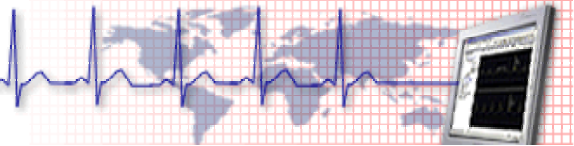




Global leaders in Arrhythmia, Pacemaker & ICD Management Software



CardioComm Solutions Inc.

Management's Discussion and Analysis

For the period ended September 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 September 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 September 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:

- Q3 2006 revenue was \$560,518, an increase of 193% as compared to \$191,495 in Q3 2005, and an increase of 77% as compared to \$316,601 in Q2 2006.
- Q3 2006 net loss was \$38,069, a 91% decreased loss as compared to Q3 2005 loss of \$425,277.
- Q3 net working capital was \$(2,327,527), down from \$(2,028,229) at 2005 year end.

For the third quarter of 2006, CardioComm's financial results were improved from Q3 2005 results. Revenue increased by 193%, resulting in a decreased net loss for Q3 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 Q3 2006 was 1.12 as compared to 1.20 for Q3 2005. Considering that 97% of the Company's revenue in Q3 2006 was derived from the United States, the \$0.08 average decrease in the exchange rate results in approximately \$43,000 decline in reported revenue.

Revenue increased by 193% overall, which was mainly due to new custom development work in Q3 2006, which accounted for \$283,000 of the \$560,518 Q3 2006 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 September 30, 2006 compared to Three Months ended September 30, 2005

Operating results expressed as a percentage of revenue:

Three months ended Sept 30,	2006	2005
Revenue	100%	100%
Expenses		
Administration	51	113
Sales and marketing	37	78
Product development	66	138
	<u>154</u>	<u>329</u>
Earnings (loss) from operations	(54)	(229)
Other income (loss)	1	6
Net earnings (loss)	<u>(53)%</u>	<u>(223)%</u>

Revenue by product:

Three months ended Sept 30,	2006	2005
Revenue by product		
Software	81%	64%
Support	13	36
Other	6	0
	<u>100%</u>	<u>100%</u>

Revenue by geographical region:

Three months ended Sept 30,	2006	2005
Revenue by region		
United States	97%	93%
Canada	2	4
Other	1	3
	<u>100%</u>	<u>100%</u>

Revenue

Revenue for the third quarter ended September 30, 2006 was \$560,518 compared to \$191,495 for the third quarter ended September 30, 2005, an increase of 193%. The increase in revenue is primarily due to new custom solutions development work in Q3 2006 as compared to Q2 2005. Revenue is also negatively affected by the continued decline in the US dollar in Q3 2006 compared to Q3 2005.

Cost of sales

Cost of sales was a higher percentage of income (15%) in the third quarter of 2006 as compared to the third quarter of 2005 (10%) due to third-party software costs associated with custom development work in 2006. Costs of sales expenses are included in sales and marketing expenses. Q3 2006 amounts for cost of sales were \$81,541 as compared to \$19,502 for Q3 2005.

General and administrative

General and administrative expenses were \$169,144 for the third quarter of 2006, compared to \$215,619 for the third quarter of 2005; a decrease of 22% in Q3 2006, as compared to Q3 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 2005.

Sales and marketing

Sales and marketing expenses were \$174,209 for the third quarter of 2006, compared to \$148,856 for the third quarter of 2005; an increase of 17% for Q3 2006 compared to Q3 2005. The increase in sales and marketing costs are largely due to increased cost of sales due third-party software costs associated with custom development work in 2006.

Product development

Product development expenses were \$246,350 in the third quarter of 2006, compared to \$264,403 for the third quarter of 2005, a decrease of 7% for Q3 2006 compared to Q3 2005. The decrease in product developments costs are due to slightly less staff in product development in Q3 2006 compared to Q3 2005.

Net earnings

CardioComm recorded a net loss of \$38,069 or \$(0.00) loss per share in the third quarter of 2006, compared to a net loss of \$425,277 or \$(0.01) loss per share in the third quarter of

2005. The decreased loss for Q3 2006 was mainly attributable to a substantial increase in revenue of \$369,023. The weighted average number of shares outstanding increased to 42,067,376 in Q3 2006 from 36,867,376 in Q3 2005 due to private placements in February and May 2006.

Liquidity

Operating Activities

Cash provided by operations was \$52,642 in the third quarter of 2006, compared to cash used by operations of \$172,094 in the third quarter of 2005. Q3 2006 had a loss of \$38,069 compared to a loss of \$425,277 in Q3 2005. The substantial decreased loss resulted in the increase in cash provided by operations in Q3 2006.

Investing Activities

Cash used by investing activities was \$5,321 in the third quarter of 2006, compared to nil in the third quarter of 2005. Investing activities in Q3 2006 were entirely capital expenditures consisting of mainly computer equipment and software.

Financing Activities

Cash provided by financing activities was \$55,000 in the third quarter of 2006, compared to \$174,000 in the third quarter of 2005. The provision of cash in Q3 2006 was due to; \$85,000 advances from related parties, less a repayment of \$30,000 to 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. The Company will be seeking financing in Q4 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 \$85,000 advances from related parties, less a repayment of \$30,000 to related parties in the third quarter of 2006.

Results of Operations – Nine Months ended September 30, 2006 compared to Nine Months ended September 30, 2005

Operating results expressed as a percentage of revenue:

Nine months ended Sept 30,	2006	2005
Revenue	100%	100%
Expenses		
Administration	51	81
Sales and marketing	37	56
Product development	66	101
	<u>154</u>	<u>148</u>
Earnings (loss) from operations	(54)	(48)
Other income (loss)	1	0
Net earnings (loss)	<u>(53)%</u>	<u>(48)%</u>

Revenue by product:

Nine months ended Sept 30,	2006	2005
Revenue by product		
Software	80%	75%
Support	19	24
Other	1	1
	<u>100%</u>	<u>100%</u>

Revenue by geographical region:

Nine months ended Sept 30,	2006	2005
Revenue by region		
United States	88%	87%
Canada	7	8
Other	5	5
	<u>100%</u>	<u>100%</u>

Revenues and cost of sales

Revenues for the nine months ended September 30, 2006 was \$1,146,929 compared to \$828,751 for the nine months ended September 30, 2005, an increase of 38%. Revenue increased in all product lines, including software, custom development and support in 2006. Revenue figures for the nine month period in 2006 were subject to an unfavourable US exchange rate, with the nine month average exchange rate being at one US dollar is equivalent to 1.13 CDN dollars in 2006, compared to 1.22 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 119% for the nine months ended September 30, 2006 as compared to the six months ended September 30, 2005. The increase is largely due to the third-party software costs associated with custom development work and increased volume of training and installs in 2006. Cost of sales expenses are included in sales and marketing expenses. For the nine months ended September 30, 2006, costs of sales were \$142,892 as compared to \$65,236 for the nine months ended September 30, 2005.

General and administrative

General and administrative expenses were \$589,383 for the nine months ended September 30, 2006, compared to \$674,655 for the nine months ended September 30, 2005; a decrease of 14% in 2006, as compared to 2005. The decrease in 2006 is due to reduced consulting fees.

Sales and marketing

Sales and marketing expenses were \$427,554 for the nine months ended September 30, 2006, compared to \$461,769 for the nine months ended September 30, 2005; a decrease of 7% 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 \$761,152 for the nine months ended September 30, 2006, compared to \$833,948 for the nine months

ended September 30, 2005; a decrease of 9% for 2006 compared to 2005, due to slightly less staff in 2006.

Net earnings

CardioComm recorded a net loss of \$616,817 or \$(0.02) loss per share in the nine months ended September 30, 2006, compared to net loss of \$1,142,669 or \$(0.03) loss per share in the nine months ended September 30, 2005. The decreased loss for 2006 was attributable to a substantial increase in revenue and decreases in wages, consulting fees and travel expenses in 2006. The Company 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 40,343,566 in 2006 from 36,867,376 in 2005.

Liquidity

Operating Activities

Cash used for operations was \$322,090 in the nine months ended September 30, 2006, compared to \$598,153 in the nine months ended September 30, 2005. The nine months of 2006 had a loss of \$616,817 compared to a loss of \$1,142,669 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 \$6,584 in the nine months ended September 30, 2006, compared to \$1,956 in the nine months ended September 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 \$438,000 in the nine months ended September 30, 2006, compared to \$479,000 in the nine months ended September 30, 2005. The acquisition of cash in 2006 was due to private placements of \$260,000 an increase of \$123,000 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 fourth quarter of 2006.

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.

Outstanding Share Data

Common shares

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

Options

The following options were outstanding at September 30, 2006; 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	765,000	12/18/2008	765,000
\$0.12	300,000	8/23/2010	150,000
\$0.10	1,550,000	5/15/2011	387,500
	<u>3,870,000</u>		<u>2,632,500</u>

Warrants

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

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

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 September 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

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			
	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005
Revenue	\$ 560,518	\$ 316,601	\$ 269,810	\$ 187,542
Expenses:				
General and administrative	169,144	199,826	220,413	209,370
Sales and marketing	174,209	127,811	125,534	133,947
Product development	246,350	248,271	266,530	241,353
	589,703	575,908	612,477	584,670
Earnings (loss) before undernoted	(29,185)	(259,307)	(342,667)	(397,128)
Other expenses:				
Foreign exchange gain (loss)	(8,884)	24,719	(1,494)	(1,721)
Earnings (loss)	\$ (38,069)	\$ (234,588)	\$ (344,161)	\$ (398,849)
Basic and fully diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares	42,067,376	40,953,387	37,531,820	36,867,376

	Quarter Ended			
	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004
Revenue	\$ 191,495	\$ 417,345	\$ 219,911	\$ 475,531
Expenses:				
General and administrative	215,619	252,026	207,010	316,750
Sales and marketing	148,856	175,291	137,622	188,169
Product development	264,403	285,910	283,635	274,665
	628,878	713,227	628,267	779,584
Earnings (loss) before undernoted	(437,383)	(295,882)	(408,356)	(304,053)
Other expenses:				
Foreign exchange gain (loss)	12,106	(8,473)	(4,681)	(13,064)
Earnings (loss)	\$ (425,277)	\$ (304,355)	\$ (413,037)	\$ (317,117)
Basic and fully diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)
Weighted average number of shares	36,867,376	36,867,376	36,867,376	36,901,941