Message from the President and CEO

Dear Fellow Shareholder,

As we reflect back on our fiscal year 2009, CounterPath made significant strides in strengthening our company despite the challenges presented by the economic downturn. The strategy we embarked upon more than four years ago, to establish the company as a leader in the desktop softphone market and then to expand into the mobility space, is beginning to come to fruition. This year we continued to demonstrate growth by leveraging our industry standard technology, integrating our acquired technologies and broadening our product capabilities. Our investment in the future has never been more sound.

The pace of change in the communications market is increasing and the improvements in the way technology and software are deployed make possible the ability to collaborate, communicate and connect in ways that a few years ago would not have been possible. The convergence of fixed and mobile communications results in significant productivity improvements for every customer and employee interaction while dramatically reducing costs. CounterPath is at the center of this opportunity, now able to deliver unified communication solutions to our significant and expanding customer base.

I am proud of what the CounterPath team has accomplished during the past year. We increased revenue by 8% to just under $10 million in a market that saw telecom spending contract significantly in the last few quarters. We enjoyed key wins in both Europe and North America, and several of our customers ramped up license deployments. We had good customer growth with significant revenue derived from newly acquired customers evidencing the expanding interest in the markets we serve. We maintained a consistent gross margin with a deliberate focus on reducing our cost base in an effort to deliver profitability.

In addition to revenue growth, customer acquisition and product development achievements, we also focused on integrating our acquisitions and optimizing the combined operations in order to drive profitability. Good companies understand early that tough times require tough decisions and that they need to concentrate on what they can control. To this end, our focus on streamlining operations and managing costs intensified during fiscal 2009. Unfortunately, this meant that we had to make significant headcount reductions through the second half of the year.

Our cash operating expenses decreased by approximately 60% from our first quarter to our fourth quarter, as we focused on integrating the acquisitions, standardizing the product mix acquired during the acquisitions and streamlining operating activities and non-revenue generating activities. As a result, our EBITDA loss improved to $0.5 million in the fourth quarter from $4.2 million in the first quarter of 2009.

CounterPath is a technology driven company with an innovative product portfolio and our softphone advancements are at the forefront of technology. Over the past year, we made several improvements in our softphone suite, implementing significant audio, memory and performance improvement upgrades. We introduced new features to improve collaboration and enable tighter integration with multiple enterprise call servers and PBX systems. We also integrated a Microsoft framework behind our client that will enable us to expand our platform flexibility and better serve Microsoft-centric enterprises, and developed our Bria for Mac softphone to address the growing vertical demand for Apple’s Mac operating systems. Finally, we introduced a licensing server component to our suite of softphone products which enables the management and tracking of client deployments, significantly increasing value for our customers.

(1) Cash operating expenses and Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) are “non-GAAP” financial measures which exclude stock-based compensation, foreign exchange loss (gain), non-recurring restructuring costs and amortization and impairment of intangible asset charges relative to operating expenses and net loss, respectively, calculated in accordance with GAAP. For a reconciliation to GAAP, refer to the inside back page of this Corporate Report.
X-Lite, our free softphone, continues to be the softphone standard against which many product manufacturers, system integrators and potential customers test their own solutions. Its download rate – which reached more than 340,000 downloads per month during the year – is a testament to its popularity and the rising acceptance of softphones worldwide. The X-Lite softphone has also been enhanced to better track usage statistics and incorporate advertising, empowering us to leverage it for revenue building opportunities in the near future.

CounterPath is also taking advantage of its softphone leadership position and partnering with strategic vendors to develop tightly coupled solutions that enrich the experience of our joint customers. The first of these, Bria for BroadWorks, was recently launched and warmly received by the market. Similar partnerships will be announced in fiscal 2010.

On the mobility front, our Network Convergence Gateway (NCG) solution is steadily gaining traction in the market. We have upgraded our NCG platform to support presence based routing and have implemented an industry standardized framework to support network capabilities on GSM networks, creating more versatility in developing advanced applications and features. Through leveraging the NCG platform, we released our VoIP SMS gateway product: Messaging Convergence Gateway (MCG). This product enables a VoIP number to send and receive SMS messages between the mobile and VoIP networks.

This past year, our Enterprise Mobility Gateway (EMG) solution was launched by two tier one equipment manufacturers, generating significant interest in the market. We have reinvigorated our client user interface across all of the supported operating platforms including Symbian, Windows Mobile and RIM. We also released our web client for mobile phones. This opens up our market opportunity to nearly all mobile devices.

In fiscal 2009 the CounterPath team demonstrated a resiliency and fortitude that speaks volumes about the character of our employee base. We have positioned ourselves with the right product mix, the right market focus and the right team for success in executing on our strategic plan. Our goals in delivering profitability and value to our shareholders and employees have been strengthened by the changes we made to our operating activities. Our portfolio of patents granted or in progress continues to evolve with a significant patent in the wireless space awarded late in the year. We have successfully engaged with partners and customers to further deploy our solutions on a worldwide basis.

In the year ahead we will continue to build on the technology and opportunities in the enterprise and wireless markets. First, our Bria softphone will be enhanced to support an architecture and feature set primed for the enterprise market. Among other things, you will see HD video and collaboration as part of this program. Second, we have worked diligently to leverage our fixed mobile convergence assets to forge a tightly coupled integration of our desktop softphones with our mobility server products and clients. We believe CounterPath is well positioned to leverage this burgeoning market opportunity through unique offerings targeted to micro-SMB and enterprise customers. This means micro-SMBs and enterprise customers will be able to purchase the solution direct from CounterPath or through value added reseller channel partners to enable a fully mobile workforce. Even more, we envision our Bria desktop softphone to be a significant part of the offering ensuring service continuity between the fixed and mobile enterprise environments.

I look forward to updating you on our progress in the coming quarterly reports throughout the year as we continue to implement our strategy. I want to thank our shareholders, our customers and our employees for another successful year.

Donovan Jones
President and Chief Executive Officer
Communicator Suite

The CounterPath Multimedia Communicator product suite is comprised of desktop softphone applications which enable consumers or enterprise users to make VoIP (Voice over IP) audio and video calls, send Instant Messages and manage their presence, all in an easy-to-use software application.

Bria

Bria features a dynamic contact-centric user interface which offers increased flexibility for call management including options to detach trays, hide/show dialpad, and drag-and-drop. Its layout also allows Service Provider and OEM customers the ability to incorporate revenue generating advertisements. Bria is designed to meet accessibility standards, support multiple languages and offer increased options for the creation of customized skins.

Bria Professional

Bria Professional is a version of Bria which offers additional business features for the enterprise or business user, including provisioning and Lightweight Directory Access Protocol integration. Bria Professional can be deployed within an enterprise environment either by manual configuration via the softphone Graphical User Interface, or using a provisioning server.

Bria for Microsoft Outlook®

Bria for Microsoft Outlook® is an enterprise and carrier-grade softphone plug-in for Microsoft Outlook® and Outlook Exchange. It allows users to make and receive calls and use phone features directly from their contact list, emails and Outlook desktop. Seamlessly integrated into Outlook, Bria for Microsoft Outlook® is easy to use and enhances both business and personal efficiency.

eyeBeam

The award-winning eyeBeam softphone features a user interface that is centered around the dialpad, making it easy for both novice and power users to make and receive calls, initiate video conferencing and communicate using Instant Messaging. Its open standards based architecture ensures simplified integration with Session Initiation Protocol (SIP) and other VoIP applications, and rapid market deployment.
Mobility Suite

CounterPath’s mobility gateways and client applications extend enterprise and consumer communications to mobile devices, enabling users to enjoy greater flexibility, responsiveness and efficiency in their unified communications experience.

Network Convergence Gateway (NCG)

NCG is a carrier-based, Fixed Mobile Convergence (FMC) solution that bridges broadband and mobile networks in both pre-IMS and IMS environments. With the NCG, service providers can extend single-number mobile voice, text, multimedia messaging and video services to residential, corporate and hotspot locations with broadband access.

Messaging Convergence Gateway (MCG)

MCG is a carrier-based FMC solution that powers SMS capability for VoIP subscribers. It enables two-way SMS text communication between subscribers using the Bria softphone on their PC and mobile devices, providing even greater flexibility to subscribers. Without the need to replicate mobile networks’ SMS infrastructure, MCG offers mobile operators an additional revenue source from SMS and promotes adoption of the softphone.

Enterprise Mobility Gateway (EMG)

EMG enables mobile unified communications by extending enterprise telephony, voicemail and corporate directory services—together with presence, Instant Messaging and conferencing capabilities—to cell phones, smartphones and dual-mode devices over cellular networks. By promoting seamless mobility between fixed and mobile networks, customers can increase professional accessibility and responsiveness, and benefit from a consistent set of services whether in the office, at home or on the road.
Partner Products
CounterPath partner products are specifically designed to be fully interoperable with our partner platforms and applications to increase cost effectiveness and significantly reduce time-to-market.

Bria for BroadWorks
Bria for BroadWorks is a feature rich softphone that combines VoIP and Video over IP, Instant Messaging, Short Message Service (SMS), and Presence capabilities in a customizable user interface. It interoperates seamlessly with BroadSoft's BroadWorks® VoIP application platform. Deployed in conjunction with the BroadWorks platform, Bria for BroadWorks provides advanced call control capabilities, auto-provisioning and feature integration.

Developer Tools
CounterPath offers several Software Development Kits (SDKs). These SDKs allow developers and Service Provider, OEM or Enterprise customers to create customized SIP-based VoIP applications.

Software Development Kits (SDKs)
CounterPath’s C++, COM and ActiveX Edition SDKs enable flexible, rapid application development options for creating desktop softphone clients and Rich Internet Applications, and integrating telephony extensions into existing enterprise and web applications. Each of the SDKs is built upon our core libraries which have been integrated into multiple applications worldwide.

More than 50 percent of enterprises now report that they are evaluating, installing, or running UC solutions.

Source: Forrester
Board of Directors
Terry Matthews - Chairman of the Board
Owen Matthews - Vice Chairman
Mark Bruk - Founder and Vice Chairman
Peter Charbonneau - Director
Chris R. Cooper - Director
William Jin - Director
Donovan Jones - Director
Greg Pelling - Director
Larry Timlick - Director

Executive Team
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Michael Hryb - Vice President Sales
Robert Brown - Vice President Marketing
Sylvain Marcotte - Vice President Engineering
Mark Klagenberg - Vice President Business Development
Jim O'Brien - Director NCG Customer Engineering

Advisory Board
Stephen P. Cho
Alan Duric
Ronald Gruia
Rohan Mahy
Klaus Schulz
Robert Sparks

Corporate Information
State of Incorporation: Nevada
Date of Incorporation: April 18, 2003
CUSIP: 22228P 203
ISIN: US1112512033
EIN: 20-0004161
D-U-N-S: 141691225

Corporate Headquarters
Suite 300, One Bentall Centre
505 Burrard Street, Box 95
Vancouver, BC V7X 1M3
Canada
www.counterpath.com

Auditors
BDO Dunwoody LLP
600 Cathedral Place -
925 West Georgia Street
Vancouver, BC V6C 3L2
Canada

Legal Counsel
Clark Wilson LLP
800 - 885 West Georgia Street
Vancouver, BC V6C 3H1
Canada
www.cwilson.com

Transfer Agent & Registrar
Valiant Trust Company
3rd Fl, 750 Cambie Street
Vancouver, BC V6B 0A2
Canada
www.valianttrust.com

Annual General Meeting
Date: TBA
Location: Vancouver Club,
Vancouver British Columbia

Corporate Governance
Code of Business Conduct and Ethics and Compliance Program
For our Corporate Governance program visit us online at -
www.counterpath.com/investors.html

Reconciliation to GAAP
(unaudited, thousands $’s)

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<td>Stock-based compensation</td>
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<td>Foreign exchange loss (gain)</td>
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<td>Net Income (GAAP)</td>
<td>($5,856)</td>
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<td>($2,238)</td>
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Cash operating expenses and Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) are “non-GAAP” financial measures which exclude stock-based compensation, foreign exchange loss (gain), non-recurring restructuring costs and acquisition related amortization and impairment of intangible asset charges relative to operating expenses and net loss, respectively, calculated in accordance with GAAP. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. CounterPath utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance and to evaluate and manage its internal business and assist in making financial operating decisions. CounterPath believes that the inclusion of non-GAAP financial measures, together with GAAP measures, provides investors with an alternative presentation useful to investors’ understanding of CounterPath’s core operating results and trends. Investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non-GAAP financial measures used by CounterPath.
2004 2005 2006 2007 20

CounterPath 10-K report

CounterPath has filed the associated 10-K report, a copy of which may be obtained from SEDAR at www.sedar.com or EDGAR at www.sec.gov.

FORWARD-LOOKING STATEMENTS

This Corporate Report contains “forward-looking statements”. Statements in this Corporate Report, which are not purely historical, are forward-looking statements and include any statements regarding beliefs, plans, expectations or intentions regarding the future, such as CounterPath’s ability to deliver and achieve profitability and value for its shareholders and CounterPath’s ability to form additional strategic partnerships in 2010. It is important to note that actual outcomes and the CounterPath’s actual results could differ materially from those projected in any forward-looking statements due to numerous factors, including, among others: (1) the failure to develop new and innovative products using the Company’s technologies, (2) the Company’s ability to remain competitive as other parties develop and release competitive products, (3) the Company’s ability to retain the employees necessary to continue research and development of current and new products, (4) the success by the Company of the sales of its current and new products, (5) the impact of technology changes on the Company’s products and on the VoIP industry, (6) the compatibility of the Company’s products with new computer operating systems, (7) the rate of adoption by service providers and the general public of VoIP as a replacement for regular and cellular phone service, (8) general economic conditions as they affect CounterPath and its current and prospective customers, including a continued downturn in general economic conditions internationally, (9) the ability of the Company to control costs operating, general administrative and other expenses, and (10) insufficient investor interest in the Company’s securities which may impact on the Company’s ability to raise additional financing as required. Readers should also refer to the risk disclosures outlined in the Company’s quarterly reports on Form 10-Q, annual reports on Form 10-K and the Company’s other disclosure documents filed from time-to-time with the Securities and Exchange Commission and the Company’s interim and annual filings and other disclosure documents filed from time-to-time on SEDAR.

All financial information is reported in United States dollars.