

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 – December 31, 2005
- 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 February 13, 2006, the issuer had 44,094,991 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)

	December 31, 2005 \$ (Unaudited)	June 30, 2005 \$ (Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash	309,313	348,410
Advances to related parties (Note 3)	94,783	57,265
Prepaid expenses	590,160	454,777
Inventory	50,592	—
Other assets	20,721	14,512
<b>Total Current Assets</b>	<b>1,065,569</b>	<b>874,964</b>
Property and Equipment (Note 4)	63,881	33,390
<b>Total Assets</b>	<b>1,129,450</b>	<b>908,354</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Accounts payable	110,988	96,850
Accrued liabilities	101,496	105,350
Notes payable	—	651,865
Current portion of capital lease obligation	3,593	3,244
Deferred revenue	114,375	67,000
<b>Total Current Liabilities</b>	<b>330,452</b>	<b>924,309</b>
Capital Lease Obligation	5,024	6,515
<b>Total Liabilities</b>	<b>335,476</b>	<b>930,824</b>
<b>Commitments (Notes 1 and 8)</b>		
<b>Stockholders' Equity (Deficit)</b>		
<b>Common Stock,</b>		
100,000,000 shares authorized with a par value of \$0.00001; 43,958,543 and 42,381,400 shares issued and outstanding, respectively	440	424
Additional Paid-in Capital	8,658,420	6,687,006
Accumulated Other Comprehensive Loss	(46,178)	(7,171)
Deficit Accumulated During the Development Stage	(7,818,708)	(6,702,729)
<b>Total Stockholders' Equity (Deficit)</b>	<b>793,974</b>	<b>(22,470)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>1,129,450</b>	<b>908,354</b>

(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	Three Months Ended		Six Months Ended	
	September 7, 1999 (Date of Inception) to December 31, 2005 \$	December 31, 2005 \$		December 31, 2004 \$	
Revenue	154,835	154,835	—	154,835	—
Cost of sales	101,609	101,609	—	101,609	—
<b>Gross Profit</b>	<b>53,226</b>	<b>53,226</b>	<b>—</b>	<b>53,226</b>	<b>—</b>
<b>Expenses</b>					
Customer service	678,197	147,734	232,387	249,187	232,387
Amortization	13,372	5,624	696	8,616	696
Development costs	1,006,046	227,313	296,796	444,690	296,796
General and administration	1,144,552	276,540	245,590	457,259	260,374
Sales and marketing	160,178	30,367	17,890	76,567	17,890
<b>Total Expenses</b>	<b>3,002,345</b>	<b>687,578</b>	<b>793,359</b>	<b>1,236,319</b>	<b>808,143</b>
<b>Net Loss From Operations</b>	<b>(2,949,119)</b>	<b>(634,352)</b>	<b>(793,359)</b>	<b>(1,183,093)</b>	<b>(808,143)</b>
<b>Other Income (Expenses)</b>					
Interest expense	(39,718)	—	(16,359)	—	(16,359)
Financing costs	(4,514,285)	—	—	—	—
Foreign exchange gain	74,146	49,691	—	67,114	—
Gain on forgiveness of debt	12,689	—	—	—	—
<b>Net Loss Before Discontinued Operations</b>	<b>(7,416,287)</b>	<b>(584,661)</b>	<b>(809,718)</b>	<b>(1,115,979)</b>	<b>(824,502)</b>
<b>Discontinued Operations</b>	<b>(402,421)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,143)</b>
<b>Net Loss for the Period</b>	<b>(7,818,708)</b>	<b>(584,661)</b>	<b>(809,718)</b>	<b>(1,115,979)</b>	<b>(825,645)</b>
<b>Other Comprehensive Loss</b>					
Foreign currency translation adjustments	(46,178)	(40,143)	(26,968)	(39,007)	(26,968)
<b>Comprehensive Loss</b>	<b>(7,864,886)</b>	<b>(624,804)</b>	<b>(836,686)</b>	<b>(1,154,986)</b>	<b>(852,613)</b>
<b>Net Loss Per Share – Basic and Diluted</b>		<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.02)</b>
<b>Weighted Average Shares Outstanding</b>		<b>43,741,000</b>	<b>39,832,500</b>	<b>43,434,000</b>	<b>39,832,500</b>

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

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

	For the Six Months Ended December 31, 2005 \$	For the Six Months Ended December 31, 2004 \$
<b>Operating Activities</b>		
Net loss	(1,115,979)	(825,645)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	8,616	696
Write off of assets	—	924
Changes in operating assets and liabilities		
(Increase) in prepaid expenses	(135,383)	(5,586)
(Increase) in inventory	(50,592)	—
(Increase) in other assets	(6,209)	(8,127)
Increase in deferred revenue	47,375	—
(Increase) in advances and receivables	(37,518)	(115,452)
Increase in accounts payable and accrued liabilities	10,284	205,986
<b>Net Cash Used In Operating Activities</b>	<b>(1,279,406)</b>	<b>(747,204)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(36,961)	(8,235)
<b>Net Cash Used In Investing Activities</b>	<b>(36,961)</b>	<b>(8,235)</b>
<b>Financing Activities</b>		
Proceeds from the sale of common stock	805,471	—
Repayment of capital lease obligation	(1,142)	—
Proceeds from notes payable	514,094	800,018
<b>Net Cash Provided By Financing Activities</b>	<b>1,318,423</b>	<b>800,018</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(41,153)</b>	<b>(7,875)</b>
<b>Increase (Decrease) in Cash</b>	<b>(39,097)</b>	<b>36,704</b>
Cash – Beginning of Period	348,410	692
<b>Cash – End of Period</b>	<b>309,313</b>	<b>37,396</b>
<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)

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. In September 1999 the Company purchased three mineral claims representing forty-four units, situated in the Greenwood Mining Division in the Province of British Columbia, Canada. The Company's original business plan was to acquire, explore and develop mineral properties and to ultimately seek earnings by exploiting the mineral claims. Pursuant to an Agreement dated September 23, 2004 (the "Agreement"), which closed on October 13, 2004, the Company agreed to issue 31,866,000 split-adjusted restricted shares of common stock to Visual Healthcare Corporation ("VHCC") in exchange for certain assets of VHCC consisting of property and equipment and a suite of clinical software modules ("the modules") that are the key components of a Clinical Information System for healthcare facilities. VHCC is a Nevada corporation, based in Montreal, Canada, involved in developing software solutions targeting clinical medicine and related areas of the healthcare market. The Company has the right to exploit, commercialize, install, support and upgrade the modules purchased. The rights to exploit, commercialize, install, support and upgrade are worldwide, except for that part of the U.S. market, as well as the Chinese and the Japanese language markets, into which VHCC has entered into exclusivity agreements with other non-related companies. As the result of the transaction, VHCC controlled 80% of the Company.

The Company's new business plan involves the distribution of medical software, and the Company, in connection with the closing of the Agreement discussed above, decided to discontinue its mineral exploration efforts. These mineral interests will be allowed to lapse. 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, 2005, the Company had working capital of \$735,117 and has incurred losses of \$7,818,708 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.

2. Summary of Significant Accounting Principles (continued)

b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) 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.

d) 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 on a 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.

e) 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.

f) 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.

g) 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.



2. Summary of Significant Accounting Principles (continued)

h) 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 excludes all dilutive potential shares if their effect is anti dilutive.

i) Financial Instruments

The carrying value of cash, accounts payable, accrued liabilities, advances to related parties, and notes payable approximate fair value due to the relatively short maturity of these instruments.

j) Inventory

Inventory consists of computer hardware and software acquired for specific revenue contracts and also includes related support and implementation costs.

k) 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 deposits of \$101,250 on contracts entered into to provide product and services, which has been recorded as deferred revenue at December 31, 2005. The Company received \$15,000 during the period for annual license renewal fees, which are recognized in revenue over the term of the license. At December 31, 2005, the Company has recorded \$13,125 of annual license fees as 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.

l) 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 six month periods ended December 31, 2005 and 2004, the Company's only component of comprehensive loss was foreign currency translation adjustments.

2. Summary of Significant Accounting Principles (continued)

m) 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.

n) Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, "Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and SFAS No. 3". SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard did not have a material effect on the Company's results of operations or financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

2. Summary of Significant Accounting Principles (continued)

o) 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.

3. Advances to Related Parties

	December 31, 2005 \$ (unaudited)	June 30, 2005 \$ (audited)
Advances to employees	(a) 35,417	—
Due from Visual Healthcare Corporation, an affiliated company	(b) 686	664
Due from VisualMED Clinical Systems Inc., an affiliated company	(c) 58,680	56,601
	94,783	57,265

- a) Advances to employees of \$35,417 represent amounts advanced towards travel expenses to be incurred. These amounts are non-interest bearing.
- b) The Company is owed \$686 from its parent company, Visual Healthcare Corporation ("VHCC"). This amount represents cash advances, is unsecured, non-interest bearing and has no specific terms of repayment.
- c) The Company is owed \$58,680 from VisualMED Clinical Systems Inc., a wholly-owned subsidiary of VHCC. This amount represents cash advances, is unsecured, non-interest bearing and has no specific terms of repayment.

4. Property and Equipment

	Cost \$	Accumulated Amortization \$	December 31, 2005 Net carrying value \$ (unaudited)	June 30, 2005 Net carrying value \$ (audited)
Computer hardware	38,182	5,994	32,188	8,414
Computer software	18,332	3,813	14,519	6,523
Office furniture	12,003	2,077	9,926	10,654
Leasehold improvements	9,139	1,891	7,248	7,799
	77,656	13,775	63,881	33,390

Assets under capital lease are included in office furniture with a cost of \$11,129. During the period ended December 31, 2005, the Company recognized amortization of assets under capital lease of \$1,179 (June 30, 2005 – \$649).

5. Related Party Transactions/Balances

The Company is indebted to a director and officers for \$14,729, representing expenses incurred on behalf of the Company. These amounts are included in accounts payable and are unsecured, non-interest bearing and have no specific terms of repayment.

6. Common Stock

- a) On December 14, 2005, the Company issued 138,240 shares of common stock upon the exercise of 138,240 warrants at \$1.25 per share for proceeds of \$172,800.
- b) On December 2, 2005, the Company issued 100,332 shares of common stock upon the exercise of 100,332 warrants at \$1.25 per share for proceeds of \$125,415.
- c) On November 4, 2005, the Company issued 67,984 shares of common stock upon the exercise of 67,984 warrants at \$1.25 per share for proceeds of \$84,980.
- d) On October 7, 2005, the Company issued 137,800 shares of common stock upon the exercise of 137,800 warrants at \$1.25 per share for proceeds of \$172,250.
- e) On September 6, 2005, the Company issued 200,020 shares of common stock upon the exercise of 200,020 warrants at \$1.25 per share for proceeds of \$250,025.
- f) On August 26, 2005, the Company issued 180,537 shares of common stock upon the exercise of 180,537 warrants at \$1.25 per share to settle notes payable of \$225,671.
- g) On July 19, 2005, the Company issued 752,230 shares of common stock upon the exercise of 752,230 warrants at \$1.25 per share to settle notes payable of \$940,288.
- h) Share Purchase Warrants:

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

	Number of Warrants	Weighted average exercise price \$
Balance, June 30, 2005	2,275,567	1.25
Issued	—	—
Exercised	(1,577,143)	1.25
Outstanding, December 31, 2005	698,424	1.25

At December 31, 2005, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
698,424	\$ 1.25	March 23, 2007

7. 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:

8. Commitments

In November 2004, the Company entered into a lease agreement for office premises at a rate of \$67,800 (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 period ended December 31, 2005, the Company incurred rent expense of \$12,348. Future payments for the next five fiscal years are as follows:

2006	\$	32,000
2007	\$	64,100
2008	\$	64,100
2009	\$	64,100
2010	\$	17,500
		<hr/>
	\$	241,800
		<hr/>

9. Subsequent Event

On January 20, 2006, the Company issued 136,448 shares of common stock upon the exercise of 136,448 warrants at \$1.25 per share for proceeds of \$170,560 (Cdn\$199,980).

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

We incurred losses of \$1,115,979 for the six months ending December 31, 2005. This compares to \$825,645 in the comparable prior year period. The principal components of these losses involve the following:

- Maintenance and further development of 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;
- Increased travel and sales expenses related to direct sales approach and management of our growing sales funnel as our business continues to expand in the United States and overseas, and we continue to pursue contracts;
- Increased presence at industry conferences and events;
- Software licensing expenses;
- Costs related to the completed implementation of the VisualMED system at Southwest Regional Rehabilitation Center in Battle Creek, MI.
- Costs related to the implementation of the VisualMED System at Kansas Surgery and Recovery Center in Wichita, KS.
- Expenses related to presentations, demonstrations, software and infrastructure configurations to match the specific needs of particular potential client facilities, including requests for proposal and other major tenders;
- Finally, a small amount was devoted to professional expenses, depreciation and filing fees.

On March 23, 2005, we issued 2,275,567 units at \$0.75 per unit for proceeds of \$1,706,675, consisting of settlement of notes payable of \$1,674,612 and accrued interest of \$32,063, pursuant to a private placement offering. Each unit consisted of one split-adjusted share of common stock and one share purchase warrant. Each warrant entitles the holder to acquire one share of common stock at \$1.25 per share for a period of two years. The fair value of the warrants was estimated at \$3,851,845 using the Black-Scholes pricing model. The following assumptions were used: average risk-free interest rate of 3.34%; expected life of one year; dividend yield of 0%; and expected volatility of 68%.

Pursuant to the above-mentioned private placement, we received proceeds from warrants exercised from time to time. During the six month period ending December 31, 2006, we received cash proceeds of \$805,471 from the exercise of warrants and common stock issued pursuant to warrant exercises for settlement of notes payable and accrued interest was \$1,165,959. Subsequent to the period ending December 31, 2005, a further 136,448 warrants were exercised for total proceeds of \$170,560.

Operating expenses for the six months ending December 31, 2005 were \$1,236,319. The Company is currently incurring expenses of approximately \$206,000 per month.

The main challenges that we may have over the next year will be to continue financing operations; continue building our base of client hospitals and healthcare facilities, marketing of our modules; and concluding strategic alliances to help us penetrate specific marketplaces in promising geographies. We expect to hire project managers to handle the anticipated growing need for implementation and on-site technical support. The continued exercise of warrants, combined with anticipated initial and recurring revenue from current clients, will provide some liquidity.

We continue to implement our marketing and sales strategy for the VisualMED system, and other product lines in development. We intend to continue to hire sales and marketing executives and consultants as our business grows. Our sales effort will continue targeting regions where current legal regulations encourage the adoption of our clinical management modules. We are aggressively pursuing these markets through the creation of sales consortiums that bring together local healthcare consultants, hardware vendors and local systems integrators.

## Financial Condition, Liquidity and Capital Resources

At December 31, 2005 all of our principal capital resources have been acquired through the issuance of our common stock and advances from our investors. Cash used in operations was \$1,279,406 during the six months ended December 31, 2005.

At December 31, 2005, we had a positive working capital of \$735,117 compared to a working capital deficiency of \$49,345 at June 30, 2005. We had cash on hand of \$309,313 at December 31, 2005.

We had a net loss of \$1,115,979 and \$825,645 for the six month periods ended December 31, 2005 and 2004, respectively. This increase loss reflects our increased marketing activities in the U.S. and product modifications for prospective clients based on their requirements expressed in the questionnaires and other submission in our responses for a number of request for proposals. During the period ended December 31, 2005, we completed the first revenue contract and recognized \$154,835 in revenue. During the period ended December 31, 2005, we entered into our second contract for the delivery of our software products and services. To December 31, 2005, we have received \$101,250 from the second contract which is included in deferred revenue.

At December 31, 2005, our total assets were \$1,129,450, as compared to total assets of \$908,354 at June 30, 2005.

At December 31, 2005, we had pre-paid expenses of \$590,160. This amount consisted of prepaid salaries in the amount of \$9,039 and an advance in the amount of \$581,121 to Medicoool Health Systems Inc., an unaffiliated company and key supplier of technical services to us (Medicoool). The advance to Medicoool was made to ensure that a series of strategic technical services that Medicoool was contracted to provide us would be available in a timely fashion by affording Medicoool the resources to maintain a staff of technical specialists required to make certain modifications to our products. As a result of having the benefit of Medicoool's services, we should be able to better, and more efficiently, customize our products and respond to particular client needs (including at their initial requests for proposals) which may have a positive impact on our financial condition and future result of operations.

At December 31, 2005, our total liabilities were \$335,476, as compared to total liabilities of \$930,824 at June 30, 2005. The decrease resulted from the settlement of notes payable of \$651,865 by the issue of common stock during the period ended December 31, 2005.

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, 2005.

### 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 require 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 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. 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.

### Disclosure Regarding Forward-Looking Statements

Certain statements contained in this quarterly report on Form 10-QSB 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. 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 "the Registrant" refer to VisualMED Clinical Solutions Corp., a Nevada corporation, and its subsidiaries. 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;



**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 Philippe Rainville, 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 December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	Exhibits	Description
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).
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).

**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 14th day of February 2006.

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

By: /s/ Gerard Dab  
Gerard Dab  
Principal Executive Officer, Secretary and  
a member of the Board of Directors

<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).
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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).

## CERTIFICATION

I, Gerard Dab, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of VisualMED Clinical Solutions Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2006

/s/ Gerard Dab

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

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## CERTIFICATION

I, Philippe Rainville, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of VisualMED Clinical Solutions Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2006

*/s/ Philippe Rainville*

Name: Philippe Rainville  
Title: Principal Financial Officer, Principal  
Accounting Officer and Treasurer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-QSB of **VisualMED Clinical Solutions Corp.** (the "Company") for the quarter ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerard Dab, Principal Executive Officer, Secretary and a member of the Board of Directors of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Gerald Dab*

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

February 14, 2006

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), as amended.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-QSB of **VisualMED Clinical Solutions** (the "Company") for the quarter ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philippe Rainville, Principal Financial Officer, Principal Accounting Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Philippe Rainville*

\_\_\_\_\_  
Philippe Rainville  
Principal Financial Officer, Principal  
Accounting Officer and Treasurer

February 14, 2006

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), as amended.

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