QHR Technologies Inc.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Corporation have been prepared by, and are the responsibility of, the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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QHR TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2010 AND DECEMBER 31, 2009

	March 31, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash	$ 679,974	$ 1,037,609
Accounts receivable	2,630,770	2,206,851
Inventory	34,456	31,390
Prepaid expenses and deposits	701,844	737,241
Investment tax credits receivable	579,092	579,092
	4,626,136	4,592,183
Accounts receivable	42,306	82,874
Property and equipment	1,268,551	1,307,812
Goodwill (Note 4)	2,961,192	2,919,181
Intangible assets (Note 5)	8,633,706	8,825,663
	$ 17,531,891	$ 17,727,713
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,867,873	$ 3,677,266
Promissory notes payable (Note 3)	1,350,222	3,205,174
Current portion of long-term debt (Note 6)	367,008	395,526
Current portion of capital lease obligations	337,347	366,659
	4,922,450	7,644,625
Deferred revenue	4,018,016	2,081,412
	8,940,466	9,726,037
Long-term debt (Note 6)	1,458,206	1,518,293
Capital lease obligations	302,230	374,980
	10,700,902	11,619,310
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	10,496,802	9,559,282
Contributed surplus	153,484	134,165
Warrants (Note 7)	578,189	477,709
Deficit	(4,397,486)	(4,062,753)
	6,830,989	6,108,403
	$ 17,531,891	$ 17,727,713

The notes to the financial statements are an integral part of these consolidated financial statements.

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

	2010	2009
REVENUE	$ 4,661,946	$ 3,213,766
OPERATING EXPENSES		
Cost of goods	481,862	210,699
Service costs	2,095,059	974,889
Selling and administrative expenses	1,844,110	1,046,000
	4,421,031	2,231,588
Earnings before the following items	240,915	982,178
Stock-based compensation expense	19,319	34,289
Amortization of property and equipment	126,815	67,521
Amortization of intangible assets	275,137	161,737
Interest expense	149,290	145,980
Loss (gain) on foreign exchange	5,087	(1,870)
	575,648	407,657
Earnings (loss) before income taxes	(334,733)	574,521
Income taxes	-	-
Net earnings (loss) and comprehensive income	(334,733)	574,521
Deficit, beginning of period	4,062,753	5,416,990
Deficit, end of period	$ 4,397,486	$ 4,842,469
Basic earnings (loss) per share	$ (0.01)	$ 0.03
Fully diluted earnings (loss) per share	$ (0.01)	$ 0.03
Basic weighted average number of shares outstanding	28,235,953	22,479,726
Fully diluted weighted average number of shares outstanding	29,123,833	22,479,726

The notes to the financial statements are an integral part of these consolidated financial statements.

QHR TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Net earnings (loss)	($334,733)	$ 574,521
Items not affecting cash		
Amortization of property and equipment	126,815	67,521
Amortization of intangible assets	267,479	161,737
Stock based compensation	19,319	34,289
Changes in non-cash operating assets and liabilities		
Accounts receivable	(383,351)	(1,277,990)
Inventory	(3,066)	-
Prepaid expenses and deposits	35,397	(59,461)
Accounts payable and accrued liabilities	(809,393)	1,987,918
Deferred revenue	1,936,604	2,165,819
	855,071	3,654,354
INVESTING ACTIVITIES		
Deposit	-	250,000
Purchase of property and equipment	(87,554)	(55,902)
Business acquisition net of cash acquired (Note 3)	(42,011)	(4,585,300)
Acquisition of intangible assets	(75,522)	(121,832)
	(205,087)	(4,513,034)
FINANCING ACTIVITIES		
Increase in long term debt (Note 6)	-	1,145,000
Repayment of long-term debt and capital lease	(190,667)	(58,110)
Repayment of promissory note	(1,854,952)	-
Proceeds from share issuances, less issue costs	1,038,000	-
	(1,007,619)	1,086,890
Increase (decrease) in cash	(357,635)	228,210
Cash - beginning of period	1,037,609	98,634
Cash - end of period	$ 679,974	$ 326,844
Supplemental Cash Flow Disclosure		
Interest paid	$ 149,290	$ 145,980
Non-cash financing and investing activities		
Capital assets acquired under capital lease obligations	-	59,505
Leaseholds financed by landlord	-	20,924
Share capital issued with LT debt (Note 7)	-	62,134

The notes to the financial statements are an integral part of these consolidated financial statements.

1. BASIS OF PREPARATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies and methods of their application as the Company's most recent annual financial statements.

These unaudited interim financial statements do not include all of the disclosure included in the audited annual financial statements and, accordingly, they should be read in conjunction with the audited annual financial statements for the year ended December 31, 2009.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

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 conversion to IFRS for fiscal years beginning on or after January 1, 2009 will also be permitted.

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 developing an 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, 2009, 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 but the impact has not yet been analyzed.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace the existing Section 1600, Consolidated Financial Statements, and provide the Canadian equivalent to International Accounting

Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections will be applicable to the Company on January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

Effective January 1 2009, the Company adopted EIC Abstract 173, “Credit Risk and Fair Value of Financial Assets and Financial Liabilities”. This abstract requires that credit risk be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not result in a material impact on the Company’s consolidated financial statements.

Arrangements with Multiple Deliverables

EIC-175, “Arrangements with Multiple Deliverables”, was issued in December 2009 and is an amendment to EIC-142, “Arrangements with Multiple Deliverables”. The revised guidance changes the determination of separate units of account and the allocation of the consideration to the deliverables. Additional disclosure requirements will be required not only for the transition adjustments but also thereafter for all significant multiple-element arrangements. The criteria for identifying all deliverables in a multiple-element arrangement that represent separate units of accounting have been simplified. Entities are no longer required to have objective and reliable evidence of fair value of the undelivered item for a deliverable to qualify as a separate unit of accounting. EIC-175 is effective for revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this section.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 "Financial Instruments-Recognition and Measurement" was amended April 2009. Paragraphs were added and amended regarding the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this section.

3. BUSINESS COMBINATIONS

Clinicare Corporation

On November 8, 2009, the Company announced that it had made an offer to acquire 100 percent of the outstanding common shares of Clinicare Corporation (“Clinicare”), a privately held company incorporated in Alberta. As at March 31, 2010, the Company had acquired 100% of Clinicare Class A common shares and 100% of Clinicare Class B common shares.

To partially fund the transaction, in addition to funding ongoing expansion, the Company secured a $1,000,000 four year term loan at an interest rate of 14% per annum from the Southern Interior Development Initiative Trust (Note 6). To finance the balance of the transaction the Company issued promissory notes for $3,800,000. These promissory notes were subsequently adjusted to $3,205,174 to reflect the final purchase price. The promissory notes bear interest at 10% per annum with 2/3 of the principal repayable on January 3, 2010 and the balance repayable on February 2, 2010. Interest rates on any unpaid portion of the notes escalate at a rate of 1% per week if overdue, to a maximum of 25%, until paid in full. At the option of the note holder, repayment could be made by cash or common shares of the Company at a price of $0.65 per share. The promissory notes are secured by a guarantee of Clinicare Corporation and a security interest on the annual billings of Clinicare Corporation to its customers for 2010 support and maintenance proceeds. As of March 31, 2010 the remaining balance of the notes was $1,350,000. As of the date of this report, that amount had dropped to approximately $1,000,000. The Company expects to repay the balance of the notes in the second quarter of 2010.

The acquisition was accounted for using the purchase method where the assets acquired and the liabilities assumed were recorded at their fair value as of the date of the acquisition.

Details of the consideration given and the fair values of net assets acquired are as follows:

Cash consideration	$ 250,000
Promissory notes payable	3,205,174
Legal and other purchase costs	168,918
Purchase price	$ 3,624,092
Assets and liabilities acquired at fair values	
Current assets	$ 933,100
Current liabilities	(2,097,457)
Property and equipment	231,262
Acquired technology	528,000
Customer relationships	4,072,000
Deferred Revenue	(400,000)
Goodwill	357,187
Net assets acquired	$ 3,624,092

Legal and other purchase costs have been adjusted in the first quarter of 2010 to reflect the change in actual costs to $168,918 from an estimate of $157,000 made in December, 2009. These increased costs have been added to the value assigned to Goodwill. The amount of goodwill is not deductible for income tax purposes.

Momentum Finance Division

On January 19, 2009 the Company announced that it was acquiring the financial software division of Momentum Healthware Inc. (“Momentum” or “the Division”). The effective date of the acquisition was January 15, 2009, and the results of Momentum have been included in the Company’s consolidated financial statements since that date.

The Division provides customized financial software to medium and large healthcare facilities, the same market segment that QHR targets with its payroll, scheduling and human resource management software.

The acquisition was accounted for using the purchase method, where the assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of acquisition.

Details of the consideration given and of the fair values of net assets acquired are as follows:

Cash consideration	$ 4,550,000
Legal and other purchase costs	87,070
Purchase price	$ 4,637,070
Assets and liabilities acquired at fair values	
Current assets	$ 467,347
Property and equipment	9,510
Customer relationships	1,981,000
Acquired technology	1,092,000
Deferred revenue	(1,147,000)
Goodwill	2,234,213
	$ 4,637,070

Legal and other purchase costs have been adjusted in the first quarter of 2010 to reflect the change in actual costs to $87,070 from an estimate of $61,371 made in December, 2009. These increased costs have been added to the value assigned to Goodwill. The goodwill that is expected to be deductible for income tax purposes is approximately $1,650,000.

4. GOODWILL

	EMR Division	EMS Division	Total
Balance as at December 31, 2009	$ 710,667	$ 2,208,514	$ 2,919,181
Business acquisitions, adjustment of 2009 estimates	16,312	25,699	42,011
Balance as at March 31, 2010	$ 726,979	$ 2,234,213	$ 2,961,192

5. INTANGIBLE ASSETS

March 31, 2010	Cost	Accumulated Depreciation	Net
Amortized intangible assets			
Customer relationships	$ 7,126,000	$ 773,885	$ 6,352,115
Acquired technology	2,192,500	817,619	1,374,881
Developed technology	947,281	96,730	850,551
Contracted development	91,897	35,738	56,159
	$ 10,357,678	$ 1,723,972	$ 8,633,706

December 31, 2009			
Amortized intangible assets			
Customer relationships	$ 7,126,000	$ 500,103	$ 6,625,897
Acquired technology	2,192,500	841,219	1,351,281
Developed technology	864,101	79,433	784,668
Contracted development	91,897	28,080	63,817
	$ 10,274,498	$ 1,448,835	$ 8,825,663

6. LONG-TERM DEBT

	Mar 31, 2010	Dec 31, 2009
Community Futures loan dated August 1, 2007, repayable in 42 monthly installments of $2,045 including interest at 8.5% per annum. The loan is secured by a general security agreement.	$ 17,031	$ 22,730
Harbourfront Holdings, interest only payments at 10% interest per annum, with principal due and payable by April 15, 2010. The loan was secured by a general security agreement subordinated to the Community Futures loan but ranking pari passu with the loan from UL Capital Corp and was repaid in April 2010.	100,000	100,000
UL Capital Corp, principal of $190,000 less $9,000 adjustment to fair value in respect of the interest free portion of the loan, repayable starting December 1, 2008 at $10,000 per month plus interest, and continuing each month until repaid in full. The interest rate was 0% per annum until August 31, 2009 and became 8% per annum effective September 1, 2009. The loan is secured by a general security agreement subordinated to the Community Futures loan but ranking pari passu with the loans from Harbourfront Holdings.	40,000	70,000
Southern Interior Development Initiative Trust loan dated October 28, 2009, repayable in 48 blended monthly installments of $27,326, including interest at 14% per annum compounded monthly, commencing November 1, 2009. The loan is secured by a general security agreement subordinated to the Momentum acquisition loans and Dell Financial Services Canada Limited capital leases.	936,256	984,340
Momentum acquisition loans, dated January 15, 2009, maturing January 15, 2012, including interest at 12% per annum compounded quarterly, payable monthly and bonus interest of 200 common shares of the Company for each $1,000 of amount loaned (Note 8). The loans are secured by a general security agreement. The company has the right to prepay the loans prior to maturity by payment of one month of additional interest.	731,927	736,749
	1,825,214	1,913,819
Less current portion	(367,008)	(395,526)
	$ 1,458,206	$ 1,518,293

7. SHARE CAPITAL

Authorized Unlimited common shares without par value
Unlimited Class A Preference shares

Issued Common Shares

	Number	Amount
Balance as at December 31, 2009	28,102,509	$ 9,559,282
Options exercised	28,000	7,000
Shares cancelled	(10,000)	(2,500)
For cash pursuant to private placement at $0.65	1,600,000	1,040,000
Share issue costs for private placement	-	(6,500)
	1,627,000	1,038,000
Less value of warrants		(100,480)
Balance, end of period	29,720,509	$ 10,496,802

No Class A Preference shares have been issued

Private placement

On March 25, 2010, the Company completed a non-brokered private placement of 1,600,000 units with each unit priced at $0.65 and consisting of one common share and one half non-transferable share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company exercisable at a price of $0.75 until March 16, 2012. The private placement yielded proceeds of $1,040,000 less $6,500 paid to one finder in connection with the private placement. All securities issued in connection with this private placement are subject to a four month hold period expiring July 17, 2010. The Company proposes to use the proceeds of the private placement for general working capital purposes and to reduce its debt related to the recent acquisition of Clinicare Corporation (Note 3).

Stock-based compensation plan

The Company has a stock option plan (the “Plan”) pursuant to which options to subscribe for common shares of the Company may be granted to certain officers, employees and consultants of the Company. The board of directors administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted.

The exercise price of each option granted under the Plan is fixed by the board, but cannot under any circumstances be less than the closing price of the Company’s shares on the last trading day prior to the date of the grant, less any discount permitted by the Toronto Stock Exchange, but, in any event, not less than $0.10 per share. Options granted are non-assignable and not transferable and do not have a term in excess of five years.

The Company has granted employees, directors and certain consultants common share purchase options. A summary of the status of the stock option plan as of March 31, 2010 and December 31, 2009 and changes during that period is presented below.

	Number of Options	Weighted Average Exercise Price
Options outstanding as at Dec 31, 2009	2,071,000	$0.37
Forfeited in the period	(50,000)	0.25
Exercised in the period	(28,000)	0.25
Options outstanding as at Mar 31, 2010	1,993,000	0.37

7. SHARE CAPITAL (continued)

Stock-based compensation plan (continued)

The options outstanding at March 31, 2010 expire as follows:

Expiry Date	Number of Share Options Issued	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price	Number of Share Options vested at Mar 31, 2010	Weighted Average Exercise Price of Vested Options
December 31, 2010	100,000	9	$ 0.25	100,000	$ 0.25
July 31, 2013	1,193,000	40	0.25	865,145	0.25
October 21, 2014	700,000	56	0.60	87,500	0.60
	1,993,000	44	$ 0.37	1,052,645	$ 0.37

Warrants

	Number	Value
Warrants outstanding as at December 31, 2009	2,625,000	$ 477,709
Warrants exercised		
Issued pursuant to March 25, 2010 private placement	800,000	100,480
Warrants outstanding as at March 31, 2010	3,425,000	$ 578,189

The fair value of the warrants issued pursuant to the private placements was determined using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2010
Risk-free rate	0.28%
Expected volatility	42%
Life of warrant	12 months
Dividend yield	0%

8. RELATED PARTY TRANSACTIONS

On January 27, 2009 the Company received three-year term loans of $1,145,000, of which $850,000 was from related parties including certain directors and senior management 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. The balance of these loans outstanding as at March 31, 2010 was $731,927, of which $480,000 was the amount owed to the related parties. For the quarter ended March 31, 2010 total interest paid or accrued on the loans to these related parties was $14,326.

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

9. SEGMENTED INFORMATION

The Company has two reportable segments. The Enterprise Management Software ("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. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

3 months ending Mar 31, 2010	EMS	EMR	Total
Revenues	$ 2,446,545	$ 2,215,401	$ 4,661,946
Operating expenses	2,230,987	1,509,314	3,740,301
Earnings before the undernoted	215,558	706,087	921,645
Stock-based compensation expense	15,142	4,177	19,319
Amortization of property and equipment	55,478	71,337	126,815
Amortization of intangible assets	104,965	170,172	275,137
Interest expense	27,711	121,579	149,290
(Gain) loss on foreign exchange	-	5,087	5,087
Earnings (loss) before corporate expenses	$ 12,262	$ 333,735	345,997
Corporate expenses			680,730
Net loss			($334,733)
Goodwill	$ 2,234,213	$ 726,980	$ 2,961,192
Property and equipment	455,138	813,413	1,268,551

3 months ending Mar 31, 2009	EMS	EMR	Total
Revenues	$ 2,488,893	$ 724,873	$ 3,213,766
Operating expenses	1,147,801	665,906	1,813,707
Earnings before the undernoted	1,341,092	58,967	1,400,059
Stock-based compensation expense	26,680	7,609	34,289
Amortization of property and equipment	40,432	27,089	67,521
Amortization of intangible assets	131,415	30,322	161,737
Interest expense	145,980	-	145,980
(Gain) loss on foreign exchange	(1,870)	-	(1,870)
Earnings (loss) before corporate expenses	$ 998,955	($6,053)	992,402
Corporate expenses			417,881
Net earnings (loss)			$ 574,521
Goodwill	$ -	$ 365,398	$ 365,398
Property and equipment	345,217	320,725	665,942

Sales to customers in geographic regions are as follows:

	March 31 2010	**March 31 2009**
Canada	$4,526,579	$3,166,735
United States	135,367	47,031
Total revenue	$4,661,946	$3,213,766

All of the Company's property and equipment are located in Canada.

10. SUBSEQUENT EVENT

Facilities Lease

On February 25, 2010 the Company entered into a lease agreement to rent an additional 10,314 square feet of office space in Kelowna, British Columbia in order to accommodate its requirements due to its expanding business. The term of the lease is for 36 months from April 1, 2010 to March 31, 2013. The minimum annual lease commitments under this lease are as follows.

2010	$ 156,567
2011	244,597
2012	249,702
2013	62,580
2014	-
Thereafter	-
	$ 713,446

To finance the required tenant improvements for this additional space, the Company entered into an agreement with the Landlord for a loan of $86,308, with interest at 8% per annum and 35 monthly payments of principal and interest of $2,770 commencing May 1, 2010 and ending March 31, 2013.