SECURITIES & EXCHANGE COMMISSION EDGAR FILING

COUNTERPATH CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **July 31, 2013**

OR

[ ] 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	**20-0004161**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Suite 300, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada V7X 1M3
(Address, including zip code, of principal executive offices)

(604) 320-3344
(Registrant's telephone number, including area code)

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 [x] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [x] 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 [x]

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

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: 41,931,835 shares of common stock issued and outstanding as of September 10, 2013.

COUNTERPATH CORPORATION
JULY 31, 2013 QUARTERLY REPORT ON FORM 10-Q

INDEX

PART I

Item 1. Financial Statements.

It is the opinion of management that the interim consolidated financial statements for the quarter ended July 31, 2013 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
INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013
(Unaudited)
(Stated in U.S. Dollars)

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

	July 31, 2013	April 30, 2013
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 11,251,366	$ 11,229,595
Accounts receivable (net of allowance for doubtful accounts of $128,158 and $456,051, respectively)	3,821,445	4,640,620
Prepaid expenses and deposits	139,778	139,591
Total current assets	15,212,589	16,009,806
Deposits	123,077	125,160
Equipment	134,495	167,986
Intangible assets (net of accumulated amortization of $5,929,285 and $5,929,285, respectively) – Note 2(e)	-	-
Derivative instruments – Note 4	2,760	9,830
Goodwill – Note 2(e)	8,548,439	8,660,930
Other assets	93,685	82,165
Total Assets	$ 24,115,045	$ 25,055,877
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,473,731	$ 2,363,311
Derivative instruments – Note 4	-	93,057
Unearned revenue	1,579,651	1,442,511
Customer deposits	9,553	9,553
Accrued warranty	82,815	91,151
Total current liabilities	4,145,750	3,999,583
Deferred lease inducements	29,717	30,110
Unrecognized tax benefit	98,575	98,575
Total liabilities	4,274,042	4,128,268
Stockholders' equity:		
Preferred stock, $0.001 par value		
Authorized: 100,000,000		
Issued and outstanding: July 31, 2013 – nil; April 30, 2013 – 1	–	–
Common stock, $0.001 par value – Note 5		
Authorized: 83,076,900		
Issued :		
July 31, 2013 – 41,945,655; April 30, 2013 – 41,958,350	41,946	41,959
Treasury stock	(19)	(79)
Additional paid-in capital	66,459,017	66,191,140
Accumulated deficit	(46,199,782)	(44,974,491)
Accumulated other comprehensive income – currency translation adjustment	(460,159)	(330,920)
Total stockholders' equity	19,841,003	20,927,609
Liabilities and Stockholders' Equity	$ 24,115,045	$ 25,055,877

Commitments – Note 7

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in U.S. Dollars)
(Unaudited)

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Revenue – Note 6:		
Software	$ 1,647,520	$ 2,528,056
Service	1,211,967	1,859,712
Total revenue	2,859,487	4,387,768
Operating expenses:		
Cost of sales (includes depreciation of $22,799 (2012 – $5,310) and amortization of intangible assets of nil (2012 – $9,908) – Note 2(e))	557,455	559,793
Sales and marketing	1,213,483	1,055,035
Research and development	1,413,075	1,361,012
General and administrative	1,013,530	1,379,319
Total operating expenses	4,197,543	4,355,159
Income (loss) from operations	(1,338,056)	32,609
Interest and other income (expense), net:		
Interest and other income	27,485	43,853
Interest expense	(771)	(470)
Foreign exchange gain (loss)	64	6,418
Fair value adjustment on derivative instruments – Note 4	85,987	785,128
Net income (loss) for the period	$ (1,225,291)	$ 867,538
Net income (loss) per share:		
Basic and diluted - Note 8	$ (0.03)	$ 0.02
Weighted average common shares outstanding:		
Basic and Diluted - Note 8	41,934,880	40,727,122

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Stated in U.S. Dollars)
(Unaudited)

	2013	2012
Net income (loss) for the period	$ (1,225,291)	$ 867,538
Other comprehensive income (loss):		
Foreign currency translation adjustments	(129,239)	(160,566)
Comprehensive income (loss)	$ (1,354,530)	$ 706,972

See accompanying notes to the consolidated financial statements

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

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Cash flows from operating activities:		
Net income (loss) for the period	$ (1,225,291)	$ 867,538
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	55,389	33,495
Amortization of intangible assets	–	9,908
Stock-based compensation	374,550	396,770
Fair value adjustment on derivative instruments	(85,987)	(785,128)
Foreign exchange gain (loss)	(64)	(6,418)
Changes in assets and liabilities:		
Accounts receivable	819,175	(1,376,773)
Prepaid expenses and deposits	(318)	47,175
Decrease in other assets	(11,520)	(12,752)
Accounts payable and accrued liabilities	125,126	(29,129)
Unearned revenue	137,140	371,687
Accrued warranty	(8,336)	9,124
Net cash generated from (used) in operating activities	179,864	(474,503)
Cash flows from investing activities:		
Purchase of equipment	(21,105)	(41,227)
Deposits	700	6,726
Net cash used in investing activities	(20,405)	(34,501)
Cash flows from financing activities:		
Common stock issued	23,088	3,775,001
Common stock repurchased	(91,414)	
Transaction costs	–	(15,592)
Net cash provided by (used) in financing activities	(68,326)	3,759,409
Foreign exchange effect on cash	(69,362)	(105)
Increase (decrease) in cash	21,771	3,250,300
Cash, beginning of the period	11,229,595	8,154,139
Cash, end of the period	$ 11,251,366	$ 11,404,439
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 771	$ 470
Non cash transactions – Note 4		

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
for the Three Months Ended July 31, 2013

(Stated in U.S. Dollars)
(Unaudited)

	Common Shares		Treasury Shares		Preferred Shares					
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, April 30, 2013	41,958,350	$ 41,959	(78,608)	$ (79)	1	$ –	$ 66,191,140	$ (44,974,491)	$ (330,920)	$ 20,927,609
						–				
Shares issued:										
Exercise of stock options	47,813	47			–	–	23,041	–	–	23,088
Share repurchase plan			(49,828)	(50)			50			
Cancellation of shares - Note 5	(110,376)	(110)	110,376	110			(91,414)			(91,414)
Conversion of deferred share units	49,868	50					(38,350)			(38,300)
Stock-based compensation – Note 5					–	–	374,550	–	–	374,550
Cancellation of preferred share					(1)					–
Net Income (loss) for the period	–	–			–	–	–	(1,225,291)	–	(1,225,291)
Foreign currency translation adjustment	–	–			–	–	–	–	(129,239)	(129,239)
Balance, July 31, 2013 (Unaudited)	41,945,655	$ 41,946	(18,060)	$ (19)	–	$ –	$ 66,459,017	$ (46,199,782)	$ (460,159)	$ 19,841,003

See accompanying notes to the consolidated financial statements

Note 1 **Nature of Operations**

CounterPath Corporation (the "Company") was incorporated in the State of Nevada on April 18, 2003. The shares of the Company's common stock are listed for trading on the NASDAQ Capital Market in the United States of America and on the Toronto Stock Exchange in Canada.

On August 2, 2007, the Company acquired all of the shares of NewHeights Software Corporation ("NewHeights") through the issuance of 7,680,168 shares of the Company's common stock and 369,836 preferred shares issued from a subsidiary of the Company exchangeable into 369,836 shares of the Company's common stock. 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 of directors 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 of directors 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 of directors after the transaction.

On February 5, 2008, the Company's wholly-owned subsidiaries, NewHeights and CounterPath Solutions R&D Inc. were amalgamated under the name CounterPath Technologies Inc. ("CounterPath Technologies").

On November 1, 2010, the Company's wholly-owned subsidiaries, FirstHand and CounterPath Technologies were amalgamated under the name CounterPath Technologies.

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

Note 2 **Significant Accounting Policies**

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 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.

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

a) Basis of Presentation

These interim 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, and BridgePort Networks, Inc. incorporated under the laws of the state of Delaware. The results of NewHeights (which subsequently was amalgamated with another subsidiary to become CounterPath Technologies) are included from August 2, 2007, the date of acquisition. The results of FirstHand (which subsequently was amalgamated with CounterPath Technologies) and BridgePort 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, 2013 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, 2013 annual consolidated financial statements.

Operating results for the three months ended July 31, 2013 are not necessarily indicative of the results that can be expected for the year ending April 30, 2014.

c) New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which aligns the fair value measurement and disclosure requirements in U.S. GAAP and the International Financial Reporting Standards ("IFRSs"). Many of the amendments in this ASU will not result in a change in requirements, but simply clarify existing requirements. The amendments in this ASU that do change a principle or requirement for measuring fair value or disclosing information about fair value measurements include the following: (1) the ASU permits an exception for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than gross exposure, to those risks; (2) the ASU clarifies that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value; (3) the ASU prohibits blockage discounts for level 2 and 3 investments; and (4) the amendments expand the fair value measurement disclosures. The ASU is to be applied prospectively. For public entities, the ASU is effective during interim and annual periods beginning after December 15, 2011. The Company adopted the requirements of this ASU, and it did not materially impact the consolidated financial statements.

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

c) New Accounting Pronouncements – (cont'd)

In May 2011, FASB issued ASU 2011-04. There are few differences between ASU 2011-04 and IFRS 13. While ASU 2011-04 is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. The amendments in the update became effective for fiscal years and interim periods beginning after December 15, 2011. The Company has adopted this standard, and it did not materially impact the consolidated financial statements.

In June 2011, FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which eliminates the option of presenting the components of other comprehensive income ("OCI") as part of the statement of changes in stockholders' equity. ASU 2011-05 instead permits an entity to present the total of comprehensive income, the components of net income and the components of OCI either in a single continuous statement of comprehensive income or in two separate but consecutive statements. With either format, the entity is required to present each component of net income along with total net income, each component of OCI along with the total for OCI, and a total amount for comprehensive income. Also, ASU 2011-05 requires entities to present, for either format, reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. ASU 2011-05 is to be applied retrospectively. For public entities, ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. The Company early implemented the requirements and presents net income and comprehensive income in two separate but consecutive statements.

In December 2011, FASB issued ASU 2011-11, *Balance Sheet (Topic 210), Disclosure About Offsetting Assets and Liabilities*, that included new disclosure requirements that are intended to enhance current disclosures on offsetting financial assets and liabilities. The new disclosures require an entity to disclose both gross and net information about derivative instruments accounted for in accordance with the guidance on derivatives and hedging that are eligible for offset on the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. The provisions of the new disclosure requirements are effective as of the beginning of the year ended April 30, 2015. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In July 2012, FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350), Testing Indefinite Lived Intangible Assets For Impairments*, that permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. An entity would continue to calculate the fair value of an indefinite-lived intangible asset if the asset fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance were effective as of the beginning of the year ended April 30, 2014. The Company has adopted this standard and it did not materially impact the consolidated financial statements.

In February 2013, FASB issued ASU 2013-02, *Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, that requires an entity to disclose information showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. The provisions of this new guidance were effective prospectively as of the beginning of the year ended April 30, 2014. The adoption of the standard requires the Company to declare the nature of changes in other comprehensive income that will have an impact on net income or loss in the future. The Company has accumulated other comprehensive income relating to the translation of its subsidiary's financial information into the presentation currency of the Company's financial statements, which would reverse through net income or loss should the underlying assets and liabilities be disposed of.

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

d) Derivative Instruments

The Company accounts for derivative instruments, consisting of foreign currency forward contracts, pursuant to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* ("SFAS 161"), effective at the beginning of the first quarter of fiscal year 2010. SFAS 161 was incorporated into ASC 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires the Company to measure derivative instruments at fair value and record them in the balance sheet as either an asset or liability and expands financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, results of operations and cash flows. The Company does not use derivative instruments for trading purposes. The Company did not enter into any foreign currency derivatives designed as cash flow hedges in the three months ended July 31, 2013 (2012 - none).

ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. Following the guidance in ASC 815-40-15, the Company recorded the warrants issued as derivative instruments due to their exercise price being denominated in a currency other than the Company's U.S. dollar functional currency initially at fair value. Subsequent changes in the fair value of the derivative instruments are recorded as a gain or loss in the Company's consolidated statements of operations.

The Company also routinely enters into foreign currency forward contracts, not designated as hedging instruments, to protect us from fluctuations in exchange rates. Gains or losses arising out of marked to market fair value valuation of forward contracts, not designated as hedges, and are recognized in net income.

The Company records foreign currency forward contracts on its consolidated balance sheets as derivative instruments assets or liabilities depending on whether the net fair value of such contracts is a net asset or net liability, respectively (see Note 11 "Derivative Instruments and Hedging Activities" of the Notes to the Company's Audited Consolidated Financial Statements for the year ended April 30, 2013). The Company did not enter any foreign currency derivatives designated as cash flow hedges in the three months ended July 31, 2013, (2012 - none).

e) Goodwill and Intangible Assets

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired as of the acquisition date. ASC Topic 350 ("ASC 350") requires goodwill to be tested for impairment annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company's business enterprise below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis.

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

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

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

Goodwill of $6,339,717 (CDN$6,704,947) and $2,083,960 (CDN$2,083,752) was initially recorded in connection with the acquisition of NewHeights on August 2, 2007 and FirstHand on February 1, 2008. Translated to U.S. dollars using the period end rate, the goodwill balance at July 31, 2013 was $6,521,902 (CDN$6,704,947) (April 30, 2013 - $6,607,725) and $2,026,537 (CDN$2,083,414) (April 30, 2013 - $2,053,205), respectively. Management will perform its annual impairment test in its fiscal fourth quarter. No impairment charges were recorded for the three months periods ended July 31, 2013 and 2012.

The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

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

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

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

The intangible assets of BridgePort are being carried and reported at acquisition cost and include amounts initially allocated to acquired technologies of $476,703 and customer asset of $43,594. The acquired technologies are amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of management's estimate of the future cash flows from this asset over approximately five years, which is management's estimate of the useful life of the customer asset. All the intangible assets are fully amortized as at April 30, 2013.

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

f) Accounts receivable and allowance for doubtful accounts

Accounts receivable are presented net of an allowance for doubtful accounts.

	July 31, 2013	April 30, 2013
Balance of allowance for doubtful accounts, beginning of period	$ 456,051	$ 334,294
Bad debt provision	63,941	265,970
Write-off of receivables	(391,834)	(144,213)
Balance of allowance for doubtful accounts, end of period	$ 128,158	$ 456,051

The Company evaluates, on a periodic basis, the collectability of its accounts receivable balances on an individual customer basis considering a number of factors including the length of time accounts receivable are beyond the contractual payment terms, the Company's previous loss history with the customer and the customer's ability to pay its obligation to the Company.

The Company determines the allowance for doubtful accounts by considering a number of factors, including the length of time the accounts receivable are beyond the contractual payment terms, previous loss history, and the customer's current ability to pay its obligation. When the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company, the Company records a charge to the allowance to reduce the customer's related accounts.

Note 3 **Related Party Transactions**

The Company's Chairman is the Chairman and founding shareholder of Mitel Networks Corporation ("Mitel"). On July 31, 2008 the Company entered into a source code license agreement whereby the Company licensed to Mitel the source code for the Your Assistant product in consideration of a payment of $650,000. Associated with the agreement, as amended on April 6, 2009, are license fees paid by Mitel of $13.50 per copy deployed, declining to $9.00 per copy deployed after two years and declining from $9.00 to $nil after four years. In addition, the agreement provides Mitel with a first right to match any third party offer to purchase the source code software and related intellectual property. The Company's software license revenue for the three months ended July 31, 2013, pursuant to the terms of these agreements, was $nil (2012 - $134,493).

During the three months ended July 31, 2013, the Company through its wholly owned subsidiary, CounterPath Technologies, paid $17,535 (2012 - $21,025) to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Chairman of the Company.

In connection with a non-brokered private placement which closed on October 29, 2010, the Company issued a convertible debenture in the principal amount of $490,750 (CDN$500,000) to Wesley Clover Corporation ("Wesley Clover"), a company controlled by the Chairman of the Company. In connection with a subsequent private placement on June 14, 2011, Wesley Clover converted its outstanding convertible debentures of the Company in the aggregate principal amount of $490,750 to 358,211 shares of common stock. The debenture was convertible by the holder at any time prior to maturity, in whole or in part into common shares of the Company at a conversion price of $1.37 per share. The convertible debenture was unsecured, bore interest at the prime bank rate as quoted by the Bank of Montreal with interest payable monthly and matured on July 30, 2012.

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

In connection with a non-brokered private placement of 3,333,334 units which closed on October 29, 2009, Wesley Clover purchased 1,666,667 units, at a price of $0.56 (CDN$0.60) per unit, for aggregate proceeds of $933,881 (CDN$1,000,000). Each unit consisted of one share of common stock and one-half of one non-transferable common share purchase warrant. In the event that Wesley Clover did not exercise all of the warrants on or before August 31, 2011, a default amount of $250,000 would have been immediately due and payable to the Company and such default amount would have incurred interest at the rate of 2% per month (on a pro-rata basis) on the default amount until the default amount was paid in full.

The Company's Chairman is a beneficial shareholder of Mitel Trade s.r.o. ("Mitel Trade"). On January 30, 2012, the Company sold products and services to Mitel Trade for consideration of $208,992. The Company's revenue for the three months ended July 31, 2013, pursuant to the terms of this sale, was $nil (2012 - $10,969).

As at July 31, 2013, the Company had an accounts receivable balance from Mitel Trade of $nil (April 30, 2013 - $206,500) which the Company determined was not collectable and wrote off such amount during the three months ended July 31, 2013.

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

Note 4 **Derivative Financial Instruments and Risk Management**

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

Foreign Currency Exchange Rate Risk

The Company accounts for derivative instruments, consisting of foreign currency forward contracts, pursuant to the provisions of SFAS 161, effective at the beginning of the first quarter of fiscal year 2010. SFAS 161 was incorporated into ASC 815 which requires the Company to measure derivative instruments at fair value and record them in our balance sheet as either an asset or liability and expands financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, results of operations and cash flows. The Company does not use derivative instruments for trading purposes. ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

Note 4 **Derivative Financial Instruments and Risk Management– (cont'd)**

Foreign Currency Exchange Rate Risk – (cont'd)

A majority of our revenue activities are transacted in U.S. dollars. However, the Company is exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies, of which the most significant to our operations for the three months ended July 31, 2013 is the Canadian dollar. We are primarily exposed to a strengthening Canadian dollar as our operating expenses are primarily denominated in Canadian dollars while our revenues are primarily denominated in U.S. dollars. The Company's foreign currency risk management program includes foreign currency derivatives with cash flow hedge accounting designation that utilizes foreign currency forward contracts to hedge exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S. dollar-denominated cash flows. These instruments generally have a maturity of less than one year. For these derivatives, our company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassifies it into earnings in the same period in which the hedged transaction affects earnings, and within the same line item on the consolidated statements of operations as the impact of the hedged transaction.

The Company also routinely enters into foreign currency forward contracts, not designated as hedging instruments, to protect us from fluctuations in exchange rates. As of July 31, 2013, the Company had $4,000,000 of notional value foreign currency forward contracts maturing through October 1, 2013. Notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of cash settlements under the contracts. The fair value marked to market gain (loss) of forward contracts as of July 31, 2013 is $2,760.

Fair Value Measurement

When available, the Company uses quoted market prices to determine fair value, and classifies such measurements within Level 1. In some cases where market prices are not available, the Company makes use of observable market–based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market–based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value–driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of non–performance risk. Non–performance risk refers to the risk that an obligation (either by a counterparty or us) will not be fulfilled. For financial assets traded in an active market (Level 1), the non–performance risk is included in the market price. For certain other financial assets and liabilities (Level 2 and 3), our fair value calculations have been adjusted accordingly.

Note 4 Derivative Financial Instruments and Risk Management - (cont'd)

Fair Value Measurement – (cont'd)

The fair value of the derivative instrument is primarily based on standard industry accepted binomial model.

As at July 31, 2013	Carrying Amount	Fair Value	Fair Value Levels	Reference
Cash	$ 11,251,366	$ 11,251,366	1	
Accounts receivable	3,821,445	3,821,445	2	
Forward contracts	2,760	2,760	3	
Derivative warrant liability	$ -	$ -	3	Note 5

As at April 30, 2013	Carrying Amount	Fair Value	Fair Value Levels	Reference
Cash	$ 11,229,595	$ 11,229,595	1	
Accounts receivable	4,640,620	4,640,620	2	
Forward contracts	9,830	9,830	3	
Derivative warrant liability	$ 93,057	$ 93,057	3	Note 5

Forward contracts	July 31, 2013	April 30, 2013
Opening balance at the beginning of the year	$ 9,830	$ -
Fair value of forward, at issuance	-	-
Change in fair value of forward contracts since issuance	(7,070)	32,405
Fair value of forward contracts settled during the year	-	(22,575)
Fair value of forward contracts at July 31, 2013	$ 2,760	$ 9,830

Note 5 Common Stock

Private Placement

On June 14, 2011, the Company issued an aggregate of 3,145,800 units under a brokered private placement for aggregate gross proceeds of $5,636,170 (CDN$5,505,150) at a price of $1.79 (CDN$1.75) per unit, with each unit consisting of one share of the Company's common stock and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company's common stock at an exercise price of CDN$2.25 per share until June 14, 2013. In connection with the offering, the Company issued an aggregate of 220,206 broker warrants, with each broker warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of CDN$1.75 per share until December 14, 2012. In addition, the Company incurred $605,922 in share issue costs.

On June 19, 2012, the Company issued an aggregate of 1,465,000 units under a non–brokered private placement for aggregate gross proceeds of CDN $3,662,500 ($3,579,335) at a price of CDN $2.50 ($2.44) per unit, with each unit consisting of one share of the Company's common stock and one–half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company's common stock at an exercise price of $3.25 per share until June 19, 2014.

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 (the "Board") 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 under the 2010 Stock Option Plan is 6,860,000.

The Company has elected to use the Black-Scholes option pricing model to determine the fair value of stock options granted. In accordance with ASC 718, *Compensation – Stock Compensation* ("ASC 718"), for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is amortized over the vesting period or, if none exists, over the service period. Compensation associated with unvested options granted to non-employees is remeasured on each balance sheet date using the Black-Scholes option pricing model.

The expected volatility of options granted has been determined using the method described under ASC 718 using the historical stock price. The expected term of options granted to employees in the current fiscal period has been determined utilizing the "simplified" method as prescribed by ASC 718.

For non-employees, based on the Company's history, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options.

The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period, whereas prior to the adoption of ASC 718 the Company recorded forfeitures based on actual forfeitures and recorded a compensation expense recovery in the period when the awards were forfeited. As a result, based on the Company's experience, the Company applied an estimated forfeiture rate of 15% for the three month period ended July 31, 2013 and 2012 in determining the expense recorded in the accompanying consolidated statement of operations.

Note 5 Common Stock – (cont'd)

Stock Options - (cont'd)

The weighted-average fair value of options granted during the three months ended July 31, 2013 was $1.90 (2012 - $1.54). The weighted-average assumptions utilized to determine such values are presented in the following table:

	Three Months Ended	
	July 31, 2013	July 31, 2012
Risk-free interest rate	1.38%	0.62%
Expected volatility	73.25%	74.47%
Expected term	3.7 years	3.7 years
Dividend yield	0%	0%

The following is a summary of the status of the Company's stock options as of July 31, 2013 and the stock option activity during the three months ended July 31, 2013:

		Weighted Average
	Number of Options	Exercise Price per Share
Outstanding at April 30, 2013	3,930,818	$ 1.33
Granted	505,000	$ 1.90
Exercised	(47,813)	$ 0.48
Forfeited/Cancelled	(12,187)	$ 1.67
Outstanding at July 31, 2013	4,375,818	$ 1.40
Exercisable at July 31, 2013	2,749,261	$ 1.04
Exercisable at April 30, 2013	2,677,887	$ 1.00

Note 5 **Common Stock – (cont'd)**

Stock Options - (cont'd)

The following table summarizes information regarding stock purchase options outstanding as of July 31, 2013:

Exercise Price	Number of Options Outstanding		Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable		Aggregate Intrinsic Value
$0.44	303,341	$	442,878	December 15, 2013	303,341	$	442,878
$0.47	308,270		440,826	August 20, 2013 to September 26, 2016	308,270		440,826
$0.60	403,332		524,332	December 14, 2014	361,878		470,441
$0.62	850,000		1,088,000	April 17, 2014	850,000		1,088,000
$1.70	750,000		150,000	December 14, 2016	296,875		59,375
$1.88	30,000		600	December 13, 2017	4,375		88
$1.90	916,875		–	December 14, 2015 to July 25, 2018	264,896		–
$2.00	12.000		–	December 14, 2015 to July 25, 2018	12,000		–
$2.15	240,000		–	September 7, 2016	240,000		–
$2.26	200,000		–	March 14, 2018	–		–
$2.27	52,000		–	March 10, 2016	30,334		–
$2.68	5,000		–	September 13, 2017	1,042		–
$2.90	305,000		–	July 19, 2017	76,250		–
July 31, 2013	4,375,818	$	2,646,636		2,749,261	$	2,501,608
April 30, 2013	3,930,818	$	2,636,687		2,677,887	$	2,464,253

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of $1.90 per share as of July 31, 2013 (April 30, 2013 – $1.87), which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of July 31, 2013 was 2,124,739 (April 30, 2013 – 2,096,096). The total intrinsic value of options exercised during the three months ended July 31, 2013 was $67,757 (2012 – $129,403). The grant date fair value of options vested during the three months ended July 31, 2013 was $119,788 (2012 – $199,542).

The following table summarizes information regarding the non-vested stock purchase options outstanding as of July 31, 2013.

	Number of Options		Weighted Average Grant Date Fair Value
Non-vested options at April 30, 2013	1,252,931	$	1.09
Granted	505,000	$	1.01
Vested	(126,270)	$	0.95
Cancelled/Forfeited	(5,104)	$	0.89
Non-vested options at July 31, 2013	1,626,557	$	1.08

As of July 31, 2013 there was, $1,519,650 of total unrecognized compensation cost related to unvested share-based compensation awards. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.99 years.

Note 5 **Common Stock – (cont'd)**

Stock Options – (cont'd)

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the three months ended July 31, 2013 and 2012 are as follows:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Cost of sales	$ 8,553	$ 8,839
Sales and marketing	89,340	53,935
Research and development	8,686	10,716
General and administrative	33,487	55,943
Total stock-based compensation	$ 140,066	$ 129,433

Warrants

On May 17, 2012 and July 25, 2012, holders of warrants issued under a brokered private placement exercised 50,000 warrants and 7,000 warrants respectively, at the original exercise price of $2.25 per common share. On October 25, 2012 and November 27, 2012, holders of warrants issued under a brokered private placement, exercised 110,103 and 110,103 warrants respectively, at the original exercise price of $1.75 per common share.

Following the guidance in ASC 815-40-15, the Company recorded the warrants issued as derivative instruments due to their exercise price being denominated in a currency other than the Company's U.S. dollar functional currency. The fair value of the derivative instruments are revalued at the end of each reporting period, and the change in fair value of the derivative instruments are recorded as a gain or loss in the Company's consolidated statements of operations.

The warrant liability is accounted for at its fair value as follows:

	July 31, 2013	April 30, 2013
Opening balance at the beginning of the year	$ 93,057	$ 2,026,944
Fair value of warrant liability, at issuance	–	–
Change in fair value of warrant liability	(93,057)	(1,753,368)
Fair value of warrants exercised during the year	–	(180,519)
Fair value of warrant liability at July 31, 2013	$ –	$ 93,057

Note 5 Common Stock – (cont'd)

Warrants – (cont'd)

The Company uses the Binomial Method to estimate the fair value of the warrants with the following assumptions:

	As at July 31, 2013	As at April 30, 2013	As at the date of issuance June 14, 2011
Risk-free interest rate	–	0.11%	1.60%
Expected volatility	–	70%	70%
Expected term	–	0.12 years	1.5 years to 2 years
Dividend yield	–	0%	0%

The warrant liability is revalued at the end of each reporting period with the change in the fair value of the derivative instruments recorded as a gain or loss in the Company's consolidated statement of operations. The fair value of the warrants will continue to be classified as a liability until such time as they are exercised, expire or there is an amendment to the respective agreements that renders these financial instruments to be no longer classified as a liability. The balance of unexercised warrants expired on June 14, 2013, and the balance in the liability account of $93,057 has been recorded as a gain in the Company's consolidated statement of operations.

At the time of the private placement offering, the Company allocated the proceeds to each of the common shares and the one-half of one common share purchase warrants. Because the warrants were classified as a liability and are subsequently marked to fair value through earnings in each reporting period, the Company allocated the proceeds of $1,311,141 to the warrants at inception with the residual proceeds of $3,773,946 allocated to common stock.

During the year ended April 30, 2011, the Company entered into a warrant agreement, as amended, with a customer whereby the Company issued 1,000,000 stock purchase warrants as part of a software licensing contract that the Company entered into with the customer. Subject to certain conditions, the warrants enabled the holder thereof the right to purchase up to 1,000,000 shares of the Company's common stock, exercisable for two years at a price of $1.50 per share until July 30, 2012. These warrants expired unexercised on July 30, 2012.

The following table summarizes information regarding the warrants outstanding as of July 31, 2013:

	Number of Warrants	Weighted Average Exercise Price	Expiry Dates
Warrants at April 30, 2013	2,248,399	$ 2.57	June 14, 2013 to June 19, 2014
Granted	–	–	–
Exercised	–	–	–
Expired	(1,515,899)	$ 2.25	June 14, 2013
Warrants at July 31, 2013	732,500	$ 3.25	June 19, 2014

Note 5 Common Stock – (cont'd)

Employee Stock Purchase Plan

Under the terms of the Employee Stock Purchase Plan (the "ESPP") all regular salaried (non-probationary) employees can purchase up to 6% of their base salary in common shares of the Company at market price. The Company will match 50% of the shares purchased by issuing or purchasing in the market up to 3% of the respective employee's base salary in shares. During the three months ended July 31, 2013, the Company matched $56,250 (2012 - $36,303) in shares purchased by employees under the ESPP.

A total of 700,000 shares have been reserved for issuance under the ESPP. As of July 31, 2013, a total of 556,401 shares were available for issuance under the ESPP. During the three months ended July 31, 2013, 22,771shares (2012 – 556,401) were sold, issued, or purchased by employees on the open market under the ESPP.

Normal Course Issuer Bid Plan

Pursuant to a normal course issuer bid commencing on August 20, 2012 and expiring on March 19, 2013, the Company was authorized to purchase up to 1,995,414 and on March 19, 2013 (expiring March 18, 2014) the Company was authorized to purchase 2,462,365 of its common shares through the facilities of the Toronto Stock Exchange (the "TSX") and other Canadian marketplaces. Between August 20, 2012 and March 18, 2013, the Company repurchased 72,292 common shares and during the period March 19, 2013 to July 31, 2013, the Company repurchased 99,516 common shares at an average price of $2.00 (CDN$1.98) for a total of $340,669. As of July 31, 2013 a total of 153,748 shares have been cancelled and the remaining 18,060 repurchased shares are in the process of being cancelled.

Deferred Share Unit Plan

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

A total of 2,500,000 shares have been reserved for issuance under the DSUP. During the three months ended July 31, 2013, 172,201 (2012 - 123,178) DSUs were issued under the DSUP, of which 75,417 were granted to officers or employees and 96,784 were granted to non-employee directors. As of July 31, 2013, a total of 606,292 shares were available for issuance under the DSUP.

Note 5 Common Stock – (cont'd)

Deferred Share Unit Plan – (cont'd)

The following table summarizes the Company's outstanding DSU awards as of July 31, 2013, and changes during the period then ended:

	Number of DSU's	Weighted Average Grant Date Fair Value Per Unit
DSUs outstanding at April 30, 2013	1,643,119	$ 1.02
Granted	172,201	$ 1.99
Conversions	(73,334)	$ 1.00
DSUs outstanding at July 31, 2013	1,741,986	$ 1.01

The following table summarizes information regarding the non-vested DSUs outstanding as of July 31, 2013:

	Number of DSU's	Weighted Average Grant Date Fair Value Per Unit
Non-vested DSUs at April 30, 2013	207,444	$ 1.98
Granted	172,201	$ 1.99
Vested	(208,183)	$ 1.81
Non-vested DSUs at July 31, 2013	171,462	$ 1.02

As of July 31, 2013 there was $351,416 (2012 – $428,461) of total unrecognized compensation cost related to unvested DSU awards. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.10 years (2012 – 2.17 years).

Employee and non-employee DSU based compensation amounts classified in the Company's consolidated statements of operations for the three months ended July 31, 2013 and 2012 are as follows:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Sales and marketing	$ 6,667	$ 4,167
Research and development	2,082	272
General and administrative	225,735	262,898
Total deferred share unit-based compensation	$ 234,484	$ 267,337

Note 6 **Segmented Information**

The Company's 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, the Company has concluded that it has one reportable operating segment.

Revenues are based on the country in which the customer is located. The following is a summary of total revenues by geographic area for the three months ended July 31, 2013 and 2012:

	Three Months Ended July 31,	
	2013	2012
North America	$ 1,894,107	$ 2,920,517
Europe	425,031	691,113
Asia and Africa	272,120	556,687
Latin America	268,229	219,451
	$ 2,859,487	$ 4,387,768

Contained within the results of North America for the three months ended July 31, 2013 are revenues from the United States of $1,208,859 (2012 - $1,935,087) and from Canada of $685,248 (2012 -$985,430).

Contained within the results of Europe for the three months ended July 31, 2013 are revenues from the United Kingdom of $162,140 (2012 - $123,146), from Ireland of $59,344 (2012 - $nil), from Germany of $47,161 (2012 - $130,412), from France of $21,373 (2012 - $16,793), and from Italy of $16,467 (2012 - $9,340).

Contained within the results of Asia and Africa for the three months ended July 31, 2013 are revenues from Japan of $154,668 (2012 - $355,881), from Australia of $25,290 (2012 - $20,301), from China of $24,355 (2012 - $77,258), from South Africa of $20,689 (2012 - $17,535), and from Russian Federation of $12,777 (2012 - $55,731).

Contained within the results of Latin America for the three months ended July 31, 2013 are revenues from Mexico of $151,848 (2012 - $20,568), from Colombia of $58,060 (2012 - $10,701), from Brazil of $22,250 (2012 - $144,950), from Chile of $18,837 (2012 - $4,141), and from Bermuda of $6,737 (2012 - $3,162).

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

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

	As at	
	July 31, 2013	April 30, 2013
Canada	$ 8,684,617	$ 8,796,202
United States	92,002	114,879
	$ 8,776,619	$ 8,911,081

Revenue from significant customers for the three months ended July 31, 2013 and 2012 is summarized as follows:

	Three Months Ended July 31,	
	2013	2012
Customer A	10%	10%
	10%	10%

Accounts receivable balances for Customer A were $250,016 as at July 31, 2013 (April 30, 2013 -$321,344).

Note 7 **Commitments**

a) On January 11, 2011, the Company entered into a lease agreement, which commenced on October 1, 2011, and expires September 30, 2014 for which a deposit of $48,635 was made. The monthly lease payment under the agreement is $22,075 plus $20,685 in operating costs. Management believes that this office space is adequate for the operations of the Company for the foreseeable future.

b) On December 9, 2011, the Company signed a fifth amendment to an existing lease agreement to extend the lease for the period May 1, 2012 to April 30, 2014. The monthly lease payment under the lease extension is $5,845 (CDN$6,009). This lease expense is a related party transaction as it was incurred with a company with a director in common with the Company.

c) On March 22, 2013, the Company entered into an extension of an existing operating lease agreement which commenced on April 1, 2013 and expires on May 31, 2016. The monthly lease payment under the extension agreement is $5,000 plus $295 in operating expenses.

d) On May 20, 2013, the Company entered into an extension of an existing operating lease agreement which commenced on June 1, 2013 and expires on August 31, 2013. The monthly lease payment under the extension agreement is $800.

Note 7 Commitments – (cont'd)

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	Total Office Leases
2014	$ 52,604	$ 383,123	$ 435,727
2015	-	271,430	271,430
2016	-	63,540	63,540
2017	-	5,295	5,295
	$ 52,604	$ 723,388	$ 775,992

Note 8 Earnings (loss) per common share

Computation of profit per share:

	Three months ended July 31, 2013		
	(Loss)	Shares(1)	Per Share Amount
Basic and diluted EPS			
Income available to common stockholders	$ (1,225,291)	41,934,880	$ (0.03)

For the three months ended July 31, 2013 and July 31, 2012, common share equivalents (consisting of share issuable, on exercise of options, warrants and deferred share units) totalling 6,117,804, and 8,164,342, respectively, were not included in the computation of diluted earnings per share because the effect was anti-dilutive.

	Three months ended July 31, 2012		
	Income	Shares(1)	Per Share Amount
Basic and diluted EPS			
Income available to common stockholders	$ 867,538	40,727,122	$ 0.02

(1) Diluted by assumed exercise of outstanding common share equivalents using the treasury stock method.

Note 9 Subsequent Events

On September 12, 2013, the Company granted a total of 350,000 stock options to three employees and one consultant pursuant to its 2010 Stock Option Plan. Each stock option entitles the holder thereof the right to purchase one share of common stock at a price equal to the closing market share price on September 12, 2013. The options vest in the amount of 12.5% on the date which is six months from the date of grant and then beginning in the seventh month at 1/42 per month for 42 months, at which time the options are fully vested.

Item 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.

Background

We were incorporated under the laws of the State of Nevada on April 18, 2003.

On August 2, 2007, we completed the acquisition of all of the shares of NewHeights Software Corporation through the issuance of 7,680,168 shares of common stock and 369,836 preferred shares issued from a subsidiary of our company, which preferred shares were exchangeable into 369,836 shares of our common stock.

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

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

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

On November 1, 2010, our wholly-owned subsidiary, FirstHand, was amalgamated with CounterPath Technologies, under the name CounterPath Technologies Inc.

Business of CounterPath

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

Our strategy is to sell our software to our customers to allow such customers to deliver session initiation protocol and voice over Internet protocol (VoIP) services. Our customers include: (1) telecommunications service providers and Internet telephony service providers, (2) original equipment manufacturers serving the telecommunication market; (3) small, medium and large sized businesses; and (4) end users. Our software enables voice communication from the end user through the network to another end user and enables the service provider to deliver other streaming content to end users such as video.

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 rateably 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. 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 including stock-based compensation, (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, FirstHand and BridgePort comprising acquired technologies and customer assets. 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 from acquisition, which is management's estimate of the useful life of the customer asset.

Sales and marketing expense consists primarily of: (a) salaries and related personnel costs including stock-based compensation, (b) commissions, (c) travel, lodging and other out-of-pocket expenses, (d) marketing programs such as trade shows and (e) other related overhead. Commissions are recorded as an 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.

Application of Critical Accounting Policies and Use of Estimates

Our interim 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 interim and annual consolidated 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 interim 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, BridgePort Networks, Inc. incorporated under the laws of the state of Delaware. 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 as our April 30, 2013 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, 2013 annual audited consolidated financial statements.

Operating results for the three months ended July 31, 2013 are not necessarily indicative of the results that can be expected for the year ending April 30, 2014.

Revenue Recognition

We recognize revenue in accordance with the ASC 985-605 (prior authoritative literature: American Institute of Certified Public Accountants (AICPA) Statement of Position ("SOP") 97-2) "Software Revenue Recognition", as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions". In accordance with these standards, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection of the related accounts receivable is deemed probable. In making these judgments, management evaluates these criteria as follows:

- Persuasive evidence of an arrangement. The Company considers a noncancelable agreement signed by the Company and the customer to be representative of persuasive evidence of an arrangement.

- Delivery has occurred. The Company considers delivery to have occurred when the product has been delivered to the customer and no post-delivery obligations exist. In instances where customer acceptance is required, delivery is deemed to have occurred when customer acceptance has been achieved.

- Fees are fixed or determinable. The Company considers the fee to be fixed or determinable unless the fee is subject to refund or adjustment or is not payable within normal payment terms. If the fee is subject to refund or adjustment, the Company recognizes revenue when the refund or adjustment right lapses. If offered payment terms exceed the Company's normal terms, the Company recognizes revenue as the amounts become due and payable or upon the receipt of cash when extended payment terms beyond 180 days are offered.

- Collection is deemed probable. Collection is deemed probable if, based upon the Company's evaluation, the Company expects that the customer will be able to pay amounts under the arrangement as payments become due. If the Company determines that collection is not probable, revenue is deferred and recognized upon the receipt of cash.

A substantial amount of our sales involve multiple element arrangements, such as products, 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 (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 represents support services.

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

For contracts with elements related to customized network solutions and certain network build-outs, for transactions accounted for as sales of products or services, we apply FASB Accounting Standards Codification ("ASC") Subtopic 605-25 (Prior authoritative literature: Emerging Issues Task Force Issue No. 08-1, "Revenue Arrangements with Multiple Deliverables") and revenues are recognized under ASC 605-35, for long-term transactions entered to supply software, or software systems, that require significant modification or customization (prior authoritative literature: SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts"), generally using the percentage-of-completion method.

For multi-element arrangements, we allocate revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect our best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

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

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

Stock-Based Compensation

Stock options granted are accounted for under ASC 718 (prior authoritative literature: SFAS No. 123R), *Share-Based Payment*, and are recognized at the fair value of the options as determined by an option pricing model as the related services are provided and the options earned. ASC 718 replaces existing requirements under FAS 123 and APB 25, and requires public companies to recognize the cost of employee services received in exchange for equity instruments, based on the fair value of those instruments on the measurement date which generally is the grant date, with limited exceptions. Stock-based compensation represents the cost related to stock-based awards granted to employees and non-employee consultants. We measure stock-based compensation cost at measurement date, based on the estimated fair value of the award, and generally recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the employee requisite service period or the period during which the related services are provided by the non-employee consultants and the options are earned. We estimate the fair value of stock options using a Black-Scholes option valuation model.

The expected volatility of options granted has been determined using the volatility of our company's stock. The expected 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*. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied an estimated forfeiture rate of 15.0% in the three months ended July 31, 2013 in determining the expense recorded in our consolidated statement of operations. Cost of sales and operating expenses include stock-based compensation expense, and deferred share unit plan expense. For the three months ended July 31, 2013, we recorded an expense of $374,550 in connection with share-based payment awards. A future expense of non-vested options of $1,519,650 is expected to be recognized over a weighted-average period of 2.99 years. A future expense of non-vested deferred share units of $351,416 is expected to be recognized over a weighted-average period of 2.10 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 collectability on an individual basis.

Goodwill and Intangible Assets

We have goodwill and intangible assets on our balance sheet related to the acquisitions of NewHeights, FirstHand and BridgePort. Intangible assets are carried and reported at acquisition cost, net of accumulated amortization subsequent to acquisition. The intangible assets acquired are comprised of acquired technologies and customer assets relating to customer relationships. The acquired technologies are amortized based on their estimated useful life of four years and the customer asset is amortized on the basis of management's estimate of the future cash flows from this asset over approximately five years, which is management's estimate of the useful life of the customer assets. The intangible assets are reviewed for impairment whenever events or circumstances indicate impairment might exist in accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Projected undiscounted net cash flows expected to be derived from the use of those assets are compared to the respective net carrying amounts to determine whether any impairment exists. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. The determination of the net carrying value of goodwill and intangible assets and the extent to which, if any, there is impairment, are dependent on material estimates and judgments on our part, including the useful life over which the intangible assets are to be amortized and the estimates of the value of future net cash flows, which are based upon further estimates of future revenues, expenses and operating margins.

Goodwill and Intangible Assets—Impairment Assessments

We review goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable in accordance with FASB ASC 350, *Goodwill and Other Intangible Assets*. The provisions of ASC 350 require that a two-step impairment test be performed on goodwill. In the first step, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of our reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

Determining the fair value of our reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for our reporting unit. Our most recent annual goodwill impairment analysis, which was performed at the end of the fourth quarter of fiscal 2013, did not result in an impairment charge, nor did we record any goodwill impairment for the three months ending July 31, 2013.

We make judgments about the recoverability of purchased intangible assets whenever events or changes in circumstances indicate that another- than- temporary impairment may exist. Each period we evaluate the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization. In accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*, recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Assumptions and estimates about future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows and risk adjusted discounted rates and future economic and market conditions. Our updated long-term financial forecast represents the best estimate that our management has at this time and we believe that its underlying assumptions are reasonable. As a result of our review of the recoverability of intangibles assets there was no impairment charge for the three months ending July 31, 2013 (2012 - $nil).

Derivative Instruments

On June 14, 2011, we issued an aggregate of 3,145,800 units under a brokered private placement for aggregate gross proceeds of $5,636,170 (CDN$5,505,150) at a price of $1.79 (CDN$1.75) per unit, with each unit consisting of one share of our common stock and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional share of our common stock at an exercise price of CDN$2.25 per share until June 14, 2013. In connection with the offering, we issued an aggregate of 220,206 broker warrants, with each broker warrant entitling the holder thereof to purchase one share of our common stock at an exercise price of CDN$1.75 per share until December 14, 2013. We follow the guidance in ASC 815-40-15, and record the warrants issued as derivative instruments due to their exercise price being denominated in a currency other than our U.S. dollar functional currency. The fair value of the derivative instruments is revalued at the end of each reporting period using the Binomial method, and the change in fair value of the derivative liability is recorded as a gain or loss in our consolidated statements of operations

We periodically enter into foreign currency forward contracts, not designated as hedging instruments, to protect us from fluctuations in exchange rates. As of July 31, 2013, we had $4,000,000 of notional value foreign currency forward contracts maturing through. Notional amounts do not quantify risk or represent assets or liabilities of our company, but are used in the calculation of cash settlements under the contracts. The fair value marked to market gain of forward contracts as of July 31, 2013 is $2,760.

Results of Operations

Our operating activities during the three months ended July 31, 2013 consisted primarily of selling our IP telephony software and related services to telecom service providers and original equipment manufacturers serving the telecom industry, and the continued development of our IP telephony software products.

Selected Consolidated Financial Information

The following tables set out selected consolidated unaudited financial information for the periods indicated. The selected consolidated financial information set out below as at July 31, 2013 and April 30, 2013 and for the three months ended July 31, 2013 and 2012 has been derived from the consolidated unaudited financial statements and accompanying notes for the three months ended July 31, 2013 and 2012 and audited consolidated financial statements for the fiscal year ended April 30, 2013. Each investor should read the following information in conjunction with those statements and the related notes thereto.

Selected Consolidated Balance Sheet Data	**July 31, 2013**	**April 30, 2013**
Cash and cash equivalents	$ 11,251,366	$ 11,229,595
Current assets	15,212,589	16,009,806
Current liabilities	4,145,750	3,999,583
Total liabilities	4,274,042	4,128,268
Total assets	$ 24,115,045	$ 25,055,877

Selected Consolidated Statements of Operations Data	Three Months Ended July 31, 2013 Amount	2013 Percent of Total Revenue	2012 Amount	2012 Percent of Total Revenue
Revenue	$ 2,859,487	100%	$ 4,387,768	100%
Operating expenses	4,197,543	147%	4,355,159	99%
Income (loss) from operations	(1,338,056)	(47%)	32,609	1%
Interest and other income, net	26,714	1%	43,383	1%
Fair value adjustment on derivative instrument	85,987	3%	785,128	18%
Foreign exchange gain (loss)	64	-%	6,418	-%
Net income (loss)	($1,225,291)	(43%)	$ 867,538	20%
Net income (loss) per share -Basic and diluted	($0.03)		$ 0.02	
Weighted average common shares outstanding -Basic and diluted	41,934,880		40,727,122	

Revenue

	Three Months Ended July 31, 2013 Amount	2013 Percent of Total Revenue	2012 Amount	2012 Percent of Total Revenue	Period-to-Period Change Amount	Period-to-Period Change Percent Increase / (Decrease)
Revenue by Type						
Software	$ 1,647,520	58%	$ 2,528,056	58%	($880,536)	(35)%
Service	1,211,967	42%	1,859,712	42%	(647,745)	(35)%
Total revenue	$ 2,859,487	100%	$ 4,387,768	100%	($1,528,281)	(35)%
Revenue by Region						
International	$ 965,380	34%	$ 1,467,251	33%	($501,871)	(34)%
North America	1,894,107	66%	2,920,517	67%	(1,026,410)	(35)%
Total revenue	$ 2,859,487	100%	$ 4,387,768	100%	($1,528,281)	(35)%

For the three months ended July 31, 2013, we generated $2,859,487 in revenue compared to $4,387,768 for the three months ended July 31, 2012. This represents a decrease of $1,528,281 or 35% from the same period last year. We generated $1,647,520 in software revenue for the three months ended July 31, 2013 compared to $2,528,056 for the three months ended July 31, 2012, representing a decrease of $880,536 or 35%. The decrease in software revenue for the three months ended July 31, 2013 was primarily a result of decreases in sales to service providers and channel partners followed by a smaller decrease in sales to enterprises. For the three months ended July 31, 2013, service revenue was $1,211,967 compared to $1,859,712 for the three months ended July 31, 2012. The decrease of $647,745 in service revenue was primarily due to a decrease in sales to channel partners and enterprises followed by a smaller decrease in sales to service providers. International revenue outside of North America decreased by 34% during the three months ended July 31, 2013 compared to the three months ended July 31, 2012, primarily due to lower sales in Europe and Asia. North American revenue decreased by 35%, compared to the three months ended July 31, 2012, primarily due to weaker service sales to service providers, channel partners and enterprises and weaker software sales to service providers and channel partners.

Operating Expenses

Cost of Sales

Cost of sales for the three months ended July 31, 2013 and 2012 were as follows:

	July 31, 2013		July 31, 2012		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 557,455	19%	$ 559,793	13%	($2,338)	-%

Cost of sales was $557,455 for the three months ended July 31, 2013 compared to $559,793 for the three months ended July 31, 2012. This decrease of $2,338 was primarily attributable to a decrease of approximately $17,000 in warranty expense, a decrease of approximately $10,000 in amortization of intangible assets and decreases of approximately $20,000 in other expenses. This decrease was partially offset by an increase of approximately $45,000 in personnel related costs. Cost of sales expressed as a percent of revenue was 19% of revenue for the three months ended July 31, 2013, as compared to 13% for the three months ended July 31, 2012. This increase in percentage was the result of a decrease in revenue of $1,528,281 for the three months ended July 31, 2013 compared to revenue for the three months ended July 31, 2013 while cost of sales decreased by $2,338 quarter over quarter.

Sales and Marketing

Sales and marketing expenses for the three months ended July 31, 2013 and 2012 were as follows:

	July 31, 2013		July 31, 2012		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 1,213,483	42%	$ 1,055,035	24%	$ 158,448	15%

Sales and marketing expenses were $1,213,483 for the three months ended July 31, 2013 compared to $1,055,035 for the three months ended July 31, 2012. The increase of $158,448 was primarily attributable to an increase of approximately $153,000 in sales and marketing related wages and commissions due to increased headcount, an increase of approximately $38,000 in travel expenses, and an increase of approximately $37,000 in stock based compensation cost. These increases were partially offset by a decrease of approximately $70,000 in contracting related expenses.

Research and Development

Research and development expenses for the three months ended July 31, 2013 and 2012 were as follows:

	July 31, 2013		July 31, 2012		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 1,413,075	49%	$ 1,361,012	31%	$ 52,063	4%

Research and development expenses were $1,413,075 for the three months ended July 31, 2013 compared to $1,361,012 for the three months ended July 31, 2012. The increase of $52,063 was primarily attributable to an increase in contracting related expenses of approximately $51,000, an increase of approximately $13,000 in travel related expenses and an increase of approximately $15,000 in rental expense. These increases were partially offset by a decrease of approximately $27,000 in personnel related costs.

General and Administrative

General and administrative expenses for the three months ended July 31, 2013 and 2012 were as follows:

	July 31, 2013		July 31, 2012		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 1,013,530	35%	$ 1,379,319	31%	($365,789)	(27)%

General and administrative expenses were $1,013,530 for the three months ended July 31, 2013 compared to $1,379,319 for the three months ended July 31, 2012. The decrease of $365,789 in general and administrative expenses was primarily attributable to a decrease of approximately $70,000 in exchange listing fees, a decrease of approximately $60,000 in stock based compensation, a decrease of approximately $50,000 in investor relations expense, a decrease of approximately $50,000 in rental expense, a decrease of approximately $14,000 in professional services and consulting fees, a decrease of approximately $45,000 in wages and benefits, a decrease of approximately $30,000 in travel and other office expenses, a decrease of approximately $26,000 in legal expenses and a decrease in bad debts reserve of approximately $20,000.

Interest and Other Income

Interest income for the three months ended July 31, 2013 was $27,485 compared to $43,853 for the three months ended July 31, 2012. Interest expense for the three months ended July 31, 2013 was $771 compared to $470 for the three months ended July 31, 2012.

Foreign exchange gain for the three months ended July 31, 2013 was $64 compared to $6,418 for the three months ended July 31, 2012. The foreign exchange gain represents the gain on account of translation of the intercompany accounts of our subsidiaries which maintain their records in currencies other than U.S. dollars as well as transactional losses and gains.

Liquidity and Capital Resources

As of July 31, 2013, we had $11,251,366 in cash compared to $11,229,595 at April 30, 2013, representing an increase of $21,771. Our working capital was $11,066,839 at July 31, 2013 compared to $12,010,223 at April 30, 2013, representing a decrease of $943,384. Management anticipates that the future capital requirements of our company will be primarily funded through cash flows generated from operations and from working capital, and we may seek additional funding to meet ongoing operating expenses.

Our company has $10,461,582 in cash held outside of the United States, and there is no intent to repatriate at this time. Should we decide to repatriate in the future, taxes would need to be accrued and paid.

Operating Activities

Our operating activities resulted in a net cash inflow of $179,864 for the three months ended July 31, 2013. This compares to a net cash outflow of $474,503 for the same period last year and represents an increase of $654,367 in cash inflow from operations compared to the same period last year. The net cash inflow from operating activities for the three months ended July 31, 2013 was primarily a result of a decrease in accounts receivable of $819,175, a non-cash expense of $374,550 for stock-based compensation, a $137,140 increase in unearned revenue, all which offset a net loss for the period of $1,225,291. Other cash inflows included $125,126 resulting from an increase in accounts payable and $55,389 for depreciation and amortization, offset by a non-cash gain of $85,987 due to the change in fair value adjustment on derivative instruments.

The net cash outflow from operating activities for the three months ended July 31, 2012 was primarily a result of an increase in accounts receivable of $1,376,773, a non-cash gain of $785,128 due to the change in fair value of derivative instruments and a $29,129 decrease in accounts payable, which more than offset a net income of $867,538, a $371,687 increase in unearned revenue, and a non-cash expense of $396,770 for stock-based compensation and $33,495 for depreciation and amortization.

Investing Activities

Investing activities resulted in a net cash outflow of $20,405 for the three months ended July 31, 2013 primarily from purchases of computer equipment. This compares with a net cash outflow from investing activities of $34,501 for the same period last year principally for purchases of equipment. At July 31, 2013, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash outflow of $68,326 for the three months ended July 31, 2013 compared to a net cash inflow of $3,759,409 for the three months ended July 31, 2012. The net cash outflow was primarily a result of repurchasing 49,828 shares of common stock at an average price of $1.81 per share for a total of $91,414, offset by $23,088 received on exercise of stock options.

On June 19, 2012, we issued an aggregate of 1,465,000 units under a non-brokered private placement for aggregate gross proceeds of $3,597,000 (CDN$3,662,500) at a price of $2.46 (CDN$2.50) per unit, with each unit consisting of one share of our common stock and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of our common stock at an exercise price of $3.25 per share until June 19, 2014.

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 May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which aligns the fair value measurement and disclosure requirements in U.S. GAAP and the International Financial Reporting Standards ("IFRSs"). Many of the amendments in ASU 2011-04 will not result in a change in requirements, but simply clarify existing requirements. The amendments in ASU 2011-04 that do change a principle or requirement for measuring fair value or disclosing information about fair value measurements include the following: (1) ASU 2011-04 permits an exception for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than gross exposure, to those risks; (2) ASU 2011-04 clarifies that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value; (3) ASU 2011-04 prohibits blockage discounts for level 2 and 3 investments; and (4) the amendments expand the fair value measurement disclosures. ASU 2011-04 is to be applied prospectively. For public entities, ASU 2011-04 is effective during interim and annual periods beginning after December 15, 2011. We adopted the requirements of ASU 2011-04, and it did not materially impact the consolidated financial statements.

In May 2011, FASB issued ASU 2011-04. There are few differences between ASU 2011-04 and IFRS 13. While ASU 2011-04 is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. The amendments in the update became effective for fiscal years and interim periods beginning after December 15, 2011. We adopted this standard, and it did not materially impact the consolidated financial statements.

In June 2011, FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which eliminates the option of presenting the components of other comprehensive income ("OCI") as part of the statement of changes in stockholders' equity. ASU 2011-05 instead permits an entity to present the total of comprehensive income, the components of net income and the components of OCI either in a single continuous statement of comprehensive income or in two separate but consecutive statements. With either format, the entity is required to present each component of net income along with total net income, each component of OCI along with the total for OCI, and a total amount for comprehensive income. Also, ASU 2011-05 requires entities to present, for either format, reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. ASU 2011-05 is to be applied retrospectively. For public entities, the ASU is effective for interim and annual periods beginning after December 15, 2011. We early implemented the requirements and presents net income and comprehensive income in two separate but consecutive statements.

In December 2011, FASB issued ASU 2011-11, *Balance Sheet (Topic 210), Disclosure About Offsetting Assets and Liabilities*, that included new disclosure requirements that are intended to enhance current disclosures on offsetting financial assets and liabilities. The new disclosures require an entity to disclose both gross and net information about derivative instruments accounted for in accordance with the guidance on derivatives and hedging that are eligible for offset on the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. The provisions of the new disclosure requirements are effective as of the beginning of the year ended April 30, 2015. We are currently evaluating the impact of the new guidance on its consolidated financial statements.

In July 2012, FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350), Testing Indefinite Lived Intangible Assets For Impairments*, that permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. An entity would continue to calculate the fair value of an indefinite-lived intangible asset if the asset fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance were effective as of the beginning of the year ended April 30, 2014. We do not expect the new guidance to have an impact on our 2014 impairment test results.

In February 2013, FASB issued ASU 2013-02, *Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, that requires an entity to disclose information showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. The provisions of this new guidance were effective prospectively as of the beginning of the year ended April 30, 2014. The adoption of the standard requires that we declare the nature of changes in other comprehensive income that will have an impact on our net income or loss in the future. We have accumulated other comprehensive income relating to the translation of our subsidiary's financial information into the presentation currency of our financial statements, which would reverse through net income or loss should the underlying assets and liabilities be disposed of.

Item 4. 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 Securities Exchange Act of 1934 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 Securities Exchange Act of 1934 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 as of July 31, 2013, 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

There were no changes in our internal control over financial reporting that occurred during the quarter ended July 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

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

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

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

Our revenue, operating results and gross margin can fluctuate significantly and unpredictably from quarter - to - quarter and from year - to - year, and we expect that they will continue to do so, which could have a material adverse effect on our operating results.

The rate at which our customers order our products, and the size of these orders, are highly variable and difficult to predict. In the past, we have experienced significant variability in our customer purchasing practices on a quarterly and annual basis, and we expect that this variability will continue, as a result of a number of factors, many of which are beyond our control, including:

- demand for our products and the timing and size of customer orders;

- length of sales cycles, which may be extended by selling our products through channel partners;
- length of time of deployment of our products by our customers;
- customers' budgetary constraints;
- competitive pressures; and
- general economic conditions.

As a result of this volatility in our customers' purchasing practices, our revenue has historically fluctuated unpredictably on a quarterly and annual basis and we expect this to continue for the foreseeable future. Our budgeted expense levels depend in part on our expectations of future revenue. Because any substantial adjustment to expenses to account for lower levels of revenue is difficult and takes time, if our revenue declines, our operating expenses and general overhead would likely be high relative to revenue, which could have a material adverse effect on our operating margin and operating results.

If we are not able to manage our operating expenses, then our financial condition may be adversely affected.

Operating expenses only decreased to $4,197,543 for the three months ended July 31, 2013 from $4,355,159 for the three months ended July 31, 2012 while our revenue decreased to $2,859,487 for the three months ended July 31, 2013 from $4,387,768 for the three months ended July 31, 2012. Our ability to reach and maintain profitability is conditional upon our ability to manage our operating expenses. There is a risk that we will have to increase our operating expenses in the future. Factors that could cause our operating expenses to increase include our determination to spend more on sales and marketing in order to increase product sales or our determination that more research and development expenditures are required in order to keep our current software products competitive or in order to develop new products for the market. To the extent that our operating expenses increase without a corresponding increase in revenue, our financial condition would be adversely impacted.

We face larger and better-financed competitors, which may affect our ability to operate our business and achieve or maintain 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. In addition to price competition, increased competition may result in other aggressive business tactics from our competitors, such as:

- emphasizing their own size and perceived stability against our smaller size and narrower recognition;
- providing customers "one-stop shopping" options for the purchase of network equipment and application software;
- offering customers financing assistance;
- making early announcements of competing products and employing extensive marketing efforts; and
- asserting infringement of their intellectual property rights.

Such competition may potentially affect our ability to operate our business, our financial results and our ability to achieve or maintain revenues and/or profitability.

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

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

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

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

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

- result in the loss of a substantial number of existing customers or prohibit the acquisition of new customers;
- cause us to lose access to key distribution channels;
- result in substantial employee layoffs or risk the permanent loss of highly-valued employees;
- materially and adversely affect our brand in the market place and cause a substantial loss of goodwill;
- affect our ability to raise additional capital;
- 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 products or 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' copy 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-Lite, and Softphone.com 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 divert resources from intended uses. 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 broad market acceptance of our current products, our potential revenues may be significantly reduced.

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

Our use of open source software could impose limitations on our ability to commercialize our products.

We incorporate open source software into our products. Although we closely monitor our use of open source software, the terms of many open source software licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to sell our products. In such event, we could be required to make our proprietary software generally available to third parties, including competitors, at no cost, to seek licenses from third parties to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could adversely affect our revenues and operating expenses.

We may not be able to obtain necessary licenses of third-party technology on acceptable terms, or at all, which could delay product sales and development and adversely impact product quality.

We have incorporated third-party licensed technology into our current products. We anticipate that we are also likely to need to license additional technology from third-parties to develop new products or product enhancements in the future. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. The inability to retain any third-party licenses required in our current products or to obtain any new third-party licenses to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, and delay or prevent us from making these products or enhancements, any of which could seriously harm the competitive position of our products.

Our products must interoperate with many different networks, software applications and hardware products, and this interoperability will depend on the continued prevalence of open standards.

Our products are designed to interoperate with our customers' existing and planned networks, which have varied and complex specifications, utilize multiple protocol standards, software applications and products from numerous vendors and contain multiple products that have been added over time. As a result, we must attempt to ensure that our products interoperate effectively with these existing and planned networks. To meet these requirements, we have and must continue to undertake development and testing efforts that require significant capital and employee resources. We may not accomplish these development efforts quickly or cost-effectively, or at all. If our products do not interoperate effectively, installations could be delayed or orders for our products could be cancelled, which would harm our revenue, gross margins and our reputation, potentially resulting in the loss of existing and potential customers. The failure of our products to interoperate effectively with our customers' networks may result in significant warranty, support and repair costs, divert the attention of our engineering personnel from our software development efforts and cause significant customer relations problems.

Additionally, the interoperability of our products with multiple different networks is significantly dependent on the continued prevalence of standards for IP multimedia services, such as SIP or Session Initiation Protocol. Some of our existing and potential competitors are network equipment providers who could potentially benefit from the deployment of their own proprietary non-standards-based architectures. If resistance to open standards by network equipment providers becomes prevalent, it could make it more difficult for our products to interoperate with our customers' networks, which would have a material adverse effect on our ability to sell our products to service providers.

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

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

We are exposed to fluctuations in interest rates and exchange rates associated with foreign currencies.

A majority of our revenue activities are transacted in U.S. dollars. However, we are exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies, of which the most significant to our operations for the three months ended July 31, 2013 is the Canadian dollar. We are primarily exposed to a strengthening Canadian dollar as our operating expenses are primarily denominated in Canadian dollars while our revenues are primarily denominated in U.S. dollars. We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. Our company's foreign currency risk management program includes foreign currency derivatives with cash flow hedge accounting designation that utilizes foreign currency forward contracts to hedge exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S. dollar-denominated cash flows. These instruments generally have a maturity of less than one year. For these derivatives, our company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassifies it into earnings in the same period in which the hedged transaction affects earnings, and within the same line item on the consolidated statements of operations as the impact of the hedged transaction. There can be no assurance that our hedging program will not result in a negative impact on our earnings and earnings per share. We did not enter into any forward contracts for hedging purposes during the three months ended July 31, 2013 (2012: none).

We also routinely enter into foreign currency forward contracts, not designated as hedging instruments, to protect us from fluctuations in exchange rates. As of July 31, 2013, we had $4,000,000 of notional value foreign currency forward contracts maturing through October 1, 2013. Notional amounts do not quantify risk or represent assets or liabilities of our company, but are used in the calculation of cash settlements under the contracts. The fair value of forward contracts as of July 31, 2013 is $2,760 (April 30, 2013 - $9,830).

Risks Associated with our Common Stock

Our directors control a substantial number of shares of our common stock, decreasing your influence on stockholder decisions.

Based on the 41,945,655 shares of common stock that were issued and outstanding as of July 31, 2013, our directors owned approximately 26% of our outstanding common stock. As a result, our directors as a group could have a significant influence in delaying, deferring or preventing any potential change in control of our company; they will be able to strongly influence the actions of our board of directors even if they were to cease being directors of our company and can effectively control the outcome of actions brought to our stockholders for approval. Such a high level of ownership may adversely affect the exercise of your voting and other stockholder rights.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common stock.

The exercise of all or any number of outstanding warrants or stock options or the issuance of other stock-based awards or any issuance of shares to raise funds may dilute your holding of shares of our common stock.

If the holders of outstanding warrants, stock options and deferred share units exercise or convert all of their vested warrants, stock options and deferred share units as at July 31, 2013, then we would be required to issue an additional 6,850,304 shares of our common stock, which would represent approximately 16.0 % of our issued and outstanding common stock after such issuances. The exercise of any or all outstanding warrants or stock options that are exercisable below market price will result in dilution to the interests of other holders of our common stock.

We may in the future grant to certain or all of our directors, officers, insiders and key employees stock options to purchase the shares of our common stock, bonus shares and other stock based compensation as non-cash incentives to such persons. Subject to applicable stock exchange rules, if any, we may grant these stock options and other stock based compensation at exercise prices equal to or less than market prices, and we may grant them when the market for our securities is depressed. The issuance of any additional shares of common stock or securities convertible into common stock will cause our existing shareholders to experience dilution of their holding of our common stock.

In addition, shareholders could suffer dilution in their net book value per share depending on the price at which such securities are sold. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our shares of common stock or a change in the control of our company.

We may be considered a "Penny stock." 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. In addition, since our common stock commenced trading on the NASDAQ Capital Market below the $4.00 minimum bid price per share requirement, our common stock would be considered a penny stock if we fail to satisfy the net tangible assets and revenue tests in Rule 3a51-1 under the Securities Exchange Act of 1934. Our securities may be 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.

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, 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.

Securities analysts may not publish favorable research or reports about our business or may publish no information which could cause our stock price or trading volume to decline.

The trading market for our common stock will be influenced by the research and reports that industry or financial analysts publish about us and our business. We do not control these analyst reports. As a relatively small public company, we may be slow to attract research coverage and the analysts who publish information about our common stock will have had relatively little experience with our company, which could affect their ability to accurately forecast our results and make it more likely that we fail to meet their estimates. If any of the analysts who cover us issue an adverse opinion regarding our stock price, our stock price may decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports covering us, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

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

On July 25, 2013, we granted 172,201 deferred share units to six non-employee directors and two officers and one employee exchangeable into 172,201 shares of our common stock on a one for one basis pursuant to our Deferred Share Unit Plan. 96,784 of the deferred share units vest immediately and 75,417 of the deferred share units vest as to one-third (1/3) of the number of deferred share units granted on the first, second and third anniversaries of the award date. We issued the deferred share units to 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 July 25, 2013, we granted 505,000 stock options pursuant to our 2010 Stock Option Plan to 15 employees. Each stock option entitles the holder thereof the right to purchase one share of common stock at a price equal to $1.90. The options vest in the amount of 12.5% on the date which is six months from the date of grant and then beginning in the seventh month at 1/42 per month for 42 months, at which time the options are fully vested. We issued 405,000 the stock options to non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction(s) relying on Regulation S and/or Section 4(2) of the Securities Act of 1933. We issued 100,000 of the stock options to U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in reliance upon Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as applicable.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

	Total number of shares purchased	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs**	**Maximum number of shares that may yet be purchased under the plans or programs**
May 1, 2013 to May 31, 2013(1)	21,728	$1.87	21,728	2,390,949
June1, 2013 to June 30, 2013(1)	11,260	$1.75	11,260	2,379,689
July1, 2013 to July 31, 2013(1)	16,840	$1.80	16,840	2,362,849
Total	**49,828**	**$1.81**	**49,828**	**2,362,849**

(1) Pursuant to a normal course issuer bid, which commenced on March 19, 2013 and expires on March 18, 2014, to purchase up to an aggregate of 2,462,365 common shares of the Company.

Item 3. Defaults Upon Senior Securities.

None.

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).
3.7	Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on July 2, 2012).
(4)	**Instruments defining the rights of security holders, including indentures**
4.1	2004 Stock Option Plan effective May 18, 2004 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
4.2	Form of Stock Option Agreement for 2004 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
4.3	2005 Stock Option Plan effective March 4, 2005 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
4.4	Form of Stock Option Agreement for 2005 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).
4.5	Form of Amended & Restated Stock Option and Subscription Agreement (Canadian) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).
4.6	Form of Amended & Restated Stock Option and Subscription Agreement (US) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).
4.7	2010 Stock Option Plan effective September 27, 2010 (incorporated by reference from our Definitive Proxy Statement filed on August 31, 2010).
4.8	Employee Share Purchase Plan adopted October 1, 2008, and amended November 6, 2008 (incorporated by reference from our Registration Statement on Form S-8 filed on January 30, 2009).
4.9	Deferred Share Unit Plan effective October 22, 2009 (incorporated by reference from our Definitive Proxy Statement on Schedule 14A filed on September 8, 2009).
(10)	**Material Contracts**
10.1	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).

10.2	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).
10.3	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).
10.4	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).
10.5	Form of Debt Conversion Agreement dated July 17, 2009 between our company and The Trustees of Columbia University in the City of New York (incorporated by reference from our Annual Report on Form 10-K filed on July 28, 2009).
10.6	Form of Subscription Agreement dated October 29, 2009 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on November 4, 2009).
10.7	Form of Subscription Agreement and Form of Convertible Debenture dated July 30, 2010 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 4, 2010).
10.8	Agency Agreement dated June 14, 2011 amongst National Bank Financial Inc., Canaccord Genuity Corp. and our company (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 14, 2011).
10.9	Form of Registration Rights Agreement between our company and various investors in connection with the brokered private placement completed on June 14, 2011 (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 14, 2011).
10.10	Form of Subscription Agreement between our company and various investors in connection with the brokered private placement completed on June 14, 2011 (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 14, 2011).
10.11	Form of Subscription Agreement between our company and various investors in connection with the brokered private placement completed on June 19, 2012 (incorporated by reference from our Annual Report on Form 10-K filed on July 19, 2012).
10.12	Form of Warrant Certificate issued to various investors in connection with the brokered private placement completed on June 19, 2012 (incorporated by reference from our Annual Report on Form 10-K filed on July 19, 2012).
(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)

	BridgePort Networks, Inc. (incorporated in the state of Delaware)
(31)	**Section 302 Certifications**
31.1	Section 302 Certification of Donovan Jones (filed herewith).
31.2	Section 302 Certification of David Karp (filed herewith).
(32)	**Section 906 Certifications**
32.1	Section 906 Certification of Donovan Jones (filed herewith).
32.2	Section 906 Certification of David Karp (filed herewith).

SIGNATURES

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 and Director
(Principal Executive Officer)

Date: September 12, 2013

/s/ David Karp
David Karp
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer, Principal Accounting Officer)

Date: September 12, 2013

Exhibit 31.1

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 of CounterPath Corporation;

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

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

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

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

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

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

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

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

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

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

Date: September 12, 2013

/s/ Donovan Jones
Donovan Jones
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**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 of CounterPath Corporation;

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

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

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

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

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

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

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

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

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

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

Date: September 12, 2013

/s/ David Karp
David Karp
Chief Financial Officer, Treasurer and Corporate Secretary
(Principal Financial Officer, Principal Accounting Officer)

Exhibit 32

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 July 31, 2013, 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
(Principal Executive Officer)

September 12, 2013

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 July 31, 2013, 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 Corporate Secretary
(Principal Financial Officer, Principal Accounting Officer)

September 12, 2013