



CardioComm Solutions, Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2008



Management's Discussion and Analysis

Financial Condition and Results of Operations

The following is a discussion of our consolidated financial position and results of operations, as of March 31, 2008, prepared in accordance with Canadian generally accepted accounting principles (GAAP). 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 three months ended March 31, 2008, as well as the audited consolidated financial statements and MD&A for the fiscal year ended December 31, 2007.

This MD&A is based on information available as at May 25, 2008.

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

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

Overall Performance

Financial Condition:

- Q1 2008 revenue of \$174,272 a decrease of 55% as compared to \$383,597 in Q1 2007
- Q1 2008 net loss of \$252,843, a 5% increased loss as compared to Q1 2007 loss of \$240,449
- Q1 2008 net working capital deficiency of \$413,862, down from a deficiency of \$1,935,657 at 2007 year end

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., and to CardioComm Solutions, Inc. effective November 26, 2007. The Company is based in Victoria, British Columbia, with its Finance Department operating in Toronto, Ontario.

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>2007</u>	<u>2006</u>	<u>2005</u>
Revenue	\$960	\$1,762	\$1,016
Net earnings (loss)	(2,176)	(625)	(1,542)
Loss per share	(0.19)	(0.08)	(0.04)
Total assets	437	427	203
Long-term liabilities	-	-	-

Results of Operations:

For the Three Months ended March 31, 2008 compared to the Three Months ended March 31, 2007

Operating results expressed as a percentage of revenue:

Three months ended Mar 31,	2008	2007
Revenue	100%	100%
Expenses		
Operation	100	62
Sales, service and support	61	32
Marketing	63	
Product development	20	66
	<u>(244)</u>	<u>(160)</u>
Earnings (loss) before other expenses	(144)	(60)
Other income (expense)	(1)	(3)
Net earnings (loss)	<u>(145)%</u>	<u>(63)%</u>

Revenue by product:

Three months ended Mar 31,	2008	2007
Revenue by product		
Software	50%	80%
Support	20	20
Other	30	0
	<u>100%</u>	<u>100%</u>

Revenue by geographical region:

Three months ended Mar 31,	2008	2007
Revenue by region		
United States	56%	82%
Canada	32	3
Other	12	15
	<u>100%</u>	<u>100%</u>

Revenue

Revenues for the quarter ended March 31, 2008 were \$174,272 compared to \$383,594 for the quarter ended March 31, 2007, a decrease of 55%. Recognized revenue decreased especially in GEMS software related sales in Q1 2008.

Cost of sales

Cost of sales decreased by 85% for the quarter ended March 31, 2008 as compared to the quarter ended March 31, 2007. The decrease was largely due to reduced expenditures for third party hardware used with software licensing in association with lower GEMS software license

sales in Q1 2008. Cost of sales is included in sales, service and support expenses. For the quarter ended March 31, 2008, costs of sales were \$5,788 as compared to \$38,444 for the quarter ended March 31, 2007.

Operation

Operation expenses were \$174,204 for the quarter ended March 31, 2008, compared to \$237,311 for the quarter ended March 31, 2006; a decrease of 27% in 2008, as compared to 2007. The decrease in Q1 2008 was due to staff reorganization and removal of non-essential management staff, reductions in short-term interest payments and rent reductions.

Sales, service and support

Sales, service and support expenses were \$105,798 for the quarter ended March 31, 2008, compared to \$123,166 for the quarter ended March 31, 2007; a decrease of 14% for Q1 2008 compared to Q1 2007. The decrease in sales, service and support costs were largely due to a significant decrease in professional fees, accompanied by moderate increases in wages for full time employees.

Marketing

Marketing expenses were \$109,464 for the quarter ended March 31, 2008. Management determined the need to separate marketing from sales, service and support especially for its new Global Cardio 12 Lead product. The Company has engaged one marketing firm experienced in biomedical sales to develop a Canadian and American client base for the GlobalCardio 12 Lead product.

Product development

Product development expenses were \$34,679 for the quarter ended March 31, 2008, compared to \$253,163 for the quarter ended March 31, 2007; a decrease of 86% for Q1 2008 compared to Q1 2007, due to salary reduction in focusing research and development on the GlobalCardio product in Q1 2008.

Net earnings

CardioComm recorded a net loss of \$252,843 or \$0.01 loss per share in the quarter ended March 31, 2008, compared to net loss of \$240,449 or \$0.03 loss per share in the quarter ended March 31, 2007. The increased loss for Q1 2008 was attributable to a decrease in overall sales and an increase in marketing costs, and offset by a decrease in wages. The weighted average

number of shares outstanding increased to 21,591,895 in Q1 2008 from 9,537,920 in Q1 2007.

Liquidity

Operating Activities

Cash used for operations was \$660,843 in the quarter ended March 31, 2008, compared to \$545,649 in the quarter ended March 31, 2007. Q1 2008 had a loss of \$252,843 compared to a loss of \$240,449 in Q1 2007. Increase in operational cash outflow is mainly related to the pre-purchase of inventory for GlobalCardio 12 Lead product in Q1 2008.

Investing Activities

Cash used by investing activities was \$3,210 in the quarter ended March 31, 2008, compared to \$2,033 in the quarter ended March 31, 2007. Investing activities in Q1 2008 and Q1 2007 were entirely capital expenditures consisting of mainly computer and office equipment and software.

Financing Activities

Cash acquired by financing activities was \$548,941 in the quarter ended March 31, 2008, compared to \$561,996 in the quarter ended March 31, 2007. The acquisition of cash in Q1 2008 was due to issuance of mandatorily convertible notes, repayment of promissory notes, repayments of advances from related parties, as well as non-cash related transactions.

Cash Requirements

Short-term cash requirements are primarily related to funding of operations and marketing needs. The Company attained additional financing in the second quarter of 2008. 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, 2007, the Company issued 4,153,361 post-consolidation shares of \$1,246,008 to replace outstanding debt owed to related parties of the Company. The Company also paid \$42,000 of the promissory note in 2007.

Subsequent Events

On April 28, 2008, the Company issued 1,000,000 common shares at \$0.30 per share for its outstanding debt incurred in 2007. Total amount of the debt cleared is \$300,000.

On May 1, 2008, the Company issued 1,750,000 equity units for the second tranche of financing. Each equity unit consists of one common share at \$0.20 per share, and one common share purchase warrant. These warrants are exercisable at \$0.25 until December 31, 2008, and at \$0.35 thereafter until expiry on December 31, 2009. Furthermore, 192,440 equity units were issued on May 16, 2008 for commission for the third tranche of financing. Each equity tranche consists of one common share at \$0.1455 per share, and one common share purchase warrant exercisable at \$0.25 until expiry on May 16, 2010.

During second quarter, the Company received additional proceeds of \$350,000 in regards to the third tranche of a private placement.

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.

Multiple-element arrangements:

The Company also has multiple-element sales arrangements where software licenses, the associated post-contract services (“PCS”) and ongoing 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.

Financial Instruments – Recognition and Measurement

Effective January 1, 2007 the Company adopted the recommendations of CICA Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3250, *Equity*. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, liabilities and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP.

Upon adoption of the new standards on January 1, 2007, the Company designated all cash equivalents as held-for-trading investments measured at fair value and the resulting gain or loss is recognized in the consolidated statement of loss, comprehensive loss and deficit. The effect of the change in accounting for cash equivalents is not material. Any marketable securities that are not cash equivalents will be classified as available-for-sale securities measured at fair value and the resulting gain or loss will be recognized in other comprehensive income until the financial asset is derecognized at which point all related cumulative gains or losses will be recognized in the consolidated statement of loss, comprehensive loss and deficit.

Accounts receivable are classified as loans and receivables and are carried at amortized cost.

Accounts payable, accrued liabilities, promissory notes and the convertible note payable are classified as other financial liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception.

As a result of adopting Section 3855, there was no impact on the Company's deficit as of January 1, 2007.

Adoption of New Accounting Standards

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosure; and Section 3863, Financial Instruments – Presentation.

Capital Disclosures

Section 1535 establishes standards for the disclosure of qualitative information about the Company's objectives, policies and processes for managing capital. This includes, but is not limited to what is managed as capital, how the Company is meeting its objectives for capital management and the details regarding the nature of any externally imposed capital requirements and how these requirements are incorporated into the management of capital.

Financial Instruments – Recognition and Measurement

Section 3862 requires disclosure, by class of financial instruments, which will enable users to evaluate the significance of financial instruments for the Company's financial position and performance, including disclosures about fair value. In addition, disclosure is required of risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of financial market risk to which an entity is exposed, showing how net earnings and other comprehensive income would have been affected by reasonable possible changes in the relevant risk variable.

Section 3863 allows the existing requirements on presentation of financial instruments to be

carried forward unchanged and, accordingly, the Company does not expect application of this section to have any impact on the financial statements.

Inventories

Section 3031, Inventories, which prescribes the accounting treatment for inventories, particularly the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this section is not expected to significantly impact the Company's financial statements.

Outstanding Share Data

Common shares

The total issued and outstanding common shares of the Company at March 31, 2008 are 23,701,571 and, at May 25, 2008, 26,644,011 shares.

Options

The following options were outstanding at March 31, 2008; 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>
\$0.75	54,000	5/08/2008	54,000
\$1.25	30,000	5/08/2008	30,000
\$2.00	30,000	5/08/2008	30,000
\$0.85	24,000	11/05/2008	24,000
\$0.85	78,000	12/18/2008	78,000
\$0.50	220,000	5/15/2011	220,000
\$0.50	150,000	1/25/2012	112,500
	<u>586,000</u>		<u>548,500</u>

Warrants

The following warrants were outstanding at March 31, 2008; each warrant entitles the holder to purchase one common share of the Company:

<u>Exercise Price</u>	<u>Outstanding</u>	<u>Expiry Date</u>
\$0.90	520,000	05/15/2008
\$0.50	2,200,000	02/14/2009
\$0.25	2,000,000	10/04/2009
\$0.25	160,000	10/04/2009
\$0.25	140,000	12/31/2009
\$0.65	1,000,000	11/15/2008
\$0.25	2,000,000	07/27/2009

Disclosure Controls and Procedures

The Company's audit committee has reviewed and approved this MD&A 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, 2007, 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 2007 fiscal year, there have been many 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 MD&A.

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 March 31, 2008 are effective, except as noted below:

Financial controls have been transferred to the Toronto office where the controller and CFO manage all accounting and financial activities. The first of two phases of segregation of duties within the financial internal control environment of the Company have been accomplished. The Company relies on compensating controls, including substantive periodic review of the financial statements, to ensure that disclosure controls and procedures are effective. Management had expanded the number of individuals involved in the accounting function during Q1 2008. As the Company plans for future growth, additional personnel will be allocated to the finance department in Q2 2008. The Company continues to address requirements for address and review complex and non-routine accounting transactions.

Quarterly Results of Operations

The following tables contain summary unaudited quarterly results of operations for each of the eight most recent quarters, prepared on a basis consistent with the audited consolidated financial statements.

	Quarter Ended			
	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007
Revenue	\$ 174,272	\$ 192,032	\$ 149,397	\$ 235,372
Net Income (loss)	\$ (252,843)	\$ (1,377,671)	\$ (243,099)	\$ (315,092)
Basic and diluted loss per share	\$ (0.01)	\$ (0.09)	\$ (0.02)	\$ (0.03)

	Quarter Ended			
	Mar 31, 2007	Dec 31, 2006	Sep 30, 2006	Jun 30, 2006
Revenue	\$ 383,594	\$ 614,942	\$ 560,518	\$ 316,601
Net Income (loss)	\$ (240,449)	\$ (8,312)	\$ (38,069)	\$ (234,588)
Basic and diluted loss per share	\$ (0.03)	\$ (0.00)	\$ (0.00)	\$ (0.02)

Please refer to page 2 of this MD&A for discussions on Q4 2007 variances.