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

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

FORM 10-QSB

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31st, 2006

o 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	**88-0436055**
(State of other jurisdiction of incorporation or organization)	(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. Yesx No o

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of February 9, 2007 the issuer had 47,553,345 outstanding shares of common stock.

____

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

PART I.

ITEM 1. - Financial Statements

VisualMED Clinical Solutions Corp.
(A Development Stage Company)

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

	December 31, 2006 $	June 30, 2006 $
Assets		
Current Assets		
Cash	16,587	10,976
Accounts receivable	15,000	2,550
Advances to related parties (Note 3)	26,338	30,175
Prepaid expenses (Note 4)	22,520	249,517
Inventory	13,587	13,587
Other assets	8,073	16,319
Total Current Assets	102,105	323,124
Property and Equipment (Note 5)	62,538	69,754
Total Assets	164,643	392,878
Liabilities and Stockholders’ Deficit		
Current Liabilities		
Accounts payable	691,332	220,785
Accrued liabilities (Note 6)	121,796	155,526
Advances from related parties (Note 7)	29,647	—
Current portion of capital lease obligation	3,969	3,951
Deferred revenue	262,167	17,291
Total Current Liabilities	1,108,911	397,553
Capital Lease Obligation	1,056	3,232
Total Liabilities	1,109,967	400,785
Contingencies and Commitments (Notes 1 and 12)		
Stockholders’ Deficit		
Preferred Stock, (Note 8)		
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	—	—
Common Stock, (Note 9)		

Authorized: 100,000,000 shares, par value $0.00001;		
Issued and outstanding: 47,164,345 shares (2006 - 46,028,345 shares)	472	460
Additional Paid-in Capital	16,975,908	13,887,221
Accumulated Other Comprehensive Loss	(25,125)	(113,753)
Deficit Accumulated During the Development Stage	(17,896,579)	(13,781,835)
Total Stockholders Deficit	(945,324)	(7,907)
Total Liabilities and Stockholders Deficit	164,643	392,878

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

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

	Accumulated from September 7, 1999 (Date of Inception) to December 31,	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2006	2006	2005	2006	2005
	$	$	$	$	$
Revenue	327,070	9,374	154,835	18,124	154,835
Cost of sales	183,526	4,059	101,609	8,298	101,609
Gross Profit	143,544	5,315	53,226	9,826	53,226
Expenses					
Customer service	1,488,486	301,243	147,734	441,332	249,187
Amortization	43,988	8,419	5,624	16,474	8,616
Development costs	1,940,994	153,578	227,313	286,542	444,690
General and administration	4,317,923	1,393,312	276,540	1,572,129	457,259
Sales and marketing	5,361,443	696,311	30,367	1,717,971	76,567
Total Expenses	13,152,834	2,552,863	687,578	4,034,448	1,236,319
Net Loss From Operations	(13,009,290)	(2,547,548)	(634,352)	(4,024,622)	(1,183,093)
Other Income (Expenses)					
Interest	(38,600)	(351)	—	(519)	—
Financing costs	(4,514,285)	—	—	—	—
Foreign exchange gain (loss)	47,673	(89,836)	49,691	(89,603)	67,114
Gain on forgiveness of interest	7,655	—	—	—	—
Gain on forgiveness of debt	12,689	—	—	—	—
Net Loss Before Discontinued Operations	(17,494,158)	(2,637,735)	(584,661)	(4,114,744)	(1,115,979)
Discontinued Operations	(402,421)	—	—	—	—
Net Loss	(17,896,579)	(2,637,735)	(584,661)	(4,114,744)	(1,115,979)
Other Comprehensive Income (Loss)	(25,125)	90,784	(40,143)	88,628	(39,007)

Foreign currency translation adjustments					
Comprehensive Loss	(17,921,704)	(2,546,951)	(624,804)	(4,026,116)	(1,154,986)
Net Loss Per Share – Basic and Diluted		(0.06)	(0.01)	(0.09)	(0.03)
Weighted Average Shares Outstanding		46,896,000	43,741,000	46,467,000	43,434,000

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

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

	For the Six Months Ended December 31, 2006 $	For the Six Months Ended December 31, 2005 $
Operating Activities		
Net loss	(4,114,744)	(1,115,979)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	16,474	8,616
Stock-based compensation	3,083,789	—
Changes in operating assets and liabilities		
Accounts receivable	(12,450)	—
Advances to related parties	4,625	(37,518)
Prepaid expenses	226,498	(135,383)
Inventory	—	(50,592)
Other assets	7,526	(6,209)
Accounts payable and accrued liabilities	440,241	10,284
Due to related parties	29,647	—
Deferred revenue	244,875	47,375
Net Cash Used In Operating Activities	(73,519)	(1,279,406)
Investing Activities		
Purchase of property and equipment	(11,705)	(36,961)
Net Cash Used In Investing Activities	(11,705)	(36,961)
Financing Activities		
Proceeds from the sale of common stock	4,910	805,471
Repayment of capital lease obligation	(1,892)	(1,142)
Proceeds from notes payable	—	514,094
Net Cash Provided By Financing Activities	3,018	1,318,423
Effect of Exchange Rate Changes on Cash	87,817	(41,153)
Increase (Decrease) in Cash	5,611	(39,097)
Cash — Beginning of Period	10,976	348,410
Cash — End of Period	16,587	309,313
Non-Cash Financing Activities		
Common stock issued for settlement of notes payable and accrued interest	—	1,165,959
Supplemental Disclosures		
Interest paid	538	—
Income taxes paid	—	—

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

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

1. Nature of Operation and Continuance of Business

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 Companys majority shareholder is Visual Healthcare Corporation which is a Nevada Corporation, based in Montreal, Canada.

The Companys 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 December 31, 2006, the Company had a working capital deficiency of $1,006,806 and has incurred losses of $17,896,579 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 Companys 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 significant 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 Companys 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 Companys 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 Companys estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

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

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 carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated 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.

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 1,586,000 as of December 31, 2006.

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

2. Summary of Significant Accounting Principles (continued)

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 six month period ended December 31, 2006, revenue from one customer represented 55% (2005 – 0%) of total revenue and from a second customer represented 45% (2005 – 100%) 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 $23,750 during the six month period ended December 31, 2006 for annual license renewal fees. At December 31, 2006, the balance of deferred revenue, which relates to the unearned portion received of annual license fees, is $14,167. During the period ended December 31, 2006, the Company also received $248,000, representing advances paid to the Company in relation to a contract. This amount is record 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 six-month periods ended December 31, 2006 and 2005 were earned from customers domiciled in the United States.

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 three month and six month periods ended December 31, 2006 and 2005, 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.

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

2. Summary of Significant Accounting Principles (continued)

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 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 a qualitative factors. SAB No. 108 is effective for periods 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.

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.

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

2. Summary of Significant Accounting Principles (continued)

q) Recent Accounting Pronouncements (continued)

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.

3. Advances to Related Parties

	December 31, 2006 $	June 30, 2006 $
Advances to employees	26,338	30,175

	26,338	30,175

Advances to employees of $26,338 represent amounts advanced towards travel expenses to be incurred. These amounts are non-interest bearing.

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

4. Prepaid expenses

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

	December 31, 2006 $	June 30, 2006 $
Directors and officers insurance	16,450	33,640
Prepaid expenses related to Medicool contract	—	204,587
Other	6,070	11,290
	22,520	249,517

5. Property and Equipment

	Cost $	Accumulated Amortization $	December 31, 2006 Net carrying value $	June 30, 2006 Net carrying value $
Computer hardware	59,256	23,744	35,512	38,023
Computer software	25,858	11,867	13,991	15,873
Office furniture	12,004	4,478	7,526	9,128
Leasehold improvements	9,243	3,734	5,509	6,730
	106,361	43,823	62,538	69,754

Assets under capital lease are included in office furniture with a cost of $11,088 (CAD$12,921). During the six month period ended December 31, 2006, the Company recognized accumulated amortization of assets under capital lease of $1,233 (December 31, 2005 - $1,179).

6. Accrued Liabilities

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

	December 31, 2006 $	June 30, 2006 $
Salaries, wages and vacation pay	110,547	112,276
Professional fees	11,000	35,000
Other	249	8,250
	121,796	155,526

VisualMED Clinical Solutions Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
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(Unaudited)

7. Advances from Related Parties

	December 31, 2006 $	June 30, 2006 $
Advances from officers	29,647	—
	29,647	—

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

8. Preferred Stock

On January 12, 2006, the Company restated 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.

9. Common Stock

a) On July 5, 2006, the Company issued 5,000 shares of common stock upon the exercise of 5,000 options at an exercise price of $0.49 per share for proceeds of $2,450.

b) On July 10, 2006, the Company issued 5,000 shares of common stock upon the exercise of 5,000 options at an exercise price of $0.49 per share for proceeds of $2,450.

c) On October 6, 2006, the Company issued 375,000 shares of common stock upon the exercise of 375,000 options at an exercise price of $0.00001 per share.

d) On October 16, 2006, the Company issued 175,000 shares of common stock upon the exercise of 175,000 options at an exercise price of $0.00001 per share.

e) On October 17, 2006, the Company issued 120,000 shares of common stock upon the exercise of 120,000 options at an exercise price of $0.00001 per share.

f) On October 26, 2006, the Company issued 155,000 shares of common stock upon the exercise of 155,000 options at an exercise price of $0.00001 per share.

g) 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 12(d).

h) On November 14, 2006, the Company issued 4,000 shares of common stock upon the exercise of 4,000 options at an exercise price of $0.00001 per share.

i) On November 16, 2006, the Company issued 97,000 shares of common stock upon the exercise of 97,000 options at an exercise price of $0.00001 per share.

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

10. Stock Options and Share Purchase Warrants

i) Stock Options:

a) On September 1, 2006, the Company entered into an agreement with an individual to provide consulting services. As consideration for these services, the Company agreed to grant 125,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan. Further remuneration is payable based on the following performance milestones: 50,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan per contract proposal, and 100,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan upon completion of any sale to a healthcare facility in Italy. During the six-month period ended December 31, 2006 the consultant was responsible for five contract proposals and accordingly was granted 250,000 options. The consultant also received the initial grant provision of 125,000 options for a total of 375,000 which were granted on October 6, 2006, exercisable at $0.00001 per share for five year terms expiring between August 31, 2011 and September 28, 2011. The fair value for options granted was estimated at each measurement date using the Black-Scholes option-pricing model with the following weighted average assumptions: an expected life of 5 years, a risk-free interest rate of 4.35% to 4.51% and an expected volatility of 89% to 93%. During the period ended September 30, 2006, the Company recognized stock based compensation of $663,747.

b) On September 8, 2006, the Company entered into an agreement with an individual to provide consulting services. As consideration for these services, the Company agreed to grant 150,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan. Further remuneration is payable based on the following performance milestones: 50,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan per contract proposal; and 100,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan upon completion of any sale. Further options will be granted in the amount of 75,000 options for the initiation of contact discussions with companies that are publicly listed corporations with sales of more than one billion dollars. On October 16, 2006, the Company granted the initial provision of 150,000 stock options exercisable at $0.00001 per share for a five year term expiring on September 7, 2011. The fair value for options granted was estimated at the measurement date using the Black-Scholes option-pricing model with the following weighted average assumptions: an expected life of 5 years, a risk-free interest rate of 4.54% and an expected volatility of 92%. During the period ended September 30, 2006, the Company recognized stock based compensation of $299,999.

c) On October 16, 2006, the Company entered into an agreement with an individual to provide consulting services. As consideration for these services, the Company agreed to grant up to 50,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan. Further remuneration is payable based on the following performance milestones: 50,000 options pursuant to Company's October 2006 Nonqualified Stock Option Plan pe