Condensed Interim Consolidated Financial Statements

(Unaudited) Six Months Ended June 30, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated 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 condensed interim consolidated financial statements by an entity's auditor.

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QHR CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2016 AND DECEMBER 31, 2015
(UNAUDITED)

	Notes	**June 30, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash	4	$ 13,266,239	$ 9,374,568
Trade and other receivables	4	985,644	3,379,067
Income tax receivable		35,454	35,454
Inventory		12,593	12,593
Prepaid expenses and deposits		788,367	777,923
Current assets		15,088,297	13,579,605
Property and equipment	6	2,384,599	2,172,099
Deferred income taxes	13	1,731,041	1,632,230
Goodwill	7	2,455,012	2,455,012
Intangible assets	8	8,139,013	8,272,860
Total assets		$ 29,797,962	$ 28,111,806
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	$ 3,325,400	$ 3,253,368
Promissory notes payable	9	83,495	83,495
Current portion of capital lease obligations	10	481,414	402,646
Current liabilities		3,890,309	3,739,509
Contingent consideration	5	126,247	126,247
Deferred revenue		1,201,600	1,417,991
Capital lease obligations	10	468,474	353,422
Total liabilities		5,686,630	5,637,169
EQUITY			
Share capital	11	23,927,476	22,823,145
Contributed surplus	11	2,492,112	2,600,840
Accumulated other comprehensive income		39	4,869
Deficit		(2,308,295)	(2,954,217)
Total equity		24,111,332	22,474,637
Total equity and liabilities		$ 29,797,962	$ 28,111,806
Commitments	17		
Contingencies	21		

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

On behalf of the Board of Directors,

“Garth Albright”
Director

“Tom Liston”
Director

QHR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

	Notes	Three months ended June 30 **2016**	Three months ended June 30 2015	Six months ended June 30 **2016**	Six months ended June 30 2015
Revenue	15	$ 8,003,028	$ 6,596,076	$ 15,830,648	$ 13,414,851
Cost of sales		1,007,349	700,381	2,057,051	1,321,838
Gross Margin		6,995,679	5,895,695	13,773,597	12,093,013
Operating Expenses					
Service costs		2,004,527	1,646,399	3,850,694	3,125,105
Research and development		810,360	797,194	1,607,920	1,513,585
Sales and marketing		1,173,270	1,326,311	2,442,057	2,461,830
General and administrative		1,717,869	1,509,123	3,387,719	3,262,499
Other one-time charges	16	137,546	1,074,815	247,503	1,966,053
		5,843,572	6,353,842	11,535,893	12,329,072
Earnings before the following items		1,152,107	(458,147)	2,237,704	(236,059)
Stock-based compensation expense	11	98,933	81,715	242,765	173,134
Amortization of property and equipment	6	216,344	180,269	411,717	350,498
Amortization of intangible assets	8	428,391	415,891	844,728	852,055
Interest expense		28,084	26,194	55,439	55,918
Net loss on disposal of assets		-	59,328	31,502	55,573
(Gain) loss on foreign exchange		(19,779)	(3,431)	(16,936)	3,100
Earnings (loss) from continuing operations before taxes		400,134	(1,218,113)	668,489	(1,726,337)
Recovery of income taxes					
Deferred	13	(211,659)	(256,961)	(98,811)	(388,075)
Net earnings (loss) from continuing operations		611,793	(961,152)	767,300	(1,338,262)
Net loss from discontinued operations (net of taxes)	22	(63,236)	(4,795,760)	(121,378)	(5,219,930)
Net earnings (loss)		$ 548,557	$ (5,756,912)	$ 645,922	$ (6,558,192)
Other comprehensive (loss) income					
Exchange differences on translation of operations in currencies other than Canadian dollars		(643)	(85,888)	(4,830)	187,943
Total comprehensive income (loss) for the period		$ 547,914	$ (5,842,800)	$ 641,092	$ (6,370,249)
Net earnings (loss) per share					
Continuing operations					
Basic		$ 0.01	$ (0.02)	$ 0.02	$ (0.03)
Diluted		$ 0.01	$ (0.02)	$ 0.02	$ (0.03)
Discontinued operations					
Basic		$ 0.00	$ (0.10)	$ 0.00	$ (0.11)
Diluted		$ 0.00	$ (0.10)	$ 0.00	$ (0.10)
Weighted average number of shares outstanding					
Basic		49,849,262	49,095,017	49,621,579	48,994,443
Diluted		50,929,775	50,717,937	50,529,747	50,639,701

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

QHR CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

	Issued Capital	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total Equity
January 1, 2016	$ 22,823,145	$ 2,600,840	$ 4,869	$ (2,954,217)	$ 22,474,637
Net earnings for the period	-	-	-	645,922	645,922
Other comprehensive loss	-	-	(4,830)	-	(4,830)
Total	22,823,145	2,600,840	39	(2,308,295)	23,115,729
Options exercised	1,104,331	(351,493)	-	-	752,838
Stock-based compensation	-	242,765	-	-	242,765
June 30, 2016	$ 23,927,476	$ 2,492,112	$ 39	$ (2,308,295)	$ 24,111,332

	Issued Capital	Contributed Surplus	Accumulated other Comprehensive Income	Retained Earnings (Deficit)	Total Equity
January 1, 2015	$ 21,261,040	$ 2,552,623	$ 330,038	$ 4,131,186	$ 28,274,887
Net loss for the period	-	-	-	(6,558,192)	(6,558,192)
Other comprehensive income	-	-	187,943	-	187,943
Total	21,261,040	2,552,623	517,981	(2,427,006)	21,904,638
Options exercised	593,636	(209,298)	-	-	384,338
Stock-based compensation	-	173,134	-	-	173,134
June 30, 2015	$ 21,854,676	$ 2,516,459	$ 517,981	$ (2,427,006)	$ 22,462,110

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

QHR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

Six months ended June 30		**2016**		2015
OPERATING ACTIVITIES				
Net earnings (loss) from continuing operations	$	767,300	$	(1,338,262)
Items not affecting cash				
Stock-based compensation		242,765		173,134
Amortization of property and equipment		411,717		350,498
Amortization of intangible assets		844,728		852,055
Deferred taxes		(98,811)		(388,075)
Loss on disposal of property and equipment		31,502		55,573
Changes in non-cash operating assets and liabilities				
Accounts receivable		2,254,988		(181,869)
Inventory		-		(30,813)
Prepaid expenses and deposits		(10,444)		(440,192)
Accounts payable and accrued liabilities		72,032		(935,740)
Contingent consideration		-		85,335
Deferred revenue		(216,391)		(61,060)
Operating activities from discontinued operations		17,057		(1,219,327)
Net cash flow from (used in) operating activities		4,316,443		(3,078,743)
INVESTING ACTIVITIES				
Purchase of property and equipment (note 6, 18)		(167,678)		(49,311)
Proceeds of disposition of property and equipment		2,305		8,507
Acquisition of intangible assets (note 8)		(714,723)		(256,590)
Disposition of intangible assets		-		(10)
Unallocated asset purchase price		-		(102,502)
Net cash flow used in investing activities		(880,096)		(399,906)
FINANCING ACTIVITIES				
Repayment of capital leases		(296,525)		(309,258)
Share issuance and exercise of options		752,838		384,338
Net cash flow from financing activities		456,313		75,080
Effect of exchange rate changes		(989)		184,034
Increase (decrease) in cash		3,891,671		(3,219,535)
Cash - beginning of period		9,374,568		12,168,522
Cash - end of period	$	13,266,239	$	8,948,987

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

1. Nature of Business

QHR Corporation is a public company whose shares are traded on the TSX Venture Exchange (TSXV: QHR) federally incorporated in Canada. The corporate office is located at Suite 300 – 1620 Dickson Avenue, Kelowna, British Columbia, Canada. The Company's principal business consists of electronic medical records ("**EMR**") applications and hosting for physicians' medical offices.

2. Basis of Preparation and statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016, including comparatives, are expressed in Canadian dollars and have been prepared in accordance with *International Accounting Standards* ("**IAS**") 34 "Interim Financial Reporting". These financial statements do not include all of the information required in annual financial statements in accordance with *International Financial Reporting Standards* ("**IFRS**") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the *International Accounting Standards Board* ("**IASB**").

The term "QHR" or the "Company" are used to mean QHR Corporation and where the context of the narrative permits, or requires, its subsidiaries.

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016, including comparatives, have been approved and authorized for issue by the board of directors on August 17, 2016.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except as explained in the accounting policies set out in note 3. The Company's principal accounting policies are outlined below:

3.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned Canadian subsidiary, *QHR Technologies Inc.* and its subsidiaries located in the United States of America ("**US**"), *Chartcare Inc., Chartcare Electronic Commerce (U.S.A) Inc., Chartcare Solutions Inc.* and *Medeo Health Inc*. ("**Medeo Health**").

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All significant intercompany balances and transactions have been eliminated.

3.2 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations* are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination.

Goodwill is initially measured at the excess of the fair value of consideration transferred and amount of non-controlling interest in the acquiree and acquisition date fair value of existing equity interest in the acquiree over the acquisition fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

3.3 Significant Management Judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses:

Capitalization of internally developed software
Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgement. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Determination of discontinued operations
Management considers the significance of the line of business to the Company in deciding whether to present operations that have been abandoned or sold as discontinued operations in the statement of earnings.

3.4 Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Revenue Recognition
Revenue from sales arrangements that include multiple elements are allocated amongst the separately identifiable components based on the relative fair value of each component included in the contract. In order to allocate total revenue to the individual components, management is required to estimate the fair value of each of those components as well as the average customer relationship period. A change in the estimated fair value of any component and/or the average customer relationship period may impact the value assigned to other components which also impacts the timing of revenue recognition over the term of the sales arrangement.

Selling prices of multi-element sales arrangements
Determining selling prices for multi-element arrangements follows a hierarchy of selling prices. If vendor specific objective evidence and third party evidence of selling price do not exist, then management's best estimate of selling price for the deliverable is used. This requires significant judgement in determining the selling price based on an understanding of the customer's use of the related product or service, historical experience and knowledge of the market.

Impairment of long-lived assets
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("**CGU**") based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets
The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain software and equipment.

Inventories
The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each report date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations
The Company uses valuation techniques in determining fair values of the various elements of a business combination based on future expected cash flows and a discount rate. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Stock-based payment
The Company measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and making assumptions about them.

Allowance for doubtful accounts
The Company provides for bad debts by reviewing all specific customer accounts and trends and sets aside a specific amount towards the allowance account based on this analysis. Uncertainty relates to the actual collectability of customer balances that can vary from the Company's estimation.

3.5 Stock-based Payments

The Company grants stock options to buy common shares of the Company to directors, senior officers, employees and service providers pursuant to an incentive stock option plan described in note 11. The Board of Directors grants such options for periods of up to 5 years, with vesting periods determined at its sole discretion and at prices equal to the closing market price on the day the options were granted.

Under this method, the Company recognizes compensation expense for stock options awarded based on the fair value of the options at the grant date using the Black-Scholes option pricing model. The fair value of the options is amortized over the vesting period and is included in selling, general and administrative expense with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of stock options expected to eventually vest.

3.6 Cash

Cash consists of highly liquid interest bearing bank accounts and potential term deposits that are readily convertible to known amounts of cash with original terms to maturity of up to three months at the date of purchase. The cash acts as the Company's primary source of cash and fluctuate directly as a result of its cash flows from operating, investing and financing activities.

3.7 Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its customers are unable to make required payments. Management provides for bad debts by reviewing all specific customer accounts and trends and sets aside a specific amount towards the allowance account based on this analysis. The amount reserved is based on the Company's historical default experience, direct knowledge of customer credit worthiness, and payment trends. Customer aging is reviewed monthly by management to ensure consistency with best practices. At any time throughout the year, if the Company determines that the financial condition of any of its customers has deteriorated, increases in the allowance may be made.

3.8 Inventories

Computer hardware and supplies inventory is stated at the lower of cost, determined on a first in – first out basis, and net realizable value.

3.9 Prepaid Expenses and Deposits

Included in short-term prepaid expenses and deposits are prepayments related to materials, insurance premiums and other deposits required in the normal course of business which are less than one year.

3.10 Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Amortization of property and equipment is recorded on a straight-line basis at the following annual rates, which approximate the useful lives of the assets:

Assets	Period
Furniture and fixtures	10 years
Office equipment	5 years
Computer hardware	3 – 5 years
Leasehold improvements	Lesser of 5 – 10 years or lease term

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss) as incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if applicable. The Company has elected to choose the cost method of accounting for each class of property and equipment as outlined under IAS 16, *Property, Plant and Equipment*.

Leases are classified as either capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to the ownership of property to the Company is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the future minimum lease payments and the property's fair value at the beginning of such lease. Amortization of the equipment under capital lease is on the same basis as similar property and equipment.

3.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

The assets with indefinite useful lives are not amortized, but are tested for impairment annually at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss) when the asset is derecognized.

The Company records amortization of intangible assets with finite lives on a straight-line basis at the following annual rates, which approximate the useful lives of the assets:

Assets	Period
Developed technology	3 – 5 years
Customer relationships	1 – 10 years
Acquired technology	3 – 10 years
Software	3 years

3.12 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior periods may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Such reversal is recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss). An impairment loss with respect to goodwill is never reversed.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGU's to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount. Impairment losses relating to goodwill are not reversed in future periods.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Deferred Revenue

Billings that have been paid for by customers but will qualify for recognition within the next year under the Company's policies are reflected as deferred revenue. Amounts billed in advance of providing the related service, where the Company has the contractual right to bill for and collect these amounts are also reflected as deferred revenue. Included in deferred revenue are amounts related to installation, training, extended warranty, and post contract support associated with the sale of the Company's products.

3.14 Financial Instruments

Financial assets

Financial assets are classified into one of four categories:

- financial assets at fair value through profit or loss ("**FVTPL**"),
- held-to-maturity investments,
- loans and receivables, and
- available for sale financial assets.

The Company determines the classification of its financial assets at initial recognition, depending on the nature and purpose of the financial asset.

All financial assets are recognized initially at fair value plus directly attributable transaction costs except for those carried at fair value through profit or loss which are measured initially at fair value.

The Company's financial assets include cash and trade and other receivables.

The subsequent measurement of financial assets depends on their classification as follows:

i. Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated upon initial recognition as FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term, it is part of an identified portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative that is not designated as an effective hedging instrument.

Financial assets classified as FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

The Company has not classified any financial assets as FVTPL.

ii. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. The losses arising from impairment are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

The Company has not classified any financial assets as held-to-maturity investments.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized costs using the effective interest method. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified. The losses arising from impairment are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss). Interest income is recognized by applying the effective interest method.

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

The Company has classified cash, trade and other receivables as loans and receivables.

iv. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty,
- default or delinquency in interest or principal payments, or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding receivables, is directly reduced by the impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss). Changes in the carrying amount of the allowance account are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, net of transaction costs except for those carried at fair value through profit or loss which are measured initially at fair value.

The financial liabilities include accounts payables and accrued liabilities, promissory notes payable and contingent consideration.

Subsequent measurement of financial liabilities depends on their classification as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative instruments that are not designated as hedging instruments in hedge relationships. Changes in fair value on liabilities classified as FVTPL are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

The Company has not classified any financial liabilities upon initial recognition as at fair value through profit or loss.

ii. Other financial liabilities

After initial recognition at fair value less transaction costs, other financial liabilities are subsequently measured at amortized costs using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability.

Gains and losses are recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

The Company has classified accounts payables and accrued liabilities, promissory notes payable, contingent consideration as other financial liabilities.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired.

3.15 Provisions and Contingent Liabilities

Provisions for product warranties, legal claims, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Timing or amount of the outflow may still be uncertain. The expense relating to any provision is presented in the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss), net of any reimbursement. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are discounted to their present values, where the time value of money is material.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

3.16 Revenue Recognition

Continuing Operations
Revenue is measured at the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. Service revenue consists primarily of fees for implementation or customization services, for license and activation of the Company's software as well as hosted services and support, maintenance and professional services. The Company also derives revenue from the sale of hardware and software licenses. The Company's fee model is described for each of the Canadian and US locations below.

Typically, the Company's Canadian software license agreements are multiple-element arrangements that also include the provision of maintenance, hosted services, professional services and, in certain cases, hardware. These multiple-element arrangements are assessed to determine if the elements can be treated as separately identifiable components for the purposes of revenue recognition. Consideration from the arrangement is allocated to each of the separately identified components on a relative fair value basis. Revenue is recognized for each component according to the stated revenue recognition policy.

Revenue from the provision of services is recognized when the Company has provided the services to the customer, the collection of the related receivable is deemed probable and the amount of revenue and costs incurred or to be incurred can be measured reliably.

Revenue from hardware and software license sales is recognized when the hardware is shipped or the software is delivered and when all significant contractual obligations have been satisfied. Revenue is recognized upon delivery where there is evidence of an arrangement, the significant risks and rewards of ownership have been transferred, the amount of revenue and associated costs can be measured reliably and it is probable that the associated economic benefits will flow to the entity.

Deferred revenue results from unearned activation fees in the Canadian operation, advance payments of subscriptions, support and maintenance and payments made in advance of the delivery of implementation or customization services where the Company has not met the criteria for revenue recognition as described above.

EMR systems are sold based on monthly and annual subscription agreements with recurring revenues dependent 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 and is recognized as the service is delivered on a monthly basis.

To initiate a new customer on the Company's EMR system, professional services are provided which include custom development and data integration services as well as training services. The Company considers each of these services to represent a separate component. Accordingly, the revenues from these services are recognized when the services within each component have been provided.

In some instances, the Company charges an activation fee to on-board new EMR customers as part of a multiple-element arrangement. When activation fees are charged, the Company allocates this fee to the various components of the arrangement on a relative fair value basis.

Discontinued Operations
In Canada, the Company also derived revenue from the sale of integrated software solutions to exchange information for health plan enrolment, health insurance eligibility and other applications. This software solution consist of the sale of software licenses as well as professional services such as consulting, training and installation. These sales were considered multiple-element arrangements that consist of three separately identifiable components, a software license, professional services to implement the software at a client's site and recurring support and maintenance services.

Revenue from the sale of software licenses was recognized after the completion of the initial warranty period. Professional services to implement the software was recognized as services were rendered and annual maintenance and customer support revenue was paid in advance and recognized on a straight-line basis throughout the year.

In the United States, the Company derived revenue from fees collected for processing medical billing claims, determining eligibility, setting up records, and producing patient statements. These revenues were recognized as the services were provided.

3.17 Research and Development Costs

The Company incurs costs to research and develop its proprietary software products to be sold, licensed or otherwise marketed. Research costs are expensed as incurred. Development costs are expensed as incurred unless a project meets certain criteria for capitalization and amortization. In this case the development costs are capitalized and amortized over the estimated useful life of the software product developed. Amortization of capitalized development costs commences when development of the software is complete and the product is available for sale to customers.

3.18 Investment Tax Credits

The Company is entitled to certain Canadian federal and provincial tax incentives for qualified scientific research and development ("**SRED**") activities and for increasing research activities. These investment tax credits ("**ITC's**") are available to the Company to reduce actual income taxes payable. Any credits that are not used in the year in which they are earned are recorded as a deferred asset when it is probable that such credits will be utilized. The utilization is dependent upon the generation of future taxable income. Management assesses the probability of usage of investment tax credits at the end of each reporting period.

3.19 Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred taxes are recorded using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its current tax assets and liabilities on a net basis.

The Company accounts for income tax credits in accordance with IAS 12, *Income Taxes* where credits are recorded as a credit to income tax expense on the Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss).

3.20 Earnings per Share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is computed similarly to basic earnings per shares, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options at the beginning of the reporting period, if dilutive. The number of additional shares is calculated assuming that outstanding stock options were exercised and the proceeds from such exercises were used to repurchase common shares at the average market price during the reporting period. Stock options are dilutive when the market price of the common shares at the end of the period exceeds the exercise price of the options and when the Company generates net earnings.

3.21 Foreign Currency Translation

Functional and presentation currency
The Company's consolidated financial statements are presented in Canadian dollars. The functional currency of QHR Technologies Inc. is Canadian dollars. The functional currency of Medeo Health is US dollars.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective currency of the entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss).

Non-monetary items that are not re-translated at period end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates as at the date when fair value was determined.

Foreign operations
In the Company's financial statements, all assets, liabilities and transactions of the Company's foreign operations with a functional currency other than Canadian dollars are translated into Canadian dollars upon consolidation.

Each foreign operation of the Company determines its own functional currency and items included in the financial statements of each foreign operation are measured using that functional currency and presented in Canadian dollars.

For foreign operations with non-Canadian dollar functional currency, the Company translates assets and liabilities into Canadian dollars using the period-end exchange rates. Goodwill and intangible assets arising from acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Canadian dollars at the period-end exchange rates. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

3.22 Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net earnings (loss) for the period and other comprehensive income (loss). Included in accumulated other comprehensive income are unrealized foreign exchange amounts on the translation of certain subsidiaries' and divisions' US dollar functional currency translated to Canadian dollars.

3.23 Loss from Discontinued Operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

Loss from discontinued operations, including prior year components of earnings or loss, is presented in a single amount in the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss). This amount, which comprises the post-tax loss of discontinued operations and the post-tax loss resulting from the measurement and disposal of assets classified as held for sale, is further analyzed in note 22.

The disclosure for the discontinued operations in the prior year relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

3.24 Changes in Accounting Policies and Future Accounting Pronouncements

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company:

IFRS 15 - *Revenue from Contracts with Customers* ("**IFRS 15**"), which will replace IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding whether revenue is to be recognized over time or at a point in time, and improves disclosures about revenue. IFRS 15 provides more detailed guidance on contracts involving the delivery of two or more goods and services as to when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price and when to combine contracts. IFRS 15 also provides guidance on how to treat arrangements with variable pricing, such as performance based pricing and how revenue can be constraint.

In addition, IFRS 15 provides guidance on time value of money as to when to adjust a contract price for a financing component. The IASB has an effective date to annual period beginning on or after January 1, 2018. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the Company's financial statements.

IFRS 9 - *Financial Instruments* ("**IFRS 9**") will replace IAS 39 - *Financial Instruments: Recognition and Measurement*, and is currently being developed in stages by the IASB. It addresses the classification, measurement and derecognition of financial assets and financial liabilities. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In November 2014, the IASB issued an amendment to IFRS 9 which includes a new hedge model that aligns accounting more closely with risk management as well as enhancements to the disclosures about hedge accounting and risk management. IFRS 9 has also been amended not to require the restatement of comparative period financial statements for the initial application of the classification and measuring requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. The IASB has now deferred the effective date to annual period beginning on or after January 1, 2018. Early adoption of the standard is permitted. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the Company's financial statements.

IFRS 16 – Leases ("**IFRS 16**") will replace IAS 17 – Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The IASB has set the effective date to annual period beginning on or after January 1, 2019. Early adoption of the standard is permitted. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on the Company's financial statements.

3.25 Segmented Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers are responsible for allocation of resources and assessing performance of the operating segments and have been identified as the CEO and CFO of the Company. The Company operates as one reportable segment.

4. Financial Instruments and Risk Exposures

Fair Value Measurement

The Company's current financial assets include cash and trade and other receivables. The Company's financial liabilities include accounts payable and accrued liabilities, promissory notes payable and contingent consideration.

The carrying value of the Company's financial assets and liabilities is considered to be a reasonable approximation of fair value due to their immediate or short term maturity, or their ability for liquidation at comparable amounts.

June 30, 2016	Carrying amount	Fair Market Value
Cash and receivables	$ 14,251,883	$ 14,251,883
Other financial liabilities	$ 3,535,142	$ 3,535,142

December 31, 2015	Carrying amount	Fair Market Value
Cash and receivables	$ 12,753,635	$ 12,753,635
Other financial liabilities	$ 3,463,110	$ 3,463,110

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its obligations under a contract. This risk primarily arises from the Company's receivables from customers.

The Company's exposure to credit risk is dependent upon the characteristics of each customer. Each customer is assessed for credit worthiness through direct monitoring of their financial well-being on a continual basis. In some cases, where customers fail to meet the Company's credit worthiness benchmark, the Company may choose to transact with the customer on a prepayment basis.

The Company does not have credit insurance or other financial instruments to mitigate its credit risk as management has determined that the exposure is minimal due to the composition of its customer base.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectable accounts. Included in the over 90 day balance are large government funded contracts. It is not unusual that these government funded contracts can take longer than 90 days to be paid and any such delays reduce cash balances as they occur. Occasionally, the Company has extended payment terms beyond 90 days for clients that have requested special re-payment terms. Pursuant to their respective terms, net accounts receivable was aged as follows as at June 30, 2016, and December 31, 2015:

Trade receivables	**June 30, 2016**	December 31, 2015
Current	$ 930,515	$ 1,486,052
31-60 days	50,715	486,333
61-90 days	42,047	46,424
Greater than 90 days	193,808	1,669,151
Allowance for doubtful accounts	(231,441)	(308,893)
Total	$ 985,644	$ 3,379,067

Allowance for doubtful accounts	**June 30, 2016**	December 31, 2015
Opening	$ (308,893)	$ (215,265)
Allowance	(120,000)	(285,165)
Recovery	197,452	191,537
Total	$ (231,441)	$ (308,893)

The Company may also have credit risk relating to cash, which it manages by dealing with large chartered banks in Canada and the United States. The Company's cash carrying value as at June 30, 2016, totaled $13,266,239 (December 31, 2015 - $9,374,568) and trade accounts and other receivables of $985,644 (December 31, 2015 - $3,379,067), representing the maximum exposure to credit risk of these financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

As at June 30, 2016, the Company had cash of $13,266,239, trade accounts and other receivables of $985,644 for a total of $14,251,883. The Company had short-term financial obligations from accounts payable and accrued liabilities of $3,325,400, promissory note payable of $83,495, current capital lease obligations of $481,414 which total $3,890,309. The liquidity and maturity timing of these assets are adequate for the settlement of the Company's short-term (less than one year) financial obligations.

June 30, 2016	Less than 1 year	1 to 4 years	Total
Accounts payable and accrued liabilities	$ 3,325,400	$ -	$ 3,325,400
Promissory notes payable	83,495	-	83,495
Capital lease obligations (including interest)	283,995	703,729	987,724
Total	$ 3,692,890	$ 703,729	$ 4,396,619

December 31, 2015	Less than 1 year	1 to 4 years	Total
Accounts payable and accrued liabilities	$ 3,253,368	$ -	$ 3,253,368
Promissory notes payable	83,495	-	83,495
Capital lease obligations (including interest)	423,201	367,978	791,179
Total	$ 3,760,064	$ 367,978	$ 4,128,042

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company is exposed to changes in market interest rates through cash and bank borrowings at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Interest rate sensitivity	Profit and equity for the period	
	+1%	-1%
June 30, 2016	$ 132,662	$ (132,662)
December 31, 2015	$ 93,746	$ (93,746)

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. The Company's foreign currency risk is limited to the small portion of the Company's business transactions denominated in currencies other than Canadian dollars.

The Company manages currency risk by holding cash in foreign currencies to support forecasted foreign currency denominated liabilities and does not use derivative instruments to reduce its exposure to foreign currency risk.

5. Business Combinations

Acquisition of Jonoke Software Development Inc.

On June 1, 2015, QHR Technologies Ltd. concluded the acquisition of all the assets of Jonoke Software Development Inc. ("**Jonoke**"), an Edmonton based EMR company. The acquisition provided approximately 900 new physician clients to QHR which represents conversion potential for the Company to its Accuro software platform.

A purchase price of $10 was paid at closing with the remaining purchase price being paid through an earn-out calculation by December 31, 2017. The earn-out calculation will be based on Jonoke revenue received as well as the number of Jonoke clients transitioned to the Company's Accuro software platform.

The allocation of the Jonoke purchase price was prepared on a preliminary basis with management's best estimates during the second quarter of 2015. The final purchase price allocation and purchase consideration has resulted in adjustments to the preliminary estimate of purchase date fair values disclosed in the table below.

The fair value of the identifiable assets and liabilities of Jonoke as at June 1, 2015, is as follows:

	Fair value previously determined	Measurement period adjustments	Revised
Assets			
Accounts receivable	$ 13,440	$ -	$ 13,440
Prepaid expenses	18,920	-	18,920
Capital assets, net	14,509	-	14,509
Unallocated purchase price	102,502	(102,502)	-
Customer list	-	122,441	122,441
Total assets	149,371	19,939	169,310
Liabilities			
Deferred revenue	64,026	(20,973)	43,053
Total liabilities	64,026	(20,973)	43,053
Total identifiable net assets	85,345	40,912	126,257
Purchase consideration transferred	$ 85,345	$ 40,912	$ 126,257
Cash	$ 10	$ -	$ 10
Net present value of estimated future payments	85,335	40,912	126,247
Total purchase consideration	$ 85,345	$ 40,912	$ 126,257

The Company is committed to pay contingent consideration if certain revenues are received and Jonoke clients are transitioned to the Company's Accuro software platform during the earn-out period ending December 31, 2017. The fair values of the assets were determined on the basis of historical conversion rates and estimated future cash-flows using the probability of expected outcomes.

Due to lack of IFRS specific data prior to the acquisition of Jonoke, pro-forma profit or loss of the combined entity for any periods prior to acquisition cannot be determined reliably.

6. Property and Equipment, net

Cost	Furniture and Fixtures	Office Equipment	Computer Hardware	Leasehold Improvement	Total
December 31, 2014	$ 285,580	$ 453,752	$ 4,481,275	$ 698,239	$ 5,918,846
Additions	43,091	14,208	601,958	178,274	837,531
Dispositions	(46,860)	(15,262)	(1,744,972)	(114,813)	(1,921,907)
Foreign exchange translation	1,432	339	4,617	-	6,388
December 31, 2015	283,243	453,037	3,342,878	761,700	4,840,858
Additions	41,112	13,794	519,192	83,925	658,023
Dispositions	(3,772)	(1,558)	(24,333)	(142,867)	(172,530)
June 30, 2016	$ 320,583	$ 465,273	$ 3,837,737	$ 702,758	$ 5,326,351

Accumulated Amortization					
December 31, 2014	$ 104,910	$ 200,061	$ 3,069,358	$ 383,878	$ 3,758,207
Amortization - continuing	26,729	86,208	577,804	56,066	746,807
Amortization - discontinued	1,164	550	9,968	-	11,682
Dispositions	(28,566)	(12,606)	(1,731,154)	(77,508)	(1,849,834)
Foreign exchange translation	191	125	1,581	-	1,897
December 31, 2015	104,428	274,338	1,927,557	362,436	2,668,759
Amortization	15,026	44,119	318,061	34,511	411,717
Dispositions	(409)	(837)	(24,333)	(113,145)	(138,724)
June 30, 2016	$ 119,045	$ 317,620	$ 2,221,285	$ 283,802	$ 2,941,752

Net book value					
December 31, 2015	$ 178,815	$ 178,699	$ 1,415,321	$ 399,264	$ 2,172,099
June 30, 2016	$ 201,538	$ 147,653	$ 1,616,452	$ 418,956	$ 2,384,599

The cost and accumulated amortization of capital assets acquired under capital lease obligations at June 30, 2016, are $1,580,412 (December 31, 2015 - $2,195,629) and $466,730 (December 31, 2015 - $1,385,650) respectively.

7. Goodwill

Goodwill is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of an acquired company's workforce and expected cost synergies. Goodwill arising on acquisitions is not deductible for tax purposes.

Goodwill	EMR	RCM Assets	Total
December 31, 2014	$ 2,384,242	$ 1,374,761	$ 3,759,003
Foreign exchange translation	-	81,134	81,134
Medeo acquisition	70,770	-	70,770
Impairment loss	-	(1,455,895)	(1,455,895)
December 31, 2015	2,455,012	-	2,455,012
June 30, 2016	$ 2,455,012	$ -	$ 2,455,012

8. Intangible Assets

Cost	Customer relationships	Acquired technology	Developed technology	Software	Total
December 31, 2014	$ 11,332,794	$ 4,994,727	$ 1,333,976	$ 646,955	$ 18,308,452
Additions	122,441	-	304,218	261,472	688,131
Foreign exchange translation	3,903	30,708	6,638	1,221	42,470
Impairment loss	(201,697)	(1,688,460)	-	(37,394)	(1,927,551)
December 31, 2015	11,257,441	3,336,975	1,644,832	872,254	17,111,502
Additions	-	380,000	205,093	129,630	714,723
Foreign exchange translation	-	-	(4,484)	-	(4,484)
June 30, 2016	$ 11,257,441	$ 3,716,975	$ 1,845,441	$ 1,001,884	$ 17,821,741
Accumulated Amortization					
December 31, 2014	$ 4,987,679	$ 1,837,256	$ 479,807	$ 491,915	$ 7,796,657
Asset disposals	-	-	-	(10)	(10)
Amortization - continuing	1,105,005	338,997	182,021	106,372	1,732,395
Amortization - discontinued	11,608	39,135	-	3,631	54,374
Foreign exchange translation	671	2,785	615	82	4,153
Impairment loss	(103,707)	(627,784)	-	(17,436)	(748,927)
December 31, 2015	6,001,256	1,590,389	662,443	584,554	8,838,642
Amortization	552,672	148,348	64,024	79,684	844,728
Foreign exchange translation	-	-	(642)	-	(642)
June 30, 2016	$ 6,553,928	$ 1,738,737	$ 725,825	$ 664,238	$ 9,682,728
Net book value					
December 31, 2015	$ 5,256,185	$ 1,746,586	$ 982,389	$ 287,700	$ 8,272,860
June 30, 2016	$ 4,703,513	$ 1,978,238	$ 1,119,616	$ 337,646	$ 8,139,013

The Company's acquired technology consists of identifiable intangible assets acquired in a business combination. Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of an intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition date fair values. After initial recognition, identifiable intangible assets acquired in a business combination are recognized at cost less accumulated amortization if they are amortizable, and less accumulated impairment losses.

During the quarter, the Company acquired ownership of the exclusive Canadian rights to PatientPrep from TrueVation Technologies Inc. for $380,000. PatientPrep is a product used by healthcare providers to collect specific health condition information from patients as they are waiting to see the provider, which are then summarized to the physician just before the visit, saving the provider and patient time while improving documentation in the Electronic Medical Record.

9. Promissory Notes Payable

As at June 30, 2016, the remaining amount outstanding on the promissory note payable from the purchase of Clinicare Corporation ("**Clinicare**") is $83,495 (December 31, 2015 - $83,495) plus accrued interest of $216,074 (December 31, 2015 - $206,618). The Company is disputing this claim and it is not expected to have a material effect on our results of operations.

10. Obligations under Capital Lease

Capital lease obligations are payable in monthly installments with interest at 1% to 6.4% per annum, to March 1, 2019, secured by certain computer equipment, furniture and fixtures.

Minimum lease payments over the next three years:	**June 30, 2016**	December 31, 2015
2016	$ 283,995	$ 423,201
2017	418,192	255,714
2018	262,938	112,264
2019	22,599	-
Total minimum lease payments	987,724	791,179
Lease payment amounts representing interest	(37,836)	(35,111)
Principal portion of minimum capital lease payments	949,888	756,068
Current portion of capital lease obligations	(481,414)	(402,646)
	$ 468,474	$ 353,422

11. Issued Capital

a) Authorized
Unlimited common shares without par value
Unlimited Class "A" Preference shares

b) Issued

Shares issued and outstanding	Number of shares	Amount
December 31, 2014	49,745,787	$ 21,261,040
Options exercised (c)	1,573,250	1,562,105
December 31, 2015	51,319,037	22,823,145
Options exercised (c)	930,090	1,104,331
June 30, 2016	52,249,127	$ 23,927,476

c) 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 directors, officers and certain 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 shall be non-assignable and non-transferable and shall not have a term in excess of five years.

Stock purchase options outstanding are as follows:

Stock purchase options outstanding	Number of options	Weighted average exercise price
December 31, 2014	3,733,250	$ 0.75
Cancelled/Forfeited	(281,875)	1.23
Exercised	(1,573,250)	0.67
Options granted June 1, 2015	1,050,000	1.46
Options granted August 26, 2015	675,000	1.19
Options granted September 16, 2015	100,000	1.20
December 31, 2015	3,703,125	1.04
Cancelled/forfeited	(38,125)	1.16
Exercised	(930,090)	0.81
June 30, 2016	2,734,910	$ 1.12

During the six months ended June 30, 2016, a total of 930,090 (December 31, 2015 - 1,573,250) stock purchase options were exercised during the period at a weighted average share value of $0.81 (December 31, 2015 - $0.67).

The following tables summarize information pertaining to the Company's stock purchase options outstanding:

June 30, 2016	Options outstanding		Options exercisable	
Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
312,500	0.95	$ 0.60	312,500	$ 0.60
582,410	2.06	$ 0.70	582,410	$ 0.70
100,000	2.85	$ 1.27	100,000	$ 1.27
1,740,000	4.02	$ 1.35	791,875	$ 1.36
2,734,910	3.21	$ 1.12	1,786,785	$ 1.01

December 31, 2015	Options outstanding		Options exercisable	
Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
195,000	0.75	$ 0.62	195,000	$ 0.62
497,500	1.45	$ 0.60	497,500	$ 0.60
867,500	2.56	$ 0.70	867,500	$ 0.70
350,000	3.55	$ 1.22	325,000	$ 1.21
1,793,125	4.51	$ 1.35	371,250	$ 1.38
3,703,125	3.36	$ 1.04	2,256,250	$ 0.86

The exercise price of all stock purchase options granted during the period are equal to the closing market price at the grant date. The Company calculates stock based compensation from the vesting of stock options using the Black Scholes Option Pricing Model.

	June 30, 2016	June 30, 2015
Total stock based compensation	$ 242,765	$ 173,134

d) Contributed Surplus

The continuity of contributed surplus is as follows:

	Amount
December 31, 2014	$ 2,552,623
Options exercised	(549,929)
Stock based compensation	598,146
December 31, 2015	2,600,840
Options exercised	(351,493)
Stock based compensation	242,765
June 30, 2016	$ 2,492,112

12. Earnings per Share

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations was as follows for the three and six months ended June 30, 2016 and 2015.

Three months ended	**June 30, 2016**	June 30, 2015
Numerator		
Net earnings (loss) from continuing operations	$ 611,793	$ (961,152)
Net loss from discontinued operations	$ (63,236)	$ (4,795,760)
Denominator		
Weighted average number of shares outstanding used to compute basic EPS	49,849,262	49,095,017
Effect of dilutive securities		
Dilution from exercise of options	1,080,513	1,622,920
Weighted average number of shares outstanding used to compute diluted EPS	50,929,775	50,717,937
Net earnings per share		
Continuing operations		
Basic	$ 0.01	$ (0.02)
Diluted	$ 0.01	$ (0.02)
Discontinued operations		
Basic	$ 0.00	$ (0.10)
Diluted	$ 0.00	$ (0.10)

Six months ended	**June 30, 2016**	June 30, 2015
Numerator		
Net earnings (loss) from continuing operations	$ 767,300	$ (1,338,262)
Net loss from discontinued operations	$ (121,378)	$ (5,219,930)
Denominator		
Weighted average number of shares outstanding used to compute basic EPS	49,621,579	48,994,443
Effect of dilutive securities		
Dilution from exercise of options	908,168	1,645,258
Weighted average number of shares outstanding used to compute diluted EPS	50,529,747	50,639,701

Net earnings per share				
Continuing operations				
Basic	$	0.02	$	(0.03)
Diluted	$	0.02	$	(0.03)
Discontinued operations				
Basic	$	0.00	$	(0.11)
Diluted	$	0.00	$	(0.10)

The calculation of assumed exercise of stock options and warrants includes the effect of the dilutive options and warrants. Where their effect was anti-dilutive because their exercise prices were higher than the average market price of the Company's common shares at the end of the periods shown in the table, assumed exercise of those particular stock options and warrants were not included.

13. Income Taxes

a) Income Tax Expense

The income tax expense differs from the expected expense if the Canadian federal and provincial statutory income tax rates are applied to earnings from operations before income taxes. The principal factors causing these differences are shown below:

Six months ended		**June 30, 2016**		June 30, 2015
Earnings (loss) from continuing operations before income taxes	$	668,489	$	(1,726,337)
Statutory tax rate		26.00%		26.00%
Income tax provision using statutory tax rates		173,807		(448,848)
Permanent differences		71,310		55,006
Increase in SRED claim		(183,544)		-
Decrease in valuation allowance		(138,623)		4,328
Other		(21,761)		1,439
Income tax	$	(98,811)	$	(388,075)
Deferred tax (recovery)	$	(98,811)	$	(388,075)

b) Deferred Tax Assets & Liabilities

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The Company recognizes the benefit of any tax losses only to the extent of anticipated future taxable income will be available to utilize those tax assets. The tax effect of the temporary differences that give rise to recognized deferred tax assets and liabilities are as follows:

Recognized deferred tax asset		**June 30, 2016**		December 31, 2015
Non-capital loss carry forwards	$	2,371,495	$	2,564,525
Scientific research and experimental development pool		901,220		839,949
Investment tax credits		490,374		368,101
Share issue costs		39,589		1,839
Deferred revenue reserve		78,702		128,356
Tangible assets		83,389		65,044
Intangible assets		(2,233,728)		(2,335,584)
Total recognized net deferred tax asset	$	1,731,041	$	1,632,230

The Company has not recognized deferred tax assets with respect to the following temporary differences and unused tax losses due to the uncertainty of obtaining future taxable income on these non-operational entities.

Unrecognized deferred tax asset	**June 30, 2016**	December 31, 2015
Non-capital loss carry forwards	$ 2,243,561	$ 2,767,918
Capital loss carry forwards	620,468	628,545
Tangible assets	18,126	21,923
Intangible assets	15,922	21,946
	$ 2,898,077	$ 3,440,332

c) Loss Carry-Forwards

At June 30, 2016, the consolidated Company has approximately $14,730,000 of non-capital loss carry forwards available until 2036 (December 31, 2015 – approximately $15,324,000) to reduce future years' taxable income. The Company employs strategies within the corporate group to effectively utilize the benefits of these tax loss carry-forwards and to minimize income tax payable. The following table reflects tax loss carry-forwards prior to any tax losses that arise upon actual filing of the representative company tax returns:

	June 30, 2016	December 31, 2015
QHR Corporation	$ 16,000	$ 5,000
QHR Technologies Inc.	9,106,000	9,860,000
Chartcare Inc.	160,000	160,000
Medeo Health Inc.	40,000	30,000
Chartcare Electronic Commerce (U.S.A) Inc.	614,000	614,000
Chartcare Solutions Inc. (formerly Softcare Solutions Inc.)	4,794,000	4,655,000
Total	$ 14,730,000	$ 15,324,000

At June 30, 2016, the consolidated Company has approximately $2,400,000 of net capital loss carry forwards available indefinitely (December 31, 2015 – approximately $2,400,000) to reduce future years' taxable capital gains.

Net capital losses	**June 30, 2016**	December 31, 2015
QHR Corporation	$ 1,000,000	$ 1,000,000
QHR Technologies Inc.	1,400,000	1,400,000
Total	$ 2,400,000	$ 2,400,000

d) Investment Tax Credits on SRED Expenditures

At June 30, 2016, the Company and its subsidiaries have accumulated Investment Tax Credits totaling approximately $490,374 (December 31, 2015 – $368,101) which may be applied against future years' taxes.

e) SRED Expenditure Pool Carry Forwards

At June 30, 2016, the Company and its subsidiaries have accumulated a SRED expenditure pool of approximately $3,755,039 (December 31, 2015 – approximately $3,449,140) which may be applied against future years' taxable income. The SRED expenditures pool may be carried forward indefinitely.

14. Capital Disclosures

The Company's objectives and policies for managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business and to safeguard the Company's ability to support the Company's normal operating requirements on an ongoing basis.

The capital of the Company consists of the items included in the Consolidated Statements of Financial Position in the equity section, operating line of credit (if drawn) and long-term debt. The Company manages its capital structure and makes changes based on economic conditions and the risk characteristics of the Company's assets. Capital for the reporting periods is summarized as follows:

	June 30, 2016	December 31, 2015
Promissory note	$ 83,495	$ 83,495
Total equity	24,111,332	22,474,637
Overall financing	$ 24,194,827	$ 22,558,132

To manage the Company's capital requirements, the Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company plans to continue to fund its short-term cash requirements through operations and, if required, the Company has an operating line of credit in place that can be drawn upon.

The Company has an available operating line of credit with the Royal Bank (the "Bank") of up to $1.5 million subject to and limited to standard borrowing base calculations and margining against trade accounts receivable. The operating line of credit is payable upon demand by the Bank. The Company had $Nil outstanding on its operating line at June 30, 2016, (December 31, 2015 - $Nil). The interest rate is at the Bank's prime rate plus 0.6% per annum. At June 30, 2016, the effective rate on this loan was 3.3 % (December 31, 2015 – 3.3%).

15. Segmented Information

The Company operates as one reportable segment. Segmentation is based on the internal reporting and organizational structure, taking into account the different risk and income structures of the key products of the Company.

a) The Company generated revenues from the following categories:

Three months ended	**June 30, 2016**		June 30, 2015	
Recurring	$ 7,067,913	88.3%	$ 5,638,786	85.5%
Professional services & other	935,115	11.7%	957,290	14.5%
	$ 8,003,028	100.0%	$ 6,596,076	100.0%

16. Other Charges

Other charges are comprised of executive/board departure charges, restructuring initiatives which have been undertaken from time to time, acquisition costs and other non-core operating expenses. Acquisition-related costs primarily include advisory services and administrative costs and relate to completed and prospective acquisitions.

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Executive and Board restructure charges	$ 60,000	$ 521,287	$ 120,000	$ 1,358,687
Acquisition-related costs	45,046	72,865	67,480	126,703
Restructuring	32,500	480,663	60,023	480,663
	$ 137,546	$ 1,074,815	$ 247,503	$ 1,966,053

17. Commitments

As at June 30, 2016, the Company has various operating leases, primarily office rent, with remaining terms of more than one year. These leases have minimum annual commitments as follows:

2016	$ 568,768
2017	916,259
2018	383,972
2019	10,046
	$ 1,879,045

Repayment of these leases assumes that the Company maintains obligated payments over a 12 month consecutive period on the required payment due dates.

18. Supplemental Cash Flow and other Disclosures

	June 30, 2016	June 30, 2015
Non-cash financing and investing activities:		
Capital assets acquired under capital lease obligations	$ 490,345	$ 206,602
Assets acquired under Jonoke acquisition (note 5)	-	46,869
Supplementary information:		
Interest paid	$ 55,439	$ 55,918

19. Related Party Transactions

For the six months ended June 30, 2016 and 2015, the Company paid compensation to key management personnel and directors as an administrative expense during the reporting period.

	June 30, 2016	June 30, 2015
Short-term employee benefits	$ 559,323	$ 1,049,135
Stock based payments	149,489	105,546
	$ 708,812	$ 1,154,681

20. Comparative Figures

Certain prior period balances have been reclassified to conform to the financial statement presentation adopted for the current period.

21. Contingencies

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. The consequences of these matters are not presently determinable but, in the opinion of management after consulting with legal counsel, the ultimate aggregate liability is not currently expected to have a material effect on our results of operations or financial position.

22. Discontinued Operations

RCM Assets

On July 10, 2015, the Company sold substantially all of the assets and operations of its US based Billing Services, Clearinghouse, Tradelink EDI and related product lines ("**RCM assets**") to Medical Transcriptions Billing, Corp. **(**"**MTBC**"), a US publicly traded company with its executive offices located in New Jersey.

Under the agreement, MTBC acquired substantially all of QHR's RCM assets, including customer relationships, products, related intellectual property, and some of its employees in exchange for a cash purchase price in an amount to be determined and paid over an earn out period of 36 months from closing. QHR does not anticipate that proceeds from this transaction will be material.

The summary of the loss from discontinued operations and deferred income tax recovery is as follows:

	Three months ended June 30		Six months ended June 30	
Results of discontinued operations	**2016**	2015	**2016**	2015
Revenue	$ -	$ 780,712	$ -	$ 1,540,347
Operating expenses	63,236	1,754,827	121,378	2,953,485
Loss from operating activities	(63,236)	(974,115)	(121,378)	(1,413,138)
Impairment loss	-	2,612,699	-	2,612,699
Deferred income tax expense	-	1,208,946	-	1,194,093
Net loss for the period from discontinued operations	$ (63,236)	$ (4,795,760)	$ (121,378)	$ (5,219,930)