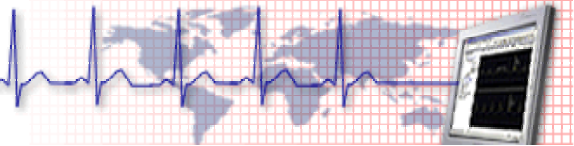




Global leaders in Arrhythmia, Pacemaker & ICD Management Software



CardioComm Solutions Inc.

Management's Discussion and Analysis

For the year ended December 31, 2006



Management's Discussion and Analysis Financial Condition and Results of Operations

The following discussion of our consolidated financial condition and results of operations, as of December 31, 2006, has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and all amounts are expressed in Canadian dollars. The Management's Discussion & Analysis (MD&A) should be read in conjunction with the consolidated financial statements and accompanying notes to the consolidated financial statements for the years ended December 31, 2006 and 2005.

This MD&A is based on information available as at April 25, 2007.

The Company is a reporting issuer in British Columbia, Alberta, and Ontario, and trades on the TSX Venture Exchange under the symbol CCG.

The public documents of the Company can be viewed at the SEDAR website (www.sedar.com).

Overall Performance

Financial Condition:

- Annual revenue for 2006 was \$1,761,871, an increase of 73% as compared to \$1,016,293 2005.
- Annual loss for 2006 was \$(625,128) a 59% decreased loss as compared to 2005 loss of \$1,541,518.
- 2006 net working capital was a deficiency of \$2,331,507, up from \$2,028,229 at 2005 year end.

CardioComm's annual financial results improved significantly in 2006 as compared to 2005. Revenue increased by \$745,578, resulting in a decreased net loss for 2006. Revenue increased by 73% overall, which was mainly due to new custom development work in 2006, which accounted for \$713,000 or 40% of the total revenue in 2006.

Company Overview

The Company was incorporated under the laws of British Columbia, on October 26, 1989 and operated as a computer related consulting firm until 1991. In 1992, the Company commenced activities in research and development of advanced software and hardware related to a personal heart arrhythmia monitoring system. Effective December 7, 1998, the Company's name was changed to CardioComm Solutions Inc. The Company is based in Victoria, British Columbia.

CardioComm's patented and proprietary technology is used in products for the recording, viewing, analyzing and storing of electrocardiograms (ECGs), for diagnosis and management of cardiac patients. CardioComm has achieved its technical goals of improved access and communication through the development of a real-time ECG viewer. CardioComm is the first company to provide a real-time means of viewing ECGs over a network (LAN, WAN or Internet). This tool enables ECGs to be viewed and controlled live, by physicians, over a global virtual healthcare network. This technology is marketed as Global ECG Management System (GEMS™) and GlobalCardio™. The U.S. Food and Drug Administration have cleared CardioComm's software products for sale in the United States. The Company has both ISO 9001:2000 and ISO 13485:2003 certifications.

Selected Annual Information

(in thousands of Canadian dollars)

Years ended	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue	\$1,762	\$1,016	\$2,746
Net earnings (loss)	(625)	(1,542)	(404)
Loss per share	(0.02)	(0.04)	(0.01)
Total assets	427	203	686
Long-term liabilities	-	-	-

The Company has not paid any dividends during the three year period ended December 31, 2006.

Results of Operations:

For the Three Months ended December 31, 2006 compared to the Three Months ended December 31, 2005

Operating results expressed as a percentage of revenue:

Three months ended Dec 31,	2006	2005
Revenue	100%	100%
Expenses		
Administration	42	112
Sales and marketing	18	71
Product development	41	129
	<u>101</u>	<u>312</u>
Earnings (loss) from operations	(1)	(212)
Other income (loss)	0	(1)
Net earnings (loss)	<u>(1)%</u>	<u>(213)%</u>

Revenue by product:

Three months ended Dec 31,	2006	2005
Revenue by product		
Software	89%	63%
Support	11	37
Other	0	0
	<u>100%</u>	<u>100%</u>

Revenue by geographical region:

Three months ended Dec 31,	2006	2005
Revenue by region		
United States	35%	82%
Canada	64	10
Other	1	7
	<u>100%</u>	<u>100%</u>

Revenue

Revenues for the quarter ended December 31, 2006 was \$614,942 compared to \$187,542 for the quarter ended December 31, 2005, an increase of 228%. Revenue increased in all product lines, including software and custom development in Q4 2006. Customer development realized the largest increase, that being \$467,873.

Cost of sales

Cost of sales increased by 79% for the quarter ended December 31, 2006 as compared to the quarter ended December 31, 2005. The increase

is largely due to the increased volume of training and installations in Q4 2006. Cost of sales expenses are included in sales and marketing expenses. For the quarter ended December 31, 2006, costs of sales were \$36,409 as compared to \$20,376 for the quarter ended December 31, 2005.

General and administrative

General and administrative expenses were \$256,034 for the quarter ended December 31, 2006, compared to \$209,370 for the quarter ended December 31, 2005; an increase of 22% in 2006, as compared to 2005. The increase in Q4 2006 is due to increased consulting fees.

Sales and marketing

Sales and marketing expenses were \$108,841 for the quarter ended December 31, 2006, compared to \$133,947 for the quarter ended December 31, 2005; a decrease of 19% for Q4 2006 compared to Q4 2005. The decrease in sales and marketing costs are largely due to a significant reduction in consulting fees in Q4 2006 compared to Q4 2005.

Product development

Product development expenses were \$250,467 for the quarter ended December 31, 2006, compared to \$241,353 for the quarter ended December 31, 2005; an increase of 4% for Q4 2006 compared to Q4 2005, due to increase in wages for staff in Q4 2006.

Net earnings

CardioComm recorded a net loss of \$8,312 or \$0.00 loss per share in the quarter ended December 31, 2006, compared to net loss of \$398,849 or \$0.01 loss per share in the quarter ended December 31, 2005. The decreased loss for Q4 2006 was attributable to a substantial increase in revenue and decreases in consulting fees in 2006. The weighted average number of shares outstanding increased to 42,067,376 in Q4 2006 from 36,867,376 in Q4 2005.

Results of Operations:

For the Year ended December 31, 2006 compared to Year ended December 31, 2005

Operating results expressed as a percentage of revenue:

Year ended December 31,	2006	2005
Revenue	100%	100%
Expenses		
Administration	48	87
Sales and marketing	30	58
Product development	57	106
	<u>135</u>	<u>251</u>
Earnings (loss) from operations	(35)	(151)
Other income (loss)	0	0
Net earnings (loss)	<u>(35)%</u>	<u>(151)%</u>

Revenue by product:

Year ended December 31,	2006	2005
Revenue by product		
Software	77%	68%
Support	16	26
Other	7	6
	<u>100%</u>	<u>100%</u>

Revenue by geographical region:

Year ended December 31,	2006	2005
Revenue by region		
United States	69%	86%
Canada	28	8
Other	3	6
	<u>100%</u>	<u>100%</u>

Revenue

Revenues for the year ended December 31, 2006 was \$1,761,871 compared to \$1,016,293 for the year ended December 31, 2005, an increase of 73%. Revenue increased in all product lines, including software, custom development and support in 2006. Customer development realized the largest increase, that being \$489,730.

Cost of sales

Cost of sales increased by 109% for the year ended December 31, 2006 as compared to the year ended December 31, 2005. The increase is largely due to the third-party software costs associated with custom development work and increased volume of training and installations in 2006. Cost of sales expenses are included in

sales and marketing expenses. For the year ended December 31, 2006, costs of sales were \$179,301 as compared to \$85,972 for the year ended December 31, 2005.

General and administrative

General and administrative expenses were \$845,417 for the year ended December 31, 2006, compared to \$884,025 for the year ended December 31, 2005; a decrease of 4% in 2006, as compared to 2005. The decrease in 2006 is due to reduced consulting fees.

Sales and marketing

Sales and marketing expenses were \$536,394 for the year ended December 31, 2006, compared to \$595,715 for the year ended December 31, 2005; a decrease of 10% for 2006 compared to 2005. The decrease in sales and marketing costs are largely due to decreased wages, commissions and travel expenses due to shift in sales staff mix in 2006 compared to 2005.

Product development

Product development expenses were \$1,011,619 for the year ended December 31, 2006, compared to \$1,075,302 for the year ended December 31, 2005; a decrease of 6% for 2006 compared to 2005, due to slightly less staff in 2006.

Net earnings

CardioComm recorded a net loss of \$625,128 or \$0.02 loss per share in the year ended December 31, 2006, compared to net loss of \$1,541,518 or \$0.04 loss per share in the year ended December 31, 2005. The decreased loss for 2006 was attributable to a substantial increase in revenue and decreases in wages, consulting fees and travel expenses in 2006. The weighted average number of shares outstanding increased to 40,778,061 in 2006 from 36,867,376 in 2005.

Liquidity

Operating Activities

Cash used for operations was \$124,680 in the year ended December 31, 2006, compared to \$795,240 in the year ended December 31, 2005. The 2006 year had a loss of \$625,128 compared to a loss of \$1,541,518 in 2005, which along with a large increase in deferred revenue, contributed to the decreased usage of cash in 2006.

Investing Activities

Cash used by investing activities was \$8,081 in the year ended December 31, 2006, compared to \$4,469 in the year ended December 31, 2005. Investing activities in 2006 and 2005 were entirely capital expenditures consisting of mainly computer equipment and software.

Financing Activities

Cash acquired by financing activities was \$362,358 in the year ended December 31, 2006, compared to \$688,000 in the year ended December 31, 2005. The acquisition of cash in 2006 was due to private placements of \$260,000, \$180,358 in net advances from related parties and \$78,000 net pay down of promissory notes to non-related parties.

Cash Requirements

Short-term cash requirements are primarily related to funding of operations and the only outstanding contractual obligation (Biomedical convertible note) matured in June of 2006 but has yet to be settled. The Company attained additional financing in the first quarter of 2007. Refer to Subsequent Events below.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions With Related Parties

During the year ended December 31, 2006, the Company issued promissory notes of \$347,000 to directors and officers of the Company. Also, the Company incurred financing fees of \$14,980 and interest of \$4,634 associated with the promissory notes. The company paid \$184,000 of the promissory notes in 2006.

Subsequent Events

In January 2007, the Company announced that, subject to regulatory and shareholder approval, it will acquire all the issued and outstanding shares of CardioView, Inc. on a share for share exchange. Specifically, CardioComm will issue 10,000,000 common shares, to a maximum value of \$600,000 to the shareholders of record at closing in exchange for all the issued and outstanding shares of CardioView.

In February 2007, the Company completed a private placement, for 11,000,000 units at \$0.06 per unit, for total gross proceeds of \$660,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one additional common share at an exercise price of \$0.10 per share on or before 24 months after the date of closing.

Critical Accounting Estimates

Revenue Recognition:

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered and is installed and operational at a customer's place of business or the services have been provided to the customer, the fee is fixed and determinable, and collectibility is reasonably assured. In addition to this general policy, the following are the specific revenue recognition policies for each major category of revenue.

Software:

Revenue from the sale of proprietary software is recognized when title is transferred to the customer. Shipping and handling costs paid by the customer to the Company are included in revenue.

Service:

Revenues derived from ongoing service and maintenance contracts are recognized monthly over the term of the contract on a straight-line basis and are net of discounts. Other service revenue is recognized at the time the service is performed.

Multi-element arrangements:

The Company also has multiple-element sales arrangements where software licenses, the associated post-contract services ("PCS") and services are sold together.

The Company has established vendor-specific objective evidence ("VSOE") of the fair value of PCS for specific customer classes based on the value of PCS when sold separately as an optional renewal after the expiry of the initial maintenance term or based on contracted prices for optional PCS renewals included in the original multiple element sales arrangement.

The Company uses the residual method to determine the fair value of the delivered hardware, services and software license if VSOE of the fair value of all undelivered elements exists. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue. In such cases, when vendor-specific objective evidence of fair value exists for all of the undelivered elements (most commonly PCS), the residual amount is recognized as revenue and the PCS is recognized ratably over the PCS term, which is typically 12 months.

Stock Compensation:

The Company accounts for all stock-based payments and awards under the fair value method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at intrinsic value and recognized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation cost is generally recognized on a straight-line basis over the vesting period. The Company accounts for the fair value of the granted options on the consolidated statements of operations and deficit and is included in the determination of income.

Evaluation of Future Income Taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset

and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. The effect on future tax assets and liabilities of future changes in tax rates is recognized in income in the period that includes the date of substantive enactment. To the extent that it is not more likely than not that a future tax asset will be realized, a valuation allowance is provided

Changes In Accounting Policies

Financial Instruments – Recognition and Measurement

Effective for interim and annual financial statements beginning on or after October 1, 2006, the new Handbook Section 3855 “Financial Instruments – Recognition and Measurement” prescribes that all financial instruments within the scope of the standard, including derivatives, be included on a company’s balance sheet. Contracts that can be settled by receipt or delivery of a commodity will also be included in the scope of the section. These financial instruments must be measured, either at their fair value or, in limited circumstances when fair value may not be considered the most relevant measurement method, at cost or amortized cost. It also specifies when gains and losses as a result of changes in fair value are to be recognized in the income statement. This new Handbook section will be adopted by the Company as of January 1, 2007 on a prospective basis. The Company does not expect this new requirement to have a significant impact on the Company’s consolidated financial statements.

Comprehensive Income

Effective for interim and annual financial statements beginning on or after October 1, 2006, the new Handbook Section 1530 “Comprehensive Income” requires that an enterprise present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements. This Section introduces a

new requirement to present certain gains and losses temporarily outside net income. This Handbook section will be adopted by the Company as of January 1, 2007 on a prospective basis.

Outstanding Share Data

Common shares

The total issued and outstanding common shares of the Company at March 31, 2007 are 53,067,376.

Options

The following options were outstanding at March 31, 2007; each option entitles the holder to purchase one common share of the Company:

<u>Exercise Price</u>	<u>Outstanding</u>	<u>Expiry Date</u>	<u>Exercisable</u>
\$0.18	145,000	9/18/2007	145,000
\$0.15	370,000	5/08/2008	370,000
\$0.25	300,000	5/08/2008	300,000
\$0.40	300,000	5/08/2008	300,000
\$0.17	140,000	11/05/2008	140,000
\$0.17	755,000	12/18/2008	755,000
\$0.12	300,000	8/23/2010	300,000
\$0.10	1,550,000	5/15/2011	775,000
	<u>3,860,000</u>		<u>3,085,000</u>

Warrants

The following warrants were outstanding at March 31, 2007; each warrant entitles the holder to purchase one common share of the Company:

<u>Exercise Price</u>	<u>Outstanding</u>	<u>Expiry Date</u>
\$0.12*	2,600,000	05/15/2008
\$0.10	11,000,000	02/14/2009

*Exercise price changes to \$0.18 at May 15, 2007.

Disclosure Controls and Procedures

The company's audit committee has reviewed and approved this Annual Report prior to its release. CardioComm Solutions is committed to providing timely, accurate and balanced disclosure of all material information about the company and to providing fair and equal access to such information. As at December 31, 2006, the company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as

defined under the rules adopted by the Canadian securities regulatory authorities. In addition, the company's management has assessed whether, during the 2006 fiscal year, there have been any significant changes in the company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting. Disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the company's management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure. Internal control over financial reporting is a process designed by, or under the supervision of, senior management to provide reasonable assurance regarding the reliability of financial reporting and preparation of the company's financial statements in accordance with Canadian generally accepted accounting standards.

The company's management, including the CEO and CFO, does not expect that the company's disclosure controls or internal control over financial reporting will prevent or detect all material misstatements due to error or fraud. Because of the inherent limitations of all control systems, an evaluation of controls can only provide reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the company have been detected. The company is continually evolving and enhancing its systems of controls and procedures. Based on the evaluation of disclosure controls, and assessment of changes in internal control over financial reporting, the CEO and CFO have concluded that, subject to the inherent limitations noted above:

The company's disclosure controls are effective in ensuring that material information relating to the company is made known to management on a timely basis, and is fairly presented in all material respects in this Annual Report.

Internal Controls Over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principles ("GAAP"). Based on their evaluation, the CEO and CFO have concluded that the design of these internal controls over financial reporting and the preparation of financial statements for external reporting at December 31, 2006 are effective, except as noted below:

Due to the limited number of appropriately qualified staff, there is little segregation of duties within the financial internal control environment of the Company. Functions that would normally be segregated within a typical control environment are performed by one individual and the preparation and authorization of certain activities that would normally be separated are not as only one member of staff is responsible for substantially all of the day-to-day finance functions and the financial reporting of the Company. Due to the lack of segregation of duties, management has identified certain control weaknesses. The Company relies on certain compensating controls, including substantive periodic review of the financial statements, to ensure that disclosure controls and procedures are effective. Management plan to remediate this weakness by expanding the number of individuals involved in the accounting function as the company incurs future growth.

The Company continues to have a material weakness with respect to review of accounting for complex and non-routine transactions. Due to the Company's size, the Company did not have a sufficient number of finance personnel, other than the Controller, with sufficient technical accounting knowledge, or an appropriate process to address and review complex and non-routine accounting.

During the 2006 fiscal year, to the best of their knowledge and belief, there have been no changes in the company's internal

control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Quarterly Results of Operations

The following tables contain unaudited consolidated statements of operations for each of the eight most recent quarters that have been prepared on a basis consistent with the audited consolidated financial statements contained in our fiscal 2006 Annual Report.

	Quarter Ended			
	Dec 31, 2006	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006
Revenue	\$ 614,942	\$ 560,518	\$ 316,601	\$ 269,810
Expenses:				
General and administrative	256,034	169,144	199,826	220,413
Sales and marketing	108,841	174,209	127,811	125,534
Product development	250,467	246,350	248,271	266,530
	615,342	589,703	575,908	612,477
Earnings (loss) before undernoted	(400)	(29,185)	(259,307)	(342,667)
Other expenses:				
Foreign exchange gain (loss)	(7,912)	(8,884)	24,719	(1,494)
Earnings (loss)	\$ (8,312)	\$ (38,069)	\$ (234,588)	\$ (344,161)
Basic and fully diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares	42,067,376	42,067,376	40,953,387	37,531,820

	Quarter Ended			
	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005
Revenue	\$ 187,542	\$ 191,495	\$ 417,345	\$ 219,911
Expenses:				
General and administrative	209,370	215,619	252,026	207,010
Sales and marketing	133,947	148,856	175,291	137,622
Product development	241,353	264,403	285,910	283,635
	584,670	628,878	713,227	779,584
Earnings (loss) before undernoted	(397,128)	(437,383)	(295,882)	(408,356)
Other expenses:				
Foreign exchange gain (loss)	(1,721)	12,106	(8,473)	(4,681)
Earnings (loss)	\$ (398,849)	\$ (425,277)	\$ (304,355)	\$ (413,037)
Basic and fully diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares	36,867,376	36,867,376	36,867,376	36,867,376