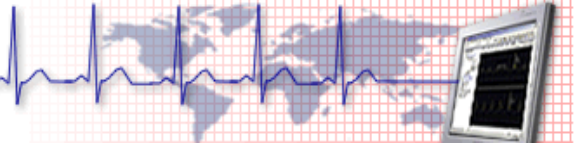


 **CardioComm Solutions Inc.**

Global leaders in Arrhythmia, Pacemaker & ICD Management Software



CardioComm Solutions Inc.

Management Discussion and Analysis

For the six months ended June 30, 2007
(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, 2007, 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 six months ended June 30, 2007, as well as the audited consolidated financial statements and MD&A for the fiscal year ended December 31, 2006.

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 2007 revenue of \$235,372, a decrease of 26% as compared to \$316,601 in Q2 2006
- Q2 2007 net loss of \$315,092, a 34% increased loss as compared to Q2 2006 loss of \$234,588
- Q2 2007 net working capital deficiency of \$2,256,735, a decreased deficiency of \$74,772 as compared to \$2,331,507 at 2006 year end

For the second quarter of 2007, CardioComm's financial results were reduced from Q2 2006 results. Revenue decreased by \$81,229 or 26% while expenses decreased by \$22,365 in Q1 2007 compared to Q1 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 is a public company listed on the Toronto Venture Stock Exchange under the stock symbol "CCG".

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 | - | - | - |

Results of Operations

For the Three Months ended June 30, 2007 compared to the Three Months ended June 30, 2006

Operating results expressed as a percentage of revenue:

| Three months ended June 30, | 2007 | 2006 |
|---------------------------------|---------------|--------------|
| Revenue | 100% | 100% |
| Expenses | | |
| Administration | 89 | 72 |
| Sales and marketing | 45 | 43 |
| Product development | 101 | 88 |
| | <u>(235)</u> | <u>(203)</u> |
| Earnings (loss) from operations | (135) | (103) |
| Other income (loss) | 1 | 4 |
| Net earnings (loss) | <u>(134)%</u> | <u>(99)%</u> |

Revenue by product:

| Three months ended June 30, | 2007 | 2006 |
|-----------------------------|-------------|-------------|
| Revenue by product | | |
| Software | 64% | 60% |
| Support | 36 | 23 |
| Other | 0 | 17 |
| | <u>100%</u> | <u>100%</u> |

Revenue by geographical region:

| Three months ended June 30, | 2007 | 2006 |
|-----------------------------|-------------|-------------|
| Revenue by region | | |
| United States | 83% | 91% |
| Canada | 11 | 3 |
| Other | 6 | 6 |
| | <u>100%</u> | <u>100%</u> |

Revenue

Revenue for the second quarter of 2007 was \$235,372 compared to \$316,601 for the second quarter of 2006, a decrease of 26%. The decrease in revenue is due to decreases in custom development and GlobalCardio sales, in Q2 2007 as compared to Q2 2006.

Cost of sales

Cost of sales decreased by 40% in the second quarter of 2007 as compared to the second quarter of 2006. The decrease is consistent with the decrease of 26% of revenue in Q2 2007 as

compared to Q2 2006. Costs of sales expenses are included in sales and marketing expenses. Q2 2007 amounts for cost of sales were \$20,057 as compared to \$33,763 for Q2 2006.

General and administrative

General and administrative expenses were \$209,766 for the second quarter of 2007, compared to \$199,826 for the second quarter of 2006; an increase of 5% in Q2 2007, as compared to Q2 2006. The increase in general and administrative costs in Q2 2007 is due to increases in consulting costs in 2007, being somewhat offset by decreases in financing costs in 2007.

Sales and marketing

Sales and marketing expenses were \$105,379 for the second quarter of 2007, compared to \$127,811 for the second quarter of 2006; a decrease of 18% for Q2 2007 compared to Q2 2006. The decrease in sales and marketing costs are due to decreased wages in marketing staff, decreased cost of sales and decreased travel costs in Q2 2007 compared to Q2 2006.

Product development

Product development expenses were \$238,398 in the second quarter of 2007, compared to \$248,271 for the second quarter of 2006, a decrease of 4% for Q2 2007 compared to Q2 2006. The decrease in product development costs are due to slightly less staff in product development in Q2 2007 compared to Q2 2006.

Net earnings

CardioComm recorded a net loss of \$315,092 or \$(0.01) loss per share in the second quarter of 2007, compared to a net loss of \$234,588 or \$(0.01) loss per share in Q2 2006. The increased loss for Q2 2007 was mainly attributable to a substantial decrease in sales of \$81,229 or 26%. The weighted average number of shares outstanding increased to 53,067,376 in Q2 2007, from 40,953,387 in Q2 2006 due to a private placement of February, 2007.

Results of Operations

For the Six Months ended June 30, 2007 compared to the Six Months ended June 30, 2006

Operating results expressed as a percentage of revenue:

| Six months ended June 30, | 2007 | 2006 |
|---------------------------------|--------------|---------------|
| Revenue | 100% | 100% |
| Expenses | | |
| Administration | 72 | 72 |
| Sales and marketing | 37 | 49 |
| Product development | 79 | 89 |
| | <u>(188)</u> | <u>(210)</u> |
| Earnings (loss) from operations | (88) | (110) |
| Other income (loss) | (1) | (2) |
| Net earnings (loss) | <u>(89)%</u> | <u>(112)%</u> |

Revenue by product:

| Six months ended June 30, | 2007 | 2006 |
|---------------------------|-------------|-------------|
| Revenue by product | | |
| Software | 74% | 60% |
| Support | 26 | 24 |
| Other | 0 | 16 |
| | <u>100%</u> | <u>100%</u> |

Revenue by geographical region:

| Six months ended June 30, | 2007 | 2006 |
|---------------------------|-------------|-------------|
| Revenue by region | | |
| United States | 82% | 81% |
| Canada | 6 | 11 |
| Other | 12 | 8 |
| | <u>100%</u> | <u>100%</u> |

Revenue

Revenue for the six months ended June 30, 2007 was \$618,966 compared to \$586,411 for the six months ended June 30, 2006, an increase of 6%. The increase in revenue is due to significant increases in GEMs software sales, being somewhat offset by reduced GlobalCardio and custom development sales in the six months ended June 30, 2007 as compared to the six months ended June 30, 2006.

Cost of sales

Cost of sales decreased by 5% for the six months ended June 30, 2007 as compared to the six months ended June 30, 2006. Costs of sales expenses are included in sales and marketing expenses. For the six months ended June 30, 2007 the cost of sales were \$58,501 as compared to \$61,351 for the six months ended June 30, 2006.

General and administrative

General and administrative expenses were \$447,077 for the six months ended June 30, 2007, compared to \$420,239 for the six months ended June 30, 2006; an increase of 6% for the six months ended June 30, 2007, as compared to the six months ended June 30, 2006. The increase in general and administrative costs in 2007 is due to increases in consulting costs, being somewhat offset by significant decreases in financing costs in 2007.

Sales and marketing

Sales and marketing expenses were \$228,545 for the six months ended June 30, 2007, compared to \$253,345 for the six months ended June 30, 2006; a decrease of 11% for 2007 compared to 2006. The decrease in sales and marketing costs are due to decreased wages in marketing staff and decreased travel costs in 2007 compared to 2006, which offset increased advertising costs in 2007.

Product development

Product development expenses were \$491,560 for the six months ended June 30, 2007, compared to \$514,801 for the six months ended June 30, 2006, a decrease of 5% for 2007 compared to 2006. The decrease in product developments costs are due to slightly less staff in product development in 2007 compared to 2006.

Net earnings

CardioComm recorded a net loss of \$555,541 or \$(0.01) loss per share for the six months ended June 30, 2007, compared to a net loss of \$578,748 or \$(0.01) loss per share for the six months ended June 30, 2006. The decreased loss for 2007 was mainly attributable to an increase in sales of \$32,555 and decreases in wages due to less staff in 2007. The weighted average number of shares outstanding increased to 48,290,358 in 2007 from 39,467,379 in 2006 due to a private placement in February, 2007.

Liquidity

Operating Activities

Cash used for operations was \$750,813 in the six months ended June 30, 2007, compared to \$374,732 in the six months ended June 30, 2006. The six months ended June 30, 2007 had a loss of \$555,541 compared to a loss of \$578,748 in the six months ended June 30, 2006. The large decrease of accounts payable and deferred revenue in 2007 compared to 2006 resulted in the increase in the use of cash for operations in 2007.

Investing Activities

Cash used by investing activities was \$11,021 in the six months ended June 30, 2007, compared to \$1,263 in the six months ended June 30, 2006. Investing activities in 2007 were entirely capital expenditures consisting of mainly computer equipment and software.

Financing Activities

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

Cash provided by financing activities was \$558,672 in the six months ended June 30, 2007, compared to \$383,000 in the six months ended June 30, 2006. The provision of cash in 2007 was due to a private placement of net proceeds of \$600,000, and repayments of \$10,000 of promissory notes and \$31,328 of advances from 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 will be seeking further financing.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions With Related Parties

During the six months ended June 30, 2007, the Company received \$13,504 advances and repaid \$44,832 of advances from related parties.

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. This acquisition is expected to close in Q3 of 2007.

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.

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 was 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 June 30, 2007 are 53,067,376.

Options

The following options were outstanding at June 30, 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 | 1,300,000 | 05/15/2011 | 975,000 |
| \$0.10 | 750,000 | 1/25/2012 | 187,500 |
| | <u>4,360,000</u> | | <u>3,472,500</u> |

Warrants

The following warrants were outstanding at June 30, 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> |
|-----------------------|--------------------|--------------------|
| \$0.18 | 2,600,000 | 05/15/2008 |
| \$0.10 | 11,000,000 | 02/14/2009 |
| | <u>13,600,000</u> | |

Disclosure Controls and Procedures

The company's audit committee has reviewed and approved this Quarterly 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 June 30, 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 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.

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 | | | |
|--|---------------------|---------------------|-------------------|--------------------|
| | Jun 30, 2007 | Mar 31, 2007 | Dec 31, 2006 | Sep 30, 2006 |
| Revenue | \$ 235,372 | \$ 383,594 | \$ 614,942 | \$ 560,518 |
| Expenses: | | | | |
| General and administrative | 209,766 | 237,311 | 256,034 | 169,144 |
| Sales and marketing | 105,379 | 123,166 | 108,841 | 174,209 |
| Product development | 238,398 | 253,163 | 250,467 | 246,350 |
| | <u>553,543</u> | <u>613,640</u> | <u>615,342</u> | <u>589,703</u> |
| Earnings (loss) before undernoted | (318,171) | (230,046) | (400) | (29,185) |
| Other expenses: | | | | |
| Foreign exchange gain (loss) | 3,079 | (10,403) | (7,912) | (8,884) |
| Earnings (loss) | <u>\$ (315,092)</u> | <u>\$ (240,449)</u> | <u>\$ (8,312)</u> | <u>\$ (38,069)</u> |
| Basic and fully diluted loss per share | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Weighted average number of shares | <u>53,067,376</u> | <u>47,689,598</u> | <u>42,067,376</u> | <u>42,067,376</u> |

| | 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 |
| | <u>713,227</u> | <u>612,477</u> | <u>584,670</u> | <u>628,878</u> |
| 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) | <u>\$ (234,588)</u> | <u>\$ (344,161)</u> | <u>\$ (398,849)</u> | <u>\$ (425,277)</u> |
| Basic and fully diluted loss per share | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Weighted average number of shares | <u>40,953,387</u> | <u>37,531,820</u> | <u>36,867,376</u> | <u>36,867,376</u> |