

VisualMED Clinical Solutions Corp.  
Form 10QSB  
May 14, 2007

**United States Securities and Exchange Commission  
Washington, D.C. 20549**

**FORM 10-QSB**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31st, 2007
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number: 000-33191**

**VISUALMED CLINICAL SOLUTIONS CORP.**

(Exact name of small business issuer as specified in its charter)

**NEVADA**  
(State of other jurisdiction of  
incorporation or organization)

**88-0436055**  
(IRS Employer Identification  
Number)

**1035 Laurier Street West  
Montreal, Quebec  
Canada H2V 2L1**  
(Address of principal executive offices)

**(514) 274-1115**  
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of May 14, 2007 the issuer had 49,673,345 outstanding shares of common stock.

Transitional Small Business Disclosure Format (Check one): Yes  No

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**PART I.**

**ITEM 1. - Financial Statements**

VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
(Unaudited)

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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Consolidated Balance Sheets  
(expressed in U.S. dollars)  
(unaudited)

|  | March 31,<br>2007<br>\$ | June 30,<br>2006<br>\$ |
|--|-------------------------|------------------------|
| <b>Assets</b>  |                         |                        |
| <b>Current Assets</b>  |                         |                        |
| Cash   | □                       | 10,976                 |
| Accounts receivable  | □                       | 2,550                  |
| Advances to related parties (Note 3)   | 23,633                  | 30,175                 |
| Prepaid expenses (Note 4)  | 30,196                  | 249,517                |
| Inventory  | 13,587                  | 13,587                 |
| Other assets   | 7,938                   | 16,319                 |
| <b>Total Current Assets</b>  | <b>75,354</b>           | <b>323,124</b>         |
| Property and Equipment (Note 5)  | 56,020                  | 69,754                 |
| <b>Total Assets</b>  | <b>131,374</b>          | <b>392,878</b>         |
| <b>Liabilities and Stockholders' Deficit</b>                                 |                         |                        |
| <b>Current Liabilities</b>   |                         |                        |
| Bank indebtedness  | 161                     | □                      |
| Accounts payable   | 1,124,392               | 220,785                |
| Accrued liabilities (Note 7)   | 133,933                 | 155,526                |
| Advances from related parties (Note 8)                                       | 26,022                  | □                      |
| Current portion of capital lease obligation                                  | 4,113                   | 3,951                  |
| Deferred revenue   | 276,750                 | 17,291                 |
| <b>Total Current Liabilities</b>   | <b>1,565,371</b>        | <b>397,553</b>         |
| Capital Lease Obligation   | □                       | 3,232                  |
| <b>Total Liabilities</b>   | <b>1,565,371</b>        | <b>400,785</b>         |
| <b>Contingencies and Commitments (Notes 1 and 14)</b>                        |                         |                        |
| <b>Stockholders' Deficit</b>   |                         |                        |
| <b>Preferred Stock, (Note 9)</b>   |                         |                        |
| Authorized: 15,000,000 shares, Series A 10% Cumulative; par value \$0.00001; |                         |                        |
| No shares issued and outstanding   | □                       | □                      |
| Authorized: 10,000,000 shares, Undesignated; par value \$0.00001;            |                         |                        |
| No shares issued and outstanding   | □                       | □                      |
| <b>Common Stock,</b>   |                         |                        |
| Authorized: 100,000,000 shares, par value \$0.00001;                         |                         |                        |
| Issued and outstanding: 48,948,345 shares (2006 - 46,028,345 shares)         | 489                     | 460                    |

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|  |              |              |
|--|--------------|--------------|
| Additional Paid-in Capital                           | 27,144,388   | 13,887,221   |
| Stock Subscriptions Receivable                       | (2,450)      | □            |
| Accumulated Other Comprehensive Loss                 | (49,639)     | (113,753)    |
| Deficit Accumulated During the Development Stage     | (28,526,785) | (13,781,835) |
| Total Stockholders' Equity (Deficit)                 | (1,433,997)  | (7,907)      |
| Total Liabilities and Stockholders' Equity (Deficit) | 131,374      | 392,878      |

(The accompanying notes are an integral part of these consolidated financial statements)

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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Consolidated Statements of Operations  
(expressed in U.S. dollars)  
(Unaudited)

|  | Accumulated from<br>September 7, 1999<br>(Date of Inception)<br>to March 31,<br>2007<br>\$ | For the<br>Three Months<br>Ended<br>March 31,<br>2007<br>\$ | 2006<br>\$  | 2007<br>\$  |
|--|--|---|-------------|-------------|
| Revenue  | 336,508  | 9,418   | 145,361     | 27,5        |
| Cost of sales  | 183,526  | □   | 80,141      | 8,2         |
| Gross Profit   | 152,982  | 9,418   | 65,220      | 19,2        |
| <b>Expenses</b>  |  |   |             |             |
| Acquired in-process research and<br>development (Note 6) | 7,920,730  | 7,920,730   | □           | 7,920,7     |
| Customer service   | 1,627,373  | 138,887   | 194,742     | 580,2       |
| Amortization   | 52,257   | 8,269   | 6,857       | 24,7        |
| Development costs  | 2,080,645  | 139,651   | 356,271     | 426,1       |
| General and administration                               | 4,659,318  | 341,375   | 2,172,743   | 1,913,5     |
| Sales and marketing                                      | 7,473,896  | 2,112,453   | 2,044,291   | 3,830,4     |
| Total Expenses   | 23,814,219   | 10,661,365  | 4,774,904   | 14,695,8    |
| Net Loss From Operations                                 | (23,661,237)   | (10,651,947)  | (4,709,684) | (14,676,56) |
| <b>Other Income (Expenses)</b>                           |  |   |             |             |
| Interest   | (43,731)   | (5,131)   | (681)       | (5,65)      |
| Financing costs  | (4,514,285)  | □   | □           |             |
| Foreign exchange gain (loss)                             | 74,545   | 26,872  | (37,579)    | (62,73)     |
| Gain on forgiveness of interest                          | 7,655  | □   | □           |             |
| Gain on forgiveness of debt                              | 12,689   | □   | □           |             |
| Net Loss Before Discontinued Operations                  | (28,124,364)   | (10,630,206)  | (4,747,944) | (14,744,95) |
| Discontinued Operations                                  | (402,421)  | □   | □           |             |
| Net Loss   | (28,526,785)   | (10,630,206)  | (4,747,944) | (14,744,95) |
| <b>Other Comprehensive Income (Loss)</b>                 |  |   |             |             |
| Foreign currency translation adjustments                 | (49,639)   | (24,514)  | 29,953      | 64,1        |
| Comprehensive Loss                                       | (28,576,424)   | (10,654,720)  | (4,717,991) | (14,680,83) |
| Net Loss Per Share □ Basic and Diluted                   |  | (0.23)  | (0.11)      | (0.3)       |

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|                                     |            |            |            |
|-------------------------------------|------------|------------|------------|
| Weighted Average Shares Outstanding | 47,164,000 | 44,287,000 | 46,852,000 |
|-------------------------------------|------------|------------|------------|

(The accompanying notes are an integral part of these consolidated financial statements)

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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(expressed in U.S. dollars)  
(Unaudited)

|   | For the Nine<br>Months Ended<br>March 31,<br>2007<br>\$ | For the Nine<br>Months Ended<br>March 31,<br>2006<br>\$ |
|---|---|---|
| <b>Operating Activities</b>   |   |   |
| Net loss  | (14,744,950)  | (5,863,923)   |
| Adjustments to reconcile net loss to net cash used in operating activities: |   |   |
| Amortization  | 24,743  | 15,473  |
| Warrants issued for acquired in-process research and development            | 7,920,730   |   |
| Stock-based compensation  | 5,329,106   | 4,054,303   |
| Changes in operating assets and liabilities                                 |   |   |
| Accounts receivable   | 2,550   | 36,031  |
| Advances to related parties   | 7,145   | (38,074)  |
| Prepaid expenses  | 218,939   | (345,351)   |
| Inventory   | □   | (13,587)  |
| Other assets  | 7,831   | (10,392)  |
| Deferred revenue  | 259,458   | (40,958)  |
| Due to related parties  | 26,022  | □   |
| Accounts payable and accrued liabilities                                    | 884,633   | 205,298   |
| <b>Net Cash Used In Operating Activities</b>                                | <b>(63,793)</b>   | <b>(2,001,180)</b>                                      |
| <b>Investing Activities</b>   |   |   |
| Purchase of property and equipment  | (13,180)  | (51,818)  |
| <b>Net Cash Used In Investing Activities</b>                                | <b>(13,180)</b>   | <b>(51,818)</b>   |
| <b>Financing Activities</b>   |   |   |
| Bank indebtedness   | 161   | □   |
| Proceeds from short term loans  | □   | 514,094   |
| Proceeds from the sale of common stock                                      | 4,910   | 1,350,848   |
| Repayment of capital lease obligation                                       | (2,850)   | (2,507)   |
| <b>Net Cash Provided By Financing Activities</b>                            | <b>2,221</b>  | <b>1,862,435</b>  |
| Effect of Exchange Rate Changes on Cash                                     | 63,776  | (7,585)   |
| <b>Increase (Decrease) in Cash</b>  | <b>(10,976)</b>   | <b>(198,148)</b>  |
| Cash □ Beginning of Period  | 10,976  | 348,409   |
| Cash □ End of Period  | □   | 150,261   |
| <b>Non-Cash Financing Activities</b>  |   |   |
| Common stock issued for settlement of notes payable and accrued interest    | □   | 1,165,959   |
| <b>Supplemental Disclosures</b>   |   |   |
| Interest paid   | □   | □   |
| Income taxes paid   | □   | □   |

(The accompanying notes are an integral part of these consolidated financial statements)





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VisualMED Clinical Solutions Corp.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(expressed in U.S. dollars)  
(Unaudited)

### 1. Development Stage Company

The Company was incorporated in the State of Nevada on September 7, 1999. The Company changed its name to VisualMed Clinical Solutions Corporation on November 30, 2004. The Company's majority shareholder is Visual Healthcare Corporation which is a Nevada corporation, based in Montreal, Canada.

The Company's business plan involves the distribution of medical software. The Company is primarily involved in activities related to the distribution of medical software and is considered to be a development stage company. At March 31, 2007, the Company had a working capital deficiency of \$1,490,017 and has incurred losses of \$28,526,785 since inception. The ability of the Company to emerge from the development stage with respect to any planned principal business activity is dependent upon its successful efforts to raise additional equity financing and then attain profitable operations. Management has plans to seek additional capital through equity and/or debt offerings. There is no guarantee that the Company will be able to complete any of the above objectives. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

### 2. Summary of Significant Accounting Principles

#### a) Basis of Presentation and Fiscal Year

These consolidated financials statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company has not produced any revenues from its principal business and is a development stage company as defined by Statement of Financial Accounting Standard (SFAS) No. 7 *Accounting and Reporting by Development Stage Enterprises*. These financial statements include the accounts of the Company and its wholly-owned subsidiary, VisualMed Clinical Systems Marketing Inc., a company incorporated and based in Quebec, Canada. All intercompany transactions and balances have been eliminated. The Company's fiscal year-end is June 30.

#### b) Interim Financial Statements

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period. The financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto included in Form 10-KSB for the year ended June 30, 2006.

#### c) Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to allowances for doubtful accounts, sales returns and allowances, inventory reserves, stock-based compensation expense, deferred income tax asset valuations and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and

adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

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Notes to the Consolidated Financial Statements  
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2. Summary of Significant Accounting Principles (continued)

d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

e) Property and Equipment

Property and equipment is stated at cost, less accumulated amortization, and consists of office furniture, computer hardware and software, leasehold improvements and assets under capital lease. Amortization of office furniture is computed using the straight-line method over five years. Amortization of computer hardware and software is computed using the straight-line method over three years. Amortization of leasehold improvements is computed using the straight-line method over five years. Amortization of assets under capital lease is computed using the straight-line method over the term of the lease.

f) Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

g) Foreign Currency Transactions

The Company's functional and reporting currency is the United States dollar. The functional currency of the Company's subsidiary is the Canadian dollar. The financial statements of the subsidiary are translated to United States dollars in accordance with SFAS No. 52 *Foreign Currency Translation* using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.

h) Development Costs

Costs related to the enhancement of existing medical software modules are expensed as incurred until technological feasibility in the form of a working model has been established. The time period between the establishment of technological feasibility and completion of product development is expected to be short, therefore the Company has not capitalized any product development costs during the period.

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### 2. Summary of Significant Accounting Principles (continued)

#### i) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, "*Earnings per Share*" which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS and the weighted average number of common shares exclude all dilutive potential shares since their effect is anti dilutive. Shares underlying these securities totaled approximately 11,840,000 as of March 31, 2007.

#### j) Financial Instruments and Concentrations

The carrying value of cash, accounts receivable, advances to related parties, other assets, accounts payable, accrued liabilities and capital lease obligation approximate fair value due to the relatively short maturity of these instruments. Financial instruments which potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company deposits cash with a high quality financial institution. For the nine month period ended March 31, 2007, revenue from one customer represented 57% (2006 □ 53%) of total revenue and from a second customer represented 43% (2006 □ 47%) of total revenue.

#### k) Inventory

Inventory consists of computer hardware and software acquired for specific revenue contracts and also includes related support and implementation costs. Inventory is stated at the lower of cost or net realizable value.

#### l) Revenue Recognition

The Company recognizes revenue related to sales and licensing of medical software in accordance with Statement of Position No. 97-2, □*Software Revenue Recognition*□ (□SOP 97-2□), as amended by Statement of Position No. 98-9, □*Software Revenue Recognition with Respect to Certain Arrangements*□. Pursuant to SOP 97-2 and Staff Accounting Bulletin No. 104 □*Revenue Recognition*□, revenue will only be recognized when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured. The Company's revenue contracts are accounted for in conformity with Accounting Research Bulletin No. 45 □*Long-Term Construction-Type Contracts*□, using the relevant guidance in SOP 81-1 □*Accounting for Performance of Construction-Type and Certain Production-Type Contracts*□, unless specified criteria for separate accounting for any service element are met. The Company also follows the guidance in Emerging Issues Task Force (□EITF□) Issue No. 00-21 □*Revenue Arrangements with Multiple Deliverables*□ relating to the separability of deliverables included in an arrangement into different units of accounting and the allocation of an arrangement's consideration to those units of accounting. It does not address when revenue should be recognized for the units of accounting. The Company received \$39,000 during the nine month period ended March 31, 2007 for annual license renewal fees. At March 31, 2007, the balance of deferred revenue, which relates to the unearned portion received of annual license fees, is \$28,750. During the period ended March 31, 2007, the Company also received an advance of \$248,000 pursuant to an agreement to provide planning and information systems. This amount is recorded in deferred revenue. Incremental direct costs related to contract acquisition and origination, which result in deferred revenue, are expensed as incurred. Any allowance for doubtful accounts is based on the Company's detailed assessment of the collectibility of specific customer accounts. Any significant customer accounts that are not expected to be collected are excluded from revenues. To date, the Company has not experienced any

significant losses from uncollectible accounts. All revenues recorded during the nine-month periods ended March 31, 2007 and 2006 were earned from customers domiciled in the United States.

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### 2. Summary of Significant Accounting Principles (continued)

#### m) Comprehensive Loss

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. For the nine month periods ended March 31, 2007 and 2006, the Company's only component of comprehensive loss was foreign currency translation adjustments.

#### n) Reclassifications

Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation.

#### o) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 *Accounting for Income Taxes* as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

#### p) Stock-based Compensation

The Company records stock-based compensation in accordance with SFAS No. 123R *Share Based Payments*, using the fair value method. The Company had not issued any stock options and had no unvested share based payments prior to January 1, 2006. Accordingly, there was no effect on the Company's reported loss from operations, cash flows or loss per share as a result of adopting SFAS No 123R.

#### q) Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 *Accounting for Certain Investments in Debt and Equity Securities* applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, *Fair Value Measurements*. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material

effect on its financial statements.

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### 2. Summary of Significant Accounting Principles (continued)

#### p) Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106, and 132(R). This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140*, to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to permit fair value re-measurement for any hybrid financial

instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

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 (Unaudited)

3. Advances to Related Parties

|                       | March 31,<br>2007 | June 30,<br>2006 |
|-----------------------|-------------------|------------------|
|                       | \$                | \$               |
| Advances to employees | 23,633            | 30,175           |

Advances to employees of \$23,633 represent amounts advanced towards travel expenses to be incurred. These amounts are non-interest bearing and unsecured.

4. Prepaid expenses

As at March 31, 2007 and June 30, 2006, the following comprises prepaid expenses:

|   | March 31,<br>2007 | June 30,<br>2006 |
|---|-------------------|------------------|
|   | \$                | \$               |
| Directors and officers insurance              | 22,361            | 33,640           |
| Prepaid expenses related to Medicool contract | □                 | 204,587          |
| Security deposit                              | 3,903             | □                |
| Other   | 3,932             | 11,290           |
|   | 30,196            | 249,517          |

5. Property and Equipment

|                        | Cost    | Accumulated<br>Amortization | March 31, 2007<br>Net carrying value | June 30, 2006<br>Net carrying value |
|------------------------|---------|-----------------------------|--------------------------------------|-------------------------------------|
|                        | \$      | \$                          | \$                                   | \$                                  |
| Computer hardware      | 59,775  | 28,933                      | 30,842                               | 38,023                              |
| Computer software      | 27,339  | 14,263                      | 13,076                               | 15,873                              |
| Office furniture       | 12,134  | 5,133                       | 7,001                                | 9,128                               |
| Leasehold improvements | 9,344   | 4,243                       | 5,101                                | 6,730                               |
|                        | 108,592 | 52,572                      | 56,020                               | 69,754                              |

Assets under capital lease are included in office furniture with a cost of \$10,939. During the period ended March 31, 2007, the Company recognized amortization of assets under capital lease of \$2,503 (June 30, 2006 □ \$3,133).

6. Acquisition of Technology

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On March 30, 2007, the Company issued 10,000,000 warrants to acquire the rights to certain technologies from its parent company, Visual Healthcare Corp. Each warrant is exercisable to acquire a share of common stock at an exercise price of \$0.01 per share for a period of five years. The fair value for the warrants issued was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free rate of 4.36% and an expected volatility of 78%. During the period ended March 31, 2007, the Company recognized the fair value of the warrants of \$7,920,730 as a charge to operations as acquired in-process research and development costs.

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7. Accrued Liabilities

As at March 31, 2007 and June 30, 2006, the following comprises accrued liabilities:

|                                  | March 31,<br>2007 | June 30,<br>2006 |
|----------------------------------|-------------------|------------------|
|                                  | \$                | \$               |
| Salaries, wages and vacation pay | 122,455           | 112,276          |
| Professional fees                | 11,000            | 35,000           |
| Other                            | 478               | 8,250            |
|                                  | 133,933           | 155,526          |

8. Advances from Related Parties

|                        | March 31,<br>2007 | June 30,<br>2006 |
|------------------------|-------------------|------------------|
|                        | \$                | \$               |
| Advances from officers | 26,022            | □                |
|                        | 26,022            | □                |

Advances from officers bear interest at 15% per annum, are unsecured and have no fixed terms of repayment.

9. Preferred Stock

On January 12, 2006, the Company amended its Articles of Incorporation to increase the authorized share capital to 125,000,000 shares consisting of 100,000,000 shares of common stock, and 25,000,000 shares of preferred stock, of which 15,000,000 have been designated as Series A 10% Cumulative Preferred Stock.

The Series A 10% Cumulative Preferred Stock has a par value of \$0.00001 per share, a stated value of \$1.00 per share and are non-voting. The holders of the Series A Preferred Stock will be entitled to receive an annual dividend equal to 10% per annum of the stated value of \$1.00 per share payable, at the option of the Board of Directors, in either cash or in shares of Series A Preferred Stock.

10. Common Stock

- a) In March 2007, the Company issued 1,190,000 shares of common stock upon the exercise of 1,190,000 stock options at an exercise price of \$0.00001 per share.
- b) In February 2007, the Company issued 200,000 shares of common stock upon the exercise of 200,000 stock options at an exercise price of \$0.00001 per share.
- c) In February 2007, the Company issued 5,000 shares of common stock upon the exercise of 5,000 stock options at an exercise price of \$0.49 per share for proceeds of \$2,450. The proceeds are receivable at March 31, 2007 and are recorded as stock subscriptions receivable.

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- d) In January 2007, the Company issued 389,000 shares of common stock upon the exercise of 389,000 stock options at an exercise price of \$0.00001 per share.
- e) In November 2006, the Company issued 101,000 shares of common stock upon the exercise of 101,000 options at an exercise price of \$0.00001 per share.

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10. Common Stock (continued)

- f) On November 13, 2006, the Company issued 200,000 shares of common stock at a fair value of \$360,000 in exchange for services pursuant to an investor relations agreement. Refer to Note 14(d).
- g) In October 2006, the Company issued 825,000 shares of common stock upon the exercise of 825,000 options at an exercise price of \$0.00001 per share.
- h) In July 2006, the Company issued 10,000 shares of common stock upon the exercise of 10,000 options at an exercise price of \$0.49 per share for proceeds of \$4,900.

11. Share Purchase Warrants

On March 30, 2007, the Company issued 10,000,000 warrants to acquire 10,000,000 shares of common stock at an exercise price of \$0.01 per share for a period of five years. Refer to Note 6. During the period ended March 31, 2007, the Company recognized the fair value of the warrants of \$7,920,730 as a charge to operations as acquired in-process research and development costs.

The following table summarizes the continuity of the Company's warrants:

|                             | Number of Warrants | Weighted average exercise price |
|-----------------------------|--------------------|---------------------------------|
|                             |                    | \$                              |
| Balance, June 30, 2006      | 262,122            | 1.25                            |
| Issued                      | 10,000,000         | 0.01                            |
| Expired                     | (262,122)          | 1.25                            |
| Outstanding, March 31, 2007 | 10,000,000         | 0.01                            |

At March 31, 2007, the following share purchase warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date    |
|--------------------|----------------|----------------|
| 10,000,000         | \$0.01         | March 30, 2012 |

12. Stock Options

Effective March 2, 2006, the Company filed a Form S-8 Registration Statement in connection with its 2006 Non-Qualified Stock Option Plan (the "2006 Plan") allowing for the direct award of stock or granting of stock options to directors, officers, employees and consultants to acquire up to a total of 2,500,000 shares of common stock. At March 31, 2007 and June 30, 2006, the Company had no shares of common stock unissued pursuant to the plan.

Effective October 4, 2006, the Company filed a Form S-8 Registration Statement in connection with its October 2006 Non- Qualified Stock Option Plan (the "October 2006 Plan") allowing for the direct award of stock or granting of stock options to directors, officers, employees and consultants to acquire up to a total of 2,000,000 shares of common stock. At March 31, 2007, the Company had 44,500 shares of common

stock unissued pursuant to the plan.

Effective March 22, 2007, the Company filed a Form S-8 Registration Statement in connection with its March 2007 Non- Qualified Stock Option Plan (the "March 2007 Plan") allowing for the direct award of stock or granting of stock options to directors, officers, employees and consultants to acquire up to a total of 2,000,000 shares of common stock. At March 31, 2007, the Company had 280,000 shares of common stock unissued pursuant to the plan

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12. Stock Options (continued)

The weighted average grant date fair value of stock options granted during the nine month periods ended March 31, 2007 and 2006 was \$1.21 and \$1.65, respectively. During the nine month period ended March 31, 2007, the Company recorded stock-based compensation relating to the granting of options of \$4,429,089 as follows: development costs - \$115,345; customer service - \$162,128; general and administrative - \$489,572; sales and marketing - \$3,662,044. During the nine month period ended March 31, 2006, the Company recorded stock-based compensation relating to the granting of options of \$4,054,303 as follows: development costs - \$90,091; customer service - \$81,200; general and administrative - \$1,834,972; sales and marketing - \$2,048,040.

A summary of the Company's stock option activity is as follows:

|                             | Number of<br>Shares | Weighted<br>Average<br>Exercise<br>Price<br>\$ | Weighted-Average<br>Remaining<br>Contractual Term | Aggregate<br>Intrinsic<br>Value |
|-----------------------------|---------------------|--|---|---------------------------------|
| Outstanding, June 30, 2006  | 884,500             | 1.08   |   |                                 |
| Granted                     | 3,675,500           | 0.21   |   |                                 |
| Exercised                   | (2,720,000)         | 0.00001  |   |                                 |
| Cancelled                   | □                   | □  |   |                                 |
| Outstanding, March 31, 2007 | 1,840,000           | 0.94   | 4.39  | \$622,500                       |
| Exercisable, March 31, 2007 | 1,840,000           | 0.94   | 4.39  | \$622,500                       |

During the nine-month period ended March 31, 2007, the Company granted 3,237,000 stock options to purchase shares of common stock at a price below market of \$0.00001 per share with an intrinsic value of \$3,874,068. During the nine-month period ended March 31, 2007, the Company issued 2,720,000 shares of common stock with an intrinsic value of \$1,827,450 upon the exercise of options.

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

|                          | Nine Month<br>Period Ended<br>March 31,<br>2007 | Nine Month<br>Period Ended<br>March 31,<br>2006 |
|--------------------------|---|---|
| Expected dividend yield  | 0%  | 0%  |
| Expected volatility      | 82%   | 67%   |
| Expected life (in years) | 5.0   | 2.5   |
| Risk-free interest rate  | 4.39%   | 4.62%   |

A summary of the status of the Company's nonvested shares as of March 31, 2007, and changes during the nine month period ended March 31, 2007, is presented below:

Weighted Average  
Grant Date Fair

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| Nonvested Shares            | Number of<br>Shares | Value<br>\$ |
|-----------------------------|---------------------|-------------|
| Nonvested at July 1, 2006   | □                   | □           |
| Granted                     | 3,237,000           | 1.21        |
| Forfeited                   | □                   | □           |
| Vested                      | (3,237,000)         | 1.21        |
| Nonvested at March 31, 2007 | □                   | □           |

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13. Segment Disclosures

The Company operates as one operating segment which is the sale of its suite of clinical software modules. The Chief Executive Officer is the Company's Chief Operating Decision Maker (CODM) as defined by SFAS 131, *Disclosure about Segments of an Enterprise and Related Information*. The CODM allocates resources and assesses the performance of the Company based on the results of operations.

14. Commitments

- a) In November 2004, the Company entered into a lease agreement for office premises at a rate of \$68,264 (CDN\$78,700) per annum including property taxes, insurance and other operating expenses, for a five year term expiring on September 30, 2009, with an option to renew for an additional five years. During the nine month period ended March 31, 2007, the Company incurred rent expense of \$38,902. Future payments for the next five fiscal years are as follows:

|      |           |
|------|-----------|
| 2007 | \$ 17,065 |
| 2008 | \$ 67,532 |
| 2009 | \$ 67,532 |
| 2010 | \$ 16,883 |
| 2011 | \$ -      |
|      | \$169,012 |

- b) On June 5, 2006, the Company entered into an automobile lease for a term of 48 months. The monthly payments are \$557 (CAD\$642) ending May 5, 2010.
- c) On November 13, 2006, the Company entered into an investor relations agreement with a consultant and issued 200,000 shares of common stock with a fair value of \$360,000 which is included in general and administrative expense. The Company has also agreed to issue the following: 100,000 shares of common stock when the Company's stock trades at \$2.50 per share, 100,000 shares of common stock when the Company's stock trades at \$3.25 per share, and 100,000 shares of common stock when the Company's stock trades at \$3.75 per share. The contingently issuable shares have been recorded at a fair value of \$540,000 in additional paid-in capital in accordance with EITF 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, Goods or Services* and EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

We incurred losses of \$14,744,950 for the nine months ending March 31, 2007. This compares to \$5,863,923 in the comparable prior year period. The principal components of the loss involved the following:

- Maintenance and continuing development of our expanding marketing and customer support facilities;
- operating and maintaining our world-wide state-of-the-art service center capable of supporting client hospitals by remote support technology;
- newly hired employees and consultants, and increased travel expenses as our business grows in the United States and overseas, and as we continue to pursue contracts and attend industry conferences;
- software licenses;
- Stock-based compensation
- travel and presentation expenses
- costs related to direct sales approach and first contact with potential client hospitals, from a steadily growing sales funnel comprising over 120 hospitals worldwide.
- Purchase of technology
- Finally, a small amount was devoted to professional expenses, depreciation, and filing fees.

Operating expenses for the nine months ending March 31, 2007 were \$14,695,813.

During the nine month period ended March 31st, 2007, the company has successfully met its main challenges and strategic objectives, which were to continue to diversify revenue sources from new markets other than acute care hospitals, and to continue signing strategic agreements that will generate future revenues.

We continue to pursue opportunities in order to build our base of client hospitals and healthcare facilities. The Company's target is to pass a threshold of 12 installed sites over the next twelve months. This will open the way to a subsequent acceleration in the rate of customer acquisitions. Another notable achievement has been the release of three new modules. We continue to face the challenge of funding our operations.

In the past quarter, we have been implementing our system at the Colorectal Surgery Department of the Sir Mortimer B. Davis Jewish General Hospital one of the largest hospitals in Canada and one the busiest in North America.

Our stated program of diversification continues through the addition of stand-alone modules to our product line. This makes VisualMED both available and affordable to prospective clients, including small practices, clinics and private specialty facilities. This quarter saw the release of the VisualANESTHESIOLOGY module and the signing of our first contract for VisualDENTISTRY. Both of these modules are now available for implementation.

New system configurations designed for smaller practices, private laboratories and clinics have made the modules even faster to implement and reduces integration time to one of the most efficient in the industry. One of the unique aspects of the system continues to be its full scalability, helping us to target the small and medium-sized consumers that form the bulk of our current clientele and potential market. VisualDENTISTRY has been positively reviewed by dentists and we expect the success of VisualDENTISTRY to open the private dental clinic market to us. This is a field in which few of our competitors are active.

One of our most promising new modules, VisualONCOLOGY, has been selected by one of the world's leading academic oncology centers. Deployment is expected to start in calendar Q2 after the final agreement is signed. The references provided by this site are responsible for focusing some market attention to VisualONCOLOGY as we prepare to attend the ASCO (American Society of Clinical Oncology) conference that will be held in Chicago in early June.

Through our diversification drive, we have licensed the internet rights to the VisualMED Electronic Health Record to a consortium led by retail marketing specialists. This unique internet project will principally sell subscriptions to corporations for use by their employees. This undertaking is based on the fact that most large corporations are involved in their employees' health maintenance.

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Our marketing and sales strategy continues for the VisualMED system, and other product lines. We have hired, and intend to continue hiring, sales and marketing executives and consultants as our business grows. Most notable is the joint venture with Maximum Health, a leading hospital management consultancy firm in Southern California, Arizona and Nevada. The relationship with Maximum Health has opened the door for our company into a large market of doctor-owned hospitals and surgery centers in that region. At the time of this filing three letters of intent have been received by the company and one agreement to install our core system is scheduled to be signed with a high profile hospital in the Los Angeles area.

The sales effort will continue to target regions where current legal regulations encourage the adoption of our clinical management modules. As well our efforts remain in areas that are in close proximity to our existing sites in Wichita, Kansas, Battle Creek, Michigan, El Paso, Texas and Montreal. These markets are being aggressively pursued through the creation of sales consortiums that bring together local healthcare consultants, hardware vendors and local systems integrators. We are proud to report that current installations continue to operate at full capacity with zero downtime at all of our client facilities.

Negotiations are still on going with several hospital management groups in Europe. However, the decision making process remains slow. One Italian province is still pushing for budgets to deploy VisualMED in its leading teaching hospital and expects to be making progress now that the government transition period is over. The French healthcare shareable Electronic Medical Record initiative has ground to a halt during the political transition in that country. With our partner Post-Logic we continue to expect that France may become an important market for our products but this will take some time.

In the Middle East, our pilot project with Habib Thameur Hospital in Tunis was a success last year however we have yet to receive an official approbation from Tunisian healthcare authorities to proceed with further projects.

Pursuant to our representation agreement with International Test Systems of Riyadh, Saudi Arabia, we continue to look for a suitable [first site] through which VisualMED technology will be showcased for potential clients in Saudi Arabia, the United Arab Emirates, and Lebanon. We have significant interest from this affluent English speaking market and have recently filed for a tender for a new facility in the KSA.

System-wide improvements to our technology platform to make VisualMED compatible with ASP and internet distribution have advanced during this period. In particular, in order to support our commitment to the internet- and clinics-based ASP market, we have had to acquire additional rights to technology and specialized applications from Visual Healthcare Corp. for the non-acute care healthcare market. Even though this acquisition has been costly, at more than \$7 million worth of warrants, the potential for revenue growth amply justifies this strategic orientation. As the hospital market decision process is extremely slow the company requires this type of technology to enter markets that are governed by a faster turnaround timeframe. These new technologies and applications permit extremely low integration costs, executed over a matter of days, which we expect to significantly boost our market presence in the short term.

### **Financial Condition, Liquidity and Capital Resources**

During the nine months ending March 31, 2007, we recognized revenue of \$27,542 from licensing of our product.

At March 31, 2007, we had a working capital deficiency of \$1,490,017, compared to a working capital deficiency of \$74,429 at June 30, 2006.

We had a net loss of \$14, 744,950 and \$5,863,923 for the nine month periods ending March 31, 2007 and 2006, respectively.

At March 31, 2007, our total assets were \$131,374, as compared to total assets of \$392,878 at June 30, 2006.

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At March 31, 2007, we had pre-paid expenses of \$30,196. This amount consisted of \$9,685 for directors and officers' insurance, professional liability insurance \$12,676 and a security deposit of \$3,903 for the lease of an automobile for a marketing employee.

At March 31, 2007, our total liabilities were \$1,565,371 as compared to total liabilities of \$400,785 at June 30, 2006.

We will need to raise additional equity and/or debt financing to sustain operations over the next twelve months. Our auditors have expressed substantial doubt about our ability to continue as a going concern in their audit report that was included in our Form 10-KSB for the fiscal year ended June 30, 2006.

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### **Critical Accounting Policies**

Our discussion and analysis of financial condition and results of operations are based upon the financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to revenue recognition.

We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. Critical accounting policies identified are as follows:

#### **Long-Lived Assets**

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we test long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

#### **Foreign Currency Transactions/Balances**

Our functional and reporting currency is the United States dollar. The functional currency of the Company's subsidiary is the Canadian dollar. The financial statements of this subsidiary are translated to United States dollars in accordance with SFAS No. 52, *Foreign Currency Translation*, using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.

#### **Revenue Recognition**

The Company recognizes revenue related to sales and licensing of medical software in accordance with Statement of Position No. 97-2, *Software Revenue Recognition* (SOP 97-2), as amended by Statement of Position No. 98-9, *Software Revenue Recognition with Respect to Certain Arrangements*. Pursuant to SOP 97-2 and Staff Accounting Bulletin No. 104 *Revenue Recognition*, revenue will only be recognized when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured. The Company's revenue contracts are accounted for in conformity with Accounting Research Bulletin No. 45 *Long-Term Construction-Type Contracts*, using the relevant guidance in SOP 81-1 *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*, unless specified criteria for separate accounting for any service element are met. The Company also follows the guidance in Emerging Issues Task Force (EITF) Issue No. 00-21 *Revenue Arrangements with Multiple Deliverables* relating to the separability of deliverables included in an arrangement into different units of accounting and the allocation of an arrangement's consideration to those units of accounting. It does not address when revenue should be recognized for the units of accounting. The Company received \$39,000 during the nine month period ended March 31, 2007 for the annual license renewal fees. At March 31, 2007, the balance of deferred revenue, which relates to the unearned portion received of annual license fees, is \$28,750. During the period ended March 31, 2007, the Company also received an advance of \$248,000 pursuant to an agreement to provide planning and information systems. This amount is recorded in deferred revenue. Incremental direct costs related to contract acquisition and origination,

which result in deferred revenue, are expensed as incurred. Any allowance for doubtful accounts is based on the Company's detailed assessment of the collectibility of specific customer accounts. Any significant customer accounts that are not expected to be collected are excluded from revenues. To date, the Company has not experienced any losses from uncollectible accounts.

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**Disclosure Regarding Forward-Looking Statements**

Certain statements contained in this quarterly report on Form 10-QSB/A constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause deviations in actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied. Such factors include but are not limited to: market and customer acceptance of and satisfaction with our products, market demand for our products; fluctuations in foreign currency markets; the use of estimates in the preparation of our financial statements; the impact of competitive products and pricing in our field; the ability to develop and launch new products in a timely fashion; government and industry regulatory environment; fluctuations in operating results, including, but not limited to, spending on research and development, spending on sales and marketing activities, spending on technical and product support; and other risks outlined in previous filings with the Securities and Exchange Commission, and in this quarterly report on Form 10-QSB/A. The words "believe," "expect," "may," "anticipate," "intend" and "plan" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that cannot be quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements. The terms "Company," "we," "us," "our," "VisualMED" and "Registrant" refer to VisualMED Clinical Solutions Corp., a Nevada corporation, and its subsidiaries.

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Factors that could cause actual results to differ from those expressed in forward-looking statements include, but are not limited to:

- Our limited operating history;
  - Our auditors have issued a going concern opinion. Therefore we may not be able to achieve our objectives and may have to suspend or cease operations;
  - Because we have historically incurred losses and these losses may increase in the future, we must begin generating a profit from our operations. If we do not begin generating a profit we may have to suspend or cease operations;
  - We have experienced a history of losses and expect to incur future losses. Therefore, we must continue to raise money from investors to fund our operations. If we are unable to fund our operations, we will cease doing business;
  - Because we depend on a limited number of third parties to manufacture and supply critical components for our products and services, if a third party manufacturer should cease operations or refuse to sell components to us, we may have to suspend or cease operations;
  - If we cannot deliver the VisualMED systems our customers demand, we will be unable to attract customers, which would likely result in a loss of income and eventually a termination of our operations;
  - Competition from companies with already established marketing links to our potential customers may adversely affect our ability to market our products;
  - Our parent company has significant influence over our corporate decisions;
  - Because we do not have any patents, we rely on trade secrets, confidentiality agreements and contractual agreements, which may not be adequate to protect our proprietary interests. If our proprietary interests are divulged to the public, our operations may be adversely impacted and we may have to cease operations;
- 
- We may be exposed to liability claims if products based on our technologies are marketed and sold. We have liability insurance coverage in the amount of \$1,000,000, however, if a judgment is rendered against us in excess of the amount of our coverage, we may have to cease operations;
  - Third parties may claim that our current or future products or services infringe their proprietary rights or assert other claims against us;
-

- Fluctuations in the value of foreign currencies could result in increased product costs and operating expenses;
- We must be able to respond to rapidly changing technology, services and standards in order to remain competitive;
- Because the market for our common stock is limited, our investors may not be able to resell their shares of common stock;
- Because our common stock is subject to penny stock rules, the liquidity of investments may be restricted.

### **ITEM 3. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, under the supervision and with the participation of our management, including Gerard Dab, our Chief Executive Officer, and Larry Kurlender, our Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934 (Exchange Act)). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed in our annual reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities Exchange Commission rules and forms. There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our officers believe that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that VisualMED files or submits under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer in order to allow timely decisions regarding required disclosure. There are frequent daily communications among all of our executives, including Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, President and our Vice President for Finance. All of our budgetary decisions and all of our billing and other expenditures require the written, signed approval of at least three of our executives. All issues regarding disclosures and procedures are discussed in a timely fashion, including all financial and other key operational information. Current disclosure controls and procedures are governed by the Board of Directors, and any changes to such controls and procedures must be made with the Board's approval.

## **Part II**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time we may be involved in litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. Currently, we are not a party to any material legal proceeding or litigation, whether current or threatened, nor are any of our officers, directors or affiliates, a party adverse to us in any legal proceeding or litigation.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

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**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

| <b>(a)</b> | <b>Exhibits</b> | <b>Description</b>  |
|------------|-----------------|---|
|            | 3.1             | Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2 (Registration No. 333-94835) filed with the SEC on January 18, 2001).        |
|            | 3.2             | Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-QSB filed with the SEC on February 22, 2005).                       |
|            | 3.3             | By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (Registration No. 333-94835) filed with the SEC on January 18, 2001).                          |
|            | 3.4             | VisualMED Clinical Solutions Corp. October 2006 Nonqualified Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on October 4, 2006). |
|            | 3.5             | VisualMED Clinical Solutions Corp. March 2007 Nonqualified Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8 filed with the SEC on March 22, 2007).    |
|            | 31.1            | Certification of Principal Executive Officer pursuant to Rule 13a-15(e) and Rule 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.                                    |
|            | 31.2            | Certification of Principal Financial Officer pursuant to Rule 13a-15(e) and Rule 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.                                    |
|            | 32.1            | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer).   |
|            | 32.2            | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Financial Officer).   |

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14<sup>th</sup> day of May, 2007.

**VISUALMED CLINICAL SOLUTIONS CORP.  
(Registrant)**

By: /s/ Gerard Dab

Gerard Dab  
Principal Executive Officer, Secretary and  
a member of the Board of Directors

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