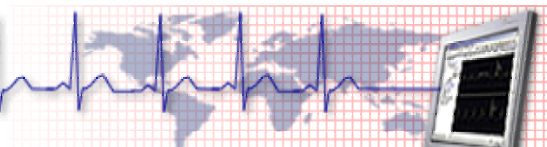




Global leaders in Arrhythmia, Pacemaker & ICD Management Software



CardioComm Solutions Inc.

Q3 2006

Interim Financial Statements

For the period ended September 30, 2006

(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)

	September 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 123,794	\$ 14,468
Accounts receivable	330,815	110,691
Inventory	3,887	7,853
Prepaid expenses and deposits	13,747	35,274
	<u>472,243</u>	<u>168,286</u>
Property and equipment (note 3)	<u>23,056</u>	<u>34,677</u>
	<u>\$ 495,299</u>	<u>\$ 202,963</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 512,975	\$ 332,527
Deferred revenue	564,414	326,323
Promissory note	163,000	108,000
Due to related parties (note 4)	1,207,640	1,084,640
Convertible note (note 5)	351,741	345,025
	<u>2,799,770</u>	<u>2,196,515</u>
Shareholders' deficiency:		
Share capital (note 6)	19,226,243	18,920,346
Deficit	<u>(21,530,714)</u>	<u>(20,913,898)</u>
	<u>(2,304,471)</u>	<u>(1,993,552)</u>
	<u>\$ 495,299</u>	<u>\$ 202,963</u>

Continuing operations (note 1)

Commitments (note 7)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"John McEwen"

Director

"James Hall"

Director

CardioComm Solutions Inc.
Consolidated Statements of Operations and Deficit
(Unaudited – Prepared by Management)

	Three months ended		Nine months ended	
	Sept 30, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Sales	\$ 560,518	\$ 191,495	\$ 1,146,929	\$ 828,751
Operating expenses				
General and administrative	169,144	215,619	589,383	674,655
Sales and marketing	174,209	148,856	427,554	461,769
Product development	246,350	264,403	761,152	833,948
	589,703	628,878	1,778,089	1,970,372
Earnings (loss) before other income	(29,185)	(437,383)	(631,160)	(1,141,621)
Other income				
Foreign exchange loss	(8,884)	12,106	14,343	(1,048)
Earnings (loss) for the period	(38,069)	(425,277)	(616,817)	(1,142,669)
Deficit, beginning of period	(21,492,646)	(20,089,772)	(20,913,898)	(19,372,380)
Deficit, end of period	\$ (21,530,715)	\$ (20,515,049)	\$ (21,530,715)	\$ (20,515,049)
Weighted average number of shares outstanding	42,067,376	36,867,376	40,343,566	36,867,376
Earnings (loss) per share (note 3 (i))	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.03)

CardioComm Solutions Inc.
Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)

	Three months ended		Nine months ended	
	Sept 30, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Cash provided by (used in)				
Operations				
Income (loss) for the period	\$ (38,069)	\$ (425,277)	\$ (616,817)	\$ (1,142,669)
Items not involving cash:				
Amortization of capital assets	3,413	7,143	18,204	44,359
Stock compensation expense	16,843	8,449	45,897	5,145
Unrealized foreign exchange	7,916	(16,151)	(11,773)	(5,666)
Accretion on convertible notes	-	5,192	9,944	15,730
Accrued interest on convertible note	-	5,294	8,545	16,040
Changes in non-cash working capital balances:				
Accounts receivable	(75,033)	208,362	(220,123)	300,283
Inventory	1,724	3,848	3,966	3,429
Prepaid expenses and deposits	25,312	(8,910)	21,527	17,101
Accounts payable and accrued liabilities	87,411	62,505	180,449	169,286
Deferred revenue	23,125	(22,543)	238,091	(21,191)
	52,642	(172,094)	(322,090)	(598,153)
Investments				
Purchase of property, plant and equipment	(5,321)	-	(6,584)	(1,956)
Financing				
Issue of common shares (net of issue costs)	-	-	260,000	-
Issuance of promissory notes	30,000	103,000	244,000	183,000
Repayments of promissory notes	(30,000)	(80,000)	(189,000)	(80,000)
Advance from related parties	85,000	151,000	153,000	376,000
Repayments of advances from related parties	(30,000)	-	(30,000)	-
	55,000	174,000	438,000	479,000
Increase (decrease) in cash during the period	102,321	1,909	109,326	(121,109)
Cash and cash equivalents, beginning of period	21,473	3,159	14,468	126,177
Cash and cash equivalents, end of period	\$ 123,794	\$ 5,068	\$ 123,794	\$ 5,068

See accompanying notes to consolidated financial statements.

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2006

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 nine months ended September 30, 2006

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 nine months ended September 30, 2006

3. Property and equipment:

September 30, 2006	Useful life (Yrs)	Cost	Accumulated amortization	Net book value
Computer hardware	3 - 5	\$ 441,921	\$ 419,809	\$ 22,112
Computer software	2	154,163	153,220	943
Equipment, other	3 - 5	129,864	129,864	-
Furniture and fixtures	5	58,516	58,516	-
Leasehold improvements	5	77,584	77,584	-
Patent costs	5	27,403	27,403	-
Technology rights	5	1	-	1
		\$ 889,452	\$ 866,396	\$ 23,056

December 31, 2005	Useful life (Yrs)	Cost	Accumulated amortization	Net book value
Computer hardware	3 - 5	\$ 435,337	\$ 410,080	\$ 25,257
Computer software	2	154,163	140,056	8,107
Equipment, other	3 - 5	129,864	129,246	618
Furniture and fixtures	5	58,516	57,822	694
Leasehold improvements	5	77,584	77,584	-
Patent costs	5	27,403	27,403	-
Technology rights	5	1	-	1
		\$ 882,398	\$ 848,191	\$ 34,677

4. Due to related parties

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

	September 30, 2006	December 31, 2005
Promissory notes	938,000	815,000
Other	269,640	269,640
	\$ 1,207,640	\$ 1,084,640

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 September 30, 2006

5. Convertible notes:

In June 2003, the Company issued a convertible promissory note in the amount of US\$250,000 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. At any time after June 5, 2004, the holder has the option of converting any amount up to total outstanding principal and accrued interest into common shares of the Company at the rates stated below. Issued in conjunction with the notes were 250,000 warrants, which entitle the holder to purchase up to 250,000 common shares of the Company at an exercise price of \$0.25 per common share over 2 years from the date of their issuance.

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 10%, representing the Company's best estimate of the prevailing market rate for a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the holders' 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. The carrying value of the financial liability is being accreted to its maturity value over the three-year term of the notes with a corresponding charge against income.

The convertible note may be converted into common shares of the Company at the rate of one common share per \$0.25 of principal outstanding from June 6/04 to June 5/05, and one common share per \$0.40 of principal outstanding from June 6/05 to June 5/06, 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, 2005	\$ 81,704	\$ 345,025
Interest accrued in 2006	-	8,545
Accretion recorded during 2006	-	9,944
Foreign exchange loss	-	(11,773)
Balance, September 30, 2006	\$81,704	\$ 351,741

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended September 30, 2006

6. Share Capital

(a) Issued and outstanding:	Common shares		Contributed Surplus	Total Share Capital
	Issued and Outstanding	Amount		
Share capital, December 31, 2005	36,867,376	\$ 18,471,530	\$ 448,816	\$ 18,920,346
Common shares issued for cash in March 2006 private placement	2,600,000	130,000		130,000
Share issue costs		(26,000)		(26,000)
Common shares issued for cash in May 2006 private placement	2,600,000	156,000		156,000
Stock compensation expense	-	-	45,897	45,897
Share capital, September 30, 2006	42,067,376	\$ 18,731,530	\$ 494,713	\$ 19,226,243

Total authorized common shares were 100,000,000 at September 30, 2006 and December 31, 2005.
Total accumulated share issue costs are \$1,239,528 at September 30, 2006 and \$1,213,528 at December 31, 2005.

(b) Warrants:

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

	Number	Exercise Price	Expiry Date
Total warrants	2,600,000	\$0.12 0.18	May 15, 2007 May 15, 2008

(c) Stock Options:

A summary of the status of the Company's stock option plan as of September 30, 2006 and December 31, 2005, and changes during the periods ending on those dates is presented below:

Stock options	September 30, 2006		December 31, 2005	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	2,570,000	\$ 0.21	3,615,000	\$ 0.34
Granted	1,550,000	0.10	300,000	0.12
Forfeited/Expired	(250,000)	0.30	(1,345,000)	0.17
Outstanding, Sept 30, 2006	3,870,000	\$ 0.17	2,570,000	\$ 0.21

CardioComm Solutions Inc.

Notes to the Consolidated Financial Statements

For the six months ended September 30, 2006

6. Share Capital (continued):

The following table summarizes information about the stock options outstanding at September 30, 2006:

Exercise Price	Number Outstanding At September 30/06	Expiry Date	Number Exercisable At September 30/06
\$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	765,000	December 18, 2008	765,000
\$0.12	300,000	August 23, 2010	150,000
\$0.10	1,550,000	May 15, 2011	387,500
	3,870,000		2,632,500

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.

7. Commitments:

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

2006	\$	23,805
2007		95,223
2008		95,223
2009		95,223
2010		23,805
	\$	333,279