in fiscal year 2010.
- b) The Company is subject to a license agreement ("Amended Omnibus Agreement") and a sponsored research agreement ("Amended Research Agreement") with Columbia University pertaining to certain technologies acquired in the acquisition of FirstHand Technologies Inc. on February 1, 2008. Pursuant to the Amended Omnibus Agreement and the Amended Research Agreement, the Company is required to provide financial support for SIP (Session Initiation Protocol) research in the field of Internet/Ethernet Telephony conducted at Columbia's Department of Computer Science. Subject to certain limitations, the Company is entitled to an exclusive license from Columbia University for all inventions and research information directly relating to the field of Internet/Ethernet Telephony. In exchange for the continuing rights granted under the Amended Research Agreement, the Company is required to make a future payment for research of \$109,000 payable on January 1, 2009. Commencing on the one year anniversary date of the of the termination or expiration of the Amended Research Agreement, the Company shall be required to pay a minimum annual royalty of \$100,000 to Columbia University net of any royalties paid to Columbia University under the Amended Omnibus Agreement.

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

	Office Leases – Related Party	Office Leases – Unrelated Party	Sub Lease Income	Total Office Leases	Software Development Contracts	Research Agreement
2009	\$ 139,455	\$ 374,035	\$ (39,506)	\$ 473,984	\$ 84,800	\$ 109,000
2010	265,359	726,322	(79,011)	912,670	109,000	–
2011	–	654,853	(79,011)	575,842	–	–
2012	–	364,806	(79,011)	285,795	–	–
2013	–	73,893	(32,921)	40,972	–	–
	<u>\$ 404,814</u>	<u>\$ 2,193,909</u>	<u>\$ (309,460)</u>	<u>\$ 2,289,263</u>	<u>\$ 193,800</u>	<u>\$ 109,000</u>

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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 that the loss is probable and measurable.

Note 9 **Restructuring**

As a result of the Company's post acquisition activities, the Company incurred restructuring costs of \$742,035 (2007 – \$182,107) and \$932,996 (2007 – \$182,107) during the three and six months ended October 31, 2008, respectively. Restructuring costs were related to employee severance arrangements as a result of the consolidation of administrative, sales, marketing, and research and development departments after the close of acquisitions of NewHeights Software Corporation, FirstHand Technologies Inc. and BridgePort Networks, Inc. These charges are shown as a separate line item in the consolidated statement of operations.

Note 10 **Subsequent Events**

On November 19, 2008, the Company issued 50,000 shares of common stock pursuant to a holder of 50,000 shares of exchangeable preferred shares of its subsidiary 6789722 Canada Inc. exercising their exchange rights. As the exchangeable shares have already been recognized in connection with the acquisition of NewHeights, the value ascribed to these shares on exchange will be \$nil.

On December 15, 2008, the Company granted incentive stock options to two officers and a number of employees of the Company for the purchase of a total of 732,000 common shares of the Company, pursuant to its stock option plan. The options are exercisable on or before December 15, 2013, at a price of \$0.44 (CDN \$ 0.55) per common share.

PART II

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

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

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. 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 quarterly report, the terms "we", "us" and "our" means CounterPath Corporation, unless otherwise indicated.

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 quarterly report. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions.

Overview

Background

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

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

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

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

On February 1, 2008, we acquired all of the shares of FirstHand Technologies Inc. through the issuance of 5.9 million shares of our common stock. On February 1, 2008, we acquired all of the issued and outstanding shares

of BridgePort Networks, Inc. by way of merger in consideration for the assumption of all of the assets and liabilities of BridgePort Networks.

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

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

Business of CounterPath

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

Our strategy is to sell our software to our customers to allow such customers to deliver session initiation protocol and 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. Our recent acquisitions of FirstHand Technologies Inc. and BridgePort Networks, Inc. expand the product portfolio of our company to include fixed-mobile-convergence applications for the enterprise and telecom service provider markets.

Revenue

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

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

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

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

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

Operating Expenses

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

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

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

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

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

Restructuring costs are post acquisition activities related to the acquisition of NewHeights Software Corporation, FirstHand Technologies Inc. and BridgePort Networks, Inc. We incurred restructuring costs related to employee severance agreements as a result of post acquisition consolidation of administration, sales and marketing and research and development departments. At October 31, 2008 we have a restructuring accrual for severance of approximately \$65,000.

Critical Accounting Policies

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 quarterly report.

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

Basis of Presentation

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

Interim Reporting

The information presented in the accompanying interim consolidated financial statements is without audit pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the interim consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe 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, the interim consolidated financial statements follow the same accounting policies and methods of their application our April 30, 2008 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim consolidated financial statements be read in conjunction with our April 30, 2008 annual consolidated financial statements.

Operating results for the three months ended October 31, 2008 are not necessarily indicative of the results that can be expected for the year ending April 30, 2009.

Revenue Recognition

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

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

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

For contracts with elements related to customized network solutions and certain network build-outs, we apply FASB Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" and

revenues are recognized under SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", generally using the percentage-of-completion method.

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

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

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

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

Stock-Based Compensation

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

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

The expected volatility of options granted has been determined using the volatility of our company's stock. The expected volatility for options granted during the three months ended October 31, 2008 was 67.0%. 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 six months ended October 31, 2008 was 4.4 years. For the six months ended October 31, 2008, the weighted-average risk free interest rate used was 3.23%. 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 October 31, 2008 in determining the expense recorded in our consolidated statement of operations.

Cost of sales and operating expenses include stock-based compensation expense. For the six months ended October 31, 2008, we recorded an expense of \$819,953 in connection with share-based payment awards. A future expense of non-vested options of \$1,517,367 is expected to be recognized over a weighted-average period of 1.01 years.

Research and Development Expense for Software Products

Research and development expense includes costs incurred to develop intellectual property. The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. We have

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Goodwill and Intangible Assets

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

The determination of the net carrying value of goodwill and intangible assets and the extent to which, if any, there is impairment, are dependent on material estimates and judgments on our part, including the useful life over which the intangible assets are to be amortized and the estimates of the value of future net cash flows, which are based upon further estimates of future revenues, expenses and operating margins. In applying SFAS No. 142, "Goodwill and Other Intangible Assets," we review our goodwill annually for impairment or more frequently when indicators of impairment are present.

Use of Estimates

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

Results of Operations

Our operating activities during the three and six months ended October 31, 2008 consisted primarily of selling our IP telephony software to service providers and original equipment manufacturers serving the telecom industry, and the continued development of our IP telephony software products.

Revenue

	Three Months Ended October 31,				Period-to-Period Change	
	2008		2007		Amount	Percent Increase / (Decrease)
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue		
Revenue by Type						
Software	\$2,113,617	70%	\$2,042,133	84%	\$71,484	4%
Service	903,213	30%	402,578	16%	500,635	124%
Total revenue	\$3,016,830	100%	\$2,444,711	100%	\$572,119	23%
Revenue by Region						
International	\$1,305,834	43%	\$886,982	36%	\$418,852	47%
North America	1,710,996	57%	1,557,729	64%	153,267	10%
Total revenue	\$3,016,830	100%	\$2,444,711	100%	\$572,119	23%

For the three months ended October 31, 2008, we generated \$3,016,830 in revenue compared to \$2,444,711 for the three months ended October 31, 2007. This represents an increase of \$572,119 from the same period last year. We generated \$2,113,617 in software revenue for the three months ended October 31, 2008 compared to \$2,042,133 for the three months ended October 31, 2007, representing an increase of \$71,484 or 4%. The increase in software revenue was due to higher sales through our original equipment manufacturers channel. For the three months ended October 31, 2008, service revenue was \$903,213 compared to \$402,578 for the three months ended October 31, 2007. The increase of \$500,635 or 124% in service revenue was primarily due to professional services and support required to implement our software to new customers, particularly those customers acquired in the FirstHand and BridgePort acquisitions. International revenue outside of North America increased by 47% during the three months ended October 31, 2008 compared to the three months ended October 31, 2007, largely due to increased sales in Latin America and Europe. North American revenue increase by 10%, compared to the three months ended October 31, 2007, primarily due to increased revenue from original equipment manufacturers channel.

	Six Months Ended October 31,				Period-to-Period Change	
	2008		2007		Amount	Percent Increase / (Decrease)
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue		
Revenue by Type						
Software	\$3,961,922	70%	\$2,811,141	77%	\$1,150,781	41%
Service	1,667,668	30%	860,361	23%	807,307	94%
Total revenue	\$5,629,590	100%	\$3,671,502	100%	\$1,958,088	53%
Revenue by Region						
International	\$2,197,051	39%	\$1,667,219	45%	\$529,832	32%
North America	3,432,539	61%	2,004,283	55%	1,428,256	71%
Total revenue	\$5,629,590	100%	\$3,671,502	100%	\$1,958,088	53%

For the six months ended October 31, 2008, we generated \$5,629,590 in revenue compared to \$3,671,502 for the six months ended October 31, 2007. This represents an increase of \$1,958,088 or 53% from the same period last year. We generated \$3,961,922 in software revenue for the six months ended October 31, 2008 compared to \$2,811,141 for the six months ended October 31, 2007, representing an increase of \$1,150,781 or 41%. The increase in software revenue was driven by sales to customers of BridgePort and FirstHand that were acquired in February 2008, and from continued growth in sales of our consumer oriented softphone software as well as sales of our enterprise oriented softphone software. For the six months ended October 31, 2008, service revenue was \$1,667,668 compared to \$860,361 for the six months ended October 31, 2007. The increase of \$807,307 in service revenue was primarily due to increase in service revenue from customers of BridgePort and FirstHand acquired in February 2008, and professional services related to implementation of our solutions. International revenue outside of North America grew by 32% during the six months ended October 31, 2008 compared to the six months ended

October 31, 2007, driven by Latin American and European software sales. North American revenue increased 71%, compared to the six months ended October 31, 2007, driven primarily by sales of software and services to North American original equipment manufacturers.

Operating Expenses

Cost of Sales

Cost of sales for the three and six months ended October 31, 2008 and 2007 were as follows:

	October 31, 2008		October 31, 2007		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	\$1,086,203	36%	\$701,371	29%	\$384,832	55%
Six months ended	\$2,464,046	44%	\$1,062,529	29%	\$1,401,517	132%

Cost of sales was \$1,086,203 for the three months ended October 31, 2008 compared to \$701,371 recorded for the three months ended October 31, 2007. The increase of \$384,832 was primarily attributable to the amortization of intangible assets amounting to \$510,171 (October 31, 2007 – \$295,231), increases in personnel and associated wages on account of acquisition of BridgePort and FirstHand, third-party software royalties used with our products, and third-party hardware used with our products.

Cost of sales was \$2,464,046 for the six months ended October 31, 2008 compared to \$1,062,529 for the six months ended October 31, 2007. The increase of \$1,401,517 was primarily attributable to the amortization of intangible assets of \$1,055,644 (October 31, 2007 – \$295,231). The increase in cost of sales was also attributable to increases in personnel and associated wages on account of acquisition of BridgePort and FirstHand, third-party software royalties used with our products, and third-party hardware used with our products.

Sales and Marketing

Sales and marketing expenses for the three and six months ended October 31, 2008 and 2007 were as follows:

	October 31, 2008		October 31, 2007		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	\$1,186,713	39%	\$1,112,119	45%	\$74,594	7%
Six months ended	\$2,668,664	47%	\$1,567,002	43%	\$1,101,662	70%

Sales and marketing expenses were \$1,186,713 for the three months ended October 31, 2008 compared to \$1,112,119 recorded for the three months ended October 31, 2007. The increase of \$74,594 was primarily attributable to increases in sales and marketing personnel and associated wages and commissions due to the acquisitions of Firsthand and BridgePort offset by a reduction in professional fees, advertising, and other charges during the three months ended October 31, 2008.

Sales and marketing expenses were \$2,668,664 for the six months ended October 31, 2008 compared to \$1,567,002 recorded for the six months ended October 31, 2007. The increase of \$1,101,662 was primarily attributable to increases in sales and marketing personnel and associated wages and commissions due to the acquisitions of FirstHand and BridgePort.

Research and Development

Research and development expenses for the three and six months ended October 31, 2008 and 2007 were as follows:

	October 31, 2008		October 31, 2007		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	\$2,103,685	70%	\$1,633,445	67%	\$470,240	29%
Six months ended	\$5,121,097	91%	\$2,399,912	65%	\$2,721,185	113%

Research and development expenses were \$2,103,685 for the three months ended October 31, 2008 compared to \$1,633,445 for the three months ended October 31, 2007. The increase of \$470,240 was primarily attributable to increases in research and development personnel and associated wages and non-cash stock based compensation. Research and development personnel were acquired through the acquisitions of FirstHand and BridgePort.

Research and development expenses were \$5,121,097 for the six months ended October 31, 2008 compared to \$2,399,912 for the six months ended October 31, 2007. The increase of \$2,721,185 was primarily attributable to increases in research and development personnel and associated wages and non-cash stock based compensation. Research and development personnel were acquired through the acquisitions of FirstHand and BridgePort. There was also a significant increase in the professional services and consulting expenses as a result of combining the technologies of our company with the technologies of NewHeights, FirstHand, and BridgePort.

General and Administrative

General and administrative expenses for the three and six months ended October 31, 2008 and 2007 were as follows:

	October 31, 2008		October 31, 2007		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	\$1,559,672	52%	\$1,831,642	75%	(\$271,970)	(15%)
Six months ended	\$3,787,799	67%	\$2,556,168	70%	\$1,231,631	48%

General and administrative expenses were \$1,559,672 for the three months ended October 31, 2008 compared to \$1,831,642 for the three months ended October 31, 2007. The decrease of \$271,970 was primarily attributable to a decrease in personnel related costs as a result of restructuring and a decrease in bad debt expense.

General and administrative expenses were \$3,787,799 for the six months ended October 31, 2008 compared to \$2,556,168 for the six months ended October 31, 2007. The increase of \$1,231,631 year over year was primarily attributable to increase in general and administrative personnel related costs due to acquisition of FirstHand and BridgePort, partly offset by a reduction in costs due to restructuring. Other increases in expenses occurred in professional services, non-cash amortization expenses, as well as office rent, non-cash stock-based compensation and communication expenses.

Restructuring Charges

Restructuring charges for the three months ended October 31, 2008 and 2007 were as follows:

	October 31, 2008		October 31, 2007		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase/ (Decrease)
Three months ended	\$742,035	25%	\$182,107	7%	\$559,928	n/a
Six months ended	\$932,996	17%	\$182,107	5%	\$750,889	n/a

Restructuring charges for the three months ended October 31, 2008 were \$742,035 compared to \$182,107 for the three months ended October 31, 2007. These costs were related to employee severance arrangements as a result of the consolidation of administrative, sales, marketing, and research and development departments after the integration of the acquisitions of NewHeights, FirstHand and BridgePort.

Restructuring charges for the six months ended October 31, 2008 were \$932,996 compared to \$182,107 for the six months ended October 31, 2007. These costs were related to employee severance arrangements as a result of the consolidation of administrative, sales, marketing, and research and development departments after the close of acquisitions of NewHeights, FirstHand and BridgePort.

Interest and Other Income

Interest income for the three months ended October 31, 2008 was \$32,198 compared to \$33,554 for the same period in 2007. Interest expense for the three months ended October 31, 2008 was \$3,140 compared to \$547,975 for the three months ended October 31, 2007. Interest expense for the three months ended October 31, 2007 included both a cash interest component of \$2,222 and a non-cash component of \$540,200 relating to the expensing of the unaccreted debt discount on the date of the conversion.

Interest income for the six months ended October 31, 2008 was \$50,266 compared to \$49,078 for the same respective period in 2007. Interest expense for the six months ended October 31, 2008 was \$10,435 compared to \$688,522 for the six months ended October 31, 2007. Interest expense for the six months ended October 31, 2007 included both a cash interest component of \$52,228 and a non-cash component of \$90,570 relating to the accretion of the discount on our convertible debenture, and \$540,200 relating to the expensing of unaccreted debt discount on the date of conversion. On August 2, 2007, in conjunction with the acquisition of NewHeights, our convertible debenture holders converted their existing debentures in the amount of \$4,000,000 into 2,000,000 shares of common stock at a conversion price of \$2.00 per share.

Liquidity and Capital Resources

As of October 31, 2008 we had \$3,244,741 in cash compared to \$6,223,613 at April 30, 2008, representing a decrease of \$2,978,872. Our working capital was \$4,175,704 at October 31, 2008 compared to \$7,645,909 at April 30, 2008, representing a decrease of \$3,470,205.

Presently, our cash flow generated from operations is not sufficient to meet operating and capital expenses. We have incurred operating losses since inception, and we project this to continue for the next nine to twelve months. At October 31, 2008, we had cash of approximately \$3.2 million and working capital of \$4.1 million; however, as our management projects that under our current operating plan, we will require approximately \$15-17 million to fund our ongoing operating expenses and working capital requirements for the next twelve months. We anticipate that this will be funded through cash flow generated from operations, working capital, potential employee rationalization beyond the completed employee rationalization and external financing. On July 31, 2008 and October 28, 2008, our company issued 2,433,439 units and 97,402 units, respectively, at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$3,784,439 (CDN\$3,897,497). Each unit consists of one share of common stock in the capital of our company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one share of common stock in the capital of our company for a period of two years commencing from the date of grant at an exercise price of US\$2.25 per warrant share.

Operating Activities

Our operating activities resulted in a net cash outflow of \$6,493,475 for the six months ended October 31, 2008. This compares with a net cash outflow of \$3,083,962 for the same period last year and represents a \$3,409,513 increase in cash outflows from operations compared to the same period last year. The net cash outflow from operating activities for the six months ended October 31, 2008 was primarily a result of a net loss of \$9,379,876 compared to a net loss of \$4,682,174 in the same period last year. Net cash used in operating activities was primarily due to our net loss partially offset by non-cash charges including stock-based compensation under SFAS 123R of \$819,953, depreciation of \$411,273, and amortization of intangible assets of \$1,055,644. Cash was used by a decrease in accounts payable of \$255,459 due to the payout of accrued legal and professional fees. This use of cash was partially offset by cash provided by a decrease in accounts receivable of \$539,443 and receipt of investment tax credits of \$1,061,133.

Investing Activities

Investing activities resulted in a net cash outflow of \$75,547 for the six months ended October 31, 2008 resulting primarily from a decrease in deposits and other assets. This compares with a net cash inflow of \$2,428,983 for the same period last year which was resulted primarily from cash acquired on the acquisition of NewHeights offset by purchases of equipment other assets consisting of costs related to the NewHeights transaction. At October 31, 2008, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash inflow of \$3,752,835 for the six months ended October 31, 2008 compared to a net cash inflow of \$1,798,051 for the same period last year. On July 31, 2008 and October 28, 2008, our company issued 2,433,439 units and 97,402 units, respectively, at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$3,784,439 (CDN\$3,897,497). Each unit consists of one share of common stock in the capital of our company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one share of common stock in the capital of our company for a period of two years commencing from the date of grant at an exercise price of US\$2.25 per warrant share.

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

Off-Balance Sheet Arrangements

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

New Accounting Pronouncements

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). This standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of this statement did not have an impact on our company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115* ("SFAS No. 159"). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of this statement did not have an impact on our company's consolidated financial statements.

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

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

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("FAS 161"). FAS 161 modifies existing requirements to include qualitative disclosures regarding the objectives and strategies for using derivatives, fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The pronouncement also requires the cross-referencing of derivative disclosures within the financial statements and notes thereto. The adoption of FAS 161 will not have an impact on our company's financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("FAS 162"). FAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section, 411 *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles"*. The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP). We have not completed our evaluation of the effects, if any, that FAS 162 may have on our consolidated financial position, results of operations and cash flows.

Item 4T. Controls and Procedures.

Disclosure Controls and Procedures

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

In connection with this quarterly report, as required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as at the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

During the quarter ended October 31, 2008 we added additional accounting staff in order to provide greater segregation of duties within our transaction processing system. In addition, we determined that greater segregation of duties amongst our existing administrative staff is feasible and implemented processes to segregate duties in various administrative functions effecting financial reporting. Aside from changes resulting from reassigning duties among staff, there were no other changes in our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Much of the information included in this quarterly 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, as indicated in the audit report included in our annual report on Form 10-KSB/A filed on September 3, 2008, raise substantial doubt on our ability to continue as a going concern. Our financial statements included in this Form 10-Q do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended April 30, 2008, we completed the acquisition of NewHeights Software Corporation, a private Canada corporation, FirstHand Technologies Inc., a private Ontario corporation, and BridgePort Networks, Inc., a private Delaware corporation. The integration of the business of each respective company with our business has been, and will continue to be, a time consuming and expensive process. Any prolonged activity in respect of the integration of the acquired businesses with our business could divert financial and other resources from our planned operations, which could negatively affect our results of operations, lower employee morale, and result in customers cancelling existing orders or choosing not to place new ones. In addition, the combined operations of our company and the acquired businesses may not achieve anticipated synergies or other benefits. If the anticipated benefits of the combined operations are not realized or do not meet the expectations of financial or industry analysts, the market price of our common stock may decline.

Risks Associated with our Common Stock

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

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

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

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

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

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

In addition to the “penny stock” rules described above, the FINRA has adopted rules that require that in

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

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

On August 20, 2008, we granted stock options to two consultants to purchase an aggregate of 40,000 shares of our common stock at an exercise price of \$1.80 per share, exercisable for a period of five years pursuant to our 2005 Amended and Restated Stock Option Plan. The options are subject to vesting provisions as set forth in the stock option agreements dated August 20, 2008. We issued the stock options to two non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933), in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On October 28, 2008 we issued 97,402 units at a price of \$1.50 (CDN\$1.54) per unit for gross proceeds of \$124,059 (CDN\$150,000). Each unit consists of one share of common stock in the capital of our company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one share of common stock in the capital of our company for a period of two years commencing from October 28, 2008 at an exercise price of US\$2.25 per Warrant share. The 97,402 units were issued to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933), in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

None.

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

We held our annual and special meeting of shareholders on October 1, 2008 in Vancouver, British Columbia, Canada. There were 28,355,236 common shares of our company, and 369,841 series A exchangeable shares of our subsidiary, 6789722 Canada Inc., entitled to vote at the meeting, of which a total of 21,378,949 (74.43%) were represented at the meeting either in person or by proxy.

Four proposals were approved by the shareholders at the annual and special meeting. The first resolution asked shareholders to elect Mark Bruk, Peter Charbonneau, Chris Cooper, William Jin, Donovan Jones, Owen Matthews, Terence Matthews, Greg Pelling and Larry Timlick as directors for a one-year term expiring on the day of the 2009 annual meeting of shareholders.

DIRECTORS	VOTES FOR	VOTES WITHHELD
Mark Bruk	21,367,823	11,126
Peter Charbonneau	21,369,599	9,350
Chris Cooper	21,369,599	9,350
William Jin	21,366,939	12,010
Donovan Jones	21,368,003	10,946
Owen Matthews	21,369,503	9,446
Terence Matthews	21,369,403	9,546
Greg Pelling	21,369,599	9,350
Larry Timlick	21,369,439	9,510

The second proposal asked shareholders to ratify the appointment of BDO Dunwoody LLP, Chartered Accountants, as our independent registered public accounting firm for the year ending April 30, 2009 and to authorize the board of directors to fix the remuneration payable to the independent accountants.

PROPOSAL	VOTES FOR	VOTES AGAINST	VOTES WITHHELD
Ratify appointment	21,374,989	n/a	3,960
Fix remuneration	21,367,358	11,591	n/a

The third proposal asked shareholders to confirm, ratify and approve the adoption of the Employee Share Purchase Plan and to confirm, ratify and approve the increase to the number of common shares that may be issued under the Employee Share Purchase Plan from 1,000,000 to 1,500,000 common shares of our company.

PROPOSAL	VOTES FOR	VOTES AGAINST
Approve the Plan	19,270,958	16,118
Approve the increase	21,378,949	nil

The fourth proposal asked shareholders to approve Terence Matthews', the chairman of the board of directors of our company, to vote certain common shares of our company which were issued to Wesley Clover Corporation, a company controlled by Mr. Matthews, pursuant to a non-brokered private placement of units which closed on July 31, 2008.

PROPOSAL	VOTES FOR	VOTES AGAINST
Approve right to vote	19,269,715	17,361

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 Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on April 22, 2008).

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

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

(10) Material Contracts

- 10.1 Employment Agreement between CounterPath Solutions, Inc. and Jason Fischl dated August 29, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).
- 10.2 Employment Agreement between CounterPath Solutions, Inc. and Donovan Jones dated June 1, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).
- 10.3 Employment Agreement between CounterPath Solutions, Inc. and David Karp dated September 11, 2006 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2006).
- 10.4 Form of Subscription Agreement dated November 30, 2006, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.5 Form of Subscription Agreement dated November 30, 2006, between our company and KMB Trac Two Holdings Ltd (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.6 Form of Convertible Note dated November 30, 2006 (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.7 Form of Warrant Certificate dated November 30, 2006 (incorporated by reference from our Current Report on Form 8-K filed on December 7, 2006).
- 10.8 Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated February 1, 2007 (incorporated by reference from our Quarterly Report on Form 10QSB filed on March 9, 2007).
- 10.9 Employment Agreement between Mark Bruk and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated March 8, 2007 (incorporated by reference from our Quarterly Report on Form 10QSB filed on March 9, 2007).
- 10.10 Arrangement Agreement among CounterPath Solutions, Inc., 6789722 CANADA INC., a wholly owned subsidiary of CounterPath Solutions, Inc. and NewHeights Software Corporation dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8-K filed on June 18, 2007).

- 10.11 Support and Lock-Up Agreements between CounterPath Solutions, Inc and each of Owen Matthews and Wesley Clover dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8-K filed on June 18, 2007).
- 10.12 Subscription Agreement between CounterPath Solutions, Inc and Wesley Clover dated as of June 15, 2007 (incorporated by reference from our Current Report on Form 8-K filed on June 18, 2007).
- 10.13 Amended Employment Agreement between Mark Bruk and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated July 24, 2007 (incorporated by reference from our Annual Report on Form 10-KSB/A filed on July 30, 2007).
- 10.14 Exchangeable Share Support Agreement between CounterPath Solutions, Inc. and 6789722 Canada Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.15 Voting and Exchange Trust Agreement among CounterPath Solutions, Inc., 6789722 Canada Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. and Valiant Trust Company dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.16 Piggyback Registrations Rights Agreement among our company and various shareholders, dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.17 Form of Subscription Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.18 Installment Subscription Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.19 Loan Conversion Agreement dated August 2, 2007, between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.20 Form of Stock Option and Subscription Agreement dated August 2, 2007, between our company and each of the former optionees of NewHeights Software Corporation (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.21 Escrow Agreement among our company, Owen Matthews, Wesley Clover and Clark Wilson LLP dated as of August 2, 2007 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
- 10.22 Employment Agreement between Greg Pelling and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2007).
- 10.23 Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2007).
- 10.24 Employment Agreement between Mark Bruk and CounterPath Corporation dated December 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on December 17, 2007).
- 10.25 Share Exchange Agreement dated January 28, 2008 among CounterPath Corporation, FirstHand Technologies Inc. and certain shareholders of FirstHand Technologies Inc. (incorporated by reference from our Current Report on Form 8-K filed on January 29, 2008).

- 10.26 Escrow Agreement dated February 1, 2008 among CounterPath Corporation, FirstHand Technologies Inc. and certain shareholders of FirstHand Technologies Inc. (incorporated by reference from our Current Report on Form 8-K filed on February 5, 2008).
- 10.27 Agreement of Merger and Plan of Reorganization dated February 1, 2008 among our company, CounterPath Acquisition Corp., BridgePort Networks, Inc. and certain shareholders of BridgePort Networks, Inc. (incorporated by reference from our Current Report on Form 8-K filed on February 5, 2008).
- 10.28 Form of Subscription Agreement dated July 31, 2008 between our company and various investors (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 15, 2008).
- 10.29 Form of Subscription Agreement dated October 28, 2008 between our company and an investor (filed herewith).
- 10.30 Settlement Agreement amongst Greg Pelling, CounterPath Corporation, and CounterPath Technologies, Inc. dated October 31, 2008 (filed herewith).

(14) Code of Ethics

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

(21) Subsidiaries of CounterPath Corporation

CounterPath Technologies Inc. (incorporated in the Province of British Columbia, Canada)

6789722 Canada Inc. (incorporated in Canada)

FirstHand Technologies Inc. (continued into the Province of British Columbia, Canada)

BridgePort Networks, Inc. (incorporated in the state of Delaware)

BridgePort Networks (Europe) Ltd. (incorporated in the United Kingdom)

BridgePort Networks K.K. (incorporated in Japan)

(31) Section 302 Certification

- 31.1 Section 302 Certification of Donovan Jones (filed herewith).
- 31.2 Section 302 Certification of David Karp (filed herewith).

(32) Section 906 Certification

- 32.1 Section 906 Certification of Donovan Jones (filed herewith).
- 32.2 Section 906 Certification of David Karp (filed herewith).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COUNTERPATH CORPORATION

By: /s/ Donovan Jones
Donovan Jones
President, Chief Executive Officer & Director
Date: December 15, 2008

/s/ David Karp
David Karp
Chief Financial Officer, Treasurer and Secretary
Date: December 15, 2008

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

I, Donovan Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended October 31, 2008 of CounterPath Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the period covered by the quarterly report that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting.

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: December 15, 2008

/s/ Donovan Jones
Donovan Jones
Chief Executive Officer

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

I, David Karp, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended October 31, 2008, of CounterPath Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the period covered by the quarterly report that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting.

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: December 15, 2008

/s/ David Karp
David Karp
Chief Financial Officer, Treasurer and Secretary

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

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

(1) the Quarterly Report of the Company on Form 10-Q for the three months ended October 31, 2008, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Donovan Jones
Donovan Jones
President and Chief Executive Officer

December 15, 2008

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

(1) the Quarterly Report of the Company on Form 10-Q for the three months ended October 31, 2008, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ David Karp
David Karp
Chief Financial Officer, Treasurer and Secretary

December 15, 2008