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 **January 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 website, 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: 42,215,912 shares of common stock issued and outstanding as of March10, 2014.

COUNTERPATH CORPORATION
JANUARY 31, 2014 QUARTERLY REPORT ON FORM 10-Q

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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 January 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
January 31, 2014
(Unaudited)
(Stated in U.S. Dollars)

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

	January 31, 2014	April 30, 2013
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 8,143,613	$ 11,229,595
Accounts receivable (net of allowance for doubtful accounts of $383,575 and $456,051, respectively)	3,659,084	4,640,620
Prepaid expenses and deposits	165,178	139,591
Total current assets	11,967,875	16,009,806
Deposits	121,526	125,160
Equipment	129,807	167,986
Derivative instruments – Note 4	–	9,830
Goodwill – Note 2(e)	7,890,430	8,660,930
Other assets	100,295	82,165
Total Assets	$ 20,209,933	$ 25,055,877
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,237,232	$ 2,363,311
Derivative instruments – Note 4	71,108	93,057
Unearned revenue	1,589,298	1,442,511
Customer deposits	800,553	9,553
Accrued warranty	71,961	91,151
Total current liabilities	4,770,152	3,999,583
Deferred lease inducements	4,438	30,110
Unrecognized tax benefit	98,575	98,575
Total liabilities	4,873,165	4,128,268
Stockholders' equity:		
Preferred stock, $0.001 par value Authorized: 100,000,000 Issued and outstanding: January 31, 2014 – nil; April 30, 2013 – 1	–	–
Common stock, $0.001 par value – Note 5 Authorized: 100,000,000 Issued: January 31, 2014 –42,232,092; April 30, 2013 – 41,958,350	42,232	41,959
Treasury stock	(17)	(79)
Additional paid-in capital	66,875,468	66,191,140
Accumulated deficit	(50,531,818)	(44,974,491)
Accumulated other comprehensive income (loss) – currency translation adjustment	(1,049,097)	(330,920)
Total stockholders' equity	15,336,768	20,927,609
Liabilities and Stockholders' Equity	$ 20,209,933	$ 25,055,877

Commitments– Note 7

See accompanying notes to the consolidated financial statements

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	2013	2014	2013
Revenue – Note 6:				
Software	$ 1,462,477	$ 2,117,042	$ 4,561,472	$ 6,456,913
Service	1,141,411	1,149,046	3,448,713	4,759,730
Total revenue	2,603,888	3,266,088	8,010,185	11,216,643
Operating expenses:				
Cost of sales (includes depreciation of $61,058 (2013 – $22,071) and amortization of intangible assets of $nil (2013 – $29,306))	529,645	537,433	1,658,957	1,723,232
Sales and marketing	1,310,846	1,110,201	3,839,750	3,193,453
Research and development	1,340,654	1,447,921	4,078,037	4,093,527
General and administrative	1,007,563	952,997	3,122,550	3,496,408
Total operating expenses	4,188,708	4,048,552	12,699,294	12,506,620
Income (loss) from operations	(1,584,820)	(782,464)	(4,689,109)	(1,289,977)
Interest and other income (expense), net:				
Interest and other income	19,984	73,317	104,458	135,260
Interest expense	(662)	(124)	(1,594)	(748)
Fair value adjustment on derivative instruments – Note 4	(61,294)	531,436	12,119	1,524,600
Foreign exchange gain (loss)	(578,280)	6,110	(967,465)	1,573
Net income (loss) for the period before income taxes	(2,205,072)	(171,725)	(5,541,591)	370,708
Income tax expense	(15,736)	–	(15,736)	–
Net income (loss) for the period	$ (2,220,808)	$ (171,725)	$ (5,557,327)	$ 370,708
Net income (loss) per share:				
Basic and diluted – Note 8	$ (0.05)	$ 0.00	$ (0.13)	$ 0.01
Weighted average common shares outstanding:				
Basic and diluted – Note 8	42,174,448	41,836,341	42,038,923	41,385,413

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	$ (2,220,808)	$ (171,725)	$ (5,557,327)	$ 370,708
Other comprehensive income (loss):				
Foreign currency translation adjustments	(433,950)	8,143	(718,177)	(120,566)
Comprehensive income (loss)	$ (2,654,758)	$ (163,582)	$ (6,275,504)	$ 250,142

See accompanying notes to the consolidated financial statements

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

	Nine Months Ended January 31, 2014	Nine Months Ended January 31, 2013
Cash flows from operating activities:		
Net income (loss) for the period	$ (5,557,327)	$ 370,708
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	174,032	134,414
Amortization of intangible assets	–	29,306
Deferred lease inducements	(23,992)	–
Stock-based compensation	848,026	812,108
Fair value adjustment on derivative instruments	(12,119)	(1,524,600)
Foreign exchange (gain) loss	915,618	(1,573)
Changes in assets and liabilities:		
Accounts receivable	978,448	156,765
Prepaid expenses and deposits	(24,870)	40,067
Increase (decrease) in other assets	(17,884)	(48,292)
Accounts payable and accrued liabilities	(236,484)	(113,566)
Unearned revenue	146,787	972,604
Customer deposits	791,000	(4,319)
Accrued warranty	(19,190)	8,382
Net cash generated from (used in) operating activities	(2,037,955)	832,004
Cash flows from investing activities:		
Purchase of equipment	(151,458)	(221,266)
Deposits	–	(43,458)
Net cash used in investing activities	(151,458)	(264,724)
Cash flows from financing activities:		
Common stock issued	17,184	4,104,362
Common stock repurchased	(180,548)	–
Net cash provided by (used) in financing activities	(163,364)	4,104,362
Foreign exchange effect on cash	(733,205)	4,408
Increase (decrease) in cash	(3,085,982)	4,676,050
Cash, beginning of the period	11,229,595	8,154,139
Cash, end of the period	$ 8,143,613	$ 12,830,189
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 1,585	$ 748
Income taxes paid	$ 15,736	$ –
Non cash transactions – Note 5		

See accompanying notes to the consolidated financial statements

COUNTERPATH CORPORATION
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
for the Nine Months Ended January 31, 2014

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

	Common Shares		Treasury Shares		Preferred Shares					
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, April 30, 2013	41,958,350	$ 41,959	(78,608)	$ (79)	1	$ –	$ 66,191,140	$ (44,974,491)	$ (330,920)	$ 20,927,609
Shares issued:										
Exercise of stock options	379,826	380	–	–	–	–	101,432	–	–	101,812
Share repurchase plan	–	–	(143,268)	(143)	–	–	143	–	–	–
Cancellation of shares – Note 5	(205,096)	(205)	205,096	205	–	–	(180,548)	–	–	(180,548)
Conversion of deferred share units	99,012	98	–	–	–	–	(84,725)	–	–	(84,627)
Stock-based compensation – Note 5	–	–	–	–	–	–	848,026	–	–	848,026
Cancellation of preferred share	–	–	–	–	(1)	–	–	–	–	–
Net Income (loss) for the period	–	–	–	–	–	–	–	(5,557,327)	–	(5,557,327)
Foreign currency translation adjustment	–	–	–	–	–	–	–	–	(718,177)	(718,177)
Balance, January 31, 2014 (unaudited)	42,232,092	$ 42,232	(16,780)	$ (17)	–	$ –	$ 66,875,468	$ (50,531,818)	$ (1,049,097)	$ 15,336,768

See accompanying notes to the consolidated financial statements

Note 1 **Nature of Operations**

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

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

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

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

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

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

The Company focuses on the design, development, marketing and sales of personal computer and mobile device application software, conferencing software, gateway (server) software and related professional services, such as pre and post sales technical support and customization services. The Company's products are sold into the Voice over Internet Protocol ("VoIP") market primarily to telecom carriers, telecom channel partners and businesses globally.

Note 2 **Significant Accounting Policies**

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and are stated in U.S. dollars except where otherwise disclosed. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for the period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business.

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

a) Basis of Presentation

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

b) Interim Reporting

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

These statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with 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, 2013 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, 2013 annual audited consolidated financial statements.

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

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 provisions of the new disclosure requirements are effective for the company starting May 1, 2014. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

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

c) New Accounting Pronouncements – (cont'd)

In July 2012, FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350), Testing Indefinite Lived Intangible Assets For Impairments*, that permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. An entity would continue to calculate the fair value of an indefinite-lived intangible asset if the asset fails the qualitative assessment, while no further analysis would be required if it passes. The Company has adopted this standard as of May 1, 2013 and it did not materially impact the consolidated financial statements.

In February 2013, FASB issued ASU 2013-02, *Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, that requires an entity to disclose information showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. The provisions of this new guidance was effective prospectively from May 1, 2013. The adoption of the standard required the Company to disclose the nature of changes in other comprehensive income that will have an impact on net income or loss in the future. The Company has accumulated other comprehensive income relating to the translation of its subsidiary's financial information into the presentation currency of the Company's financial statements, which would reverse through net income or loss should the underlying assets and liabilities be disposed of.

d) Derivative Instruments

The Company accounts for derivative instruments, consisting of foreign currency forward contracts, pursuant to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* ("SFAS 161"), effective at the beginning of the first quarter of fiscal year 2010. SFAS 161 was incorporated into Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires the Company to measure derivative instruments at fair value and record them in the balance sheet as either an asset or liability and expands financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, results of operations and cash flows. The Company does not use derivative instruments for trading purposes. The Company did not enter into any foreign currency derivatives designed as cash flow hedges in the nine months ended January 31, 2014 (2013- none).

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

The Company also routinely enters into foreign currency forward contracts, not designated as hedging instruments, to protect it 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.

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

d) Derivative Instruments – (cont'd)

The Company records foreign currency forward contracts on its consolidated balance sheets as derivative instruments assets or liabilities depending on whether the net fair value of such contracts is a net asset or net liability, respectively (see Note 11 "Derivative Financial Instruments and Risk Management" of the Notes to the Company's Audited Consolidated Financial Statements for the year ended April 30, 2013).

e) Goodwill and Intangible Assets

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

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

Goodwill of $6,339,717 (CDN$6,704,947) and $2,083,960 (CDN$2,083,752) was initially recorded in connection with the acquisition of NewHeights on August 2, 2007 and FirstHand on February 1, 2008. Translated to U.S. dollars using the period end rate, the goodwill balance at January 31, 2014 was $6,019,884 (CDN$6,704,947) (April 30, 2013 -$6,607,725) and $1,870,546 (CDN$2,083,414) (April 30, 2013 - $2,053,205), respectively. Management will perform its annual impairment test in its fiscal fourth quarter. No impairment charges were recorded for the nine months periods ended January 31, 2014 and 2013.

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

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

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

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

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

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

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

f) Accounts receivable and allowance for doubtful accounts

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

	January 31, 2014	April 30, 2013
Balance of allowance for doubtful accounts, beginning of period	$ 456,051	$ 334,294
Bad debt provision	340,828	265,970
Write-off of receivables	(413,304)	(144,213)
Balance of allowance for doubtful accounts, end of period	$ 383,575	$ 456,051

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

Note 3 **Related Party Transactions**

The Company's Chairman is the Chairman and founding shareholder of Mitel Networks Corporation ("Mitel"). On July 31, 2008, the Company entered into a source code license agreement whereby the Company licensed to Mitel the source code for the Your Assistant product in consideration of a payment of $650,000. Associated with the agreement, as amended on April 6, 2009, are license fees paid by Mitel of $13.50 per copy deployed, declining to $9.00 per copy deployed after two years and declining from $9.00 to $nil after four years. In addition, the agreement provides Mitel with a first right to match any third party offer to purchase the source code software and related intellectual property. As the period in which the Company earned license fees under the agreement ended on July 31, 2012, the Company's software license revenue for the three and nine months ended January 31, 2014, pursuant to the terms of these agreements, was $nil and $nil (2013 - $nil and $134,493), respectively.

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

During the three and nine months ended January 31, 2014, the Company through its wholly owned subsidiary, CounterPath Technologies, paid $17,227 and $51,679 (2013- $21,061 and $63,182), respectively, to Kanata Research Park Corporation ("KRP") for leased office space. KRP is controlled by the Chairman of the Company.

The Company's Chairman is a beneficial shareholder of Mitel Trade s.r.o. ("Mitel Trade"). On January 30, 2012, the Company sold products and services to Mitel Trade for consideration of $208,992. As at July 31, 2013, the Company determined the balance due from Mitel Trade as uncollectible and wrote off any remaining balance. As at January 31, 2014, the Company had an accounts receivable balance from Mitel Trade of $nil (April 30, 2013 - $206,500). The Company's revenue for the three and nine months ended January 31, 2014, was $nil and $nil (2013 - $11,064 and $33,287), respectively.

On November 21, 2013, the Company entered into an agreement with 8007004 (Canada) Inc. 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 $5,560 (2013 - $nil) for the three and nine months ended January 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 interest rates and the exchange rates associated with foreign currencies. The Company's primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk.

Foreign Currency Exchange Rate Risk

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

A majority of the Company's revenue activities are transacted in U.S. dollars. However, the Company is exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies, of which the most significant to the Company's operations for the nine months ended January 31, 2014 is the Canadian dollar. The Company is primarily exposed to a strengthening Canadian dollar as the Company's operating expenses are primarily denominated in Canadian dollars while revenues are primarily denominated in U.S. dollars. The Company's foreign currency risk management program includes foreign currency derivatives with cash flow hedge accounting designation that utilizes foreign currency forward contracts to hedge exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S. dollar-denominated cash flows. These instruments generally have a maturity of less than one year. For these derivatives, the 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.

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

Foreign Currency Exchange Rate Risk (cont'd)

The Company also routinely enters into foreign currency forward contracts, not designated as hedging instruments, to protect the Company from fluctuations in exchange rates. As of January 31, 2014, the Company had a $1,000,000 notional value foreign currency forward contract maturing on February 28, 2014. Notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of cash settlements under the contracts. The marked to market fair value of the forward contract as of January 31, 2014 is ($71,108) (April 30, 2013 - $9,830). The Company recorded a fair value marked to market gain (loss) for the three and nine months ended January 31, 2014 of ($61,294) and $12,119, respectively (2013 - $12,974 and $78,435, respectively).

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. The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis.

As at January 31, 2014	Carrying Amount	Fair Value	Fair Value Levels	Reference
Cash	$ 8,143,613	$ 8,143,613	1	
Accounts receivable	3,659,084	3,659,084	2	
Forward contracts	(71,108)	(71,108)	3	
Derivative warrant liability	$ –	$ –	3	Note 5

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

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

Fair Value Measurement (cont'd)

Forward contracts	**January 31, 2014**	**April 30, 2013**
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	25,630	32,405
Fair value of forward contracts settled during the period/year	(106,568)	(22,575)
Fair value of forward contracts at end of period/year	$ (71,108)	$ 9,830

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 a subscription price determined by the board of directors (the "Board") of the Company at the time of the grant. The options generally vest in the amount of 12.5% on the date which is six months from the date of grant and then beginning in the seventh month at 1/42 per month for 42 months, at which time the options are fully vested.

The maximum number of common shares authorized by the stockholders and reserved for issuance by the Board under the 2010 Stock Option Plan is 6,860,000.

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

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

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

The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period, whereas prior to the adoption of ASC 718 the Company recorded forfeitures based on actual forfeitures and recorded a compensation expense recovery in the period when the awards were forfeited. As a result, based on the Company's experience, the Company applied an estimated forfeiture rate of 15% for the nine month period ended January 31, 2014 and 2013 in determining the expense recorded in the accompanying consolidated statement of operations.

Note 5 Common Stock – (cont'd)

Stock Options – (cont'd)

The weighted-average fair value of options granted during the nine months ended January 31, 2014 was $0.79 (2013 - $2.81) . The weighted-average assumptions utilized to determine such values are presented in the following table:

	Nine Months Ended January 31, 2014	Nine Months Ended January 31, 2013
Risk-free interest rate	1.61%	0.88%
Expected volatility	68.09%	74.91%
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 January 31, 2014 and the stock option activity during the nine months ended January 31, 2014:

	Number of Options	Weighted Average Exercise Price per Share
Outstanding at April 30, 2013	3,930,818	$ 1.33
Granted	1,905,000	$ 1.49
Exercised	(459,571)	$ 0.46
Forfeited/Cancelled	(469,469)	$ 1.81
Expired	(48,000)	$ 0.47
Outstanding at January 31, 2014	4,858,778	$ 1.44
Exercisable at January 31, 2014	2,600,758	$ 1.25
Exercisable at April 30, 2013	2,677,887	$ 1.00

Note 5 Common Stock – (cont'd)

Stock Options – (cont'd)

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

Exercise Price	Number of Options Outstanding	Aggregate Intrinsic Value	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value
$0.47	157,270	$ 119,525	October 10, 2015 to September 26, 2016	157,270	$ 119,525
$0.60	384,498	242,234	December 14, 2014	384,498	242,234
$0.62	850,000	518,500	April 17, 2014	850,000	518,500
$1.12	150,000	16,500	January 6, 2019	–	–
$1.23	100,000	–	January 13, 2019	–	–
$1.31	600,000	–	December 12, 2018	–	–
$1.41	100,000	–	October 1, 2018	–	–
$1.44	250,000	–	September 12, 2018	–	–
$1.70	695,833	–	December 14, 2016	384,375	–
$1.88	30,000	–	December 13, 2017	8,125	–
$1.90	896,875	–	December 14, 2015 to July 25, 2018	377,396	–
$2.00	12,000	–	December 31, 2014 to February 28, 2015	12,000	–
$2.15	240,000	–	September 7, 2016	240,000	–
$2.26	37,302	–	March 14, 2018	37,302	–
$2.27	50,000	–	March 10, 2016	35,417	–
$2.90	305,000	–	July 19, 2017	114,375	–
January 31, 2014	4,858,778	$ 896,759		2,600,758	$ 880,259
April 30, 2013	3,930,818	$ 2,636,687		2,677,887	$ 2,464,253

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of $1.23 per share as of January 31, 2014 (April 30, 2013 – $1.87), which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of January 31, 2014 was 1,391,768 (April 30, 2013 –2,096,096). The total intrinsic value of options exercised during the nine months ended January 31, 2014 was $355,254 (2013– $207,021). The grant date fair value of options vested during the nine months ended January 31, 2014 was $448,234 (2013 – $493,513).

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

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested options at April 30, 2013	1,252,931	$ 1.09
Granted	1,905,000	$ 0.79
Vested	(452,651)	$ 0.99
Cancelled/Forfeited	(447,260)	$ 0.98
Non-vested options at January 31, 2014	2,258,020	$ 0.87

Note 5 Common Stock – (cont'd)

Stock Options – (cont'd)

As of January 31, 2014, there was $1,629,297 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 3 years.

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	**2013**	**2014**	**2013**
Cost of sales	$ 18,189	$ 8,247	$ 45,027	$ 25,884
Sales and marketing	72,517	74,476	269,790	201,483
Research and development	15,339	9,294	39,876	30,541
General and administrative	50,682	54,140	121,252	165,182
Total stock-option based compensation	$ 156,727	$ 146,157	$ 475,945	$ 423,090

Warrants

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

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

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

	January 31, 2014	**April 30, 2013**
Opening balance at the beginning of the period/year	$ 93,057	$ 2,026,944
Fair value of warrant liability, at issuance	–	–
Change in fair value of warrant liability	(93,057)	(1,753,368)
Fair value of warrants exercised during the period/year	–	(180,519)
Fair value of warrant liability at end of period/year	$ –	$ 93,057

Note 5 Common Stock – (cont'd)

Warrants – (cont'd)

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

	As at January 31, 2014	As at April 30, 2013	As at the date of issuance June 14, 2011
Risk-free interest rate	–	0.11%	1.60%
Expected volatility	–	70%	70%
Expected term	–	0.12 years	1.5 years to 2 years
Dividend yield	–	0%	0%

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

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

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

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

Note 5 Common Stock – (cont'd)

Employee Stock Purchase Plan

Under the terms of the Employee Stock Purchase Plan (the "ESPP") all regular salaried (non-probationary) employees can purchase up to 6% of their base salary in common shares of the Company at market price. The Company will match 50% of the shares purchased by issuing or purchasing in the market up to 3% of the respective employee's base salary in shares. During the nine months ended January 31, 2014, the Company matched $38,333 (April 30, 2013 - $56,250) in shares purchased by employees under the ESPP. During the nine months ended January 31, 2014, 75,438 shares (April 30, 2013 – 61,622) 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 January 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 commencing on August 20, 2012 and expiring on March 19, 2013, the Company was authorized to purchase up to 1,995,414 of its common shares and on March 19, 2013 (expiring March 18, 2014) the Company was authorized to purchase 2,462,365 of its common shares through the facilities of the Toronto Stock Exchange (the "TSX") and other Canadian marketplaces. Between August 20, 2012 and March 18, 2013, the Company repurchased 72,292 common shares at an average price of $1.99 (CDN$1.98) for a total of $143,861 and during the period from March 19, 2013 to January 31, 2014, the Company repurchased 192,956 common shares at an average price of $1.67 (CDN$1.73) for a total of $321,290. As of January 31, 2014, a total of 248,468 common shares have been cancelled and the remaining 16,780 repurchased shares are in the process of being cancelled.

Deferred Share Unit Plan

Under the terms of the Deferred Share Unit Plan (the "DSUP"), each deferred share unit ("DSU") is equivalent to one 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 common shares have been reserved for issuance under the DSUP. During the nine months ended January 31, 2014, 191,066 (2013 - 133,443) DSUs were issued under the DSUP, of which 75,417 were granted to officers or employees and 115,649 were granted to non-employee directors. As of January 31, 2014, a total of 587,427 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 January 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, 2013	1,643,119	$ 1.02
Granted	191,066	$ 1.90
Conversions	(161,751)	$ 1.28
DSUs outstanding at January 31, 2014	1,672,434	$ 1.09

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

	Number of DSU's	Weighted Average Grant Date Fair Value Per Unit
Non-vested DSUs at April 30, 2013	207,444	$ 1.98
Granted	191,066	$ 1.90
Vested	(227,048)	$ 1.77
Non-vested DSUs at January 31, 2014	171,462	$ 2.17

As of January 31, 2014 there was $242,905 (2013 – $306,780) 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 1.81 years (2013 – 1.83 years).

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	2013	2014	2013
Sales and marketing	$ 6,667	$ 6,667	$ 20,001	$ 17,501
Research and development	2,082	2,082	6,246	4,436
General and administrative	45,507	45,827	345,834	367,081
Total DSU-based compensation	$ 54,256	$ 54,576	$ 372,081	$ 389,018

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 and nine months ended January 31, 2014 and 2013:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	**2013**	**2014**	**2013**
North America	$ 1,815,963	$ 2,364,861	$ 5,590,535	$ 7,548,861
Europe	437,754	398,370	1,148,888	1,824,661
Asia and Africa	184,082	167,103	688,585	1,000,131
Latin America	166,089	335,754	582,177	842,990
	$ 2,603,888	$ 3,266,088	$ 8,010,185	$ 11,216,643

Contained within the results of North America for the three and nine months ended January 31, 2014 are revenues from the United States of $1,569,358 and $4,269,697 (2013 - $2,070,512 and $5,871,249), respectively, and from Canada of $246,605 and $1,320,838 (2013 - $294,349 and $1,677,612), respectively.

Contained within the results of Europe for the three and nine months ended January 31, 2014 are revenues from the United Kingdom of $137,390 and $348,032 (2013 - $138,657 and $444,053), respectively, from Germany of $85,110 and $183,235 (2013 - $38,104 and $226,605), respectively, from Norway of $30,102 and $63,179 (2013 - $29,746 and $244,552), respectively, from France of $25,049 and $61,444 (2013 - $25,120 and $258,784), respectively, and from Ireland of $21,987 and $82,430 (2013- $41,060 and $49,500), respectively.

Contained within the results of Asia and Africa for the three and nine months ended January 31, 2014 are revenues from Japan of $61,640 and $258,948 (2013 - $37,035 and $511,164), respectively, from Australia of $28,050 and $79,245 (2013 - $17,819 and $62,903), respectively, from China of $17,255 and $59,469 (2013 - $16,707 and $162,874), respectively, from South Africa of $13,619 and $52,336 (2013 - $8,595 and $37,432), respectively, and from Thailand of $10,399 and $24,936 (2013 - $5,294 and $10,337), respectively.

Contained within the results of Latin America for the three and nine months ended January 31, 2014 are revenues from Brazil of $60,490 and $100,246 (2013 - $76,589 and $230,140), respectively, from Chile of $37,648 and $61,911 (2013 - $44,158 and $150,329), respectively, from Mexico of $32,616 and $218,459 (2013 - $161,006 and $280,766), respectively, from Colombia of $19,731 and $156,741 (2013 - $15,569 and $75,479), respectively, and from Argentina of $5,333 and $7,758 (2013 - $19,379 and $26,416), respectively.

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	
	January 31, 2014	April 30, 2013
Canada	$ 8,049,038	$ 8,796,202
United States	71,494	114,879
	$ 8,120,532	$ 8,911,081

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	2013	2014	2013
Customer A	7%	3%	6%	3%
Customer B	5%	16%	5%	10%
	12%	19%	11%	13%

Accounts receivable balances for Customer A were $187,110 as at January 31, 2014 (April 30, 2013 - $213,829). Accounts receivable balances for Customer B were $263,065 as at January 31, 2014 (April 30, 2013 - $663,643).

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 $44,725 was made. The monthly lease payment under the agreement is $21,223 plus $21,685 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 $23,069 plus $21,685 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 $3,987 plus $3,714 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) On March 22, 2013, the Company entered into an extension of an existing operating lease agreement which commenced on April 1, 2013 and expires on May 31, 2016. The monthly lease payment under the extension agreement is $5,000 plus $295 in operating expenses.

d) On October 21, 2013, the Company entered into an extension of an existing operating lease agreement which commenced on December 1, 2013 and expires on February 28, 2013. The monthly lease payment under the extension agreement is $2,630.

Note 7 Commitments – (cont'd)

e) On November 21, 2013, the Company entered into a lease agreement, which commenced on December 1, 2013 and expires November 30, 2014. The monthly lease payment under the agreement is $2,684.

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

	Office Leases – Related Party	Office Leases – Unrelated Party	Total Office Leases
2014	$ 23,104	$ 136,527	$ 159,631
2015	92,417	600,091	692,508
2016	92,417	600,581	692,998
2017	92,417	548,796	641,213
2018	92,417	554,574	646,991
2019	92,417	559,187	651,604
2020	–	232,995	232,995
	$ 485,189	$ 3,232,751	$ 3,717,940

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

Computation of basic and diluted EPS:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	2013	2014	2013
Net income (loss)	$ (2,220,808)	$ (171,725)	$ (5,557,327)	$ 370,708
Weighted average common shares outstanding – basic and diluted[1]	42,174,448	41,836,361	42,038,923	41,385,413
Basic and diluted EPS	$ (0.05)	$ 0.00	$ (0.13)	$ 0.01

As at January 31, 2014 and January 31, 2013, common share equivalents (consisting of common shares issuable, on exercise of options, warrants and DSUs) totalling, 4,834,230 and 7,747,751, respectively, were not included in the computation of diluted EPS because the effect was anti-dilutive.

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

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

Forward-Looking Statements

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

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles. All references to "common shares" refer to our shares of common stock. As used in this quarterly report, the terms "we", "us" and "our" means CounterPath Corporation, unless otherwise indicated.

The following discussion and analysis should be read in conjunction with the financial statements and related notes and the other financial information appearing elsewhere in this quarterly report. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions.

Background

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

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

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

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

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

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

Business of CounterPath

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

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

Revenue

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

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

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

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

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

Operating Expenses

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

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

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

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

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

Application of Critical Accounting Policies and Use of Estimates

Our interim consolidated financial statements are prepared in accordance with 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, which are described in Note 2 to our interim and annual consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, the following policies are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Basis of Presentation

The interim consolidated financial statements include the accounts of our company and our wholly-owned subsidiaries, CounterPath Technologies, a company existing under the laws of the province of British Columbia, Canada, and BridgePort, 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, 2013 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim consolidated financial statements be read in conjunction with our April 30, 2013 annual audited consolidated financial statements.

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

Revenue Recognition

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

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

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

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

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

A substantial amount of our sales involve multiple element arrangements, such as products, support, professional services, and training. When arrangements include multiple elements, we allocate the total fee among the various elements using the residual method. Under the residual method, revenue is recognized when vendor specific objective evidence ("VSOE") of fair value exists for all of the undelivered elements of the arrangement, but does not exist for one or more of the delivered elements of the arrangement. Each arrangement requires us to analyze the individual elements in the transaction and to estimate the fair value of each undelivered element, which typically represents support services. Revenue is allocated to each of the undelivered elements based on its respective fair value.

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

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

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

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

Stock-Based Compensation

Stock options granted are accounted for under ASC 718 (prior authoritative literature: 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 utilizing the “simplified” method as prescribed by the SEC's Staff Accounting Bulletin No. 107, *Share-Based Payment*. We have not paid and do not anticipate paying cash dividends on our shares of common stock; therefore, the expected dividend yield is assumed to be zero. In addition, ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. We applied an estimated forfeiture rate of 15.0% in the nine months ended January 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 nine months ended January 31, 2014, we recorded an expense of $848,026 in connection with share-based payment awards. A future expense of non-vested options of $1,629,297 is expected to be recognized over a weighted-average period of three years. A future expense of non-vested deferred share units of $371,911 is expected to be recognized over a weighted-average period of 2.17 years.

Research and Development Expense for Software Products

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Goodwill and Intangible Assets

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

Goodwill and Intangible Assets—Impairment Assessments

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

Determining the fair value of our reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for our reporting unit. Our most recent annual goodwill impairment analysis, which was performed at the end of the fourth quarter of fiscal 2013, did not result in an impairment charge, nor did we record any goodwill impairment for the nine months ending January 31, 2014.

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

Assumptions and estimates about future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows and risk adjusted discounted rates and future economic and market conditions. Our updated long-term financial forecast represents the best estimate that our management has at this time and we believe that its underlying assumptions are reasonable. As a result of our review of the recoverability of intangibles assets there was no impairment charge for the nine months ending January 31, 2014 (2013 - $nil).

Derivative Instruments

On June 14, 2011, we issued an aggregate of 3,145,800 units under a brokered private placement for aggregate gross proceeds of $5,636,170 (CDN$5,505,150) at a price of $1.79 (CDN$1.75) per unit, with each unit consisting of one share of our common stock and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional share of our common stock at an exercise price of CDN$2.25 per share until June 14, 2013. In connection with the offering, we issued an aggregate of 220,206 broker warrants, with each broker warrant entitling the holder thereof to purchase one share of our common stock at an exercise price of CDN$1.75 per share until December 14, 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 January 31, 2014, we had a foreign currency forward contract with a notional value $1,000,000 maturing on February 28, 2014. Notional amounts do not quantify risk or represent assets or liabilities of our company, but are used in the calculation of cash settlements under the contracts. The fair value marked to market loss of forward contracts for the nine months ended January 31, 2014 is $80,938.

Results of Operations

Our operating activities during the nine months ended January 31, 2014 consisted primarily of selling our IP telephony software and related services to telecom service providers and channel partners serving the telecom industry, and the continued development of our IP telephony software products.

Selected Consolidated Financial Information

The following tables set out selected consolidated unaudited financial information for the periods indicated. The selected consolidated financial information set out below as at January 31, 2014 and April 30, 2013 and for the nine months ended January 31, 2014 and 2013 has been derived from the consolidated unaudited financial statements and accompanying notes for the nine months ended January 31, 2014 and 2013 and audited consolidated financial statements for the fiscal year ended April 30, 2013. Each investor should read the following information in conjunction with those statements and the related notes thereto.

Selected Consolidated Balance Sheet Data	**January 31, 2014**	**April 30, 2013**
Cash and cash equivalents	$ 8,143,613	$ 11,229,595
Current assets	$ 11,967,875	$ 16,009,806
Current liabilities	$ 4,770,152	$ 3,999,583
Total liabilities	$ 4,873,165	$ 4,128,268
Total assets	$ 20,209,933	$ 25,055,877

Selected Consolidated Statements of Operations Data	Three Months Ended January 31, 2014 Amount	2014 Percent of Total Revenue	2013 Amount	2013 Percent of Total Revenue
Revenue	$ 2,603,888	100%	$ 3,266,088	100%
Operating expenses	$ 4,188,708	161%	$ 4,048,552	124%
Income (loss) from operations	($1,584,820)	(61%)	($782,464)	(24%)
Interest and other income, net	$ 19,322	1%	$ 73,193	2%
Fair value adjustment on derivative instrument	($61,294)	(2%)	$ 531,436	16%
Foreign exchange gain (loss)	($578,280)	(22%)	$ 6,110	–%
Net income (loss) before income taxes	($2,205,072)	(85%)	($171,725)	(5%)
Income tax expense	($15,736)	(1%)	–	–
Net income (loss)	($2,220,808)	(85%)	($171,725)	(5%)
Net income (loss) per share				
-Basic and diluted	($0.05)		$ 0.00	
Weighted average common shares outstanding				
-Basic and diluted	42,174,448		41,836,341	

Selected Consolidated Statements of Operations Data	Nine Months Ended January 31, 2014 Amount	2014 Percent of Total Revenue	2013 Amount	2013 Percent of Total Revenue
Revenue	$ 8,010,185	100%	$ 11,216,643	100%
Operating expenses	$ 12,699,294	159%	$ 12,506,620	112%
Income (loss) from operations	($4,689,109)	(59%)	($1,289,977)	(12%)
Interest and other income, net	$ 102,864	1%	$ 134,512	1%
Fair value adjustment on derivative instrument	$ 12,119	–%	$ 1,524,600	14%
Foreign exchange gain (loss)	($967,465)	(12%)	$ 1,573	–%
Net income (loss) before income taxes	($5,541,591)	(69%)	$ 370,708	3%
Income tax expense	($15,736)	–%	–	–
Net income (loss)	($5,557,327)	(69%)	$ 370,708	3%
Net income (loss) per share				
-Basic and diluted	($0.13)		$ 0.01	
Weighted average common shares outstanding				
-Basic and diluted	42,038,923		41,385,413	

Revenue

	Three Months Ended January 31,				Period-to-Period Change	
	2014		2013			
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Amount	Percent Increase / (Decrease)
Revenue by Type						
Software	$ 1,462,477	56%	$ 2,117,042	65%	($654,565)	(31%)
Service	$ 1,141,411	44%	$ 1,149,046	35%	($7,635)	(1%)
Total revenue	$ 2,603,888	100%	$ 3,266,088	100%	($662,200)	(20%)
Revenue by Region						
International	$ 787,925	30%	$ 901,227	28%	($113,302)	(13%)
North America	$ 1,815,963	70%	$ 2,364,861	72%	($548,898)	(23%)
Total revenue	$ 2,603,888	100%	$ 3,266,088	100%	($662,200)	(20%)

For the three months ended January 31, 2014, we generated $2,603,888 in revenue compared to $3,266,088 for the three months ended January 31, 2013, representing a decrease of $662,200 or 20%. Software revenue decreased $654,565 or 31% to $1,462,477 for the three months ended January 31, 2014 compared to $2,117,042 for the three months ended January 31, 2013. The decrease in software revenue was primarily a result of a decrease in sales to channel partners and service providers partially offset by an increase in sales to enterprises. Service revenue for the three months ended January 31, 2014 was $1,141,411 compared to $1,149,046 for the three months ended January 31, 2013. The decrease of $7,635 or 1% 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. International revenue outside of North America decreased by 13% during the three months ended January 31, 2014 compared to the three months ended January 31, 2013, primarily due to lower sales in Latin America which were partially offset by higher sales in Europe, Asia and Africa. North American revenue decreased by 23% compared to the three months ended January 31, 2013, primarily due to weaker sales of software and services to channel partners and service providers which was partially offset by stronger sales to enterprises.

	Nine Months Ended January 31,				Period-to-Period Change	
	2014		2013			
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Amount	Percent Increase / (Decrease)
Revenue by Type						
Software	$ 4,561,472	57%	$ 6,456,913	58%	($1,895,441)	(29%)
Service	$ 3,448,713	43%	$ 4,759,730	42%	($1,311,017)	(28%)
Total revenue	$ 8,010,185	100%	$ 11,216,643	100%	($3,206,458)	(29%)
Revenue by Region						
International	$ 2,419,650	30%	$ 3,667,782	33%	($1,248,132)	(34%)
North America	$ 5,590,535	70%	$ 7,548,861	67%	($1,958,326)	(26%)
Total revenue	$ 8,010,185	100%	$ 11,216,643	100%	($3,206,458)	(29%)

For the nine months ended January 31, 2014, we generated $8,010,185 in revenue compared to $11,216,643 for the nine months ended January 31, 2013, representing a decrease of $3,206,458 or 29%. Software revenue decreased $1,895,441 or 29% to $4,561,472 for the nine months ended January 31, 2014 compared to $6,456,913 for the nine months ended January 31, 2013. The decrease in software revenue was primarily a result of a decrease in sales to channel partners and service providers which was partially offset by an increase in sales to enterprises. Service revenue for the nine months ended January 31, 2014 was $3,448,713 compared to $4,759,730 for the nine months ended January 31, 2013. The decrease of $1,311,017 or 28% in service revenue was primarily due to a decrease in sales to channel partners, service providers and enterprises. International revenue outside of North America decreased by 34% during the nine months ended January 31, 2014 compared to the nine months ended January 31, 2013, as a result of decreased sales in Europe, Asia, Africa, and Latin America. North American revenue decreased by 26%, compared to the nine months ended January 31, 2013, primarily due to a decrease in sales of software and services to North American channel partners and service providers which was partially offset by stronger sales to enterprises.

Operating Expenses

Cost of Sales

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

	January 31, 2014		January 31, 2013		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 529,645	20%	$ 537,433	16%	($7,788)	(1%)
Nine months ended	$ 1,658,957	21%	$ 1,723,232	15%	($64,275)	(4%)

Cost of sales was $529,645 for the three months ended January 31, 2014 compared to $537,433 for the three months ended January 31, 2013. The decrease of $7,788 was primarily attributable to a decrease in licenses and permits of approximately $45,000 due to lower sales of those licenses, a decrease in consulting fees and travel expenses of approximately $29,000, a decrease in warranty expenses of approximately $11,000 and a decrease in amortization of intangible assets of approximately $10,000. The decreases in cost of sales was partially offset by an increase in wages and benefits of approximately $87,000. Cost of sales expressed as a percent of revenue was 20% for the three months ended January 31, 2014, as compared to 16% for the three months ended January 31, 2013. This increase in percentage was the result of a $666,392 decrease in revenue for the three months ended January 31, 2014 compared to revenue for the quarter ended January 31, 2013 and a decrease in costs of sales of $7,788 quarter-over-quarter.

Cost of sales was $1,658,957 for the nine months ended January 31, 2014 compared to $1,723,232 for the nine months ended January 31, 2013. The decrease of $64,275 was primarily attributable to a decrease in licenses and permits of approximately $87,000 due to lower sales of those licenses, a decrease in consulting fees of approximately $61,000, a decrease in amortization of intangibles of $29,000 and a decrease in warranty expenses of approximately $26,000. The decreases in cost of sales was partially offset by an increase in wages and benefits of approximately $147,000.

Sales and Marketing

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

	January 31, 2014		January 31, 2013		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 1,310,846	50%	$ 1,110,201	34%	$ 200,645	18%
Nine months ended	$ 3,839,750	48%	$ 3,193,453	28%	$ 646,297	20%

Sales and marketing expenses were $1,310,846 for the three months ended January 31, 2014 compared to $1,110,201 for the three months ended January 31, 2013. The increase of $200,645 was primarily attributable to an increase in wages, benefits and contracting fees of approximately $164,000 and an increase in trade show and travel expenses of approximately $24,000.

Sales and marketing expenses were $3,839,750 for the nine months ended January 31, 2014 compared to $3,193,453 for the nine months ended January 31, 2013. The increase of $646,297 was primarily attributable to an increase in wages, benefits and contracting fees of approximately $394,000, an increase in trade shows and travel of approximately $127,000, an increase in stock based compensation of approximately $71,000 and a net increase in other expenses of approximately $55,000.

Research and Development

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

	January 31, 2014		January 31, 2013		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 1,340,654	51%	$ 1,447,921	44%	($107,267)	(7%)
Nine months ended	$ 4,078,037	51%	$ 4,093,527	36%	($15,490)	(–%)

Research and development expenses were $1,340,654 for the three months ended January 31, 2014 compared to $1,447,921 for the three months ended January 31, 2013. The decrease of $107,267 was primarily attributable to a decrease in wages, benefits and contracting fees of approximately $109,000.

Research and development expenses were $4,078,037 for the nine months ended January 31, 2014 compared to $4,093,527 for the nine months ended January 31, 2013. The decrease of $15,490 was primarily attributable to a decrease in wages, benefits and contracting fees of approximately $55,000 partially offset by a net increase in other expenses of approximately $40,000.

General and Administrative

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

	January 31, 2014		January 31, 2013		Period-to-Period Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent Increase / (Decrease)
Three months ended	$ 1,007,563	39%	$ 952,997	29%	$ 54,566	6%
Nine months ended	$ 3,122,550	39%	$ 3,496,408	31%	($373,858)	(11%)

General and administrative expenses were $1,007,563 for the three months ended January 31, 2014 compared to $952,997 for the three months ended January 31, 2013. The increase of $54,566 in general and administrative expenses was primarily attributable to an increase in wages, benefits and human resource expenses of approximately $107,000, an increase in interest and bank charges of approximately $22,000, foreign exchange loss of $21,000 and an increase in bad debts reserve of approximately $19,000. The increase was partially offset by decreases in licenses and permits of approximately $42,000, a decrease in patent costs of approximately $42,000and a decrease in legal, audit and professional expenses of approximately $31,000.

General and administrative expenses were $3,122,550 for the nine months ended January 31, 2014 compared to $3,496,408 for the nine months ended January 31, 2013. The decrease of $373,858 in general and administrative expenses was primarily attributable to a decrease in exchange listing fees of approximately $275,000, a decrease in legal, audit and professional expenses of approximately $174,000, a decrease in rent expense of approximately $94,000, a decrease in investor relation costs of approximately $67,000, a decrease in stock based compensation of approximately $65,000 and a decrease in patent costs of approximately $47,000. The decreases were partially offset by an increase in bad debts reserve of approximately $203,000, an increase in bank and service charges of approximately $97,000 and an increase in wages, benefits and human resource expenses of $48,000.

Interest and Other Income

Interest income for the three and nine months ended January 31, 2014 was $19,984 and $104,458, respectively, compared to $73,317 and $135,260, respectively, for the three and nine months ended January 31, 2013. Interest expense for the three and nine months ended January 31, 2014 was $662 and $1,594, respectively, compared to $124 and $748, respectively, for the three and nine months ended January 31, 2013.

Foreign exchange gain (loss) for the three and nine months ended January 31, 2014 was ($578,280) and ($967,465), respectively, compared to $6,110 and $1,573 respectively, for the three and nine months ended January 31, 2013.The foreign exchange gain (loss) represents the gain (loss) on account of translation of the inter company 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 January 31, 2014, we had $8,143,613 in cash and cash equivalents compared to $11,229,595 as of April 30, 2013, representing a decrease of $3,085,982. Our working capital was $7,197,723 at January 31, 2014 compared to $12,010,223 at April 30, 2013, representing a decrease of $4,812,500. 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 $7,484,961 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 $2,037,955 for the nine months ended January 31, 2014. This compares to a net cash inflow of $832,004 for the same period last year representing an increase of $2,869,959 in cash outflow from operations compared to the same period last year. The net cash outflow from operating activities for the nine months ended January 31, 2014 was primarily a result of a net loss for the period of $5,557,327, partially offset by a decrease in accounts receivable of $978,448, a non-cash expense for unrealized foreign exchange loss of $915,618, a non-cash expense for stock based compensation of $848,026 and an increase in customer deposits of $791,000.

Investing Activities

Investing activities resulted in a net cash outflow of $151,458 for the nine months ended January 31, 2014 primarily from purchases of computer equipment and leasehold improvements. This compares with a net cash outflow from investing activities of $264,724 for the same period last year principally for purchases of computer, other equipment and deposits. At January 31, 2014, we did not have any material commitments for future capital expenditures.

Financing Activities

Financing activities resulted in a net cash outflow of $163,364 for the nine months ended January 31, 2014 compared to a net cash inflow of $4,104,362 for the nine months ended January 31, 2013. The net cash outflow was primarily a result of repurchasing 143,268 shares of common stock at an average price of $1.26 per share for $180,548 and $84,627 in taxes paid related to conversion of deferred share units to shares of common stock. These outflows were partially offset by funds received through exercise of stock options of $101,812.

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

Off-Balance Sheet Arrangements

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

New Accounting Pronouncements

In 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. The provisions of the new disclosure requirements are effective as of the beginning of the year ended April 30, 2015. We are currently evaluating the impact of the new guidance on its consolidated financial statements.

In July 2012, FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350), Testing Indefinite Lived Intangible Assets For Impairments*, that permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. An entity would continue to calculate the fair value of an indefinite-lived intangible asset if the asset fails the qualitative assessment, while no further analysis would be required if it passes. The Company has adopted this standard as of May 1, 2013 and it did not materially impact the consolidated financial statements.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with this quarterly report, as required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer concluded that as of January 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 January 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Much of the information included in this quarterly report includes or is based upon estimates, projections or other “forward looking statements”. Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumption or other future performance suggested herein.

Such estimates, projections or other “forward looking statements” involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other “forward looking statements”.

Risks Associated with our Business and Industry

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

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

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

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

- demand for our products and the timing and size of customer orders;
- length of sales cycles, which may be extended by selling our products through channel partners;

- length of time of deployment of our products by our customers;
- customers' budgetary constraints;
- competitive pressures; and
- general economic conditions.

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

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

Operating expenses increased to $4,188,708 for the three months ended January 31, 2014 from $4,048,552 for the three months ended January 31, 2013 while our revenue decreased to $2,603,888 for the three months ended January 31, 2014 from $3,266,088 for the three months ended January 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 operate our business and achieve or maintain profitability.

Management is aware of similar products which compete directly with our products and some of the companies developing these similar products are larger and better-financed than us and may develop products superior to those of our company. In addition to price competition, increased competition may result in other aggressive business tactics from our competitors, such as:

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

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

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

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

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

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

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

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

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

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

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

Our success and ability to compete depends to a significant degree on our proprietary technology incorporated in our software. If any of our competitors' copy or otherwise 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.

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

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

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

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

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

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

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

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

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

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

A majority of our revenue activities are transacted in U.S. dollars. However, we are exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies, of which the most significant to our operations for the nine months ended January 31, 2014 is the Canadian dollar. We are primarily exposed to a strengthening Canadian dollar as our operating expenses are primarily denominated in Canadian dollars while our revenues are primarily denominated in U.S. dollars. We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. Our company's foreign currency risk management program includes foreign currency derivatives with cash flow hedge accounting designation that utilizes foreign currency forward contracts to hedge exposures to the variability in the U.S. dollar equivalent of anticipated non-U.S. dollar-denominated cash flows. These instruments generally have a maturity of less than one year. For these derivatives, our company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassifies it into earnings in the same period in which the hedged transaction affects earnings, and within the same line item on the consolidated statements of operations as the impact of the hedged transaction. There can be no assurance that our hedging program will not result in a negative impact on our earnings and earnings per share. We did not enter into any forward contracts for hedging purposes during the nine months ended January 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 January 31, 2014, we had a $1,000,000 notional value foreign currency forward contract maturing on February 28, 2014. 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 the forward contract as of January 31, 2014 was ($71,108) (April 30, 2013 - $9,830).

Risks Associated with our Common Stock

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

Based on the 42,232,092 shares of common stock that were issued and outstanding as of January 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 warrants or stock options or the issuance of other stock-based awards or any issuance of shares to raise funds may dilute your holding of shares of our common stock.

If the holders of outstanding warrants, stock options and deferred share units exercise or convert all of their vested warrants, stock options and deferred share units as at January 31, 2014, then we would be required to issue an additional 4,834,230 shares of our common stock, which would represent approximately 11% of our issued and outstanding common stock after such issuances. The exercise of any or all outstanding warrants or stock options that are exercisable below market price will result in dilution to the interests of other holders of our common stock.

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

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

We may be considered a "Penny stock." Penny stock rules will limit the ability of our stockholders to sell their shares of common stock.

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. In addition, since our common stock commenced trading on the NASDAQ Capital Market below the $4.00 minimum bid price per share requirement, our common stock would be considered a penny stock if we fail to satisfy the net tangible assets and revenue tests in Rule 3a51-1 under the Securities Exchange Act of 1934. Our securities may be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

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

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

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

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

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

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

Recent Sales of Unregistered Securities

On December 12, 2013, we granted 600,000 stock options pursuant to our 2010 Stock Option Plan to two employees. Each stock option entitles the holder thereof the right to purchase one share of common stock at a price equal to $1.31. 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 the 600,000 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.

On January 6, 2014, we granted 150,000 stock options pursuant to our 2010 Stock Option Plan to one employee. Each stock option entitles the holder thereof the right to purchase one share of common stock at a price equal to $1.12. 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 the 150,000 the stock options to a non-U.S. person (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.

On January 13, 2014, we granted 100,000 stock options pursuant to our 2010 Stock Option Plan to one employee. Each stock option entitles the holder thereof the right to purchase one share of common stock at a price equal to $1.23. 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 the 100,000 the stock options to a non-U.S. person (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.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

	Total number of shares purchased	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs**	**Maximum number of shares that may yet be purchased under the plans or programs**
November 1, 2013 to November30, 2013[(1)]	8,940	$1.43	8,940	2,301,029
December 1, 2013 to December 31, 2013[(1)]	17,240	$1.32	17,240	2,283,789
January 1, 2014 to January 31, 2014[(1)]	14,380	$1.17	14,380	2,269,409
Total	**40,560**	**$1.29**	**40,560**	**2,269,409**

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

Item 3. Defaults Upon Senior Securities.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibits required by Item 601 of Regulation S-B

(3)	**Articles of Incorporation and By-laws**
3.1	Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).
3.2	Bylaws (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).
3.3	Amended Bylaws (incorporated by reference from our Registration Statement on Form SB-2/A filed on September 3, 2003).
3.4	Articles of Merger (incorporated by reference from our Current Report on Form 8-K filed on September 15, 2005).
3.5	Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on April 28, 2006).
3.6	Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on April 22, 2008).
3.7	Amended Bylaws (incorporated by reference from our Current Report on Form 8-K filed on July 2, 2012).
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	Form of Stock Option and Subscription Agreement dated August 2, 2007, between our company and each of the former optionees of NewHeights Software Corporation (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2007).
10.4	Amended Employment Agreement between Donovan Jones and CounterPath Solutions R&D Inc., a wholly owned subsidiary of CounterPath Solutions, Inc. dated September 13, 2007 (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 14, 2007).
10.5	Form of Debt Conversion Agreement dated July 17, 2009 between our company and The Trustees of Columbia University in the City of New York (incorporated by reference from our Annual Report on Form 10-K filed on July 28, 2009).
10.6	Form of Subscription Agreement dated October 29, 2009 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on November 4, 2009).
10.7	Form of Subscription Agreement and Form of Convertible Debenture dated July 30, 2010 between our company and various investors (incorporated by reference from our Current Report on Form 8-K filed on August 4, 2010).
10.8	Agency Agreement dated June 14, 2011 amongst National Bank Financial Inc., Canaccord Genuity Corp. and our company (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 14, 2011).
10.9	Form of Registration Rights Agreement between our company and various investors in connection with the brokered private placement completed on June 14, 2011 (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 14, 2011).
10.10	Form of Subscription Agreement between our company and various investors in connection with the brokered private placement completed on June 14, 2011 (incorporated by reference from our Quarterly Report on Form 10-Q filed on September 14, 2011).
10.11	Form of Subscription Agreement between our company and various investors in connection with the brokered private placement completed on June 19, 2012 (incorporated by reference from our Annual Report on Form 10-K filed on July 19, 2012).

10.12	Form of Warrant Certificate issued to various investors in connection with the brokered private placement completed on June 19, 2012 (incorporated by reference from our Annual Report on Form 10-K filed on July 19, 2012).
(14)	**Code of Ethics**
14.1	Code of Business Conduct and Ethics (incorporated by reference from our Annual Report on Form 10- KSB filed on July 29, 2004).
14.2	Code of Business Conduct and Ethics and Compliance Program (incorporated by reference from our Quarterly Report on Form 10-QSB filed on September 15, 2008).
(21)	**Subsidiaries of CounterPath Corporation**
	CounterPath Technologies Inc. (incorporated in the Province of British Columbia, Canada)
	BridgePort Networks, Inc. (incorporated in the state of Delaware)
(31)	**Section 302 Certifications**
31.1	Section 302 Certification of Donovan Jones (filed herewith).
31.2	Section 302 Certification of David Karp (filed herewith).
(32)	**Section 906 Certifications**
32.1	Section 906 Certification of Donovan Jones (filed herewith).
32.2	Section 906 Certification of David Karp (filed herewith).

SIGNATURES

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

COUNTERPATH CORPORATION

By: /s/ Donovan Jones
Donovan Jones
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 13, 2014

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

Date: March 13, 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: March 13, 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: March 13, 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 January 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)

March 13, 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 January 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)

March 13, 2014