

VisualMED Clinical Solutions Corp.  
Form 10KSB/A  
February 15, 2006

**U.S. Securities and Exchange Commission**

**Washington, D. C. 20549**

**FORM 10-KSB/A**

**Amendment No. 1**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended - June 30, 2005  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from

**Commission file number 000-33191**

**VISUALMED CLINICAL SOLUTIONS CORP.**

(Name of small business issuer in its charter)

**NEVADA**

(State or other jurisdiction of incorporation  
or organization)

**1035 Laurier St. West**

**Suite 200**

**Montreal, Quebec**

**Canada H2V 2L1**

(Address of principal executive offices) (Zip Code)

**88-0436055**

(I.R.S. Employer Identification No.)

**(514) 274-1115**

Issuer's telephone number

Securities registered pursuant to Section 12(b) of the Exchange Act:

**Title of each class:**

**None**

**Name of each exchange on which registered:**

**None**

Securities registered pursuant to Section 12(g) of the Exchange Act:

**Common Stock**

**42,381,400 Common Shares**

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange

Act.

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

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).

Yes  No

State issuer's revenues for its most recent fiscal year. None

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the average bid and asked price of such common equity as of June 30, 2005 was \$24,664,190.

As of September 28, 2005, the issuer had 44,833,634 outstanding shares of common stock.

Transitional Small Business Disclosure Format (Check one):

Yes  No

DOCUMENTS INCORPORATED BY REFERENCE: None

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**Explanatory Note**

This Amendment on Form 10-KSB/A ( Amendment No. 1 ) is being filed to amend and restate in its entirety Part II, Item 6 and Item 7 of the Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005 of VisualMed Clinical Solutions Corp. as initially filed with the Securities and Exchange Commission on filed on September 29, 2005 (the Original 10-KSB ). This Amendment No. 1 does not otherwise alter the disclosures set forth in the Original 10-KSB, and does not reflect events occurring after the filing of the Original 10-KSB. This Amendment No. 1 is effective for all purposes as of the date of the filing of the Original 10-KSB.

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**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

**Overview**

*It is important to note that our business changed dramatically on October 13, 2004, when we ceased our mining and exploration activities and entered the field of developing and marketing clinical information systems. We refer to the twelve month period ended June 30, 2005, as fiscal 2005, and the twelve month period ended June 30, 2004, as fiscal 2004.*

We had \$348,410 of cash at June 30, 2005 and no revenue for fiscal 2005. These factors raise substantial doubt about our ability to continue as a going concern without raising significant additional capital.

We incurred losses of \$6,301,451 for fiscal 2005 as compared to losses of \$9,204 in fiscal 2004. The principal component of these losses was the one-time start-up costs that we incurred with respect to our entry to a new field of business following the Acquisition. These costs included the costs associated with the establishment of a world-wide, state-of-the-art service center capable of supporting our customers by remote support technology. Also, as part of the new marketing effort, there was a considerable amount of effort put into presentation and hospital-specific infrastructure configurations in order to respond to major tenders and requests from potential buyers. Significant expenses equally went into hiring marketing employees and consultants. We also incurred professional expenses, depreciation and filing fees.

Operating expenses for fiscal 2005 were \$1,766,026, consisting of customer service expense of \$429,010, depreciation expense of \$4,156, development costs of \$561,356, general and administrative expense of \$687,293 and sales and marketing expenses of \$83,611. We also incurred financing costs of \$4,514,285.

At June 30, 2005, we had pre-paid expenses of \$454,777. This amount consisted of a partial pre-payment of property taxes in the amount of \$5,836, payment of a retainer for legal services to Hovington Pellerin Inc. in the amount of \$21,007 and an advance in the amount of \$427,934 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.

## Marketing Strategy and Plan of Operations

The main challenges that we will have to meet over the next 12 months will continue to be the funding of our operations, the sales and marketing of our modules and the conclusion of strategic alliances to help us penetrate specific marketplaces in promising geographies. Since the Acquisition, we have developed a comprehensive marketing organization that can handle market survey, develop marketing tools and support the sales funnel we have built which currently includes more than 50 potential client hospitals. We will continue to hire sales and marketing executives and consultants as our customer base continues to grow.

The services of Mr. Andre G. Nadeau, a leading marketing consultant, were retained in fiscal 2005 in order to manage our marketing operations, and to build a dynamic marketing department with the following significant early results: the full VisualMED system is slated to go live at Southwest Regional Rehabilitation Center of Battle Creek, MI, in October 2005. Southwest Regional is a small healthcare facility specializing in rehabilitation, and the contract calls for hospital-wide implementation of the VisualMED system by September 2006. Additionally, our sales funnel has expanded rapidly as the market prepares for a large scale move to information technology solutions to healthcare issues.

A new board of advisors was created in April 2005 to help us create a better marketing strategy and to help tailor our sales approach to evolving market realities. We expect this initiative will help support our sales and marketing department, bringing together experts from the medical and international business community. Among key members of the board of advisers are Mr. Andre G. Nadeau, Mr. Christian Chagnon of I.U.G.O. Ventures, one of Canada's largest private venture capital funds, Mr. Jean Rouleau, Dean of the University of Montreal's Faculty of Medicine, and Dr. Todd McConnell, Physician in Chief at St. Mary's Hospital of Montreal.

In March 2005, we have also signed a cooperative agreement with engineering firm SNC Lavalin of Montreal, Canada. One of the world's largest publicly traded engineering firms; SNC Lavalin brings expertise in project management, hospital construction and management, as well as automation. The arrangement is designed to expand the scope of our delivery capabilities.

Our general corporate strategy will be to build on recent successful implementation contracts in North America, and to work toward our short-term goal of having the full VisualMED system deployed in at least 12 hospitals by calendar year end 2006. Management is confident that a 12-hospital base would constitute a threshold for both market credibility and long-term profitability.

We intend to target markets where current legal regulations encourage the adoption of our clinical management modules. We will aggressively pursue these markets through the creation of sales consortiums that bring together local healthcare consultants, hardware vendors and local systems integrators. We are significantly advanced in creating one such consortium in France that will pursue opportunities offered by new French legislation that has mandated the implementation throughout the French healthcare system of a universal Electronic Medical Record. An agreement has been reached for a first pilot implementation in one of the country's largest hospitals. In Italy, we have begun to leverage some of our local relationships into creating a sales funnel of more than six hospitals. In the Netherlands, we are in negotiations with a Dutch medical supply company for a distributorship agreement. Despite typically long sales cycle, we expect concrete results before the calendar year end. We are continuing to build alliances in other European markets. We will make a special effort in the Canadian market, where the federal government is preparing to legalize e-Prescriptions in an effort to contain the rising cost of prescription drugs. Finally, we will take advantage of the construction of new state of the art hospital facilities in developing countries such as Tunisia that provide elective surgery to European patients.

In order to continue financing our operations, we are currently negotiating a private placement. The proceeds of this financing, if consummated, are expected to provide sufficient liquidity for the next 12 months. We cannot assure you that we will complete a private placement on favorable terms or at all or whether financing will be available to us from other sources in the future.

### **Subsequent Events**

Since June 30, 2005, we have concluded an agreement to implement the full VisualMED system at Kansas Surgery Hospital of Wichita, Kansas. The implementation has begun, the hardware has been purchased and is currently being installed.

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

At June 30, 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 \$1,947,200 for fiscal 2005.

At June 30, 2005, we had a negative working capital of \$49,345 compared to a deficiency of \$20,982 at June 30, 2004. We had cash on hand of \$348,410 at June 30, 2005. We had a net loss of \$6,301,451 for fiscal 2005 and \$9,204 for fiscal 2004. At June 30, 2005, our total assets were \$908,354 as compared to \$1,616 at June 30, 2004. At June 30, 2005, our total liabilities increased to \$930,824 from \$21,674 at June 30, 2004.

We will need to raise additional equity/debt financing to sustain operations over the next 12 months. Our auditors have expressed substantial doubt about our ability to continue as a going concern in their audit report.

### **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 our 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.





### **Stock-Based Compensation**

We have elected to apply the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under the intrinsic value method of accounting, compensation expense is recognized if the exercise price of the our employee stock options is less than the market price of the underlying common stock on the date of grant. Stock-based compensation for employees is recognized on the straight-line basis over the vesting period of the individual options. Stock options granted to non-employees are accounted for under Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation (SFAS 123), which establishes a fair value based method of accounting for stock-based awards, and recognizes compensation expense based on the fair value of the stock award or fair value of the goods and services received, whichever is more reliably measurable. Under the provisions of SFAS 123, companies that elect to account for stock-based awards in accordance with the provisions of APB 25 are required to disclose the pro forma net income (loss) that would have resulted from the use of the fair value based method under SFAS 123.

### **Revenue Recognition**

We recognize revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104 (SAB 104), Revenue Recognition in Financial Statements. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectibility is reasonably assured.

We continually monitor timely payments and assess any collection issues. The allowance for doubtful accounts is based on our detailed assessment of the collectibility of specific customer accounts. Any significant customer accounts that are not expected to be collected are excluded from revenues.

### **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.

### **Disclosure Regarding Forward-Looking Statements**

Certain statements contained in this annual report on Form 10 KSB/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 annual report on Form 10-KSB/A. The words believe, expect, anticipate, may, intend and plan and similar expressions identify forward-looking statements. Forward-looking 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;

- Because we depend on a limited number of third parties to manufacture and supply critical components for our products and services, if the 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;

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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.

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VisualMED Clinical Solutions Corp.  
(formerly Ancona Mining Corporation)  
(A Development Stage Company)

June 30, 2005

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11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Directors  
of VisualMED Clinical Solutions Corp.  
(formerly Ancona Mining Corporation)  
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of VisualMED Clinical Solutions Corp. (formerly Ancona Mining Corporation) (A Development Stage Company) as of June 30, 2005 and 2004 and the related consolidated statements of operations, cash flows and stockholders' deficit for the period from September 7, 1999 (Date of Inception) to June 30, 2005 and for each of the years in the two year period ended June 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of VisualMED Clinical Solutions Corp. (A Development Stage Company) as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the period from September 1, 1999 (Date of Inception) to June 30, 2005 and for each of the years in the two year period ended June 30, 2005, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated any revenue and has accumulated operating losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Manning Elliott

CHARTERED ACCOUNTANTS

Vancouver, Canada

August 26, 2005

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VisualMED Clinical Solutions Corp.  
 (formerly Ancona Mining Corporation)  
 (A Development Stage Company)  
 Consolidated Balance Sheets  
 (expressed in U.S. dollars)

	June 30, 2005 \$	June 30, 2004 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	348,410	692
Advances to related parties (Notes 3 and 8)	57,265	
Prepaid expenses	454,777	
Other assets	14,512	
<b>Total Current Assets</b>	<b>874,964</b>	<b>692</b>
Property and Equipment (Note 4)	33,390	924
<b>Total Assets</b>	<b>908,354</b>	<b>1,616</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Accounts payable	96,850	3,655
Accrued liabilities	105,350	5,800
Notes payable (Note 6)	651,865	
Advances from related party (Note 8)		12,219
Current portion of capital lease obligation (Note 7)	3,244	
Deferred revenue	67,000	
<b>Total Current Liabilities</b>	<b>924,309</b>	<b>21,674</b>
Capital Lease Obligation (Note 7)	6,515	
<b>Total Liabilities</b>	<b>930,824</b>	<b>21,674</b>
<b>Commitments (Notes 1 and 11)</b>		
<b>Stockholders' Equity (Deficit)</b>		
Common Stock, 100,000,000 shares authorized with a par value of \$0.00001; 42,381,400 and 45,466,500 shares issued and outstanding, respectively		
	424	455
Additional Paid-in Capital	6,687,006	380,765
Accumulated Other Comprehensive Loss	(7,171)	
Deficit Accumulated During the Development Stage	(6,702,729)	(401,278)
<b>Total Stockholders' Equity (Deficit)</b>	<b>(22,470)</b>	<b>(20,058)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>908,354</b>	<b>1,616</b>

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



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

	Accumulated from September 7, 1999 (Date of Inception) to June 30, 2005 \$	For the Year Ended June 30, 2005 \$	For the Year Ended June 30, 2004 \$
Revenue			
<hr/>			
Expenses			
Customer service	429,010	429,010	
Depreciation	4,756	4,756	
Development costs	561,356	561,356	
General and administration	687,293	687,293	
Sales and marketing	83,611	83,611	
<hr/>			
Total Expenses	1,766,026	1,766,026	
<hr/>			
Net Loss From Operations	(1,766,026)	(1,766,026)	
<hr/>			
Other Income (Expenses):			
Interest expense	(39,718)	(39,718)	
Financing costs (Note 9(d) and (e))	(4,514,285)	(4,514,285)	
Foreign exchange gain	7,032	7,032	
Gain on forgiveness of debt	12,689	12,689	
<hr/>			
Net Loss Before Discontinued Operations	(6,300,308)	(6,300,308)	
<hr/>			
Discontinued Operations	(402,421)	(1,143)	(9,204)
<hr/>			
Net Loss for the Period	(6,702,729)	(6,301,451)	(9,204)
<hr/>			
Other Comprehensive Loss			
Foreign currency translation adjustments	(7,171)	(7,171)	
<hr/>			
Comprehensive Loss	(6,709,900)	(6,308,622)	(9,204)
<hr/>			
Net Loss Per Share Basic and Diluted		(0.15)	
<hr/>			
Weighted Average Shares Outstanding (split-adjusted)		42,140,000	45,467,000
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(The accompanying notes are an integral part of these consolidated financial statements)

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

	Accumulated from September 7, 1999 (Date of Inception) to June 30, 2005 \$	For the Year Ended June 30, 2005 \$	For the Year Ended June 30, 2004 \$
<b>Cash Flows From Operating Activities</b>			
Net loss	(6,702,729)	(6,301,451)	(9,204)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Amortization	6,298	4,756	493
Stock-based compensation	4,786,508	4,514,285	
Common stock issued for interest	32,063	32,063	
Common stock issued for services	81,250	81,250	
Write off of assets	3,568	924	1,312
Gain on settlement of debt	(12,689)	(12,689)	
Changes in operating assets and liabilities			
(Increase) in prepaid expenses	(454,777)	(454,777)	
(Increase) in other assets	(14,512)	(14,512)	411
Increase in deferred revenue	67,000	67,000	
Decrease in due to related party	12,822	470	7,684
(Increase) in advances and receivables	(57,265)	(57,265)	
Increase in accounts payable and accrued liabilities	207,661	198,206	(1,366)
<b>Net Cash (Used In) Operating Activities</b>	<b>(2,044,802)</b>	<b>(1,941,740)</b>	<b>(670)</b>
<b>Cash Flows To Investing Activities</b>			
Purchase of property and equipment	(27,987)	(25,521)	
<b>Net Cash To Investing Activities</b>	<b>(27,987)</b>	<b>(25,521)</b>	
<b>Cash Flows From Financing Activities</b>			
Proceeds from the sale of common stock	106,220		
Proceeds from notes payable	2,321,016	2,321,016	
<b>Net Cash Provided By Financing Activities</b>	<b>2,427,236</b>	<b>2,321,016</b>	
Effect of Exchange Rate Changes on Cash	(6,037)	(6,037)	
Increase (Decrease) in Cash	348,410	347,718	(670)
Cash Beginning of Period		692	1,362
Cash End of Period	348,410	348,410	692
<b>Non-Cash Financing Activities</b>			
Common stock issued in settlement of advances	133		
Common stock issued for mining claims	2,644		
Common stock issued for services	372,223	100,000	
Common stock issued for settlement of notes payable and accrued interest, net	1,687,925	1,687,925	
Common stock issued for property & equipment	4,000	4,000	
Warrants issued for financing services	662,440	662,440	
Capital lease obligation recognized for assets under capital lease	10,520	10,520	



Supplemental Disclosures

Interest paid

Income taxes paid

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

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VisualMED Clinical Solutions Corp.  
 (formerly Ancona Mining Corporation)  
 (A Development Stage Company)  
 Consolidated Statements of Stockholders' Equity (Deficit)  
 For the Period from September 7, 1999 (Date of Inception) to June 30, 2005  
 (expressed in U.S. dollars)

	Common Stock (Note 9(g))		Additional Paid-In Capital \$	Accumulated Other Comprehensive Loss \$	Deficit Accumulated During the Development Stage \$	Total \$
	Number #	Amount \$				
Balance September 7, 1999 (Date of Inception)						
Issuance of common stock for services, mining claims and payment of advances at \$.011 per share	37,500,000	375	274,625			275,000
Net loss					(294,522)	(294,522)
Balance June 30, 2000	37,500,000	375	274,625		(294,522)	(19,522)
Issuance of common stock for cash at \$0.02 per share	7,966,500	80	106,140			106,220
Net loss					(38,069)	(38,069)
Balance June 30, 2001	45,466,500	455	380,765		(332,591)	48,629
Net loss					(41,281)	(41,281)
Balance June 30, 2002	45,466,500	455	380,765		(373,872)	7,348
Net loss					(18,202)	(18,202)
Balance June 30, 2003	45,466,500	455	380,765		(392,074)	(10,854)
Net loss					(9,204)	(9,204)
Balance June 30, 2004	45,466,500	455	380,765		(401,278)	(20,058)
Return and cancellation of common stock	(37,500,000)	(375)	375			
Issue of common stock for acquisition of assets from VisualMED Clinical Solutions Corporation	31,866,000	319	3,681			4,000
Issue of common stock for settlement of notes payable and accrued interest at \$0.75 per share, net of financing costs of \$18,750	2,275,567	23	1,687,902			1,687,925
Issue of common stock for services at \$2.50 per share	40,000		100,000			100,000

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Issue of common stock by exercise of cashless warrants at \$0.001 per share	233,333	2	(2)			
Stock-based compensation		4,514,285			4,514,285	
Foreign currency translation adjustment				(7,171)		(7,171)
Net loss					(6,301,451)	(6,301,451)
Balance June 30, 2005	42,381,400	424	6,687,006	(7,171)	(6,702,729)	(22,470)

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

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## Edgar Filing: VisualMED Clinical Solutions Corp. - Form 10KSB/A

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

### 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 principal 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 VisualMed Clinical Systems Corporation ( VCSC ) in exchange for certain assets of VCSC 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. VCSC 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 will have 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 VCSC has entered into similar agreements with other non-related companies. As a result of the transaction, VCSC controlled 80% of the Company. Refer to Note 5.

The Company's new business plan involves the distribution of medical software, therefore the Company, pursuant to 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. Planned principal activities have not yet begun. At June 30, 2005, the Company had a working capital deficiency of \$49,345 and has incurred losses of \$6,702,729 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 consolidated 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.

The Company will not be able to meet its funding commitments under the Agreement without acquiring substantial additional funding in the near future. The Company currently does not have sufficient financing arrangements in place to meet its funding obligations to VCSC and there is no assurance that the Company will be able to acquire the required financing on acceptable terms or at all. The Company expects to fund itself by the issue of short-term debt or the sale of common shares. Refer to Notes 6 and 13.

### 2. Summary of Significant Accounting Principles

#### a) Basis of Presentation

These consolidated financial 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) 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.

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

#### 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.

#### 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.

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

#### i) Financial Instruments

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

#### j) Revenue Recognition

The Company has not generated any revenues from inception to June 30, 2005. The Company will recognize any revenue related to sales 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, 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. Any allowance for doubtful accounts will be 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. The Company received a deposit of \$67,000 on a contract entered into to provide product and services. As the Company has not provided any product or service to June 30, 2005, this amount has been recorded as deferred revenue. Incremental direct costs related to contract acquisition and origination which result in deferred revenue are expensed as incurred.

#### k) 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. As at June 30, 2005, the Company's only component of comprehensive income (loss) was foreign currency translation adjustments.

#### l) 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. 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.

#### m) 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.

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

#### m) Recent Accounting Pronouncements (continued)

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 is not expected to 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.

### 3. Advances to Related Parties

		June 30, 2005	June 30, 2004
		\$	\$
Due from VisualMED Clinical Systems Corp., an affiliated company	(a)	664	
Due from VisualMED Clinical Systems Inc., an affiliated company	(b)	56,601	
		57,265	

- a) The Company is owed \$664 from its parent company, VisualMed Clinical Systems Corporation (VCSC). This amount represents cash advances, is unsecured, non-interest bearing and has no specific terms of repayment.
- b) The Company is owed \$56,601 from VisualMED Clinical Systems Inc., a wholly-owned subsidiary of VCSC. This amount represents cash advances, is unsecured, non-interest bearing and has no specific terms of repayment.





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#### 4. Property and Equipment

	Cost \$	Accumulated Amortization \$	June 30, 2005 Net carrying value \$	June 30, 2004 Net carrying value \$
Computer hardware	9,787	1,373	8,414	
Computer software	8,344	1,821	6,523	
Office furniture	11,390	736	10,654	924
Leasehold improvements	8,673	874	7,799	
	<b>38,194</b>	<b>4,804</b>	<b>33,390</b>	<b>924</b>

Assets under capital lease are included in office furniture with a cost of \$10,520. During the year ended June 30, 2005, the Company recognized amortization of assets under capital lease of \$649 (June 30, 2004 \$nil).

#### 5. Asset Acquisition

Pursuant to an Agreement dated September 23, 2004, which closed on October 13, 2004, the Company issued 31,866,000 split-adjusted restricted shares of common stock to VisualMed Clinical Systems Corporation ( VCSC ) in exchange for certain assets of VCSC consisting of property and equipment, a suite of clinical software modules that are the key components of a Clinical Information System for healthcare facilities, all the issued and outstanding common shares of VisualMed Marketing Inc., and other assets.

The Company completed the Agreement by:

- i) completing a private placement of a minimum of \$1,500,000 and a maximum of \$4,000,000 within 90 days following the closing of the Agreement (subsequently extended to 180 days following the closing of the Agreement). The terms of the private placement consisted of a minimum of 2,000,000 units and a maximum of 5,333,333 units at a price of \$0.75 per unit. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to acquire an additional share at a price of \$1.25 per share for a period up to two years from the closing date of the private placement. The Company completed the private placement on March 23, 2005 by the issue of 2,275,567 units at \$0.75 per unit to settle outstanding notes payable of \$1,674,612 and accrued interest of \$32,063;
- ii) assuming and paying up to \$100,000 per month towards the ongoing operating costs of VCSC which were reimbursed to the Company from the proceeds of the private placement;
- iii) assuming up to a maximum of CDN\$304,000, incurred by VCSC from July 1, 2004 to closing of the Agreement, to maintain the ongoing operating costs of VCSC which were repaid on the closing of the private placement;
- iv) returning to treasury and cancelling 37,500,000 split-adjusted common shares, previously issued to two former directors of the Company, for no consideration.

The 37,500,000 split-adjusted shares previously owned by two directors were cancelled and the 31,866,000 split-adjusted restricted shares of common stock were issued to VCSC. As a result of the above transactions VCSC controlled 80% of the outstanding common shares of the Company. The acquisition has been accounted for as an asset purchase in accordance with EITF 98-3 Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business , as all but a de minimis amount of the fair value of the transferred assets is represented by the software modules. These modules must be modified before implementation by any potential customers. There were no prior sales by VCSC related to these modules. The transferred assets have been recorded at the book value of the transferor, VCSC, as this is a related party transaction. Acquisition costs of \$13,000 associated with this acquisition have been expensed.

	\$
Property and equipment	4,000
Software modules	
Common shares of VisualMed Marketing, Inc. (an inactive company)	
<hr/>	
Paid by the issue of 31,866,000 split-adjusted common shares	4,000
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### 6. Notes Payable

In addition to the notes payable issued as described in Note 5(i), the Company issued notes payable for cash proceeds of \$646,405, which remain outstanding and which bear interest at 10% per annum. These amounts are unsecured, and are repayable on demand. At June 30, 2005, interest of \$5,460 has been accrued.

### 7. Capital Lease Obligation

During the year ended June 30, 2005, the Company entered into a leasing arrangement involving office furniture and equipment. The lease is for a three year term and requires monthly payments of \$340 (CDN \$417) per month.

The following represents future minimum lease payments under capital leases and the present value of the minimum lease payments as of June 30, 2005.

	\$ \$
2006	4,073
2007	4,073
2008	3,055
<hr/>	
Total minimum lease payments	11,201
Less: Amounts representing interest	(1,442)
<hr/>	
Present value of net minimum lease payments	9,759
Current portion of obligations under capital leases	(3,244)
<hr/>	
Long-term obligations under capital leases	6,515
<hr/>	

### 8. Related Party Transactions/Balances

- a) The Company is indebted to a director and an officer for \$9,230, 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.
- b) The Company is owed \$664 from its parent company, VisualMed Clinical Systems Corporation ( VCSC ). The Company is owed \$56,601 from VisualMED Clinical Systems Inc., a wholly-owned subsidiary of VCSC. These amounts represent cash advances, are unsecured, non-interest bearing and have no specific terms of repayment.
- c) During the year ended June 30, 2005, the Company incurred \$45,000 in management fees paid to its parent company, VisualMed Clinical Systems Corporation ( VCSC ).
- d) At June 30, 2004, the former President of the Company was owed \$12,219 for expenses incurred on behalf of the Company. During the year ended June 30, 2005, the former President incurred an additional \$470 on behalf of the Company. The balance owing of \$12,689 was forgiven and is included in the statement of operations for the year ended June 30, 2005.

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### 9. Common Stock

- a) On April 15, 2005, the Company issued 73,333 split-adjusted shares of common stock upon the exercise of 73,333 warrants at \$0.001 per share.
- b) On March 24, 2005, the Company issued 15,000 split-adjusted shares of common stock at a fair value of \$37,500 for professional services rendered.
- c) On March 23, 2005, the Company issued 25,000 split-adjusted shares of common stock at a fair value of \$62,500 for consulting services rendered.
- d) On March 23, 2005, the Company 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. The Company incurred financing costs of \$18,750 associated with this 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 split-adjusted 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 and is included as financing costs on the statement of operations. 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%.
- e) On March 23, 2005, the Company issued 233,333 warrants as a finder's fee pursuant to a Finder's Fee Agreement dated March 21, 2005. Each warrant entitles the holder to acquire one split-adjusted share of common stock at \$0.001 per share for a period of two years. The fair value of the warrants was estimated at \$662,440 using the Black-Scholes pricing model and is included as financing costs on the statement of operations. 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%.
- f) The Company issued 233,333 split-adjusted shares of common stock by the exercise of 233,333 warrants at \$0.001 per share.
- g) On October 25, 2004, the Company declared a stock dividend of one additional share of common stock for each two shares of common stock outstanding. All per share amounts have been retroactively adjusted to reflect the stock dividend.
- h) On October 13, 2004, the Company issued 31,866,000 split-adjusted shares of common stock at a fair value of \$4,000 for the acquisition of certain assets acquired from VCSC as described in Note 5.
- i) On October 13, 2004, 37,500,000 split-adjusted shares previously issued to two directors of the Company were returned to treasury and cancelled for no consideration.
- j) Share Purchase Warrants:

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

	Number of Shares	Weighted average exercise price \$
Balance, June 30, 2004		
Issued	2,508,900	1.13
Exercised	(233,333)	0.001
Outstanding, June 30, 2005	2,275,567	1.25

At June 30, 2005, the following share purchase warrants were outstanding:

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<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,275,567	\$1.25	March 23, 2007 F-12

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### 10. 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.

### 11. Commitments

- a) In November 2004, the Company entered into a lease agreement for office premises at a rate of \$64,100 (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 year ended June 30, 2005, the Company incurred rent expense of \$39,055. Future payments for the next five years are as follows:

2006	\$ 52,400
2007	\$ 64,100
2008	\$ 64,100
2009	\$ 62,100
2010	\$ 17,500
	\$ 260,200

- b) The Company entered into a Finder's Fee agreement dated March 21, 2005, for a term of 90 days. The Company agreed to issue 233,333 warrants as a finder's fee in payment for the closing of the private placement offering of 2,275,567 units described in Note 7(c). The warrants have an exercise price of \$0.001 per share and expire on March 24, 2007. Upon the exercise of warrants by the private placement investors (the Investors), the Company will pay a cash fee of 5% of the proceeds to the Finder. Upon the exercise of the warrants by the Investors, the Company will issue a further 166,667 warrants to the Finder, or a pro rata amount if less than all warrants issued to the Investors are exercised. The Finder's warrants are exercisable at \$0.001 per share and expire on March 24, 2007. The Finder exercised 233,333 warrants to acquire 233,333 shares of common stock.

### 12. Income Taxes

At January 31, 2005, the Company had net operating losses for U.S. federal income tax purposes of \$1,199,000, which begin expiring in fiscal 2019, and non-capital losses for Canadian income tax purposes of \$577,000, which begin expiring in fiscal 2012. When the future utilization of some portion of the losses carried forward is determined not to be more likely than not, a valuation allowance is provided to reduce the recorded tax benefits from such assets. For the periods ended June 30, 2005 and 2004, the valuation allowance established against the deferred tax assets increased by \$594,000 and \$2,000, respectively.

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate follows:

	Canada	United States
Statutory federal income tax rate	37.6%	35.0%
Change in valuation allowance	(37.6%)	(35.0%)
Total income tax expense		

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12. Income Taxes (continued)

The deferred tax liabilities and assets as at June 30, 2005 were as follows:

	Canada \$	United States \$
Deferred tax assets		
- Net operating losses carried forward	217,000	466,000
- Less valuation allowance	(217,000)	(466,000)
<hr/>		
Net deferred tax asset and liability		
<hr/>		

The deferred tax liabilities and assets as at June 30, 2004 were as follows:

	Canada \$	United States \$
Deferred tax assets		
- Net operating losses carried forward		42,000
- Less valuation allowance		(42,000)
<hr/>		
Net deferred tax asset and liability		
<hr/>		

13. Subsequent Events

- a) 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 for proceeds of \$940,288.
- b) 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 for proceeds of \$225,671.





<b>Exhibits</b>	<b>Description</b>
31.1	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.
31.2	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.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial 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 (Chief Executive Officer).

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