QHR Technologies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2010

INTRODUCTION

This management discussion and analysis ("MD&A"), dated April 27, 2011 of QHR Technologies Inc. (the "Company" or "QHR") provides an analysis of the financial condition of the Company and the results of operations for the year ended December 31, 2010. The MD&A is intended to provide readers with an assessment of the Company's performance over the past two years as well as help readers better understand the future prospects for the Company. It should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2010 and 2009 and the related notes thereto.

The audited financial statements referred to in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used in prior year-end audited financial statements. All figures herein are expressed in Canadian dollars unless otherwise noted.

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.QHRtechnologies.com.

THE COMPANY'S OBJECTIVES AND STRATEGIES

QHR's objectives are to

- Establish its operating divisions as market leaders in the healthcare, social services and public safe segments in which they compete;
- Continue to strengthen its competitive advantages; and
- Provide superior returns to its shareholders.

The Company's strategies to achieve these objectives are to:

- Achieve strong growth through expansion into new markets and through acquisitions;
- Offer superior products and customer service; and
- Promote a culture that rewards initiative and innovation.

COMPANY OVERVIEW

QHR was listed as a public company (TSX-V: QHR) on June 28, 2000 and is incorporated under the laws of the Province of British Columbia, Canada. QHR Technologies Inc. is the parent company for operating subsidiaries including QHR Software Inc. ("QHR Software"), Optimed Software Corporation ("Optimed"), Cloudwerx Data Solutions Inc. ("Cloudwerx") and Clinicare Corporation ("Clinicare").

These operating companies operate in three distinct markets and for internal management the operations of QHR are treated as three divisions. The Enterprise Management Solutions ("EMS") division specializes in Workforce Management Software and Financial Management Software targeted at medium to large healthcare and social services organizations. The Electronic Medical Records ("EMR") division provides applications for use in physician's medical offices through traditional software licensing and through hosted services as an Application Service Provider. The delivery of the EMS and EMR offering are enhanced and enabled by our Hosting Division ("Hosting").

The Company's proprietary EMS applications are marketed under the Quadrant™ brand and comprise two product offerings. The Workforce Management Software consists of integrated applications, including payroll, staff scheduling, human resources and employee self service, that provide human resource management solutions for complex healthcare and social services environments. The Financial Management Software provides customized financial software built on Microsoft's Dynamics GP (formerly Great Plains) platform. Together, these products enable QHR to offer comprehensive enterprise management software to the healthcare and social services market.

The Company's flagship Electronic Medical Records application is marketed under the Accuro® EMR brand. It provides a suite of medical software modules designed to improve the quality of the operational work environment of family physicians, medical specialists and surgeons. Accuro delivers productivity gains and cost savings through computerized medical records and it conforms to the stringent requirements of EMR protocols that have been established by Federal and Provincial governments. The EMR division also supports and maintains legacy-based EMR systems from acquired companies including Clinicare and National Medical Solutions, Inc. Over time, the Company provides customers on these legacy systems with a cost-effective upgrade path to the newer and more advanced Accuro system.

The Hosting division provides integrated data hosting services to its EMS and EMR customers that prefer to access the software solution in an Application Service Provider (ASP) setting. Some provincial programs give preference to, and/or mandate a hosted environment to meet the provincial EMR subsidy programs in place for the physicians. The company has found it necessary to build out its own data center infrastructure located in co-location facilities to best accommodate the client needs on both their software application and technical infrastructure. Cloud computing is a growing business and for our clients it is necessary to make this upfront investment to offer a complete offering of managed services.

BUSINESS STRATEGY

Enterprise Management Solutions division

The EMS division provides software to organizations in the healthcare and social services sectors, targeting medium to large organizations. This is a growing market based on the demographics of an ageing population.

Quadrant products are differentiated from competitors' products in ways that are meaningful to Canadian healthcare and public safety industry customers. The Workforce Management Software has unique capabilities to meet the employee scheduling and payroll needs of complex work environments. The Financial Management Software is the only Microsoft Dynamics GP based financial software that is customized to the Canadian healthcare market. The Company is also recognized for its outstanding product support to customers.

The Company's strategy for this division is to:

- Leverage its leadership position in the public sector, a position that has been strengthened with the acquisition of the financial software division ("Financials Division") of Momentum Healthware, and target private healthcare and social services organizations;

- Cross-sell Workforce Management Software to Financial Management Software customers, and vice-versa, and expand sales within the entire customer base as the growth of these customers requires further application of the Company's products; and

- Develop best of breed, stand-alone modules of its current products that can interface with other companies' products, thus broadening market reach.

Electronic Medical Records division

The EMR division operates in a rapidly changing marketplace, with adoption of EMR systems in Canadian physician offices being promoted and funded by the Federal and most Provincial governments. The Federal Government's objective, through Canada Health Infoway, plans to have Electronic Health Records in place for most Canadians by 2016.

The division's flagship product, Accuro EMR, is developed using the latest technology and offers industry-leading functionality, workflow and conformance to standards. The product is built on a flexible platform which allows ongoing product development to respond to the evolving requirements of the EMR marketplace. The division also provides support and maintenance of legacy EMR and practice management systems from acquired companies for physicians who have not yet upgraded to Accuro.

With the acquisition of Clinicare in late 2009, the EMR division has added one of Canada's most established EMR solutions to its family of products and it has substantially increased its customer base. The Company's strategy has been to selectively acquire legacy-based EMR and practice management systems, which adds to the Company's recurring revenue and increases its customer base. Customers benefit as the Company's support structure and resources are more substantial than the acquired software companies had as standalone businesses. Over time, the Company's strategy is to selectively implement unique functionality from the acquired systems to the Accuro product, and to develop data conversion tools to allow customers to upgrade to the Accuro system without losing their historic patient data. This provides customers with an upgrade path to newer technology that is cost-effective for both our customers and QHR, and it helps ensure that customers remain on QHR systems over the long term. As of the date of this report, 540 Clinicare physicians have already converted to Accuro, or have signed agreements to convert in the coming months to Accuro. Transition of these clients who have a significant amount of patient data is moving along as expected.

The EMR division's goal is to be the leading provider of EMR systems across Canada. It has established a strong market position in B.C., Alberta, Saskatchewan and Manitoba. In 2010 the company has expanded into Ontario, strengthened by its Clinicare acquisition and more importantly, the OntarioMD CMS 3.0 funding program certification completed on November 29, 2010 which replaces the Clinicare product funding for the Accuro product funding as well as providing opportunities for new OntarioMD funded sales in Ontario. Overall, the Company's strategy for this division is to:

- Gain market share through both organic growth and acquisitions; and
- Leverage its position in existing and expansion markets and, at the appropriate time, expand into the USA.

The Hosting Division

In addition to providing industry leading EMS and EMR software and services solutions, the Company has enhanced its competitive position through the formation of its hosting division; Cloudwerx. Cloudwerx simplifies the management of enterprise applications through a fully-configurable set of application hosting services and customer support. With state-of-the-art capabilities in hosting small to large scale enterprise application deployments, specifically focused on the Electronic Medical Record and Enterprise Management Solution markets, Cloudwerx helps clients increase their ROI on investment by reducing the amount of up-front cost required on new enterprise software purchases, while helping to improve deployment timelines

BUSINESS MODEL

Recurring revenue

The Company's business model is to provide technologically advanced business software solutions and build long-term relationships with customers. The Company's revenue model is based, initially, on providing professional services to customers to implement those business solutions. Thereafter the Company enjoys ongoing recurring revenues as long as customers continue to use the Company's products. The 2010 recurring revenues were $11.8 million or 62% of total revenue. By the end of 2010 recurring revenues had reached approximately $12.5 million on an annualized going forward basis.

Enterprise Management Solutions division

Quadrant™ contracts are typically in the range of $100,000 to $1,000,000 and consist of three elements: an upfront purchase of software licenses, professional fees to implement the software at a client's site over a 3-12 month period, and annual, recurring support and maintenance fees. Once installed, customers are expected to continue using the Company's software for many years because of the high cost of changing vendors. This, added to the Company's reputation for strong customer service, has provided the EMS division with a customer retention and annual renewal rate exceeding 95%.

The software license revenues are recognized after completion of the initial support and maintenance period. Professional fees to implement the software are recognized as services are rendered. Annual maintenance and support revenue is paid in advance and recognized on a straight-line basis throughout the year. Annual maintenance and support payments received in advance are recorded as deferred revenue on the balance sheet, until earned.

Electronic Medical Records division

Accuro® EMR systems are sold based on a monthly license and services agreement with monthly recurring revenues dependant on the number of physicians and other health professionals using the software at the customer site. The monthly fee is a blended payment for the use of the software, on-going enhancements and technical support. Revenue is recognized on a monthly basis. There are upfront fees to cover the cost of training and implementation and this revenue is recognized when the services are provided. Customers continue paying the monthly fee for as long as they use the software. Once installed, customers are reluctant to change systems due to the quality of the Accuro system, plus the deterrents of the investment in staff training and challenges associated with converting historic patient data to new systems. This, added to the Company's reputation for strong customer service, has provided the EMR division with a customer retention rate also exceeding 95%.

The division's sales and marketing efforts are focused on selling Accuro to new and acquired customers. Existing customers of its other EMR and patient management systems, such as Clinicare, are charged recurring monthly or annual fees for software maintenance and support. Annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until recognized monthly on a straight-line basis throughout the year.

Hosting division

The Hosting division is dedicated to enhancing our EMS and EMR solution by providing data hosting, data storage services and application hosting solutions to the healthcare and other social services sectors. With customers across Canada and around the world, we bring together Canada's most experienced ASP hosting and servicing teams and facilities to provide best-in-class service to our clients. We work closely with our customers to tune their environments for optimum performance across their application hosting, and provide a managed storage services environment to professionally managed state-of-the-art facilities instead of local installs.

The division provides hosting services to EMR customers, including application hosting, technical support, off-site data storage and business continuation services. Customers are charged an initial fee for implementation and set-up. In some cases, the division resells hardware in conjunction with the implementation. Revenue from these services and the associated hardware is recognized as they are delivered. After the systems are implemented, revenue is recognized on a monthly basis.

ACQUISITIONS

In executing its business strategy, the Company made three strategic acquisitions during the 2009 fiscal year. During 2010, the company spent a fair amount of personnel and financial resources to integrate the Clinicare acquisition into its EMR division and as a result had no new acquisitions. Further information regarding these acquisitions can be found in the Financial Statements under the heading of "Business Combinations" and in Business Acquisition Reports filed on April 13, 2009 and February 19, 2010.

On April 26, 2011 the company announced that it has signed an Asset Purchase Agreement to purchase the Canadian assets of EMIS Inc., and expects to complete that acquisition shortly.

Financial software division of Momentum Healthware, Inc.

On January 19, 2009, QHR announced the acquisition of the Financials Division of Momentum Healthware, Inc., a privately held Manitoba based company. The acquisition was effective January 15, 2009 and the purchase completed on January 27, 2009. Management considers that this acquisition gives QHR the opportunity to become a market leader in providing a comprehensive enterprise management software solution to the healthcare and social services markets.

The Financials Division provides customized financial software that is tailored for the Canadian healthcare industry and built on Microsoft's proven Dynamics GP software platform. The primary market for its software is healthcare and long term care facilities, which is the same market segment that QHR targets with its Workforce Management Software. Management estimates that there was approximately a 30% overlap between customers of the Financials Division and the Company's Workforce Management System customer base. This provides an opportunity for the Company to cross sell Financial Management Software to Workforce Management Software customers, and vice versa. Over time, the Company expects to provide better integration between the Workforce and Financial Management Systems which will provide its customers with improved capabilities to better manage their organizations.

Subsequent to the acquisition, the Financials Division was merged with QHR's HR division to form the Enterprise Management Solutions division of QHR.

Cloudwerx Data Solutions Inc.

On September 1, 2008 QHR acquired 100% of the shares of Clinicvault Inc. ("Clinicvault"), a privately held Calgary-based company. Clinicvault had a track record of successfully hosting data in the EMR world. On June 22, 2009, the Company announced it was entering into a joint venture agreement with SEBO Systems Inc. ("SEBO"), a privately held Calgary-based data hosting company, to create a new entity dedicated to providing data hosting and data storage services and solutions to the healthcare sector. The new company, Cloudwerx Data Solutions Inc. ("Cloudwerx"), would combine Clinicvault with the data hosting and storage business of SEBO. It was initially to be owned 51% by QHR and 49% by SEBO and headquartered in Calgary, Alberta.

Subsequent to the joint venture agreement, a new agreement was reached whereby effective July 1, 2009, Cloudwerx would operate both the Clinicvault and SEBO data hosting and data storage businesses. In accordance with the terms of the new agreement, the computer equipment of SEBO's Calgary data centre was acquired by the Company and incorporated into Cloudwerx, and Cloudwerx became 100% owned by QHR.

Clinicare Corporation

On November 9, 2009 QHR announced its intention to acquire Clinicare Corporation ("Clinicare") and on December 8, 2009 the Company announced that it had completed the acquisition of 100% of the Class A common voting shares and approximately 19.5% of the Class B common non-voting shares of Clinicare, representing approximately 79% of the total issued and outstanding shares of Clinicare. The acquisition was effective on November 30, 2009. In connection with the acquisition, QHR commenced a subsequent offer to acquire the remainder of the Class B non-voting common shares under similar terms and conditions until February 28, 2010, and the Company has subsequently acquired 100% of the total issued and outstanding shares.

The acquisition of Clinicare to become part of QHR's EMR division created one of Canada's largest EMR providers. Subsequent to the acquisition, QHR's EMR division now supports over 3,800 physicians across Canada, with customers in almost every province. Over 2,250 of the division's customers utilize full Electronic Medical Records functionality, as opposed to only practice management and administrative functions. Management believes that more Canadian physicians use its EMR solutions than any other EMR vendor and that these physician clients have the most extensive EMR database of patient information in Canada.

ECONOMIC OUTLOOK AND COMPANY STRATEGY

While there have been many recent signs of economic recovery in Canada, management believes that 2011 will continue to present challenges to most Canadian businesses. It is not yet clear how long the economic recovery will take, nor is it clear how the pace of the recovery will affect buying decisions of potential new customers. Healthcare is a steady and growing market and recent new contracts already announced in Q1, 2011 indicate growth opportunities for the company.

- Total spending in healthcare in Canada was expected to reach 192 billion in 2010. The Healthcare sector continues to grow based on demographic changes in Canada, and represented approximately 11.7% of Canadian GDP;

- The Company's customers, being regional health districts, hospitals, long-term care facilities, social support agencies and physicians' offices and public safety are not usually impacted by the business cycle;

- The Company's products, such as accounting and payroll, are mission critical to the running of those enterprises; and

- Federal and Provincial Governments are accelerating investment in information technology infrastructure creating more demand for the Company's products.

QHR expects to achieve continued growth over the next year based on the Company's recent acquisitions and based on strong organic growth and expansion into new markets. The Company enjoys strong cash flow due to its recurring revenue model, and will continue to invest in product development as well as considering further strategic acquisitions. The Company also has raised equity capital to support operational growth and partially fund acquisitions, and expects to continue to do so in the future provided that market conditions remain favourable.

OVERALL PERFORMANCE FOR 2010

During 2010 the Company showed significant growth in sales and enhanced the capabilities of both its EMS and EMR divisions through the 2009 acquisitions of the Financials Division of Momentum Healthware and of Clinicare Corporation.

The Company achieved a 38% increase in revenues for 2010 for a record $19,070,900 in revenue. This compares to $13,822,994 in the previous year, an increase of $5,247,906. A key part of the Company’s strategy is to build recurring revenues. With the acquisitions made in 2009, recurring revenues had reached an annualized level of approximately $12.5 million at year end of 2010.

The EMS division sales were $9,851,761 in 2010 compared to $10,216,655 in 2009, a slight 4% decrease. The division recorded earnings of $1,639,478 during the year (compared to $3,139,579 in 2009) before allocation of corporate expenses. Revenues and earnings were lower due to timing of large implementation contracts in the EMS division.

The EMR division sales were $7,733,674 in 2010 compared to $2,617,398 in 2009, an increase of $5.1 million or 195%. The division recorded earnings before allocation of corporate expenses of $1,396,262, compared to earnings of $454,958 in the previous year, a $942,000 increase. The significant increase in revenue and earnings are the results of a full year’s impact of the 2009 Clinicare acquisition.

The Hosting division sales were $1,485,465 in 2010 compared to $988,941 in 2009, an increase of $496,524 or 50%. The division recorded a loss before allocation of corporate expenses of $790,584 compared to a loss of $445,331 in the previous year, a $345,253 increase. The losses in the previous two fiscal years are consistent with the investment required to build the hosting capacity in the QHR family of companies critical to driving current and future revenue.

Corporate expenses are the costs of the parent company, including the costs of running a public company as well as senior management salaries and shared services including finance and information technology. Corporate expenses in 2010 were $2,451,634 compared to $1,794,969 in 2009. The increase in corporate expenses is primarily due to increased staffing necessary to support the larger company, plus increased cost of professional fees that is also related to the Company’s growth.

The Company ended the year with cash on hand of $4,621,810 compared to $1,037,609 at December 31, 2009. This $3.6 million increase in cash was primarily due to net proceeds from share issuances of $8.3 million and the repayment of $5.7 million of long term debt and promissory notes.

SELECTED ANNUAL INFORMATION

The following financial data is selected audited information for the Company for the three most recently completed financial years:

Year ended December 31	2010	2009	2008
Total revenue	$19,070,900	$13,822,994	$ 6,521,364
Earnings before other items	2,460,612	2,743,821	627,982
Stock-based compensation expense, loss on sale of capital assets, amortization, interest & foreign exchange	2,667,090	1,389,584	374,355
(Loss) earnings before income taxes	(206,478)	1,354,237	253,627
Recovery of income taxes	(1,268,000)	-	-
Net earnings	1,061,522	1,354,237	253,627
Basic earnings per share	0.04	0.06	0.01
Diluted earnings per share	0.03	0.05	0.01
Total assets	22,447,375	17,727,713	4,562,030
Long term obligations	517,919	1,893,273	374,761
Cash dividends declared per share	None	None	None

Over the past few years the Company has progressed from revenue of $6,521,364 in 2008 to $19,070,900 in 2010. This is a $12.5 million or 192% increase in revenues over a two-year period. This improvement is the result of many years of sales efforts in the EMS division, specifically sales of Workforce products, and in the EMR division, specifically sales of Accuro EMR, combined with the increased revenues related to the Company's acquisitions.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

Results from operations in any given period are not necessarily indicative of results to be expected in future periods. QHR is a technology business where investment decisions, various trends and factors in the marketplace and product enhancements must be carefully managed to achieve long-term revenue growth and profitability.

Revenue

The Company recorded revenue of $4,670,685 for the three months ended December 31, 2010 compared to $4,189,271 for the three months ended December 31, 2009, an increase of 11%. Full year revenues were $19,070,900 compared to $13,822,994 in 2009, an increase of 38%.

Revenues by division for the period ending December 31, 2010 are shown in the following table.

Revenue	2010 3 months	2009 3 months	% increase (decrease)	2010 12 months	2009 12 months	% increase (decrease)
EMS division	$ 2,440,770	$ 3,064,667	(20%)	$9,851,761	$10,216,655	(4%)
EMR division	1,914,517	776,081	147%	7,733,674	2,617,398	195%
Hosting division	315,398	348,523	(10%)	1,485,465	988,941	50%
Total revenue	$ 4,670,685	$ 4,189,271	11%	$19,070,900	$13,822,994	38%

The EMS division achieved revenue in the fourth quarter of $2,440,770, a decrease of 20% over the previous year amount of $3,064,667. Full year revenue was $9,851,761 compared to $10,216,655, a 4% decrease.

Revenue for the EMR division in the fourth quarter was $1,914,517 compared to $776,081 in 2009, an increase of 147%. Full year 2010 EMR revenue was $7,733,674 compared to $2,617,398, a year over year increase of 195%. The significant increase in revenues was largely the result of the first full year impact of the 2009 Clinicare acquisition, in addition to organic growth due to installations of the Accuro EMR product.

Operating expenses

Operating expenses, excluding cost of goods sold, for the three months ended December 31, 2010 were $3,490,835 compared to $3,283,272 for the corresponding period in 2009, an increase of 6%. Full year operating expenses, excluding cost of goods sold, were $14,665,262 compared to $10,247,168 for the same period last year, an increase of 43%. The following table shows a fourth quarter and annual breakdown of operating expenses for the period ending December 31, 2010.

Operating Expenses	2010 3 months	2009 3 months	% increase (decrease)	2010 12 months	2009 12 months	% increase (decrease)
Service costs	$2,087,814	$1,301,019	60%	$7,983,610	$5,608,349	42%
Selling/admin expenses	1,403,021	1,982,253	(29%)	6,681,652	4,638,819	44%
Total	$3,490,835	3,283,272	6%	$14,665,262	$10,247,168	43%

Service costs for the fourth quarter were $2,087,814 compared to $1,301,019 last year, an increase of $786,795 or 60%. Full year service costs were up 42% over the same period last year, from $5,608,349 to $7,983,610. These higher operating costs included the addition of implementation staff, particularly in Ontario where the Company has substantially grown its EMS business.

Selling and administration expenses for the fourth quarter were $1,403,021 compared to $1,982,253 for the same period last year, a decrease of $579,232 or 29%. Full year selling and administrative expenses were $6,681,652 compared to $4,638,819 last year, an increase of $2,042,833 or 43%.

Other expenses

Stock-based compensation increased from $109,705 in 2009 to $158,857 in 2010, reflecting the cost of stock options granted during the year.

Amortization of property and equipment for the year ended December 31, 2010 was $682,737 compared to $374,502 in 2009, an increase of 82%. Amortization of intangible assets for the year almost doubled to $1,136,947 in 2010 compared to $584,533 in the previous year. These increases were the result of the amortization of assets associated with the acquisitions made in 2009.

Interest expense increased from $318,374 in 2009 to $635,969 in 2010 because of the increased borrowings used to finance the acquisitions.

Net earnings

Before Income Tax recovery, losses for the three months ended December 31, 2010 were $88,058 compared to earnings of $329,887 for the same period last year. The net loss for the year was $206,478 compared to net earnings of $1,354,237 in 2009, a decrease of $1,560,715 or 115%. The drop in earnings is attributed to lower EMS software licenses sold than in the prior year, higher corporate and business development expenses in Q1 and Q4 2010, as well as the first year transition costs for closing the Clinicare office in Calgary and related headcount reduction.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results in thousands of dollars) for its eight most recently completed quarters, with revised reporting in the first three quarters of 2009:

Quarter	Q4 10	Q3 10	Q2 10	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09
Revenue								
EMS division	2,441	2,368	2,597	2,447	3,065	2,841	1,822	2,489
EMR division	1,915	1,962	2,032	1,824	776	613	671	557
Hosting division	315	316	463	391	349	295	178	168
Total revenue	4,671	4,646	5,092	4,662	4,189	3,749	2,671	3,214
Net earnings (loss)	1,181	(92)	308	(335)	330	656	(206)	575
Basic earnings per share	$0.04	$0.00	$0.01	($0.01)	$0.01	$0.03	($0.01)	$0.03

The quarterly swing of revenues in the EMS is very dependent upon securing new licensing revenues in addition to normal services and support. The EMS division is showing a steady increase quarter over quarter with the largest increase happening when the first full quarter of the Clinicare acquisition took effect in Q1, 2010. The Hosting division swings are largely attributed to additional hardware sales in various quarters, dependent upon new installations, which do not occur consistently in each quarter.

LIQUIDITY AND CAPITAL RESOURCES

	December 31, 2010	December 31, 2009
Cash on hand	$4,621,810	$1,037,609
Working capital surplus (deficiency)	2,743,025	(5,133,854)
Shareholders' equity	15,941,576	6,108,403

The Company ended the year with cash on hand of $4,621,810 compared to $1,037,609 at the previous year end. The Company had a working capital surplus of $2,743,025 at December 31, 2010. This surplus is a $7,876,879 improvement over the working capital deficiency of $5,133,854 at December 31, 2009.

Operating activities

For the year ended December 31, 2010, operating activities resulted in net cash inflows of $1,708,185 compared to net cash inflows of $2,808,681 in 2009. The decrease is primarily due to the decrease in net earnings and increases in amortization.

Investing activities

For the year ended December 31, 2010, the Company made net investments of $947,428 compared to $5,469,313 in 2009. 2010 investments were primarily related to additions to capital assets and developed technology, whereas 2009 related to business acquisitions.

Financing activities

The Company's financing activities during 2010 consisted primarily of the issuance of $8,147,077 in new equity capital offset by more than $5.8 million of the repayment of debt, capital leases and promissory notes. These financing activities result in the retirement of the debt associated with acquisitions made during the 2009 fiscal year and an increase in working capital.

The following table summarizes the Company's financial liabilities and the remaining contractual maturities.

Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years
Long-term debt	-	-	-	-
Accounts payable/accrued liabilities	3,798,158	3,798,158	-	-
Promissory notes payable	84,016	84,016	-	-
Capital lease obligations	956,544	438,625	517,919	-
Operating leases for premises	1,792,834	660,461	1,041,823	90,550
Total contractual obligations	$6,631,552	$4,981,260	$1,559,742	$90,550

The ability of the Company to meet its financial obligations as they come due is largely dependent on its ability to generate profitable revenues as budgeted in its business plans, collect accounts receivable and attract new financing from the investment community to support Company activities including acquisitions.

TRANSACTIONS WITH RELATED PARTIES

During 2010, the Company engaged in the following related party transactions with directors, officers and private companies with common directors with the Company and/or a significant shareholder:

- On January 27, 2009 the Company received three-year term loans of $1,145,000, of which $750,000 was from related parties including certain directors and their immediate families. The loans bear interest at 12% per annum plus bonus interest of 200 common shares of the Company for each $1,000 of amount loaned. During 2009 the Company repaid $350,000 of the loans with the remaining $400,000 repaid on December 30, 2010. For the year ended December 31, 2010 total interest paid on the loans to these related parties was $51,945 (2009, $78,460).

- On August 16, 2010 a director loaned the Company $200,000 bearing interest at 20% per annum, which was repaid on December 24, 2010. Total interest paid on this loan was $14,685.
- On December 10, 2010, the Company paid an advance of $50,000 to a director and officer of the Company. This advance is included in accounts receivable at December 31, 2010 and was repaid in the first quarter of 2011.

Related party transactions are measured at the exchange amount which is the amount agreed by the transacting parties.

FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

The Accounting Standards Board of the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Early conversions to IFRS for fiscal years beginning on or after January 1, 2009 were also be permitted, however the company did not opt for early adoption.

When implemented, IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an effect on taxes; contractual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. The Company is currently following its IFRS implementation plan. Part of the implementation plan is to review contracts and agreements, and to increase the level of awareness and knowledge amongst management, the Board of Directors and the Audit Committee. As at December 31, 2010, a preliminary review of the Company's consolidated financial statements has been performed to determine potential impact of IFRS adoption. This review has identified the following primary areas that may be impacted by IFRS conversion: Revenue Recognition, Intangible Assets, Goodwill, Property and Equipment, and Leases. Accounting for Income Taxes and Stock Based Compensation is expected to be affected however the analysis in this area has not yet been completed.

OTHER

Section 5.4 of National Instrument 51-102 - Disclosure of Outstanding Share Data:

Authorized Share Capital
Unlimited common shares without par value

Unlimited Class A Preference shares

Issued Common Shares	Number	Amount
Balance at December 31, 2009	42,660,621	$17,669,668

INVESTOR RELATIONS

The Company retains the services of Tangent Management Corp. to provide investor relations services.

BUSINESS RISKS AND UNCERTAINTIES

QHR is exposed to a variety of business risks, some of which are inherent to all competitive commercial enterprises and others that are specific to the software applications industry. Management endeavors to limit the effects of risk factors through its planning and management processes.

Government regulation and funding

Both of the Company's divisions operate in market sectors influenced by government regulations and funding policies. In the case of the Enterprise Management Software division, it deals with large healthcare organizations and this can result in extended sales cycles and unpredictable decisions from potential customers. In the case of the Electronic Medical Records division, the speed of adoption of EMR technology is heavily dependent on the continuation of funding provided to physicians by provincial governments. In addition, provincial government regulations can significantly impact the sales of software in each province. The Company ensures that its products are compliant with government regulations and continually monitors the situation in each province.

Software industry and competition

There are inherent risks in the software applications industry. The Company faces competition from companies selling similar solutions that will impact QHR's ability to grow or maintain its revenue base. Competition may also affect the software functionality that the Company must develop and the selling strategies it must adopt. New competitors may also appear as new technologies, products and services are developed. Competition could affect the Company's pricing strategies and lower revenue and net earnings. It could also affect the ability to retain existing customers and attract new ones.

Operating results

QHR has ambitious plans to achieve growth in revenue and earnings. If the Company fails to successfully carry out these plans there could be a material adverse effect on the Company's results of operations. The Company has incurred losses in the past and revenue depends on signing new contracts some of which are subject to a long and complex sales cycle.

Acquisitions

The Company's growth strategy includes making strategic acquisitions. There is no assurance that the Company will find suitable companies to acquire or that the Company will have sufficient resources to complete any acquisition.

Key employees

Future success of the Company largely depends on the continued efforts and performance of its executive team and key employees. Failure to attract and retain key employees with necessary skills could have an adverse material impact upon the Company's operating results and financial condition.

Liquidity

The Company's growth strategy anticipates being able to finance the Company's operations and its continued expansion through additional equity investments and through debt financing. There is no assurance that the Company will be able to secure such financing in the future.

OUTLOOK

The Company continues to execute its business model based on recurring revenues. Recurring revenues had reached approximately $12.5 million on an annualized basis at December 31, 2010.

Management expects to achieve continued growth in revenues and earnings during 2011. Revenues in 2011 are forecasted at $23 million based on the on-going contribution of the acquisitions made in 2009, the strong base of recurring revenue in place, and on an acceleration of activity in all of the Company's divisions. The EMS division has a strengthening pipeline of opportunities for both Workforce Management Systems and Financial Management Systems. The EMR division became the first approved EMR vendor in Saskatchewan and Manitoba, both in the second half of 2009. On November 29, 2010 the EMR division became one of the approved product offerings in Ontario. Successful provincial approvals result in qualification for subsidies payable to physicians in certain provinces that are intended to encourage physicians to implement EMR systems. Management expects that approval of the Company's products for these subsidies will further enhance revenue growth in 2011.

The Company has extensive experience in healthcare and social services software applications and technology development. QHR has proven to be an innovator in the design and delivery of powerful, integrated software systems for complex healthcare environments. More recently it has demonstrated its ability to create new products for the emerging Electronic Medical Records market. The Company recognizes the importance of continually improving the software that it provides to its customer and, as such, it maintains an ongoing program of software maintenance and development and has in-house software development teams in each of its EMR and EMS divisions.

Enterprise Management Solutions division

In the Enterprise Management Solutions market, many large healthcare organizations continue with the use of old payroll technologies. Complex union contracts strain the capabilities of many HR departments and complicated contract rules have overridden the functional power of existing systems. This provides an opportunity for the Company's Workforce products.

In addition, the acquisition of the Financials Division from Momentum Healthware provides the Company with a financial software offering that is customized for the Canadian healthcare market and is built on the proven Microsoft Dynamics GP platform. The combination of Workforce Management Software and Financial Management Software provides the Company's customers with an advanced suite of products that can be used to more effectively manage their organization's resources – both human and financial. Management believes that increasing health care costs and budget pressures will result in Canadian healthcare organizations needing to continue to focus on resource efficiencies and cost management, and that the Company's EMS products are well positioned to satisfy these needs.

While the timing of new business is extremely difficult for QHR to predict, there are many healthcare facilities in Canada currently seeking to upgrade their out-dated systems. They are interested in proven, reliable and powerful state-of-the-art products. The Company's proprietary products meet the requirements of many prospective customers.

Once chosen by the customer, these new Enterprise Management systems will typically remain in use for more than a decade providing annual recurring revenue to the Company. This movement to upgrade, plus the inherent long-term revenue streams associated with software use, continues to provide opportunities for QHR to prosper.

Electronic Medical Records division

QHR also has encouraging prospects in the Electronic Medical Records market. Both Federal and Provincial governments have made the creation of the electronic health record for all Canadians a strategic priority. Canada Health Infoway, a non-profit agency funded by the Federal Government, has reported that in 2005 it was estimated that 17% of primary care physicians and specialists were using EMR systems in Canada. This was far behind most western world countries and was in last place among the twenty countries that were studied. The United States was in second-to-last place at 18% and all other countries exceeded 40%. The United Kingdom, Norway, Finland, the Netherlands, New Zealand, Denmark and Sweden all had EMR penetration rates of between 93% and 97%. The Federal Government, through Canada Health Infoway, has the objective of having Electronic Health Records for 100% of Canadians by 2016 and, as of the end of 2009, had approved funding of $1.6 billion towards this objective.

The Company's flagship Accuro EMR product is built on modern Java-based technology and is gaining acceptance by family physicians and specialists across Western Canada. With the acquisition of Clinicare, QHR has acquired one of the best-established EMR software suppliers in Canada and has substantially increased the number of physicians in its customer base. The Clinicare EMR product has traditionally been a strong solution for larger physician offices and clinics, and it had an established base in Ontario. In line with its strategy, the Company is implementing some of the Clinicare functionality into the Accuro product, and has developed a data conversion process that allows Clinicare customers to upgrade to Accuro while retaining their historic patient data. The Clinicare acquisition, combined with the advanced technology of Accuro EMR, has positioned QHR as a market leader in the Electronic Medical Records market in Canada.

The Electronic Medical Records business serves a market of over 60,000 physicians in Canada. Market-wide this represents a revenue opportunity of over $200 million per year for the EMR vendors that will eventually service the Canadian market. Management expects the EMR division to continue making a strong contribution to earnings in 2011.

Hosting division

The Hosting division is dedicated to enhancing our EMS and EMR solution by providing data hosting, data storage services and application hosting solutions to the healthcare and other social services sectors. With customers across Canada and around the world, we bring together Canada's most experienced ASP hosting and servicing teams and facilities to provide best-in-class service to our clients. We work closely with our customers to tune their environments for optimum performance across their application hosting, and provide a managed storage services environment to professionally managed state-of-the-art facilities instead of local installs.

The division provides hosting services to EMR customers, including application hosting, technical support, off-site data storage and business continuation services. Customers are charged an initial fee for implementation and set-up. In some cases, the division resells hardware in conjunction with the implementation. Revenue from these services and the associated hardware is recognized as they are delivered. After the systems are implemented, revenue is recognized on a monthly basis.

Industry Outlook

According to the Canadian Institute for Health Information, healthcare spending in Canada was expected to reach $192 billion in 2010, an estimated increase of $9.5 billion or 5.2% over 2009. Total healthcare spending per capita was estimated at $5,614, and estimated healthcare spending as a percent of Gross Domestic Product is projected to be 11.7% in 2010. Seventy percent of these expenditures were made by the public sector, while the remainder was split between private insurance and out-of-pocket spending by individuals.

The segments of the healthcare industry that the Company deals with include hospitals, other healthcare institutions such as long term care facilities and physicians offices. Collectively, these segments accounted for 52% or $95 billion of total health care spending, with hospitals representing 28%, other institutions representing 10%, and physicians offices accounting for 14%. Other segments in the industry, which the Company does not typically deal with, include other services such as dental and vision care, drugs and pharmaceuticals, capital spending and health research.

The Information Technology Association of Canada reports that, on average, healthcare organizations spend less than 2% of their operating budgets on information technology, which is below the 4% rate seen in many other developed countries. The Association expects that Canadian expenditures will increase to 2.5% of operating budgets due to investments in Electronic Health Records being made by Canada Health Infoway and other agencies and provincial governments.

Management believes the industry that the Company participates in will continue to grow in coming years, driven by an aging population and ongoing demands for improved healthcare services. Management expects industry spending to be relatively unaffected by recession, and that the publicly-funded nature of the industry gives it stability.

Management also believes that there are significant trends in the healthcare industry over the coming years. First is the conversion from manual and paper-based systems throughout the healthcare system to the implementation of robust and interoperable systems to manage patient information and healthcare procedures and records. With provincial healthcare budgets surpassing 40% of Provincial budgets, the second is an increased focus on cost control and improved resource utilization to deal with the pressure of ever-increasing healthcare costs. Another trend is the move to cloud computing where the software and data are no longer housed within an organization's facility, but are managed in a hosted setting. Management believes that the Company is well positioned to assist the healthcare industry in meeting its challenges and will benefit from these trends.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation that reflect the Company's current expectations, forecasts and assumptions. Generally, forward looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words or phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results expressed or implied by such forward looking statements. These include but are not limited to the speculative nature of the healthcare software industry which is affected by numerous factors beyond the Company's control including slow and complicated sales cycles, the existence of present and possible government regulation, competition, uncertainty of profitable revenue levels, general market circumstances and the need to continue to access capital from internal or external sources.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are advised to consider such forward-looking statements in light of the risks set forth below. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.