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, 2014**

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: 42,562,867 shares of common stock issued and outstanding as of September 8, 2014.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

It is the opinion of management that the interim consolidated financial statements for the quarter ended July 31, 2014 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, 2014
(Unaudited)
(Stated in U.S. Dollars)

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

	July 31, 2014	April 30, 2014
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 6,852,017	$ 7,172,798
Accounts receivable (net of allowance for doubtful accounts of $327,681 and $240,681, respectively)	2,883,455	3,401,491
Prepaid expenses and deposits	166,475	161,627
Total current assets	9,901,947	10,735,916
Deposits	119,534	125,267
Equipment	162,778	154,293
Goodwill – Note 2(e)	8,083,556	8,018,578
Other assets	114,100	102,836
Total Assets	$ 18,381,915	$ 19,136,890
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,429,211	$ 2,326,763
Unearned revenue	1,689,742	1,625,826
Customer deposits	9,553	9,553
Accrued warranty	72,618	69,159
Total current liabilities	4,201,124	4,031,301
Deferred lease inducements	59,778	–
Unrecognized tax benefit	25,631	25,631
Total liabilities	4,286,533	4,056,932
Stockholders' equity:		
Preferred stock, $0.001 par value		
Authorized: 100,000,000		
Issued and outstanding: July 31, 2014 – nil; April 30, 2014 – nil	–	–
Common stock, $0.001 par value – Note 5		
Authorized: 100,000,000		
Issued:		
July 31, 2014 – 42,586,267; April 30, 2014 – 42,599,869	42,587	42,600
Treasury stock	(48)	(16)
Additional paid-in capital	67,223,526	66,910,540
Accumulated deficit	(51,952,411)	(50,889,038)
Accumulated other comprehensive income (loss) – currency translation adjustment	(1,218,272)	(984,128)
Total stockholders' equity	14,095,382	15,079,958
Liabilities and Stockholders' Equity	$ 18,381,915	$ 19,136,890

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, 2014	Three Months Ended July 31, 2013
Revenue – Note 6:		
Software	$ 1,873,948	$ 1,647,520
Service	1,153,223	1,211,967
Total revenue	3,027,171	2,859,487
Operating expenses:		
Cost of sales (includes depreciation of $23,855 (2013 – $22,799))	618,054	557,455
Sales and marketing	1,137,768	1,213,483
Research and development	1,496,206	1,413,075
General and administrative	1,203,511	1,013,530
Total operating expenses	4,455,539	4,197,543
Income (loss) from operations	(1,428,368)	(1,338,056)
Interest and other income (expense), net:		
Interest and other income	8,049	27,485
Interest expense	(355)	(771)
Fair value adjustment on derivative instruments – Notes 4 and 5	–	85,987
Foreign exchange gain (loss)	357,301	64
Net income (loss) for the period	$ (1,063,373)	$ (1,225,291)
Net income (loss) per share:		
Basic and diluted – Note 8	$ (0.02)	$ (0.03)
Weighted average common shares outstanding:		
Basic and diluted – Note 8	42,592,851	41,934,880

See accompanying notes to the consolidated financial statements

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

Net income (loss) for the period	$ (1,063,373)	$ (1,225,291)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(234,144)	(129,239)
Comprehensive income (loss)	$ (1,297,517)	$ (1,354,530)

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, 2014	Three Months Ended July 31, 2013
Cash flows from operating activities:		
Net income (loss) for the period	$ (1,063,373)	$ (1,225,291)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	67,510	55,389
Stock-based compensation	368,612	374,550
Fair value adjustment on derivative instruments	–	(85,987)
Foreign exchange (gain) loss	(348,247)	(64)
Changes in assets and liabilities:		
Accounts receivable	518,036	819,175
Prepaid expenses and deposits	(5,179)	(318)
Other assets	(11,286)	(11,520)
Accounts payable and accrued liabilities	113,223	125,126
Unearned revenue	63,916	137,140
Deferred lease inducements	59,778	–
Accrued warranty	3,459	(8,336)
Net cash generated from (used in) operating activities	(233,551)	179,864
Cash flows from investing activities:		
Purchase of equipment	(73,699)	(21,105)
Deposits	–	700
Net cash used in investing activities	(73,699)	(20,405)
Cash flows from financing activities:		
Common stock issued	2	23,088
Common stock repurchased	(55,673)	(91,414)
Net cash used in financing activities	(55,671)	(68,326)
Foreign exchange effect on cash	42,140	(69,362)
Increase (decrease) in cash	(320,781)	21,771
Cash, beginning of the period	7,172,798	11,229,595
Cash, end of the period	$ 6,852,017	$ 11,251,366
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 355	$ 771

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, 2014
(Stated in U.S. Dollars)
(Unaudited)

	Common Shares		Treasury Shares					
	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, 2014	42,599,869	$ 42,600	(16,200)	$ (16)	$ 66,910,540	$ (50,889,038)	$ (984,128)	$ 15,079,958
Shares issued:								
Exercise of stock options	1,598	2	–	–	(215)	–	–	(213)
Share repurchase plan	–	–	(46,800)	(47)	47	–	–	–
Cancellation of shares - Note 5	(15,200)	(15)	15,200	15	(55,458)	–	–	(55,458)
Stock-based compensation – Note 5	–	–	–	–	368,612	–	–	368,612
Net Income (loss) for the period	–	–	–	–	–	(1,063,373)	–	(1,063,373)
Foreign currency translation adjustment	–	–	–	–	–	–	(234,144)	(234,144)
Balance, July 31, 2014 (unaudited)	42,586,267	$ 42,587	(47,800)	$ (48)	$ 67,223,526	$ (51,952,411)	$ (1,218,272)	$ 14,095,382

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.

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 service providers, channel partners and businesses in North America, Latin America, Europe, Africa 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.

a) Basis of Presentation

These interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CounterPath Technologies Inc. ("CounterPath Technologies"), a company existing under the laws of the province of British Columbia, Canada, and BridgePort Networks, Inc. ("BridgePort"), incorporated under the laws of the state of Delaware. 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.

Note 2 Significant Accounting Policies - (cont'd)

b) Interim Reporting (cont'd)

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 generally accepted accounting principles 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, 2014 annual audited 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, 2014 annual audited consolidated financial statements.

Operating results for the three months ended July 31, 2014 are not necessarily indicative of the results that can be expected for the year ending April 30, 2015.

c) New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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 Company adopted this standard as of May 1, 2014 and it did not materially impact the consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue From Contracts With Customers* ("Topic 606"). Topic 606 removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provides more useful information to users of financial statements through improved disclosure requirements and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The guidance in this update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. Topic 606 is effective for public entities with reporting periods beginning after December 15, 2016. Early adoption is not permitted. The Company has not yet evaluated the impact of the adoption of this new standard.

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 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 No. 161 was incorporated into ASC 815, Derivatives and Hedging ("ASC 815"). ASC 815 requires the Company to measure derivative instruments at fair value and record them in 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. 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 4 "Derivative Financial Instruments and Risk Management," of the Notes to the Consolidated Financial Statements). The Company did not hold any foreign currency derivatives designated as cash flow hedges in the three months ended July 31, 2014 (2013 - none).

e) Goodwill

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.

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.

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

e) Goodwill (cont'd)

Goodwill of $6,339,717 (CDN$6,704,947) and $2,083,960 (CDN$2,083,752) was initially recorded as the Company was deemed to be the acquirer of NewHeights Software Corporation ("NewHeights") on August 2, 2007 and FirstHand Technologies Inc. ("FirstHand") on February 1, 2008. Translated to U.S. dollars using the period end rate, the goodwill balance at July 31, 2014 was $6,167,226 (CDN$6,704,947) (April 30, 2014 - $6,117,653) and $1,916,330 (CDN$2,083,414) (April 30, 2014 - $1,900,925), respectively. Management will perform its annual impairment test in its fiscal fourth quarter. No impairment charges were recorded for the three months ended July 31, 2014 and 2013.

f) Accounts receivable and allowance for doubtful accounts

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

		July 31, 2014		April 30, 2014
Balance of allowance for doubtful accounts, beginning of period	$	240,681	$	456,051
Bad debt provision		87,000		415,448
Write-off of receivables		–		(630,818)
Balance of allowance for doubtful accounts, end of period	$	327,681	$	240,681

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.

g) Basic and diluted loss per share

The Company computes net loss per share in accordance with ASC Topics 260 and ASC 260-10 (prior authoritative literature: SFAS No. 128, "Earnings Per Share", and EITF No. 03-06, "Participating Securities and the Two-Class Method under FASB Statement No. 128", respectively).

ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS gives effect to all dilutive potential common shares outstanding during the year including stock options and warrants using the treasury stock method. In computing diluted EPS, the average stock price for the year is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. For the three months ended July 31, 2014, income per share excludes 6,092,936 (July 31, 2013 – 6,117,804) potentially dilutive common shares (related to stock options, deferred share units and warrants) as their effect was anti- dilutive.

Note 3 **Related Party Transactions**

During the three months ended July 31, 2014, the Company through its wholly owned subsidiary, CounterPath Technologies, paid $23,755 (2013 - $17,535), to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Chairman of the Company.

On November 21, 2013, the Company entered into an agreement with 8007004 (Canada) Inc. ("8007004") to lease office space. 8007004 is controlled by a member of the board of directors of the Company. The Company through its wholly owned subsidiary, CounterPath Technologies, paid $8,277 (2013 - $nil) for the three months ended July 31, 2014.

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 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

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, 2014 is the Canadian dollar as a majority of the Company's expenses are in Canadian 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.

The Company also routinely enters into foreign currency forward contracts, not designated as hedging instruments, to protect it from fluctuations in exchange rates. During the three months ended July 31, 2014, the Company had not entered into any foreign currency forward contracts. During the three months ended July 31, 2013, the Company had $4,000,000 of notional value foreign currency forward contracts that matured through October 1, 2013. The fair value marked to market gain of those forward contracts as of July 31, 2013 was $2,760.

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

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 the Company) 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), the Company's fair value calculations have been adjusted accordingly.

The fair value of the derivative instrument is primarily based on the standard industry accepted binomial model (Note 5). The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis as of July 31, 2014 and April 30, 2014.

As at July 31, 2014	Carrying Amount	Fair Value	Fair Value Levels	Reference
Cash	$ 6,852,017	$ 6,852,017	1	N/A
Accounts receivable	$ 2,883,455	$ 2,883,455	2	N/A

As at April 30, 2014	Carrying Amount	Fair Value	Fair Value Levels	Reference
Cash	$ 7,172,798	$ 7,172,798	1	N/A
Accounts receivable	$ 3,401,491	$ 3,401,491	2	N/A

Forward contracts	July 31, 2014	April 30, 2014
Opening balance at the beginning of the period/year	$ –	$ 9,830
Fair value of forward contract, at issuance	–	–
Change in fair value of forward contracts since issuance	–	180,396
Fair value of forward contracts settled during the period/year	–	(190,226)
Fair value of forward contracts at end of period/year	$ –	$ –

Note 5 Common Stock

Stock Options

The Company has a stock option plan (the “2010 Stock Option Plan”) under which options to purchase common shares of the Company may be granted to employees, directors and consultants. Stock options entitle the holder to purchase common shares at an exercise 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 of Directors of the Company under the stock option plan is 6,860,000 under the 2010 Stock Option Plan.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. In accordance with ASC 718 for employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is amortized over the vesting period or, if none exists, over the service period. Compensation associated with unvested options granted to non-employees is re-measured 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 historic data as prescribed by ASC 718 Share-Based Payment.

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 months ended July 31, 2014 and 2013 in determining the expense recorded in the accompanying consolidated statement of operations.

For the majority of the stock options granted, the number of shares issued on the date the stock options are exercised is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. Although these withheld shares are not issued or considered common stock repurchases under our authorized plan and are not included in the common stock repurchase totals in the preceding table, they are treated as common stock repurchases in our consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting.

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, 2014 was $1.15 (2013 - $1.90) . The weighted-average assumptions utilized to determine such values are presented in the following table:

	Three Months Ended	
	July 31, 2014	July 31, 2013
Risk-free interest rate	1.65%	1.38%
Expected volatility	58.20%	73.25%
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, 2014 and the stock option activity during the three months ended July 31, 2014:

	Number of Options	Weighted Average Exercise Price per Share
Outstanding at April 30, 2014	3,705,539	$ 1.62
Granted	700,000	$ 1.15
Exercised	(2,920)	$ 0.47
Forfeited/Cancelled	(308,730)	$ 1.45
Outstanding at July 31, 2014	4,093,889	$ 1.55
Exercisable at July 31, 2014	1,923,473	$ 1.59
Exercisable at April 30, 2014	1,767,621	$ 1.60

Note 5 Common Stock – (cont'd)

Stock Options – (cont'd)

The following table summarizes stock options outstanding as of July 31, 2014:

Exercise Price	Number of Options Outstanding		Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable		Aggregate Intrinsic Value
$0.47	123,350	$	81,411	October 10, 2014 to September 26, 2016	123,350	$	81,411
$0.60	359,373		190,468	December 14, 2014	359,373		190,468
$1.15	700,000		–	July 11, 2019	–		–
$1.23	100,000		–	January 13, 2019	12,500		–
$1.31	600,000		–	December 12, 2018	87,500		–
$1.41	100,000		–	October 1, 2018	18,750		–
$1.44	29,166		–	September 12, 2018	29,166		–
$1.70	650,000		–	December 14, 2016	419,792		–
$1.88	30,000		–	December 13, 2017	11,875		–
$1.90	845,000		–	December 14, 2015 to July 25, 2018	456,667		–
$2.00	12,000		–	December 31, 2014 to February 28, 2015	12,000		–
$2.15	240,000		–	September 7, 2016	240,000		–
$2.90	305,000		–	July 19, 2017	152,500		–
July 31, 2014	4,093,889	$	271,879		1,923,473	$	271,879
April 30, 2014	3,705,539	$	353,637		1,767,621	$	332,137

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of $1.13 per share as of July 31, 2014 (April 30, 2014 – $1.25), 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, 2014 was 482,723 (April 30, 2014 – 485,726). The total intrinsic value of options exercised during the three months ended July 31, 2014 was $1,927 (2013 – $67,757). The grant date fair value of options vested during the three months ended July 31, 2014 was $195,957 (2013 – $119,788).

The following table summarizes non-vested stock purchase options outstanding as of July 31, 2014.

	Number of Options		Weighted Average Grant Date Fair Value
Non-vested options at April 30, 2014	1,937,918	$	0.87
Granted	700,000	$	1.15
Vested	(220,627)	$	0.89
Cancelled/Forfeited	(246,875)	$	0.67
Non-vested options at July 31, 2014	2,170,416	$	0.77

Note 5 Common Stock – (cont'd)

Stock Options – (cont'd)

As of July 31, 2014, there was $1,378,692 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 2.8 years.

Employee and non-employee stock-based compensation amounts classified in the Company's consolidated statements of operations for the three months ended July 31, 2014 and 2013 are as follows:

	Three Months Ended July 31,	
	2014	2013
Cost of sales	$ 18,476	$ 8,553
Sales and marketing	60,888	89,340
Research and development	15,546	8,686
General and administrative	61,191	33,487
Total stock-option based compensation	$ 156,101	$ 140,066

Warrants

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.

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. The 732,500 warrants issued expired unexercised on June 20, 2014.

Note 5 **Common Stock – (cont'd)**

Warrants – (cont'd)

Following the guidance in ASC 815-40-15, the Company recorded the warrants issued on June 19, 2012 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, 2014	April 30, 2014
Opening balance at the beginning of the period/year	$ –	$ 93,057
Fair value of warrant liability, at issuance	–	–
Change in fair value of warrant liability	–	(93,057)
Fair value of warrants exercised during the period/year	–	–
Fair value of warrant liability at end of period/year	$ –	$ –

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

	As at July 31, 2014	As at April 30, 2014	As at the date of issuance June 14, 2011
Risk-free interest rate	–	–	1.60%
Expected volatility	–	–	70%
Expected term	–	–	1.5 years to 2 years
Dividend yield	–	–	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.

The following table summarizes warrants outstanding as of July 31, 2014:

	Number of Warrants	Weighted Average Exercise Price	Expiry Dates
Warrants at April 30, 2014	732,500	$ 3.25	June 19, 2014
Granted	–	–	–
Exercised	–	–	–
Expired	(732,500)	$ 3.25	–
Warrants at July 31, 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, 2014, the Company matched $14,973 (2013 - $56,250) in shares purchased by employees under the ESPP. During the three months ended July 31, 2014, 39,366 shares (2013 – 22,771) were purchased on the open market under the ESPP.

A total of 700,000 shares have been reserved for issuance under the ESPP. As of July 31, 2014, a total of 556,401 shares were available for issuance under the ESPP.

Normal Course Issuer Bid Plan

Pursuant to a normal course issuer bid ("NCIB") commencing 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. The NCIB was renewed on March 19, 2014 (expiring March 18, 2015) and the Company was authorized to purchase 2,458,153 of its common shares. During the period from March 19, 2013 to March 18, 2014, the Company repurchased 180,870 common shares at an average price of $1.53 (CDN$1.61) for a total of $276,731 and during the period from March 19, 2014 to July 31, 2014, the Company repurchased 69,000 common shares at an average price of $1.24 (CDN$1.35) for a total of $85,560. As of July 31, 2014, a total of 304,158 shares have been cancelled and the remaining 47,800 repurchased shares are in the process of being cancelled since the NCIB was initiated.

Deferred Share Unit Plan

Under the terms of the Deferred Share Unit Plan (the "DSUP"), each deferred share unit ("DSU") is equivalent to one common share. The maximum number of common shares 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 common shares of the Company outstanding at the time of reservation. A DSU granted to a participant who is a director 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 shares 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, 2014, 326,613 (2013 - 172,201) DSUs were issued under the DSUP, of which 145,161 were granted to officers or employees and 181,452 were granted to non-employee directors. As of July 31, 2014, a total of 260,814 common 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, 2014, and changes during the period then ended:

	Number of DSU's	Weighted Average Grant Date Fair Value Per Unit
DSUs outstanding at April 30, 2014	1,672,434	$ 1.09
Granted	326,613	$ 1.17
Conversions	–	–
DSUs outstanding at July 31, 2014	1,999,047	$ 1.10

The following table summarizes information regarding the non-vested DSUs outstanding as of July 31, 2014:

	Number of DSU's	Weighted Average Grant Date Fair Value Per Unit
Non-vested DSUs at April 30, 2014	156,778	$ 2.16
Granted	326,613	$ 1.17
Vested	(231,701)	$ 1.52
Non-vested DSUs at July 31, 2014	251,690	$ 1.47

As of July 31, 2014 there was $369,365 (2013 – $351,416) 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 1.47 years (2013 – 2.10 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, 2014 and 2013 are as follows:

	Three Months Ended July 31,	
	2014	2013
Sales and marketing	$ 1,667	$ 6,667
Research and development	2,082	2,082
General and administrative	208,762	225,735
Total DSU-based compensation	$ 212,511	$ 234,484

Note 6 Segmented Information

The Company's chief operating decision maker reviews financial information presented on a consolidated basis, accompanied by disaggregated 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, 2014 and 2013:

	Three Months Ended July 31,	
	2014	2013
North America	$ 2,322,508	$ 1,894,107
Europe	389,449	425,031
Asia and Africa	233,934	272,120
Latin America	81,280	268,229
	$ 3,027,171	$ 2,859,487

Contained within the results of North America for the three months ended July 31, 2014 are revenues from the United States of $2,019,401 (2013 - $1,208,859) and from Canada of $303,107 (2013 - $685,248).

Contained within the results of Europe for the three months ended July 31, 2014 are revenues from the United Kingdom of $117,183 (2013 - $162,140), from Germany of $49,761 (2013 - $47,161), from Ireland of $43,401 (2013- $59,344), from Switzerland of $24,374 (2013 - $9,320), and from Greece of $23,457 (2013 - $5,669).

Contained within the results of Asia and Africa for the three months ended July 31, 2014 are revenues from Japan of $102,409 (2013 - $154,668), from Hong Kong of $28,345 (2013 - $nil), and from Australia of $27,219 (2013 - $25,290).

Contained within the results of Latin America for the three months ended July 31, 2014 are revenues from Mexico of $17,694 (2013 - $151,848).

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, 2014	April 30, 2014
Canada	$ 8,306,806	$ 8,230,891
United States	53,628	44,816
	$ 8,360,434	$ 8,275,707

Revenue from significant customers for the three months ended July 31, 2014 and 2013 is summarized as follows:

	Three Months Ended July 31,	
	2014	2013
Customer A	3%	10%

Accounts receivable balances for Customer A were $286,219 as at July 31, 2014 (April 30, 2014 - $253,441).

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 $45,985 was made. The monthly lease payment under the agreement is $21,821 plus $22,296 in operating costs. On November 27, 2013, the Company entered into an extension of this lease agreement, which commences on October 1, 2014 and expires on September 30, 2019. The monthly lease payment under the extension agreement is $23,719 plus $22,296 in operating costs.

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 $5,375 (CDN$6,009). On November 4, 2013, the Company entered into an extension of this lease agreement, which commenced on January 1, 2014 and expires on April 30, 2019. The monthly lease payment under the extension agreement is $4,100 plus $3,819 in operating costs. This lease expense is a related party transaction as it was incurred with a company with a director in common with the Company.

c) From March 2013 to April 2014, the Company entered into various lease agreements with commencement dates between April 2013 and May 2014 and that expire between May 2016 and May 2017. The combined monthly lease payments are $9,907 plus $495 in operating expenses.

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
2015	$ 71,266	$ 469,025	$ 540,291
2016	95,021	644,435	739,456
2017	95,021	593,417	688,438
2018	95,021	572,644	667,665
2019	95,021	574,941	669,962
2020	–	239,559	239,559
	$ 451,350	$ 3,094,021	$ 3,545,371

Note 8 **Earnings (loss) per common share ("EPS")**

Computation of basic and diluted EPS:

	Three Months Ended July 31, 2014	Three Months Ended July 31, 2013
Net income (loss)	$ (1,063,373)	$ (1,225,291)
Weighted average common shares outstanding – basic and diluted	42,592,851	41,934,880
Basic and diluted EPS	$ (0.02)	$ (0.03)

As at July 31, 2014 and July 31, 2013, common share equivalents, consisting of common shares issuable, on exercise of options, warrants and DSUs of 6,092,936 and 6,117,804, respectively, were not included in the computation of diluted EPS because the effect was anti-dilutive.

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 acquired all of the shares of NewHeights Software Corporation ("NewHeights") through the issuance of 7,680,168 shares of our common stock and 369,836 preferred shares issued from a subsidiary of our company, which preferred shares were exchangeable into 369,836 shares of our common stock.

On February 1, 2008, we acquired all of the shares of FirstHand Technologies Inc. ("FirstHand") through the issuance of 5.9 million shares of our common stock. On February 1, 2008, we acquired all of the issued and outstanding shares of BridgePort Networks, Inc. ("BridgePort Networks") by way of merger in consideration for the assumption of all of the assets and liabilities of BridgePort Networks.

Business of CounterPath

We design, develop and sell software and services that enable enterprises and telecommunication service providers to deliver Unified Communications (UC) services, including voice, video, messaging and collaboration functionality, over their Internet Protocol, or IP, based networks. We are capitalizing upon numerous industry trends, including the rapid adoption of mobile technology, the proliferation of bring-your-own-device to work programs, the need for secure business communications, the need for centralized provisioning, the migration towards cloud-based services and the migration towards all IP networks. We are also capitalizing on a trend where communication services such as Skype and WhatsApp are becoming more available over-the-top (OTT) of the incumbent operators' networks or enterprise networks. Enterprises typically leverage our Enterprise OTT solutions to increase employee productivity and to reduce certain costs. Telecommunication service providers typically deploy our Operator OTT solutions as part of a broad strategy to defend their subscriber base from competitive threats by offering innovative new services. Our original equipment manufacturers and value added resellers typically integrate our solutions into their products and then sell a bundled solution to their end customers, which include telecommunication service providers and enterprises.

Revenue

We derive revenue from the sale of software licenses, software customization services, technical support services associated with the software licenses, implementation services, training services, and cloud based services. 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 solutions under perpetual license agreements that generate one time license revenue and under subscription license agreements that generate recurring license revenue. We sell our solutions through our own online store, through third-party online stores, directly using our in-house sales team and through channel partners. Our channel partners include original equipment manufacturers, value added distributers and value added resellers.

The amount of product configuration and customization required by a customer is reflected in the revenue generated from each customer. The number of software licenses purchased has a direct impact on the average selling price. Services and pricing 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, (b) related overhead, (c) billable and non-billable travel, lodging, and other out-of-pocket expenses, (d) payments to third party vendors for compression/decompression software known as codecs, (e) amortization of capitalized software that is implemented into our products and (f) warranty expense.

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 contractors 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, tax advisory 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 generally accepted accounting principles 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 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, a company existing under the laws of the province of British Columbia, Canada, and BridgePort Networks, a company 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 in the United States 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 generally accepted accounting principles in the United States. Except where noted, the interim consolidated financial statements follow the same accounting policies and methods of their application as our April 30, 2014 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, 2014 annual audited consolidated financial statements.

Operating results for the three months ended July 31, 2014 are not necessarily indicative of the results that can be expected for the year ending April 30, 2015.

Revenue Recognition

We recognize revenue in accordance with the American Institute of Certified Public Accountants ("AICPA") ASC 985-605 "Software Revenue Recognition", as amended by SOP 98-9 "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions."

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

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

For contracts with elements related to customized network solutions and certain network build-outs, we apply FASB Emerging Issues Task Force Issue ASC 605-25, "Revenue Arrangements with Multiple Deliverables" and revenues are recognized under ASC 605-35, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", generally using the percentage-of-completion method.

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

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

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

Stock-Based Compensation

Stock options granted are accounted for under ASC 718 (prior authoritative literature: Statement of Financial Accounting Standards (“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 Financial Accounting Standards (“FAS”) 123 and Accounting Principles Board (“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 based on analysis of historical data. 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% for the three months ended July 31, 2014 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, 2014, we recorded an expense of $368,612 in connection with share-based payment awards. A future expense of non-vested options of $1,378,692 is expected to be recognized over a weighted-average period of 2.8 years. A future expense of non-vested deferred share units of $359,491 is expected to be recognized over a weighted-average period of 2.4 years.

Research and Development Expense for Software Products

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Goodwill

We have goodwill on our balance sheet related to the acquisitions of NewHeights and FirstHand. Goodwill is carried and reported at acquisition cost. The determination of the net carrying value of goodwill and the extent to which, if any, there is impairment, is dependent on material estimates and judgments on our part, including the estimates of the value of future net cash flows, which are based upon further estimates of future revenues, expenses and operating margins.

Goodwill—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. 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, 2014.

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, 2012. 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, 2014 we had no foreign currency forward contracts. 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.

Use of Estimates

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

Results of Operations

Our operating activities during the three months ended July 31, 2014 consisted primarily of selling our IP telephony software and related services to telecom service provider enterprises and channel partners serving the telecom and enterprise segments, 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, 2014 and April 30, 2014 and for the three months ended July 31, 2014 and 2013 has been derived from the consolidated unaudited financial statements and accompanying notes for the three months ended July 31, 2014 and 2013 and the audited consolidated financial statements for the fiscal year ended April 30, 2014. Each investor should read the following information in conjunction with those statements and the related notes thereto.

Selected Consolidated Balance Sheet Data	**July 31, 2014**	**April 30, 2014**
Cash and cash equivalents	$ 6,852,017	$ 7,172,798
Current assets	$ 9,901,947	$ 10,735,916
Current liabilities	$ 4,201,124	$ 4,031,301
Total liabilities	$ 4,286,533	$ 4,056,932
Total assets	$ 18,381,915	$ 19,136,890

Selected Consolidated Statements of Operations Data	Three Months Ended July 31, 2014		2013	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue	$ 3,027,171	100%	$ 2,859,487	100%
Operating expenses	$ 4,455,539	147%	$ 4,197,543	147%
Income (loss) from operations	($1,428,368)	(47%)	($1,338,056)	(47%)
Interest and other income, net	$ 7,694	–%	$ 26,714	1%
Fair value adjustment on derivative instrument	–	–%	$ 85,987	3%
Foreign exchange gain (loss)	$ 357,301	12%	$ 64	–%
Net income (loss) before income taxes	($1,063,373)	(35%)	($1,225,291)	(43%)
Net income (loss) per share -Basic and diluted	($0.02)		($0.03)	
Weighted average common shares outstanding -Basic and diluted	42,592,851		41,934,880	

Revenue

	Three Months Ended July 31, 2014		2013		Period-to-Period Change	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Amount	Percent Increase / (Decrease)
Revenue by Type						
Software	$ 1,873,948	62%	$ 1,647,520	58%	$ 226,428	14%
Service	$ 1,153,223	38%	$ 1,211,967	42%	($58,744)	(5%)
Total revenue	$ 3,027,171	100%	$ 2,859,487	100%	$ 167,684	6%
Revenue by Region						
International	$ 704,663	23%	$ 965,380	34%	($260,717)	(27%)
North America	$ 2,322,508	77%	$ 1,894,107	66%	$ 428,401	23%
Total revenue	$ 3,027,171	100%	$ 2,859,487	100%	$ 167,684	6%

For the three months ended July 31, 2014, we generated $3,027,171 in revenue compared to $2,859,487 for the three months ended July 31, 2013, representing an increase of $167,684 or 6%. Software revenue increased $226,428 or 14% to $1,873,948 for the three months ended July 31, 2014 compared to $1,647,520 for the three months ended July 31, 2013. The increase in software revenue was primarily a result of an increase in sales to enterprises and channel partners partially offset by a decrease in sales to service providers. Service revenue for the three months ended July 31, 2014 was $1,153,223 compared to $1,211,967 for the three months ended July 31, 2013. The decrease of $58,744 or 5% in service revenue was primarily a result of a decrease in service sales to service providers largely offset by an increase in service sales to enterprises and channel partners. North American revenue increased by 23% compared to the three months ended July 31, 2013, primarily as a result of higher sales of software and services to enterprises and channel partners partially offset by weaker sales to service providers. International revenue outside of North America decreased by 27% during the three months ended July 31, 2014 compared to the three months ended July 31, 2013, primarily due to lower sales to service providers in Latin America, Europe, and Asia and Africa.

Operating Expenses

Cost of Sales

Cost of sales for the three months ended July 31, 2014 and 2013 were as follows:

	July 31, 2014		**July 31, 2013**		**Period-to-Period Change**	
	Amount	**Percent of Revenue**	**Amount**	**Percent of Revenue**	**Amount**	**Percent Increase / (Decrease)**
Three months ended	$ 618,054	20%	$ 557,455	19%	$ 60,599	11%

Cost of sales was $618,054 for the three months ended July 31, 2014 compared to $557,455 for the three months ended July 31, 2013. The increase of $60,599 was primarily attributable to an increase in wages, benefits and consulting fees of approximately $43,000, an increase in other expenses of approximately $15,000 and an increase in stock based compensation of approximately $10,000. The increases in cost of sales was partially offset by a decrease in licenses and permits of approximately $7,000 due to lower sales of those licenses.

Sales and Marketing

Sales and marketing expenses for the three months ended July 31, 2014 and 2013 were as follows:

	July 31, 2014		**July 31, 2013**		**Period-to-Period Change**	
	Amount	**Percent of Revenue**	**Amount**	**Percent of Revenue**	**Amount**	**Percent Increase / (Decrease)**
Three months ended	$ 1,137,768	38%	$ 1,213,483	42%	($75,715)	(6%)

Sales and marketing expenses were $1,137,768 for the three months ended July 31, 2014 compared to $1,213,483 for the three months ended July 31, 2013. The decrease of $75,715 was primarily attributable to a decrease in travel and trade show expenses of approximately $38,000, a decrease in stock based compensation of approximately $33,000 and a decrease in other expenses of approximately $5,000.

Research and Development

Research and development expenses for the three months ended July 31, 2014 and 2013 were as follows:

	July 31, 2014		**July 31, 2013**		**Period-to-Period Change**	
	Amount	**Percent of Revenue**	**Amount**	**Percent of Revenue**	**Amount**	**Percent Increase / (Decrease)**
Three months ended	$ 1,496,206	49%	$ 1,413,075	49%	$ 83,131	6%

Research and development expenses were $1,496,206 for the three months ended July 31, 2014 compared to $1,413,075 for the three months ended July 31, 2013. The increase of $83,131 was primarily attributable to an increase in wages, benefits and consulting fees of approximately $90,000 and an increase in stock based compensation of approximately $7,000. The increase in research and development expense was partially offset by a decrease in other expenses of approximately $14,000.

General and Administrative

General and administrative expenses for the three months ended July 31, 2014 and 2013 were as follows:

	July 31, 2014		July 31, 2013		Period-to-Period Change	
	Amount	**Percent of Revenue**	**Amount**	**Percent of Revenue**	**Amount**	**Percent Increase / (Decrease)**
Three months ended	$ 1,203,511	40%	$ 1,013,530	35%	$ 189,981	19%

General and administrative expenses were $1,203,511 for the three months ended July 31, 2014 compared to $1,013,530 for the three months ended July 31, 2013. The increase of $189,981 in general and administrative expenses was primarily attributable to an increase in patent costs of approximately $62,000, an increase in investor relations costs of $47,000, an increase in legal, audit and professional expenses of approximately $30,000, an increase in filing fees of approximately $20,000, an increase in depreciation of approximately $12,000, an increase in stock based compensation of approximately $11,000 and an increase in other expenses of approximately $8,000.

Interest and Other Income

Interest income for the three months ended July 31, 2014 was $8,049 compared to $27,485 for the three months ended July 31, 2013. Interest expense for the three months ended July 31, 2014 was $355 compared to $771 for the three months ended July 31, 2013.

Foreign exchange gain (loss) for the three months ended July 31, 2014 was $357,301 compared to $64 for the three months ended July 31, 2013. The foreign exchange gain (loss) represents the gain (loss) on account of translation of the intercompany accounts of our subsidiaries which maintain their records in currencies other than U.S. dollars and transactional losses and gains. As well, the foreign exchange gain (loss) includes the translation of funds held in the parent company in currencies other than U.S. dollars.

Liquidity and Capital Resources

As of July 31, 2014, we had $6,852,017 in cash and cash equivalents compared to $7,172,798 as of April 30, 2014, representing a decrease of $320,781. Our working capital was $5,700,823 at July 31, 2014 compared to $6,704,615 at April 30, 2014, representing a decrease of $1,003,792. 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 $5,124,248 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 outflow of $233,551 for the three months ended July 31, 2014. This compares to a net cash inflow of $179,864 for the same period last year representing an increase of $413,415 in cash outflow from operations compared to the same period last year. The net cash outflow from operating activities for the three months ended July 31, 2014 was primarily a result of a net loss of $1,063,373 and a non-cash foreign exchange gain of $348,247. The net cash outflow was offset by a decrease in accounts receivable of $518,036, an increase in accounts payable of $113,223 and by adjustment for non-cash expenses including $368,612 for stock based compensation and $67,510 of depreciation and amortization.

Investing Activities

Investing activities resulted in a net cash outflow of $73,699, for the three months ended July 31, 2014 primarily for purchases of computer equipment. This compares with a net cash outflow from investing activities of $20,405 for the same period last year primarily for purchases of computer equipment. At July 31, 2014, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash outflow of $55,671 for the three months ended July 31, 2014 compared to a net cash outflow of $68,326 for the three months ended July 31, 2013. The net cash outflow was primarily a result of repurchasing 46,800 shares of common stock at an average price of $1.18 per share for $55,458.

Off-Balance Sheet Arrangements

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

New Accounting Pronouncements

In December 2011, FASB issued Accounting Standards Updates ("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. We adopted this standard as of May 1, 2014 and it did not materially impact the consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue From Contracts With Customers* ("Topic 606"). Topic 606 removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provides more useful information to users of financial statements through improved disclosure requirements and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The guidance in this update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. Topic 606 is effective for public entities with reporting periods beginning after December 15, 2016. Early adoption is not permitted. We have not yet evaluated the impact of the adoption of this new standard.

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, 2014, 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, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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 increased to $4,455,539 for the three months ended July 31, 2014 from $4,197,543 for the three months ended July 31, 2013 while our revenue increased to $3,027,171 for the three months ended July 31, 2014 from $2,859,487 for the three months ended July 31, 2013. 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 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.

Our inability to compete successfully in our markets would harm our operating results and negatively affect our 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. For example, we will be noncompliant with NASDAQ continued listing requirements if our common stock trades for 30 consecutive business days below the $1.00 minimum closing bid price requirement. 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 gain 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.

We may not successfully sell our products in certain geographic markets or develop and manage new sales channels in accordance with our business plan.

We expect to continue to sell our products in certain geographic markets where we do not have significant current business and to a broader customer base. To succeed in certain of these markets, we believe we will need to develop and manage new sales channels and distribution arrangements. Because we have limited experience in developing and managing such channels, we may not be successful in further penetrating certain geographic regions or reaching a broader customer base. Failure to develop or manage additional sales channels effectively would limit our ability to succeed in these markets and could adversely affect our ability to grow our customer base and revenue.

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 the course of our sales to customers, we may encounter difficulty collecting accounts receivable and could be exposed to risks associated with uncollectible accounts receivable. Economic conditions may impact some of our customers' ability to pay their accounts payable. 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. While we attempt to monitor these situations carefully and attempt to take appropriate measures to collect accounts receivable balances, we have written down accounts receivable and written off doubtful accounts in prior periods and may be unable to avoid accounts receivable write-downs or write-offs of doubtful accounts in the future. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur and could harm our operating results.

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 year ended April 30, 2014 is the Canadian dollar. We are primarily exposed to a fluctuating 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 as of July 31, 2014 (2013 - 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, 2014, we had no foreign currency forward contracts. 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, 2014 was $nil (2013- $2,760).

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 42,586,267 shares of common stock that were issued and outstanding as of July 31, 2014, our directors owned approximately 27% 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 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 stock options and deferred share units exercise or convert all of their vested stock options and deferred share units as at July 31, 2014, then we would be required to issue an additional 3,670,830 shares of our common stock, which would represent approximately 9% of our issued and outstanding common stock after such issuances. The exercise of any or all outstanding 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.

Recent Sales of Unregistered Securities

On July 11, 2014, we granted 326,613 deferred share units to five non-employee directors and two officers exchangeable into 326,613 shares of our common stock on a one for one basis pursuant to our Deferred Share Unit Plan. 145,161 of the deferred share units vest immediately and 181,452 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 11, 2014, we granted 700,000 stock options pursuant to our 2010 Stock Option Plan to 20 employees. Each stock option entitles the holder thereof the right to purchase one share of common stock at a price equal to $1.15. 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 340,000 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 360,000 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 (Canadian dollars)**	**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, 2014 to May 31, 2014(1)	15,400	$1.33	15,400	2,420,553
June 1, 2014 to June 30, 2014(1)	11,700	$1.22	11,700	2,408,853
July 1, 2014 to July 31, 2014(1)	19,700	$1.26	19,700	2,389,153
Total	**46,800**	**$1.27(2)**	**46,800**	**2,389,153**

(1) Pursuant to a normal course issuer bid, announced on March 17, 2014, which commenced on March 19, 2014 and expires on March 18, 2015, to purchase up to 2,458,153 shares of our common stock.

(2) Weighted average price.

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).
3.8	Certificate of Amendment to Articles of Incorporation (incorporated by reference from our Quarterly Report in the Form 10-Q filed on December 12, 2013).
(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	Amended Deferred Share Unit Plan effective September 25, 2013 (incorporated by reference from our Quarterly Report in the Form 10-Q filed on December 12, 2013).
(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	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).
10.4	Form of Subscription Agreement dated October 29, 2009 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on November 4, 2009).
(14)	**Code of Ethics**
14.1	Code of Business Conduct and Ethics (incorporated by reference from our Annual Report on Form 10- KSB filed on July 29, 2004).
14.2	Code of Business Conduct and Ethics and Compliance Program (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 15, 2008).
(21)	**Subsidiaries of CounterPath Corporation**
	CounterPath Technologies Inc. (incorporated in the Province of British Columbia, Canada)
	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).
(101)	**XBRL**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 11, 2014

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

Date: September 11, 2014

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 11, 2014

/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 11, 2014

/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, 2014, 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 11, 2014

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, 2014, 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 11, 2014