U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended July 31, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 000-50346

COUNTERPATH SOLUTIONS, INC.

(Name of small business issuer as 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 of principal executive offices)

(604) 320-3344

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [ ]

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of September 13, 2006, there were 37,940,983 shares of the issuer's common stock and outstanding, par value $0.001.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

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

COUNTERPATH SOLUTIONS, INC.
JULY 31, 2006 QUARTERLY REPORT ON FORM 10-QSB

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COUNTERPATH SOLUTIONS, INC.
INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2006

COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED BALANCE SHEETS
July 31, 2006 and April 30, 2006
(Stated in U.S. Dollars)
(Unaudited)

	July 31, 2006	April 30, 2006
ASSETS		
Current		
Cash and cash equivalents	$ 1,133,361	$ 2,369,021
Accounts receivable	1,664,858	477,814
Prepaid expenses and deposits	121,839	104,927
	2,920,058	2,951,762
Deposits	73,187	-
Equipment	345,005	300,077
Other assets	9,351	8,165
	$ 3,347,601	$ 3,260,004
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 984,777	$ 754,589
Due to related parties – Note 4	21,711	34,929
Unearned revenue	105,425	115,214
Customer deposits	51,995	138
Warranty payable	84,981	71,011
	1,248,889	975,881
Convertible debenture – Note 5	1,904,684	1,887,582
	3,153,573	2,863,463
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value – Notes 5, 6 and 7		
Authorized:		
415,384,500 shares		
Issued:		
37,940,983 shares (April 30, 2006: 37,915,462)	37,941	37,915
Additional paid-in capital	3,026,851	2,750,494
Deficit	(2,795,731)	(2,317,589)
Accumulated other comprehensive loss	(75,033)	(74,279)
	194,028	396,541
	$ 3,347,601	$ 3,260,004

See accompanying notes to the financial statements

COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended July 31, 2006 and 2005
(Stated in U.S. Dollars)
(Unaudited)

	Three months ended July 31, 2006	Three months ended July 31, 2005
Revenues – Note 8		
Software	$ 1,409,719	$ 710,678
Service	351,162	116,618
	1,760,881	827,296
Expenses		
Amortization	75,005	50,807
Bad debts	24,466	20,152
Computer expenses	23,636	1,259
Consulting fees	220,470	104,136
Foreign exchange loss	22,297	1,900
Interest on convertible debenture – Note 4	42,102	-
Licenses and permits	94,514	(30,000)
Office and miscellaneous	31,921	20,935
Professional fees	69,720	58,673
Public relations	44,576	17,529
Rent – Note 4	61,333	40,557
Stock-based compensation – Note 6	266,429	72,586
Telephone and internet	23,897	16,716
Travel and promotion	68,469	59,885
Wages, commissions and benefits	1,156,218	695,253
Warranty expense	13,970	6,118
Write-off of trademark	-	594
	2,239,023	1,137,100
Net loss for the period	(478,142)	(309,804)
Other comprehensive loss		
Foreign currency translation adjustments	(754)	(1,735)
Comprehensive loss	$ (478,896)	$ (311,539)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	37,926,439	37,915,462

See accompanying notes to the financial statements

COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended July 31, 2006 and 2005
(Stated in U.S. Dollars)
(Unaudited)

	Three months ended July 31, 2006	July 31, 2005
Cash flows used in operating activities		
Net loss for the period	$ (478,142)	$ (309,804)
Items not involving cash:		
Accretion of convertible debenture discount	17,102	-
Amortization	75,005	50,807
Stock-based compensation	266,429	72,586
Write-off of trademark	-	594
Changes in non-cash working capital items:		
Accounts receivable	(1,187,044)	(91,985)
Prepaid expenses and deposits	(16,912)	(23,168)
Accounts payable and accrued liabilities	230,188	53,058
Unearned revenue	(9,789)	150,000
Customer deposits	51,857	22,235
Warranty payable	13,970	6,118
	(1,037,336)	(69,559)
Cash flows used in financing activities		
Common stock issued	9,954	-
Decrease in due to related parties	(13,218)	(15,446)
	(3,264)	(15,446)
Cash flows used in investing activities		
Deposits	(73,187)	(6,437)
Purchase of equipment	(119,933)	(56,107)
Increase in other assets	(1,186)	(888)
	(194,306)	(63,432)
Foreign currency translation effect on cash	(754)	(1,735)
Decrease in cash and cash equivalents during the period	(1,235,660)	(150,172)
Cash and cash equivalents, beginning of the period	2,369,021	1,244,906
Cash and cash equivalents, end of the period	$ 1,133,361	$ 1,094,734
Cash and cash equivalents are comprised of:		
Cash	$ 913,361	$ 1,094,734
Certificate of deposit	220,000	-
	$ 1,133,361	$ 1,094,734
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 25,000	$ -

See accompanying notes to the financial statements

COUNTERPATH SOLUTIONS, INC.
INTERIM CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
for the year ended April 30, 2006
and for the three months ended July 31, 2006
(Stated in U.S. Dollars)
(Unaudited)

	Number of Shares	Par Value	Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, April 30, 2005	37,915,462	$ 37,915	$ 2,403,855	$ (1,035,936)	$ (39,918)	$ 1,365,916
Stock-based compensation	-	-	209,270	-	-	209,270
Convertible debenture discount – Note 5	-	-	137,369	-	-	137,369
Net loss for the year	-	-	-	(1,281,653)	-	(1,281,653)
Other comprehensive loss for the year	-	-	-	-	(34,361)	(34,361)
Balance, April 30, 2006	37,915,462	37,915	2,750,494	(2,317,589)	(74,279)	396,541
Shares issued for cash:						
Exercise of stock options	25,521	26	9,928	-	-	9,954
Stock-based compensation	-	-	266,429	-	-	266,429
Net loss for the period	-	-	-	(478,142)	-	(478,142)
Other comprehensive loss for the period	-	-	-	-	(754)	(754)
Balance, July 31, 2006	37,940,983	$ 37,941	$ 3,026,851	$ (2,795,731)	$ (75,033)	$ 194,028

See accompanying notes to the financial statements

COUNTERPATH SOLUTIONS, INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2006
(Stated in U.S. Dollars)
(Unaudited)

Note 1 Interim Reporting

While the information presented in the accompanying interim three months consolidated financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the Company's April 30, 2006 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's April 30, 2006 annual financial statements.

Operating results for the three months ended July 31, 2006 are not necessarily indicative of the results that can be expected for the year ended April 30, 2007.

Note 2 Nature of Operations

Counterpath Solutions, Inc. was incorporated in the State of Nevada on April 18, 2003. The Company's common shares are quoted for trading on the Over-The-Counter Bulletin Board in the United States of America.

The Company provides Voice over Internet Protocol software and related services to customers in North America, South America, Europe, Asia and other areas of the world.

Note 3 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 US dollars except where disclosed. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may vary from these estimates.

The interim consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

a) Basis of Presentation

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CounterPath Solutions R&D Inc., a company incorporated by the Company on May 10, 2004 in British Columbia, Canada. All inter-company transactions and balances have been eliminated.

Note 3 **Significant Accounting Policies – (cont'd)**

b) Foreign Currency Translation

The Company's wholly-owned subsidiary translates amounts from its functional currency, Canadian dollars, to the reporting currency, United States dollars, in accordance with SFAS No. 52, "Foreign Currency Translation". At each balance sheet date, recorded balances that are denominated in a currency other than US dollars are adjusted to reflect the current exchange rate which may give rise to a foreign currency translation adjustment accounted for as a separate component of stockholders' equity and included in comprehensive loss.

Monetary assets and liabilities are translated into the functional currency at the exchange rate in effect at the end of the year. Non-monetary assets and liabilities are translated at the exchange rate prevailing when the assets were acquired or the liabilities assumed. Revenues and expenses are translated at the rate approximating the rate of exchange on the transaction date. All exchange gains and losses are included in the determination of net loss for the period.

c) Revenue Recognition

The Company receives revenues consisting of software sales and service fees. The Company recognizes revenues when persuasive evidence of an arrangement exists, the product is delivered or the services are rendered and collection is reasonably assured. A one-year warranty on software products is provided by the Company. The Company records a warranty provision in the amount of 2% of software sales, which is amortized over a 12-month term. The Company also records unearned revenue on software sales for sales greater than $10,000 to compensate for the cost of providing support services to customers. The Company recognizes this deferred revenue evenly over a twelve month period from the date of the sale. The Company will review these policies annually.

d) Comprehensive Loss

The Company has adopted SFAS No. 130 "Reporting Comprehensive Income". Comprehensive loss is comprised of foreign currency translation adjustments.

e) Stock-based Compensation

To April 30, 2006, the Company elected to apply the intrinsic value method of Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock options on options granted to employees and directors. Under APB No. 25, compensation expense is only recorded to the extent that the exercise price is less than the market value of the underlying stock on the measurement date, which is usually the date of grant. Stock-based compensation for employees is recognized on an accelerated basis over the vesting period of the individual options. Stock options granted to non-employees are accounted for under SFAS No. 123 "Accounting for Stock-Based Compensation" 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. Pro forma fair value information with respect to options granted to employees and directors is disclosed in accordance with SFAS No. 123.

Note 3 Significant Accounting Policies – (cont'd)

e) Stock-based Compensation – (cont'd)

The FASB issued SFAS No. 123R "Share-Based Payment", a revision to SFAS No. 123. SFAS No. 123R replaces existing requirements under SFAS No. 123 and APB No. 25, and required public companies to recognize the cost of employee services received in exchange for equity instruments, based on the grant-date fair value of those instruments, with limited exceptions. SFAS No. 123R also affects the pattern in which compensation cost is recognized, the accounting for employee share purchase plans, and the accounting for income tax effects of share-based payment transactions. For small business filers, SFAS No. 123R was effective for interim or annual periods beginning after December 15, 2005. The Company adopted SFAS No. 123R on May 1, 2006. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on the statement of operations, although it will have no impact on overall financial position. Had the Company adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in Note 6 to the consolidated financial statements.

Note 4 Related Party Transactions – Note 5

During the three months ended July 31, 2006 and 2005, the Company incurred the following expenses by a company with a director in common with the Company and by a company owned by a significant shareholder of the Company:

	2006	2005
Interest on convertible debenture	$ 25,000	$ -
Rent	-	14,324
	$ 25,000	$ 14,324

The amounts due to related parties at July 31, 2006 and April 30, 2006 are unsecured, non-interest bearing and have no stated terms of repayment. The amounts due to related parties are due to directors of the Company or to companies with directors in common with the Company.

Note 5 Convertible Debenture

On December 13, 2005, the Company completed the sale of a convertible debenture in the principal amount of $2,000,000 to a company controlled by the spouse of a significant shareholder of the Company. The convertible debenture is unsecured, bears interest at 5% per annum with interest payable at maturity or on such other date as agreed to by the Company and the investor and matures on November 21, 2007. The debenture is senior to the Company's other existing and future indebtedness as long as 25% of the principal amount is outstanding. The Company can prepay the outstanding principal and accrued interest at any time with the consent of the lender. The lender may convert the debenture and accrued interest at any time, and from time to time, in whole or in part into common shares of the Company at a conversion price of $0.40 per share. The Company is currently paying interest monthly on the debenture.

Included with the sale of the convertible debenture were 2,500,000 share purchase warrants entitling the holder to purchase one common share for each warrant held at $0.80 per share until November 21, 2007.

The amount raised from the issuance of the convertible debenture was allocated between the convertible debenture and the share purchase warrants on the basis of their relative fair values in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 14. The Company used the Black-Scholes option pricing model to determine the fair value of the warrants. At the date of issuance of the debenture, the Company allocated $1,862,631 to the convertible debenture and $137,369 to the share purchase warrants. The amount allocated to the share purchase warrants represents a discount on the debt financing which is accreted to income over the term of the debt. During the three months ended July 31, 2006, the Company recorded an accretion expense of $17,102 on this discount.

Note 6 Common Stock – Note 7

During the three months ended July 31, 2006, the Company issued 25,521 common shares at $0.39 per share for cash proceeds of $9,954 pursuant to the exercise of stock purchase options.

Commitments:

Convertible Debenture – Note 5

Stock Purchase Options

The Company has a stock-based compensation plan whereby stock options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's stock on the date of the grant. A summary of the status of the plan is as follows:

Note 6 Common Stock – Note 7 – (cont'd)

Commitments: – (cont'd)

Stock Purchase Options– (cont'd)

	Number	Weighted Average Exercise Price
Balance, April 30, 2005	2,870,000	$1.34
Granted – Employees	1,082,659	$0.70
Granted – Consultants	33,333	$0.70
Granted – Employees	500,000	$0.72
Granted – Consultants	75,000	$0.67
Granted – Employees	1,500,000	$0.74
Granted – Consultants	50,000	$0.39
Granted – Employees	1,200,000	$0.61
Granted – Employees	510,000	$0.39
Granted – Consultants	170,000	$0.39
Granted – Employees	6,940,000	$0.39
Granted – Employees	250,000	$0.39
Granted – Employees	2,085,000	$0.39
Granted – Employees	200,000	$0.39
Granted – Employees	250,000	$0.56
Granted – Employees	50,000	$0.75
Granted – Employees	100,000	$0.682
Cancelled – Consultants	(33,333)	$0.70
Cancelled – Employees	(6,687,659)	$0.91
Balance, April 30, 2006	11,145,000	$0.45
Granted – Employees	983,100	$0.61
Granted – Employees	200,000	$0.67
Granted – Employees	300,000	$0.59
Cancelled – Employees	(321,458)	$0.39
Exercised – Employees	(25,521)	$0.39
Balance, July 31, 2006	12,281,121	$0.47

Note 6 **Common Stock – Note 7 – (cont'd)**

Commitments: – (cont'd)

Stock Purchase Options– (cont'd)

(1) At July 31, 2006, there were 100,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $1.87 per share. These options expire on July 21, 2009.

At July 31, 2006, all of these options have vested. The Company has recorded a stock-based compensation charge of $83,000 in respect to these options.

(2) At July 31, 2006, there were 150,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $1.58 per share. These options expire on October 24, 2009.

At July 31, 2006, 135,000 of these options have vested with the balance vesting on September 30, 2006. The Company has recorded a stock-based compensation charge of $117,600 in respect to these options.

(3) At July 31, 2006, there were 175,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $1.17 per share. These options expire on February 28, 2010.

At July 31, 2006, 140,000 of these options had vested with the balance vesting as follows: 17,500 on September 30, 2006 and 17,500 on December 31, 2006. The Company has recorded a stock-based compensation charge of $97,708 in respect to these options.

(4) At July 31, 2006, there were 150,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $1.07 per share. These options expire on March 29, 2010.

At July 31, 2006, 105,000 of these options had vested with the balance vesting as follows: 15,000 on August 31, 2006, 15,000 on November 30, 2006 and 15,000 on February 28, 2007. The Company has recorded a stock-based compensation charge of $71,300 in respect to these options.

(5) At July 31, 2006, there were 75,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $0.67 per share. These options expire on June 13, 2010.

These options vested 50,000 on June 13, 2005 and 25,000 on July 1, 2005. The Company has recorded a stock-based compensation charge of $29,925 in respect to these options.

(6) At July 31, 2006, there were 50,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $0.39 per share. These options were originally granted at $0.61 per share but were re-priced during the year ended April 30, 2006. These options expire on September 12, 2010.

These options vest over four years, $1/48^{th}$ each month until September 12, 2009. The Company has recorded a stock-based compensation charge of $4,298 in respect to these options.

Note 6 Common Stock – Note 7 – (cont'd)

Commitments: – (cont'd)

Stock Purchase Options– (cont'd)

(7) At July 31, 2006, there were 400,000 director stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.39 per share. These options expire on September 7, 2010.

These options vest over four years with 25% of the options vesting on September 7, 2006 and the remaining 75% vesting 1/36th each month until September 7, 2009. The Company has recorded a stock-based compensation charge of $8,502 in respect to these options.

(8) At July 31, 2006, there were 170,000 consultant stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $0.39 per share. These options expire on October 10, 2015.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until October 10, 2009. The Company has recorded a stock-based compensation charge of $10,351 in respect to these options.

(9) At July 31, 2006, there were 6,593,021 employee stock options outstanding entitling the holder thereof the right to purchase one common share for each option held at $0.39 per share. These options expire on October 10, 2015.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until October 10, 2009. The Company has recorded a stock-based compensation charge of $127,611 in respect to these options.

(10) At July 31, 2006, there were 250,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.39 per share. These options expire on December 12, 2015.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until December 12, 2009. The Company has recorded a stock-based compensation charge of $4,485 in respect to these options.

(11) At July 31, 2006, there were 2,085,000 employee and director stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.39 per share. These options expire on January 10, 2016 as to 390,000 options and on January 10, 2011 as to 1,695,000 options.

390,000 of these options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until January 10, 2010.

1,695,000 of these options vest over four years, 25% after one year with the remaining 75% vesting 1/36th each month until January 10, 2010. The Company has recorded a stock-based compensation charge of $40,268 in respect to these options.

Note 6 **Common Stock – Note 7 – (cont'd)**

Commitments: – (cont'd)

Stock Purchase Options– (cont'd)

(12) At July 31, 2006, there were 200,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.39 per share. These options expire on February 1, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until February 1, 2010. The Company has recorded a stock-based compensation charge of $6,788 in respect to these options.

(13) At July 31, 2006, there were 250,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.56 per share. These options expire on February 20, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until February 20, 2010. The Company has recorded a stock-based compensation charge of $7,500 in respect to these options.

(14) At July 31, 2006, there were 50,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.75 per share. These options expire on March 3, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until March 3, 2010. The Company has recorded a stock-based compensation charge of $2,016 in respect to these options.

(15) At July 31, 2006, there were 100,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.682 per share. These options expire on April 10, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until April 10, 2010. The Company has recorded a stock-based compensation charge of $3,668 in respect to these options.

(16) At July 31, 2006, there were 983,100 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.61 per share. These options expire on May 23, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until May 23, 2010. The Company has recorded a stock-based compensation charge of $24,439 in respect to these options.

Note 6 Common Stock – Note 7 – (cont'd)

Commitments: – (cont'd)

Stock Purchase Options– (cont'd)

(17) At July 31, 2006, there were 200,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.67 per share. These options expire on July 11, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until July 11, 2010. The Company has recorded a stock-based compensation charge of $1,406 in respect to these options.

(18) At July 31, 2006, there were 300,000 employee stock options outstanding entitling the holders thereof the right to purchase one common share for each option held at $0.59 per share. These options expire on July 26, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until July 26, 2010. The Company has recorded a stock-based compensation charge of $686 in respect to these options.

The Company did not record compensation expense on granting of stock options to employees or directors up to April 30, 2006. Disclosure of pro forma loss and loss per share figures had the Company elected to follow the fair value method for employees for the three months ended July 31, 2005 are as follows:

Comprehensive loss for the period as reported	$	(311,539)
Stock-based compensation		(126,823)
Pro forma loss for the period	$	(438,362)
Pro forma basic and diluted loss per share	$	(0.01)

The fair value of the share purchase options outstanding at July 31, 2006 and April 30, 2006 was determined using the Company's historical stock prices and the Black-Scholes option pricing model with the following assumptions:

		July 31, 2006		April 30, 2006
Risk free rate		4.30%		4.24%
Dividend yield		0%		0%
Weighted average expected volatility		74.3%		73.1%
Weighted average expected option life		9.6 yrs		9.5 yrs
Weighted average fair value	$	0.36	$	0.34
Total options outstanding		12,281,121		11,145,000
Total fair value of options outstanding	$	4,421,204	$	3,789,300

Note 7 Subsequent Events

i) On August 1, 2006, the Company granted 255,000 employee stock options entitling the holders thereof the right to purchase one common share for each option held at $0.30 per share. These options expire on August 1, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until August 1, 2010.

ii) On September 7, 2006, the Company granted 1,200,000 employee stock options entitling the holders thereof the right to purchase one common share for each option held at $0.43 per share. These options expire on September 7, 2016.

These options vest over four years, 12.5% after six months with the remaining 87.5% vesting 1/42nd each month until September 7, 2010.

Note 8 Segmented Information

Revenues by geographic segment for the three months ended July 31, 2006 and 2005 are as follows:

	2006	2005
North America	$ 813,308	$ 709,012
Europe	875,997	73,497
Asia	46,950	38,445
South America	19,092	6,085
Other	5,534	257
	$ 1,760,881	$ 827,296

Revenues from significant customers are as follows:

During the three months ended July 31, 2006, four customers accounted for 62% of revenues.

During the three months ended July 31, 2005, two customers accounted for 57% of revenues.

Note 9 Commitments

i) The Company entered into three leases for office premises all of which expire on December 31, 2006 and require payments totalling $83,666 to December 31, 2006.

ii) On July 10, 2006, the Company entered into a lease for office premises commencing on December 1, 2006 and ending on September 29, 2011. Total rent payable over the term of the lease for the years ended April 30, is as follows:

2007	$ 85,927
2008	214,245
2009	219,974
2010	236,013
2011	247,470
2012	103,113
	$ 1,106,742

Note 10 Contingency

On February 17, 2006, a competitor filed a statement of claim in the Supreme Court of British Columbia claiming among other things, general, punitive and aggravated damages of unspecified amounts with respect to alleged business ethics matters. Management of the Company believes that the claim is without foundation or merit.

Item 2. Management's Discussion and Analysis or Plan of Operation.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. 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", "will", "should", "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", that may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements 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, performance or achievements. 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.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to our shares of common stock.

As used in this quarterly report, the terms "we", "us" and "our" mean CounterPath Solutions, Inc., unless otherwise indicated.

Overview of Corporate History

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

On April 30, 2004, we changed our business following the merger of our company with Xten Networks, a private Nevada company. Xten Networks was incorporated under the laws of the State of Nevada on October 28, 2002. As a result of the merger, we acquired all of the 9,000,000 issued and outstanding shares in Xten Networks in exchange for agreeing to issue 18,000,000 shares of our common stock to the stockholders of Xten Networks. The stockholders of Xten Networks were entitled to receive two shares of our common stock for each one share of Xten Networks.

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

Business of CounterPath Solutions

Our business focuses on the design, development and sale of multimedia application software. Our software applications are based on session initiation protocol (SIP) which is the recognized standard for interactive end points that involve multimedia elements such as voice, video, instant messaging, presence (the ability to monitor a person's availability), online games and virtual reality. Users of our software in combination with voice over internet protocol (VoIP) service are able to communicate and make voice and video calls from a device running our software. Our software has been designed to run in multiple operating environments such as Windows 2000, Windows XP, Mac OS X, Linux and the Windows Mobile 5 (used for personal digital assistants or PDA's).

We are focused on the development of technology that takes advantage of the market known as the voice over internet protocol (VoIP) market. Voice over internet protocol (VoIP) is a general term for technologies that use internet protocol for transmission of packets of data which 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 (PSTN). General industry and analyst consensus shows that the voice over internet protocol (VoIP) market is being adopted by the public and growing at a considerable rate. Our strategy is to sell our software to our customers to allow such customers to deliver session initiation protocol (SIP) and voice over internet protocol (VoIP) services. Customers that we are targeting include large global incumbent telecom providers, cable carriers, internet telephone service providers (ITSP's) and content providers. Our software enables communication from the end user through the network to another end user and enables the service provider to deliver other streaming content to end users such as video, radio or the weather.

New Accounting Pronouncements

In December 2004, the FASB issued FAS 123R "Share-Based Payment", a revision to FAS 123. FAS 123R replaces existing requirements under FAS 123 and APB 25, and requires public companies to recognize the cost of employee services received in exchange for equity instruments, based on the grant-date fair value of those instruments, with limited exceptions. FAS 123R also affects the pattern in which compensation cost is recognized, the accounting for employee share purchase plans, and the accounting for income tax effects of share-based payment transactions. For small business filers, FAS 123R will be effective for interim or annual periods beginning after December 15, 2005. We have adopted FAS 123R as of May 1, 2006. Due to the adoption of this new pronouncement we have recorded stock-based compensation of $266,429 for the three months ended July 31, 2006. This compares with $72,586 for the three months ended July 31, 2005. Results for the prior period have not been restated.

Application of Critical Accounting Policies

Foreign Currency Translation

Our functional and reporting currency is the United States of America dollar. These consolidated financial statements are remeasured to United States dollars in accordance with FAS No. 52, "Foreign Currency Translation". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date and capital accounts are translated at historical rates. Income statement accounts are translated at the average rates of exchange prevailing during the year and are included in the comprehensive income account in stockholders' equity, if applicable. Gains and losses arising on remeasurement or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian dollars. We have not, to the date of these financials statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Revenue Recognition

We receive revenues consisting of software sales and service fees. We recognize revenues when persuasive evidence of an arrangement exists, the product is delivered or the services are rendered and collection is reasonably assured. We provide a one year warranty on software products. We have set up a warranty provision in the amount of 2% of software sales, which is amortized over a 12-month term. We have also set up deferred revenue on software sales, which defers a portion of all software sales greater than $10,000 to compensate for the cost of providing support services to customers. We recognize this deferred revenue evenly over a twelve-month period from the date of the sale. We will review these policies annually.

Stock-Based Compensation

Stock options granted are accounted for under FAS 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. FAS 123R replaces existing requirements under FAS 123 and APB 25, and requires public companies to recognize the cost of employee services received in exchange for equity instruments, based on the grant-date fair value of those instruments, with limited exceptions. We have adopted FAS 123R as of May 1, 2006.

Stock-based compensation represents the cost related to stock-based awards granted to employees. We measure stock-based compensation cost at grant date, based on the estimated fair value of the award, and recognizes the cost as expense on a straight-line basis (net of estimated forfeitures) over the employee requisite service period. We estimate the fair value of stock options using a Black-Scholes option valuation model.

As of May 1, 2006, total unrecognized stock-based compensation expense related to non-vested stock options was approximately $3,373,000, which is expected to be recognized over a weighted average period of approximately 37 months.

Results of Operations

Three Months Ended July 31, 2006 and July 31, 2005

The following presentation and discussion relates to the consolidated operations of CounterPath Solutions, Inc. for the three months ended July 31, 2006 and July 31, 2005.

	Three months ended July 31, 2006	Three months ended July 31, 2005	Percent Change
Revenues			
Software	$1,409,719	$710,678	98%
Service	$351,162	$116,618	201%
Total Revenues	$1,760,881	$827,296	113%
Expenses			
Consulting, Professional Fees and Wages	$1,446,408	$858,062	69%
Administration and Other	$679,570	$201,624	237%
Public Relations	$44,576	$17,529	154%
Travel and Promotion	$68,469	$59,885	14%
Total Expenses	$2,239,023	$1,137,100	97%

Our operating activities during the three months ended July 31, 2006 consisted primarily of selling our IP telephony software to telephone companies and IP telephony service providers, which provide IP telephony services to end users, and the continued development of our IP telephony software products.

Revenues. For the three months ended July 31, 2006, we generated $1,760,881 in revenues compared to $827,296 for the three months ended July 31, 2005. This represents an increase of $933,585 or 113% increase from the same period last year. Four customers each represented revenues of greater than 10%, and combined, accounted for 62% of our total revenues. Our total number of customers that have deployed our software increased by 22 over the quarter to 213 as at July 31, 2006.

We generated $1,409,719 in software revenue for the three months ended July 31, 2006 compared to $710,678 for the three months ended July 31, 2005, representing an increase of $699,041 or 98% over the same period last year. The increase in software revenues was attributable to an increase in both the number of customers we sell to and the average revenue per customer**.** For the three months ended July 31, 2006, we generated $351,162 in service revenue compared to $116,618 for the three months ended July 31, 2005. This increase of $234,544 or 201% over the same period last year in service revenue reflects the increase in services we provide to primarily our larger customers to enable them to deploy our software.

Expenses. Total expenses for the three months ended July 31, 2006 were $2,239,023 compared to $1,137,100 for the previous three months ended July 31, 2005, representing an increase of $1,101,923 or 97%.

Consulting fees, professional fees, and wages for the three months ended July 31, 2006 were $1,446,408 compared to $858,062 for the three months ended July 31, 2005. This is an increase of $588,346 or 69% from the same period last year. The increase in consulting fees, professional fees and wages was primarily due to the addition of engineering staff required for research and development and the addition of sales and marketing staff. During the period, we increased our headcount from 54 to 56 persons.

Administration and other expenses for the three months ended July 31, 2006 were $679,570 compared to $201,624 for the three months ended July 31, 2005. This is an increase of $477,946 or 237% from the same period last year. The increase in administration and other expenses was primarily due to the administrative costs associated with the addition of engineering staff required for research and development and the addition of sales and marketing staff. The administration and other expenses for the three months ended July 31, 2006 includes a $266,429 non-cash expense for stock-based compensation compared to $72,586 recorded in the comparable quarter last year. During the current quarter we began expensing the fair value of the employee options.

Public relations' expenses for the three months ended July 31, 2006 were $44,576 compared to $17,529 for the three months ended July 31, 2005. This is an increase of $27,047 or 154% from the previous year and reflects an increase in consulting fees for public and investor relations services.

Travel and promotion expenses for the three months ended July 31, 2006 were $68,469 compared to $59,885 for the three months ended July 31, 2005. This is an increase of $8,584 or 14% from the same period last year. The increase in travel and promotion expenses was due to increased pre-sales activities, and our active participation in industry tradeshows.

Liquidity and Capital Resources

As of July 31, 2006, we had $1,133,361 in cash and cash equivalents compared to $2,369,021 at April 30, 2006, representing a decrease of $1,235,660. Our working capital was $1,671,169 at July 31, 2006 compared to $1,975,881 at April 30, 2006, representing a decrease of $304,712 from the previous quarter.

Operating Activities

Our operating activities resulted in a net cash outflow of $1,037,336 for the three months ended July 31, 2006. This compares with a net cash outflow of $69,559 for the same period last year and represents a $967,777 increase in the use of cash compared to the same period last year. The operating cash outflows for the three months ended July 31, 2006 resulted from a net loss of $478,142 with adjustments for non-cash expenses and changes in working capital balances.

Financing Activities

Financing activities resulted in net cash outflows of $3,264 for the three months ended July 31, 2006. This compares with a net cash outflow of $15,446 for the same period last year and represents a 12,182 decrease in the use of cash compared to the same period last year. The company issued 25,521 common shares at $0.39 per share for cash proceeds of $9,954 pursuant to the exercise of stock purchase options.

Investing Activities

Investing activities resulted in a net cash outflow of $194,306 for the three months ended July 31, 2006. This compares with a net cash outflow of $63,432 for the same period last year. This represents a $130,874 or 206% increase in the use of cash for investing activities compared to the same period last year. During the three months ended July 31, 2006, we purchased $119,933 of capital assets. This compares to capital purchases of $56,107 for the same period last year. At July 31, 2006, we did not have any material commitments for future capital expenditures.

We believe that our current working capital and anticipated revenues will be sufficient to fund our operations for the next twelve months. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay product development, and scale back operations.

We intend to seek additional funding through public or private financings, but our business and shareholders' investment are at risk if we are unable to obtain additional financing on acceptable terms or at all.

Long Term Obligations

On July 10, 2006, we entered into a lease for office premises commencing on December 1, 2006 and ending on September 29, 2011. Total rent payable over the term of the lease for the fiscal years ended April 30, is as follows:

2007	$ 85,927
2008	214,245
2009	219,974
2010	236,013
2011	247,470
2012	103,113
	$ 1,106,742

Off-Balance Sheet Arrangements

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

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".

We will require significant additional financing, the availability of which cannot be assured.

Since inception, our company has had negative cash flows from operations. Our business plan calls for continued research and development of our products and expansion of our market share. We may require additional financing to finance working capital and pay for operating expenses and capital requirements until we achieve a positive cash flow. However, there is no assurance that actual cash requirements will not exceed our estimates. In particular, additional capital may be required in the event that:

- we incur delays and additional expenses as a result of technology failure;

- we are unable to create a substantial market for our products; or

- we incur any significant unanticipated expenses.

The occurrence of any of the aforementioned events could adversely affect our ability to meet our proposed business plans.

We do not have any arrangement for financing. We depend on a mix of revenues and outside capital to pay for the continued development of our technology and the marketing of our products. Such outside capital may include the sale of additional stock and/or commercial borrowing. There can be no assurance that capital will continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to us. The issuance of additional equity securities by us would result in a dilution, possibly a significant dilution, in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, our business and future success may be adversely affected.

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

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

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

We are authorized to issue 415,384,500 shares of common stock. Our board of directors has the authority to issue additional shares of common stock up to the authorized capital stated in the certificate of incorporation. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all other stockholders. Further, any such issuance may result in a change of control of our corporation.

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

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

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

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission 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 Sales Practice Requirements of the National Association of Securities Dealers Inc., or NASD, may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the NASD has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD 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.

Some 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.

Some 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, you may be effectively prevented from pursuing remedies under United States federal securities laws against some of our directors or officers.

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. Other than registering the domain names: www.counterpath.com, www.xten.com, www.xten.net, www.sipindex.com, www.xtunnels.org, www.videoblog.com, www.videoblog.net and www.videoblog.info, and applying to register the trademark eyeBeam™, we have not taken any action to protect our proprietary technology. If any of our competitors copies or otherwise gains access to our proprietary technology or develops similar technologies independently, we would not be able to compete as effectively. We also consider our service marks, particularly our family of unregistered trademarks including eyeBeam, X-Pro, X-Lite, X-Web, X-Tunnels, X-Look, X-Cipher and X.Net, 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 copyright, trade secret and trademark laws, may not be adequate to prevent their unauthorized use. Further, the laws of foreign countries may provide inadequate protection of such intellectual property rights.

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

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

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

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

We expect that a substantial portion of our future revenue will be derived from the sale of our software products. We expect that these product offerings and their extensions and derivatives will account for a majority our revenue for the foreseeable future. Broad market acceptance of our VoIP and IP Telephony 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.

Item 3. Controls and Procedures.

As required by Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of the end of the period covered by this quarterly report, being July 31, 2006. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief executive officer. Based upon that evaluation, our company's president and chief executive officer concluded that our company's disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no significant changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission'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 company's reports filed under the Exchange Act is accumulated and communicated to management, including our company's president as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Except as set out below, we know of no material, active, or pending legal proceeding against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation where such claims or action involves damages for a value of more than 10% of our assets as of July 31, 2006, or any proceeding in which any of our company's directors, officers, or affiliates, or any registered or beneficial shareholders, is an adverse party or has a material interest advance to our company's interest.

On February 17, 2006, Eyeball Networks Inc., filed a statement of claim in the Supreme Court of British Columbia (Action No. S-061080, Vancouver Registry) against our company, Mr. Mark Bruk, and two employees, alleging breach of (i) confidentiality, and (ii) previous employment agreements between the two employees (Dr. Joseph Vass and Mark Klagenberg) and Eyeball. Eyeball is seeking an injunction requiring our company, Mr. Bruk, and the two employees, to deliver to Eyeball any confidential information they have in their possession, power or control relating to Eyeball and its business, restraining our company from developing, manufacturing or marketing power meters, although we do not currently develop, manufacture or market power meters. Among other things, Eyeball is claiming general, punitive and aggravated damages of unspecified amounts. Management of our company has filed a Statement of Defence denying all allegations, and strongly believes that any allegations made by Eyeball in connection with our company's current business operations are without foundation or merit. We intend to continue to vigorously defend these proceedings which are now expected to go to trial in May or June of 2007.

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

On May 23, 2006, we granted stock options to a director and three employees for the option to purchase an aggregate of 983,100 shares of our common stock at an exercise price of $0.61 per share, exercisable until May 23, 2016. The stock options are subject to vesting provisions as set forth in our 2005 stock option plan. We issued 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 relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On July 11, 2006, we granted stock options to an employee for the option to purchase an aggregate of 200,000 shares of our common stock at an exercise price of $0.67 per share, exercisable until July 11, 2016. The stock options are subject to vesting provisions as set forth in our 2005 stock option plan. We issued 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 relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On July 26, 2006, we granted stock options to an employee for the option to purchase an aggregate of 300,000 shares of our common stock at an exercise price of $0.59 per share, exercisable until July 26, 2016. The stock options are subject to vesting provisions as set forth in our 2005 stock option plan. We issued 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 relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On August 1, 2006, we granted stock options to two employees for the option to purchase an aggregate of 255,000 shares of our common stock at an exercise price of $0.30 per share, exercisable until August 1, 2016. The stock options are subject to vesting provisions as set forth in our 2005 stock option plan. We issued 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 relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On September 7, 2006, we granted stock options to an employee for the option to purchase an aggregate of 1,200,000 shares of our common stock at an exercise price of $0.43 per share, exercisable until September 7, 2016. The stock options are subject to vesting provisions as set forth in our 2005 stock option plan. We issued 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 relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

None.

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

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).

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

4.1 2004 Stock Option Plan effective May 18, 2004 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.2 Form of Stock Option Agreement for 2004 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.3 2005 Stock Option Plan effective March 4, 2005 (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.4 Form of Stock Option Agreement for 2005 Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on June 14, 2005).

4.5 Form of Amended & Restated Stock Option and Subscription Agreement (Canadian) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).

4.6 Form of Amended & Restated Stock Option and Subscription Agreement (US) (incorporated by reference from our Current Report on Form 8-K filed On October 14, 2005).

(10) Material Contracts

10.1 Domain Name Assignment Agreement, dated May 2, 2003, between Broad Scope Enterprises, Inc. and Hon Kit Ng (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.2 Subscription Agreement, dated April 20, 2003, between Broad Scope Enterprises Inc. and Hon Kit Ng (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.3 Subscription Agreement, dated May 1, 2003, between Broad Scope Enterprises Inc. and Hon Kit Ng (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.4 Subscription Agreement, dated May 2, 2003, between Broad Scope Enterprises Inc. and Simon Au (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.5 Form of Subscription Agreement between Broad Scope Enterprises Inc. and various private placement placees (incorporated by reference from our Registration Statement on Form SB-2 filed on July 16, 2003).

10.6 Agreement and Plan of Merger among Broad Scope Enterprises Inc., Xten Networks, Inc., Broad Scope Acquisition Corp. and Mark Bruk (incorporated by reference from our Current Report on Form 8-K filed on May 10, 2004).

10.7 Agreement and Plan of Merger between Broad Scope Enterprises Inc. and Xten Networks, Inc. (incorporated by reference from our Current Report on Form 8-K filed on May 10, 2004).

10.8 Software Development Agreement between Xten Networks, Inc. (formerly Evove, Inc.) and Xten Networks (Canada) Inc. (formerly Xten Networks Inc.) (incorporated by reference from our Current Report on Form 8-K filed on May 10, 2004).

10.9 Debt Settlement and Subscription Agreement dated April 19, 2005 between Xten Networks, Inc. and Steven Bruk (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2005).

10.10 Employment Agreement dated June 16, 2005 between Xten Networks R&D Inc. and Larry Timlick (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2005).

10.11 Settlement Agreement and Release dated June 29, 2005 between Xtend Communications Corp. and Xten Networks, Inc. (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2005).

10.12 Form of Amendment to Stock Option and Subscription Agreement (incorporated by reference from our Current Report on Form 8-K filed on January 17, 2006).

10.13 Form of Stock Option and Subscription Agreement for U.S. Persons (incorporated by reference from our Current Report on Form 8-K filed on January 17, 2006).

10.14 Form of Stock Option and Subscription Agreement for Non-U.S. Persons (incorporated by reference from our Current Report on Form 8-K filed on January 17, 2006).

10.15 Employment Agreement between CounterPath Solutions, Inc. and Jason Fischl dated August 29, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).

10.16 Employment Agreement between CounterPath Solutions, Inc. and Donovan Jones dated June 1, 2005 (incorporated by reference from our Annual Report on Form 10-KSB filed on July 31, 2006).

10.17 Employment Agreement between CounterPath Solutions, Inc. and David Karp dated September 11, 2006 (filed herewith).

(14) Code of Ethics

14.1 Code of Business Conduct and Ethics (incorporated by reference from our Annual Report on Form 10-KSB filed on July 29, 2004).

(21) Subsidiaries of CounterPath Solutions, Inc.

CounterPath Solutions R&D Inc. (incorporated in the Province of British Columbia, Canada)

(31) Section 302 Certification

31.1 Section 302 Certification.

(32) Section 906 Certification

32.1 Section 906 Certification.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COUNTERPATH SOLUTIONS, INC.

By: ______________________________

Mark Bruk, Chairman
Chief Executive Officer, Secretary, Treasurer & Director
(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)
Date: September 14, 2006