



CardioComm Solutions Inc.

Q2 2007

Interim Financial Statements

For the period ended June 30, 2007
(Unaudited – Prepared by Management)





CardioComm Solutions Inc.

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

CardioComm Solutions Inc.

Consolidated Balance Sheets

(Unaudited – Prepared by Management)

June 30, 2007

December 31, 2006

Assets

Current assets:

Cash and cash equivalents	\$	40,902	\$	244,065
Accounts receivable		129,105		149,037
Inventory		4,652		4,122
Prepaid expenses and deposits		17,480		8,836
		<u>192,139</u>		<u>406,060</u>

Property and equipment (note 3)

		<u>24,625</u>		<u>21,335</u>
	\$	<u>216,764</u>	\$	<u>427,395</u>

Liabilities and Shareholders' Deficiency

Current liabilities:

Accounts payable and accrued liabilities	\$	276,223	\$	437,444
Deferred revenue		509,875		571,258
Promissory note		20,000		30,000
Due to related parties (note 4)		1,290,108		1,321,436
Convertible note (note 5)		352,668		377,429
		<u>2,448,874</u>		<u>2,737,567</u>

Shareholders' deficiency:

Share capital (note 6)		19,331,530		18,731,530
Contributed surplus (note 6)		449,223		415,620
Other paid-in capital (note 5)		81,704		81,704
Deficit		<u>(22,094,567)</u>		<u>(21,539,026)</u>
		<u>(2,232,110)</u>		<u>(2,310,172)</u>

	\$	<u>216,764</u>	\$	<u>427,395</u>
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Continuing operations (note 1)

Commitments (note 7)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"John McEwen"

Director

"Jay Hayden"

Director

CardioComm Solutions Inc.

Consolidated Statements of Operations and Deficit

(Unaudited – Prepared by Management)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Sales	\$ 235,372	\$ 316,601	\$ 618,966	\$ 586,411
Operating expenses				
General and administrative	209,766	199,826	447,077	420,239
Sales and marketing	105,379	127,811	228,545	253,345
Product development	238,398	248,271	491,560	514,801
	553,543	575,908	1,167,182	1,188,385
Earnings (loss) before other income	(318,171)	(259,307)	(548,216)	(601,974)
Other income				
Foreign exchange gain (loss)	3,079	24,719	(7,325)	23,226
Earnings (loss) for the period	(315,092)	(234,588)	(555,541)	(578,748)
Deficit, beginning of period	(21,779,475)	(21,258,058)	(21,539,626)	(20,913,898)
Deficit, end of period	\$ (22,094,567)	\$ (21,492,646)	\$ (22,094,567)	\$ (21,492,646)
Weighted average number of shares outstanding	53,067,376	40,953,387	48,290,358	39,467,376
Earnings (loss) and Comprehensive earnings (loss) per share (note 3 (i))	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

CardioComm Solutions Inc.

Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash provided by (used in)				
Operations				
Income (loss) for the period	\$ (315,092)	\$ (234,588)	\$ (555,541)	\$ (578,748)
Items not involving cash:				
Amortization of capital assets	4,277	7,442	7,731	14,791
Stock compensation expense	(1,275)	23,555	33,605	29,054
Unrealized foreign exchange gain	(36,277)	(18,436)	(34,610)	(19,689)
Accretion on convertible notes	-	5,049	-	9,944
Accrued interest on convertible note	4,785	3,553	9,848	8,545
Changes in non-cash working capital balances:				
Accounts receivable	171,830	(62,017)	19,931	(145,089)
Inventory	(80)	2,649	(530)	2,242
Prepaid expenses and deposits	14,796	(11,821)	(8,644)	(3,785)
Accounts payable and accrued liabilities	38,914	5,867	(161,219)	93,038
Deferred revenue	(87,042)	171,228	(61,383)	214,966
	(205,164)	(107,520)	(750,813)	(374,732)
Investments				
Purchase of property, plant and equipment	(8,988)	(1,263)	(11,021)	(1,263)
Financing				
Issue of common shares (net of issue costs)	-	156,000	600,000	260,000
Issuance of promissory notes	-	-	-	214,000
Repayments of promissory notes	(10,000)	(60,000)	(10,000)	(159,000)
Advance from related parties	6,676	-	13,504	68,000
Repayments of advances from related parties	-	-	(44,832)	-
	(3,324)	96,000	558,672	383,000
Increase (decrease) in cash during the period	(217,476)	(12,783)	(203,162)	7,005
Cash and cash equivalents, beginning of period	258,379	34,256	244,065	14,468
Cash and cash equivalents, end of period	\$ 40,903	\$ 21,473	\$ 40,903	\$ 21,473

See accompanying notes to consolidated financial statements.

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

1. Continuing operations:

These consolidated financial statements have been prepared on the going concern basis which assumes the realization of assets and settlement of liabilities in the normal course of business notwithstanding the fact that the Company has experienced operating losses since commencing its research and development activities in 1992. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing and ultimately attaining profitable operations.

2. Significant accounting policies:

(a) Principles of consolidation:

The accompanying consolidated financial statements include the accounts of CardioComm Solutions Inc. and its wholly owned subsidiary, Harley Street Software Inc., (USA). The subsidiary was incorporated under the laws of the State of Delaware, USA, November 17, 1994 and has been inactive to the date of this report. All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash and liquid investments with a term to maturity of 90 days or less when acquired.

(c) Inventory:

Work in process and finished goods inventories are stated at the lower of cost and net realizable value. Raw materials and supplies are stated at the lower of cost and replacement value. Cost is determined on a first-in, first-out (FIFO) basis.

(d) Property and equipment:

Property and equipment are recorded at cost less related investment tax credits and government grants. Amortization is provided over the estimated useful life of the assets, as disclosed in note 3, using the straight-line method. The cost of repairs and maintenance is expensed as incurred

(e) Revenue recognition:

Software license revenues are recognized when a customer purchase order is received, the product is shipped, the fee is collectible, all significant contractual obligations are satisfied and the amount of future returns can be reasonably estimated or, if not, the customer's right has extinguished. Maintenance revenue is recognized ratably over the term of the contract. The Company believes that its revenue recognition policies are in conformity with the AICPA's Statement of Position No. 97-2, "*Software Revenue Recognition*".

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

2. Significant accounting policies (continued):

(f) Foreign currency:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at an average exchange rate for the period. Gains and losses resulting from these translation adjustments are included in income.

(g) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 6(c). Effective January 1, 2002, the Company applied the fair value based method of accounting prescribed by CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, only to employee stock appreciation rights, and applied the settlement method of accounting to employee stock options. Under the settlement method, any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital and no compensation expense was recognized

The CICA Accounting Standards Board has amended CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, to require entities to account for employee stock options using the fair value based method, beginning January 1, 2004. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. In accordance with one of the transitional options permitted under amended Section 3870, the Company has retroactively applied the fair value based method to all employee stock options granted on or after January 1, 2002, and has restated prior periods.

(h) Measurement uncertainty:

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the estimation of warranty provisions, amortization periods of intangible assets, valuation of stock compensation, and the estimation of future income tax asset valuation allowances. Actual results could differ from those estimates.

(i) Loss per share:

Net loss per common share has been computed by dividing the loss applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective years.

(j) Comparative figures:

Certain comparative figures have been restated to conform to the basis of presentation adopted for the current year.

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

3. Property and equipment:

June 30, 2007	Amortization period (years)	Cost	Accumulated amortization	Net book value
Computer hardware	3 - 5	\$ 258,994	\$ 240,585	\$ 18,409
Computer software	2	142,691	136,476	6,215
Equipment, other	3 - 5	74,596	74,596	-
Furniture and fixtures	5	56,574	56,574	-
Leasehold improvements	5	77,584	77,584	-
Patent costs	5	27,403	27,403	-
Technology rights	5	1	-	1
		\$ 637,843	\$ 613,218	\$ 24,625

December 31, 2006	Amortization period (years)	Cost	Accumulated amortization	Net book value
Computer hardware	3 - 5	\$ 254,843	\$ 234,137	\$ 20,706
Computer software	2	135,821	135,193	628
Equipment, other	3 - 5	74,596	74,596	-
Furniture and fixtures	5	56,574	56,574	-
Leasehold improvements	5	77,584	77,584	-
Patent costs	5	27,403	27,403	-
Technology rights	5	1	-	1
		\$ 626,822	\$ 605,487	\$ 21,335

4. Due to related parties

The Company has entered into financing arrangements with shareholders who are directors and officers of the Company, as follows:

	June 30, 2007	December 31, 2006
Promissory notes	968,000	983,000
Other advances	322,108	338,436
	\$ 1,290,108	\$ 1,321,436

All amounts are due on demand, unsecured and non-interest bearing

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

5. Convertible notes:

In June 2003, the Company issued a convertible promissory note in the amount of US \$250,000 (Cdn. \$347,500) to Biomedical Systems Corporation. The note is secured by a second charge over all of the present and after-acquired personal property of the Company in accordance with the terms of a General Security Agreement executed by the Company and bears interest at 7% per annum with interest payable at maturity. The note matured on June 5, 2006 but has not yet been repaid. The note continues to bear interest and retains its convertible features as described below

Under Canadian generally accepted accounting principles, the issuer of a financial instrument containing both a liability and an equity element must measure and report the instrument's component parts separately on the balance sheet. The Company determined the carrying amount of the financial liability by discounting the stream of future payments of interest and principal at the Company's best estimate of the prevailing market rate for a similar liability that does not have a conversion feature. The carrying amount of the equity instrument represented by the holder's option to convert the instrument into common shares has been determined by deducting the carrying amount of the financial liability from the amount of the compound instrument as a whole. This amount has been included in other paid-in capital. The carrying value of the financial liability was accreted to its maturity value over the three-year term of the note with a corresponding charge to income.

The convertible note may be converted into common shares of the Company at the rate of one common share per \$0.40 of principal outstanding, except that in no case shall the exercise price be less than 90% of the 10 day average of the closing price of the Company's shares on the date notice of conversion is given

	Equity element	Debt element
Balance, December 31, 2006	\$ 81,704	\$ 377,429
Interest accrued in 2007	-	9,848
Foreign exchange loss	-	(34,609)
Balance, June 30, 2007	\$81,704	\$ 352,668

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

6. Share Capital

(a) Issued and outstanding:

	Common shares	
	Issued and Outstanding	Amount
Balance, December 31, 2006	42,067,376	\$ 18,731,530
Common shares issued for cash in March 2007 private placement	11,000,000	660,000
Share issue costs		(60,000)
Balance, June 30, 2007	53,067,376	\$ 19,331,530

Total authorized common shares were 100,000,000 at June 30, 2007 and December 31, 2006.

(b) Contributed surplus:

Contributed surplus consists of the cumulative stock compensation expenses that are recognized through the issuance of stock options.

	June 30, 2007	December 31, 2006
Balance, beginning of period	\$ 415,620	\$ 367,112
Stock compensation expense	33,604	48,508
Balance, end of period	<u>\$ 449,224</u>	<u>\$ 415,620</u>

(c) Warrants:

The following warrants were outstanding at June 30, 2007. Each warrant entitles the holder to purchase one common share of the Company:

	Warrants issued and outstanding	Exercise price
Balance, December 31, 2006	2,600,000	\$ 0.18
Issued in February, 2007	11,000,000	0.10
Balance, June 30, 2007	<u>13,600,000</u>	<u>\$ 0.10 – 0.18</u>

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

6. Share Capital (continued):

(d) Stock Options:

A summary of the status of the Company's stock option plan as of June 30, 2007 and December 31, 2006, and changes during the periods ending on those dates is presented below:

Stock options	June 30, 2007		December 31, 2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	3,860,000	\$ 0.16	2,570,000	\$ 0.21
Granted	750,000	0.10	1,550,000	0.10
Forfeited	(250,000)	0.10	(260,000)	0.29
Outstanding, June 30, 2007	4,360,000	\$ 0.15	3,860,000	\$ 0.16

The following table summarizes information about the stock options outstanding at June 30, 2007:

Exercise Price	Number Outstanding At 06/30/07	Expiry Date	Number Exercisable At 06/30/07
\$0.18	145,000	September 18, 2007	145,000
\$0.15	370,000	May 8, 2008	370,000
\$0.25	300,000	May 8, 2008	300,000
\$0.40	300,000	May 8, 2008	300,000
\$0.17	140,000	November 5, 2008	140,000
\$0.17	755,000	December 18, 2008	755,000
\$0.12	300,000	August 23, 2010	300,000
\$0.10	1,300,000	May 15, 2011	975,000
\$0.10	750,000	January 25, 2012	187,500
	4,360,000		3,472,500

The total number of common shares reserved for issuance under the Company's stock option plan is 5,623,172. Options vest 25% within the first six months and 25% each six months thereafter. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is five years.

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2007

6. Share Capital (continued):

(e) Software development agreements:

The Company has entered into an agreement whereby the Company has the option to acquire certain software in exchange for the issuance of 5,000,000 common shares. In addition, the Company has the option to acquire certain additional software in exchange for 5,000,000 units - each unit consisting of one common share and one common share purchase warrant, exercisable between \$0.10 and \$0.13 per share.

In both of the above agreements, the software to be acquired is software that, on a contract basis, the Company assisted an arms-length party to develop.

7. Commitments:

The Company's lease expires on March 31, 2010. The future minimum lease payments are as follows:

2007	47,612
2008	95,223
2009	95,223
2010	23,805
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	\$ 261,863
