CardioComm Solutions Inc.

Global leaders in Arrhythmia, Pacemaker & ICD Management Software

CardioComm Solutions Inc.

Management's Discussion and Analysis

For the period ended June 30, 2006
(Unaudited – Prepared by Management)

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 June 30, 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 period ended June 30, 2006, included hereafter, as well as the audited consolidated financial statements and MD&A for the fiscal year ended December 31, 2005.

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:
- Q2 2006 revenue was $316,601, a decrease of 24% as compared to $417,345 in Q2 2005, however, an increase of 17% as compared to $269,810 in Q1 2006.
- Q2 2006 net loss was $234,588, a 23% decreased loss as compared to Q2 2005 loss of $304,355.
- Q2 net working capital was $(2,304,395), down from $(2,028,229) at 2005 year end

For the second quarter of 2006, CardioComm's financial results were improved from Q2 2005 results. Revenue decreased by 24%, however, costs decreased by 19%, resulting in a decreased net loss for Q2 2006. The Company's revenue also continues to be negatively impacted by the decline of the US dollar, as the average US exchange rate for Q2 2006 was 1.12 as compared to 1.25 for Q2 2005. Considering that 91% of the Company's revenue in Q2 2006 was derived from the United States, the $0.13 average decrease in the exchange rate results in approximately $37,000 decline in reported revenue.

Revenue decreased by 24% overall, which was mainly due to the lack of custom development work in 2006, which accounted for $75,000 of the $417,345 Q2, 2005 revenue.

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	2005	2004	2003
Revenue	$1,016	$2,746	$1,718
Net earnings (loss)	(1,542)	(404)	(990)
Loss per share	(0.04)	(0.01)	(0.03)
Total assets	203	686	930
Long-term liabilities	-	-	1

Results of Operations

For the Three Months ended June 30, 2006 compared to Three Months ended June 30, 2005

Operating results expressed as a percentage of revenue:

Three months ended June 30,	2006	2005
Revenue	100%	100%
Expenses		
Administration	72	60
Sales and marketing	43	42
Product development	88	69
	(203)	(171)
Earnings (loss) from operations	(103)	(71)
Other income (loss)	4	(2)
Net earnings (loss)	(99)%	(73)%

Revenue by product:

Three months ended June 30,	2006	2005
Revenue by product		
Software	60%	83%
Support	23	16
Other	17	1
	100%	100%

Revenue by geographical region:

Three months ended June 30,	2006	2005
Revenue by region		
United States	91%	89%
Canada	3	7
Other	6	4
	100%	100%

Revenue
Revenue for the second quarter ended June 30, 2006 was $316,601 compared to $417,345 for the second quarter ended June 30, 2005, a decrease of 24%. The decrease in revenue is primarily due to reduced custom solutions development work in Q2 2006 as compared to Q2 2005. Revenue is also negatively affected by the continued decline in the US dollar in Q2 2006 compared to Q2 2005.

Cost of sales
Cost of sales remained constant in the second quarter of 2006 as compared to the second quarter of 2005, despite the reduced sales. This occurred due to sales mix in 2006 having less customs solutions development work, which is cost effective. Costs of sales expenses are included in sales and marketing expenses. Q2 2006 amounts for cost of sales were $33,763 as compared to $33,378 for Q2 2005.

General and administrative
General and administrative expenses were $199,826 for the second quarter of 2006, compared to $252,026 for the second quarter of 2005; a decrease of 21% in Q2 2006, as compared to Q2 2005. The decrease in costs in Q2 2006 is due to decreased financing costs and lack of management and financial consultant costs in 2006 as compared to Q2 2005.

Sales and marketing
Sales and marketing expenses were $127,811 for the second quarter of 2006, compared to $175,291 for the second quarter of 2005; a decrease of 27% for Q2 2006 compared to Q2 2005. The decrease in sales and marketing costs are largely due to decreased wages due to changes in marketing staff and travel costs in Q2 2006 compared to Q2 2005.

Product development
Product development expenses were $248,271 in the second quarter of 2006, compared to $285,910 for the second quarter of 2005, a decrease of 13% for Q2 2006 compared to Q2 2005. The decrease in product developments costs are due to slightly less staff in product development in Q2 2006 compared to Q2 2005.

Net earnings
CardioComm recorded a net loss of $234,588 or $(0.01) loss per share in the second quarter of 2006, compared to a net loss of $304,355 or $(0.01) loss per share in Q2 2005. The decreased

loss for Q2 2006 was mainly attributable to a substantial decrease in consultant costs of $55,253. The weighted average number of shares outstanding increased to 40,953,387 in Q2 2006 from 36,867,376 in Q2 2005 due to private placements in February and May 2006.

Liquidity

Operating Activities

Cash used for operations was $107,520 in the second quarter of 2006, compared to $365,492 in the second quarter of 2005. Q2 2006 had a loss of $234,588 compared to a loss of $304,355 in Q2 2005. The decreased loss, combined with the large increase of deferred revenue in Q2 2006 compared to Q2 2005 resulted in the decrease in the use of cash in Q2 2006.

Investing Activities

Cash used by investing activities was $1,263 in the second quarter of 2006, compared to nil in the second quarter of 2005. Investing activities in Q2 2006 were entirely capital expenditures consisting of mainly computer equipment and software.

Financing Activities

Cash provided by financing activities was $96,000 in the second quarter of 2006, compared to $305,000 in the second quarter of 2005. The provision of cash in Q2 2006 was due to; $156,000 private placement, less a repayment of $60,000 of promissory notes to a non-related party.

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. The Company will be seeking financing in 2006.

Related Party Transactions

The Company has financing agreements with directors and officers of the Company. The amounts due to related parties consists of past wages and promissory notes that are due on demand, which are unsecured and non-interest bearing. There were no transactions with related parties in the second quarter of 2006.

Results of Operations – Six Months ended June 30, 2006 compared to Six Months ended June 30, 2005

Operating results expressed as a percentage of revenue:

Six months ended June 30,	2006	2005
Revenue	100%	100%
Expenses		
Administration	72	72
Sales and marketing	49	49
Product development	89	89
	(210)	(210)
Earnings (loss) from operations	(110)	(110)
Other income (loss)	(2)	(2)
Net earnings (loss)	(112)%	(112)%

Revenue by product:

Six months ended June 30,	2006	2005
Revenue by product		
Software	60%	79%
Support	24	20
Other	16	1
	100%	100%

Revenue by geographical region:

Six months ended June 30,	2006	2005
Revenue by region		
United States	81%	85%
Canada	11	9
Other	8	6
	100%	100%

Revenues and cost of sales

Revenues for the six months ended June 30, 2006 were $586,411 compared to $637,256 for the six months ended June 30, 2005, a decrease of 8%. The decrease in revenue is due to decreased volume of custom solutions development work in 2006. Revenue figures for the six month period in 2006 were subject to an unfavourable US exchange rate, with the six month average exchange rate being at one US dollar is equivalent to 1.14 CDN dollars in 2006, compared to 1.24 CDN dollars in 2005. Considering the company's high concentration of US sales, the lower US exchange rate has a relatively significant negative effect on the amount of recorded sales, which are in Canadian dollars.

Cost of sales

Cost of sales increased by 34% for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The increase is largely due to the increased volume of training and installs in 2006. Cost of sales expenses are included in sales and marketing expenses. For the six months ended June 30, 2006, costs of sales were $61,351 as compared to $45,7331 for six months ended June 30, 2005.

General and administrative

General and administrative expenses were $420,239 for the six months ended June 30, 2006, compared to $459,036 for the six months ended June 30, 2005; a decrease of 8% in 2006, as compared to 2005. The decrease in 2006 is due to reduced consulting fees.

Sales and marketing

Sales and marketing expenses were $253,345 for the six months ended June 30, 2006, compared to $312,913 for the six months ended June 30, 2005; a decrease of 19% 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 $514,801 for the six months ended June 30, 2006, compared to $569,545 for the six months ended June 30, 2005; a decrease of 10% for 2006 compared to 2005, due to slightly less staff in 2006.

Net earnings

CardioComm recorded a net loss of $578,748 or $(0.01) loss per share in the six months ended June 30, 2006, compared to net loss of $717,392 or $(0.02) loss per share in the six months ended June 30, 2005. The decreased loss for 2006 was attributable to decreases in wages, consulting fees and travel expenses in 2006. The Company also experienced a negative US exchange rate in 2006, as compared to the US exchange rate in 2005. The weighted average number of shares outstanding increased to 39,467,376 in 2006 from 36,867,376 in 2005.

Liquidity

Operating Activities

Cash used for operations was $374,732 in the six months ended June 30, 2006, compared to $426,062 in the six months ended June 30, 2005. The six months of 2006 had a loss of $578,748 compared to a loss of $717,392 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 $1,263 in the six months ended June 30, 2006, compared to $1,956 in the six months ended June 30, 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 $383,000 in the six months ended June 30, 2006, compared to $305,000 in the six months ended June 30, 2005. The acquisition of cash in 2006 was due to private placements of $260,000 an increase of $68,000 in advances from related parties and the net issuance of $55,000 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 been settled. The Company will be seeking financing in the third quarter of 2006.

Outstanding Share Data

Common shares

The total issued and outstanding common shares of the Company at June 30, 2006 are 42,067,376.

Options

The following options were outstanding at June 30, 2006; each option entitles the holder to purchase one common share of the Company:

Exercise Price	Outstanding	Expiry Date	Exercisable
$0.18	190,000	9/18/2007	190,000
$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	915,000	12/18/2008	915,000
$0.12	300,000	8/23/2010	150,000
$0.10	1,550,000	5/15/2011	387,500
	4,065,000		2,752,500

Warrants

The following warrants were outstanding at June 30, 2006; each warrant entitles the holder to purchase one common share of the Company:

Exercise Price	Outstanding	Expiry Date
$0.12	2,600,000	5/15/2007
$0.18		5/15/2008
	2,600,000	

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made affecting public disclosure. As at June 30, 2006 the Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures as defined by Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on the evaluation, the CEO and CFO have concluded that the design and operation of these disclosure controls and procedures are effective.

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 2005 Annual Report.

	Quarter Ended			
	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005
Revenue	$ 316,601	$ 269,810	$ 187,542	$ 191,495
Expenses:				
General and administrative	199,826	220,413	209,370	215,619
Sales and marketing	127,811	125,534	133,947	148,856
Product development	248,271	266,530	241,353	264,403
	575,908	612,477	584,670	628,878
Earnings (loss) before undernoted	(259,307)	(342,667)	(397,128)	(437,383)
Other expenses:				
Foreign exchange gain (loss)	24,719	(1,494)	(1,721)	12,106
Earnings (loss)	$ (234,588)	$ (344,161)	$ (398,849)	$ (425,277)
Basic and fully diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of shares	40,953,387	37,531,820	36,867,376	36,867,376

	Quarter Ended			
	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004
Revenue	$ 417,345	$ 219,911	$ 475,531	$ 629,040
Expenses:				
General and administrative	252,026	207,010	316,750	306,379
Sales and marketing	175,291	137,622	188,169	178,392
Product development	285,910	283,635	274,665	281,903
	713,227	628,267	779,584	766,674
Earnings (loss) before undernoted	(295,882)	(408,356)	(304,053)	(137,634)
Other expenses:				
Foreign exchange gain (loss)	(8,473)	(4,681)	(13,064)	(5,993)
Earnings (loss)	$ (304,355)	$ (413,037)	$ (317,117)	$ (143,627)
Basic and fully diluted loss per share	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)
Weighted average number of shares	36,867,376	36,867,376	36,901,941	35,516,480