



Management Discussion and Analysis (MD&A)
of Financial Condition and Results of Operations

For the Three Months Ended March 31, 2015 and 2014

For further information, please contact:

Al Hildebrandt, CEO Phone: (250) 979-1701; E-Mail: al.hildebrandt@QHRtechnologies.com
Jerry Diener, VP Finance & CFO Phone: (250) 979-1722; E-Mail: jerry.diener@QHRtechnologies.com

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1.0 INTRODUCTION

The following Management Discussion and Analysis of QHR Corporation (“QHR” or the “Company”) as of May 27, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended March 31, 2015 and 2014, and related notes included therein. These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015, 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 Company’s 2014 audited consolidated financial statements which have been prepared in accordance with IFRS as issued by the *International Accounting Standards Board* (“IASB”). The MD&A and unaudited condensed interim consolidated financial statements were reviewed by the Company’s Audit Committee and approved by the Company’s Board of Directors.

Additional information relating to the Company including the Company’s most recent Annual Financial Statements is available on our website at <http://www.QHRtechnologies.com> and through the SEDAR website at <http://www.sedar.com>.

Forward Looking Statements

The following discussion and analysis of the financial conditions and results of operations contains forward-looking statements concerning anticipated developments in the Company’s operations in future periods, the adequacy of the Company’s financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimates,” “predicts,” “potential,” “targeted,” “plans,” “possible” and similar expressions, or statements that events, conditions or results “will,” “may,” “could” or “should” occur or be achieved. These forward-looking statements include, without limitation, statements about the Company’s market opportunities, strategies, competition, expected activities and expenditures as the Company pursues its business plan, the adequacy of the Company’s available cash resources and other statements about future events or results. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, such as business and economic risks and uncertainties. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made. Consequently, all forward-looking statements made in this discussion and analysis of the financial conditions and results of operations or the documents incorporated by reference are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. Some of these risks, uncertainties and other factors are described herein under the heading “Risks and Uncertainties”. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Caution Regarding Forward Looking Statements

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors.

The Company’s revenues may fluctuate from quarter to quarter and year to year depending upon sales cycles, customer demand and the timing of customer purchase decisions;

The Company’s gross margins may fluctuate from quarter to quarter and year to year depending upon a variety of factors including product mix, related cost of sales, competitive pricing pressures and the level of sales generated in the quarter;

The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes. The Company faces the risk of emergence of new technologies that may be either competitive to those of the Company or that change the requirements of the Company’s customers for solutions such as those offered by the Company.

2.0 BUSINESS OVERVIEW

2.1 Overview of the Business

QHR has an unrelenting focus on creating innovative networked technology to improve the quality of human health. With an 11 year track record providing what is now the leading Electronic Medical Records (“**EMR**”) platform in Canada, QHR has a suite of complementary offerings that drive the Company’s growth through a combination of on-site, hosted, Software-as-a-Service (“**SaaS**”) software systems and Professional Services.

Over 10,000 healthcare providers across Canada and the United States are clients of QHR. The company enjoys a client retention rate of over 98% in its core product offering, Accuro[®] EMR subscription-based software product, ensuring the stability of the business and ability to re-invest for continued growth and innovation.

The Company has grown its business through a combination of strategic acquisitions, marketing and selling into new markets and new EMR clients, and leveraging the extremely powerful word-of-mouth of the existing client base to drive sales by advocacy. Additionally, by nearly every measure, QHR has enjoyed product superiority in the fields of EMR with the Accuro[®] product and Virtual Care with the Medeo SaaS offering. Recent in-market satisfaction surveys for Accuro[®] scored high in comparison to competitive offerings. Additionally, Medeo was awarded the e-Visit Adoption award by Canada Health Infoway as a recognition for driving the adoption of e-visits faster than any other offering across the country in late 2014.

Further reinforcing the QHR offerings are the proven strengths of the Company’s data conversion solutions, specifically related to transitioning new clients to the Accuro[®] platform either from competitive takeaways, through acquisitions, or clients new to EMRs. QHR has selectively acquired legacy-based EMR and practice management systems that add to the Company’s recurring revenue stream and increases its customer base by converting these clients to QHR’s more advanced Accuro[®] systems. The Company’s proprietary data conversion tools allow clients to upgrade to Accuro[®] without losing their historical patient Personal Health Information (“**PHI**”) data. This provides clients with a safe and practical upgrade path to newer, more cost effective technology. It also helps ensure they will remain on QHR’s EMR platform over the long-term.

Following the successful divestiture of the Company’s Quadrant software in late 2013, for \$20 million in gross proceeds, the Company has focused on a plan to strategically align its core assets and transform itself from what was effectively a “company of companies”, into a focused health innovation firm. By making this shift in strategy and organizational structure, QHR stands to realize greater efficiencies in operations with improved commercialization opportunities and greater potential for scale of the overall business.

2.2 Company Products and Services

With an 11 year track record providing what is now the leading EMR platform in Canada, QHR has a suite of complementary offerings that drive the Company’s growth. The Company’s product development strategy embraces best practices in agile software development methodology, ensuring its technology strategy is well-positioned to manage the rapidly accelerating change in health innovation.

- **EMR:** QHR’s Accuro[®] software enables family physicians, medical specialists, surgeons and other health professionals to manage their patient records, their practice and their clinics with a number of medical software modules. Patient data and clinic administration (billing and scheduling) improve the quality, security and continuity of care provided, thereby empowering Canadian physicians to run a state-of-the-art practice. QHR also offers both on-site and off-site secure cloud-based hosting for the EMR market.
- **Virtual Care:** A global offering with a focus on the US and Canadian markets, QHR’s Medeo virtual care software delivers secure messaging, video conferencing, collaboration, and telemedicine functionality to healthcare providers. Delivered as Software-as-a-Service (“**SaaS**”) through a secure private network, Medeo software can be accessed via desktop browsers, smartphones, and tablets. Available to healthcare providers for a monthly or annual fee, the Medeo SaaS virtual care platform improves the access, efficiency and quality of care provided to patients.

- Professional Services (“PS”): QHR’s PS offerings encompass a combination of implementation, consulting, technology management and transaction processing services that assist healthcare providers, payers and intermediaries to deploy technology and to capture and exchange information related to the delivery of health. QHR’s clients are primarily in the Canadian and US markets and include physicians, hospitals, health plans, insurance brokers and state governments. These services also support health plan enrollment, health insurance eligibility and claims, claim payments, and collaboration between providers, and also can generate commissions for the Company when related to the reselling of partner product offerings.

The majority of QHR’s revenues today come through EMR subscriptions within Canada for the Accuro® product. This recurring revenue line of business represents approximately \$6.2 million on 81.8% of the 2015 first quarter total revenue of \$7.6 million. QHR anticipates that with the official introduction of Medeo into the US Market in April 2015, the capacity of the Company’s core market will be expanded thereby creating geographic diversification of revenue sources.

2.3 Market Opportunity

QHR has over 10,000 Canadian physicians using Accuro® technology’s across the six provinces of BC, Alberta, Saskatchewan, Manitoba, Nova Scotia and Ontario. This represents 18% share of the 55,000 practicing physicians in these six provinces.

The Company believes that it has established itself as a leader in an established Canadian market of over \$350 million. This represents more than 78,000 practicing physicians across the country who could benefit from Accuro®’s EMR technology.

Several factors play a role in the significant expansion of the Company’s addressable and accessible market, including:

- Continued evolution of the Accuro® product to enter provinces in Canada: 22,000 additional clients.
- Expansion of scope of offering to include Medeo Virtual Care (acquired in 2014) as an up-sell to existing clients.
- Expansion of geographic interests to introduce Medeo into the entrenched and growing \$700 million telemedicine industry in the US.
- Increased flexibility of core Accuro® product to achieve product/market fit for the Canadian allied health population (non-MD health professionals): numbering over 350,000, with a reduced product offering at 1/5 to 1/3 the Average Revenue Per User (“ARPU”) of a Physician.

2.4 Growth Strategy

In 2014 QHR embraced the five Strategic Themes of:

- Evolving from a Healthcare IT company to a Healthcare IT and Solutions company.
- Expanding and strengthening the Company’s core physician platform.
- Connecting and delivering technology-based patient engagement solutions that connect healthcare providers and patients.
- Growing through a combination of organic initiatives, partnerships & alliances, and M&A.
- Fostering a culture for clients and employees that is passionate, innovative and agile.

The pursuit of actualizing these themes has the Company to a point of clarity in 2015. QHR is a health innovation company, driven by a clear purpose and a mission that the Company is very well positioned to realize.

Our Purpose: A healthier world through innovative networked technology.

Our Mission: Improving human health by bridging the record of care with innovative tools of care, connected through an ecosystem of software and hardware that empowers providers, patients and payers.

Innovation

QHR is one of few health innovation firms that has had success in servicing the “Three P’s” of healthcare - Patients, Providers, and Payers. The Company has grown its business alongside the growing EMR market over the last decade, but as mandates and policies from regulatory bodies change, new opportunities arise. QHR has had a long-standing belief that Healthcare Providers’ (“HCP”) interaction with technology is growing beyond core EMR, scheduling and billing, to include a wider variety of digital solutions, including but not limited to:

- virtual care (telemedicine enabled via e-visit and secure messaging and file-sharing)
- collaboration with peer groups driven by interoperability throughout health systems
- electronic referrals
- e-prescribing and stronger linkage with pharmacy
- greater patient interaction and patient access to PHI
- “big data” analysis of population health patterns, trends, pathways, and outcomes
- “little data” niche disease-state technologies and analytics tools
- medical device integration
- wearable fitness and nutrition biometrics device integration

QHR believes that by transforming its core technologies into a secure cloud-based integration platform upon which a network business model can be created, that greater value can be created for the Company and for shareholders. Measurably, this will be seen through the ability to deploy technology into client sites with greater efficiency and fewer human resources, resulting in faster growth potential.

QHR already embraces agile development methodology in its product management organization. Notably, Medeo the browser and mobile-based SaaS offering, is on 2-week release cycles. Accuro[®], a much larger code base meeting the needs of at least six different health jurisdictions, is on eight week release cycles. Now the Company is working diligently to begin to expose Application Programming Interfaces (“API”) that would allow QHR’s core products to more easily integrate with one another and with other third-party solutions.

By executing upon an ecosystem strategy, QHR would effectively position its core products as central to the adoption of technology and innovation by the Three P’s. As examples for how this kind of strategy can drive market penetration:

- Selling additional solutions into current EMR users across Canada, including those who are using competitive offerings to Accuro[®];
- Engaging with EMR vendors in the US to provide value-added tools and features such as virtual care with Medeo (saturated EMR market with 78% install base of US Physicians);
- Allowing the innovation and developer communities to build additional tools and feature sets that complement our core offerings, greatly increasing our overall roadmap capacity and enhancing the value offered by the QHR platform;
- Patient-facing tools and services that can drive patient-demand for their HCP to use QHR technologies.

A Networked Business Model for Growth

By reconfiguring the technology strategy for one of growth potential, demands will be placed on the rest of the business to support the necessary go-to-market and support functions. The Company plans to enable this growth through several key initiatives:

Build on existing business development success

QHR has shown the ability to compete and win in the \$350M Canadian EMR market. This has been through a cohesive and winning approach to selling top-down (provincial leadership) and bottom-up (individual doctors and clinics), similar to the successful “land-and-expand” strategies of companies such as Salesforce and ADP.

The Business Development team works in close collaboration with the Marketing, Product Management, and Client Experience teams, to ensure that prospects and clients at all stages of the sales and service pipeline are managed effectively.

A key step the Company intends to make in 2015 is to expand its focus on enterprise clients and prospects. Recent wins within the Ontario Family Health Teams and provincial employment health insurance are evidence of the capability of the team to drive enterprise-level SaaS sales.

The Company will be increasing its sales and marketing efforts in the US to drive Medeo virtual care sales. In addition to partnering with a strategic selection of the hundreds of EMR and EHR vendors in the US marketplace, the Company expects to target organizations that stand to benefit from virtual care technologies, including the 249 Accountable Care Organizations, 4,974 Community Hospitals, 100 Rural Health Organizations, 300 Behavioral Health Organizations, and 243 Health Insurance plans.

With an increasing emphasis towards a network-driven business model, QHR will leverage the fundamental characteristics of a network business - in that the greater the number of nodes on the network, the greater the value to all users to drive more growth.

Key to this strategy will be ensuring cohesion between marketing efforts and the sales team to better understand leads flowing through the system. In 2014, QHR's marketing efforts drove an increase in new leads with interest in the Company's core technologies. Building upon this framework in 2015, the Company plans to revamp the lead management system to better understand the precise sources of leads, the cost of acquiring leads, conversion percentage, and ARPU by source. This type of tracking will ensure better alignment between demand generation and sales efforts, and ensure a more efficient deployment of resources.

By combining lead tracking in one holistic view, rather than managing leads by division, will allow for efficiencies in executing marketing across North America (and the world, where applicable) and ensure harmony of strategy, content and sales execution in these markets.

Optimize Professional Services team to deliver excellence for existing software clients

QHR is already driving a total of approximately \$5.5 million annually through professional services, representing a combination of claims management services, technology implementation/support and training. By combining teams delivering this work across the Canadian and US borders the Company will be better equipped to maximize resource utilization and drive greater revenue-per-head. With growth in the size of the SaaS product business lines, QHR will look to incrementally expand the services team and strategically add expertise as the client base grows.

Continue to evolve product features to stay ahead of market and retain leadership position.

A hallmark of the company has been its continued capacity to introduce advancements and improvements to core technologies. Notably, Accuro[®] EMR has continued to meet and exceed the requirements of the Canadian EMR market, as defined by Health Canada and provincial regulatory agencies. This same level of product leadership will continue with the evolving and expanding product lineup.

Additionally, the evolution of future feature sets will also be managed in conjunction with the consideration of strategic investment into external opportunities. Once the core platform is enabled for third-party integration, QHR would embrace an assessment strategy of "Build, Buy, or Broker" for any new product feature set.

- Build: As the Company has shown throughout its history, the product management team is able to develop tools that meet with high levels of satisfaction by the Three P's.
- Buy: Strategic decisions to bring in third-party technologies either through acquisition or strategic investment.
- Broker: Support, or possibly configure specific integration points, for existing systems and solutions that we feel will add to the Company's network business model objectives.

In summary, the company is streamlining its overall go-to-market operations to align with its focus as a health innovation firm, enabling health systems and providers with a range of technologies. Access to new large markets and the ability to drive greater ARPU will drive QHR's growth.

2.5 Business Model

In general, revenues are generated by QHR in one of two ways:

- Software subscription revenue, commonly referred to as Monthly Recurring Revenue (“**MRR**”) or Annualized Recurring Revenue (“**ARR**”)
- Services fees, commonly described as One-Time Fees (“**OTF**”) and the sales of partner products.

Software Revenue Model

The Accuro[®] EMR and Medeo software is sold on the basis of a monthly subscription agreement (constituting any licenses or services entailed), with monthly recurring revenues dependent upon the number of physicians and other health professionals using the software. The monthly fee is a blended payment for the use of the software, on-going enhancements and technical support. QHR recognizes the related revenue on a monthly basis. Revenue from any services or OTF to cover the cost of training and implementation are recognized when the services are provided and completed. Clients continue paying the monthly license and service fee for as long as they use the software. Once installed, clients are reluctant to change systems due to the quality of the Accuro[®] software, the costs associated with and investment in staff training and the challenges associated with converting historic patient data to other systems.

QHR charges clients of acquired legacy EMR and patient management systems a recurring monthly or annual fee for software maintenance and support.

From time-to-time, customers may make annual subscriptions, maintenance or support payments in advance. The Company records these payments as deferred revenue on the balance sheet, until earned.

The Company provides data hosting, data storage services and application hosting, off-site data storage and business continuation services. Clients are charged an initial fee for implementation and set-up followed by a monthly recurring subscription fee for maintenance and support of the hosting solution. From time-to-time, QHR may resell hardware in conjunction with its EMR software implementation to facilitate customer requirements. Revenue from these services and the associated hardware sales is recognized as they are delivered. The Company also provides maintenance and other recurring services, including customer support and software updates which are renewable at the option of the customer.

Professional Services Revenue Model

In addition to OTF generated by implementation, training, or other forms of consulting, QHR’s revenue is derived from fees collected for processing claims, determining eligibility, setting up records and producing patient statements. The Company recognizes revenue when it provides the services. Subject to contract or similar arrangements being in place, the amounts being readily determinable and collection reasonably assured.

For software arrangements where the Company is obligated to perform professional services, such as installation, training and consulting, QHR considers delivery to have occurred when no significant obligations remain. Generally, this would occur when substantially all service work has been completed in accordance with the terms and conditions of the agreement with the customer.

3.0 BUSINESS COMBINATION

Acquisition of Medeo Corporation

On November 24, 2014, QHR Technologies Inc. concluded the acquisition of all the shares outstanding of Medeo Corporation (“**Medeo**”), a Vancouver based virtual care technology company.

The acquisition of Medeo was considered strategically important to enhance the Company's core EMR platform. The key technology acquired include a secure communications and collaboration technology licensed by health providers to deliver virtual care to their patients through a software as a service ("SaaS") model. Services include private video visits, secure messaging & file sharing, e-charging, digital device integration and other virtual care tools.

The identified assets, liabilities and purchase price noted below are a result of management's best estimates and assumptions after taking into account all relevant information available. The Company conducted studies and analysis of the acquired assets and liabilities to arrive at the final purchase price allocation below.

The fair value of the identifiable assets and liabilities of Medeo as at November 24, 2014, are as follows:

	Fair value recognized on acquisition
Assets	
Cash	\$ 27,316
Accounts receivable	23,414
Prepaid expenses	44,658
Capital assets, net	214,586
Intangible assets – Software	1,704,475
Deferred tax asset	876,540
Total assets	2,890,989
Liabilities	
Accounts payable and accrued liabilities	240,184
Deferred revenue	27,456
Total liabilities	267,640
Total identifiable net assets	2,623,349
Goodwill on acquisition	681,503
Purchase consideration transferred	\$ 3,304,852
Fair value of QHR Corporation common shares	\$ 1,054,852
Cash	2,250,000
Total purchase consideration	\$ 3,304,852

The Company paid cash consideration of \$2,250,000 and 1,000,000 common shares in QHR Corporation (with 10% of the cash consideration and common shares held in escrow for one year) with a value of approximately \$1.28 per common share (\$1.15 per share, discounted to Fair Market Value) for a total of \$1,054,852.

Goodwill represents the expected operational synergies with the acquiree including intangible assets that do not qualify for separate recognition. Goodwill arising on the acquisition of Medeo is not deductible for tax purposes.

The Company applied estimates and assumptions in accounting for the acquisition of Medeo relating to the allocation of the purchase consideration and valuation of identifiable intangible assets. The software is recorded as an intangible asset and is being amortized over a period of 7 years.

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

4.0 FINANCIAL REVIEW

4.1 Non-IFRS Measures

Management uses a non-IFRS measure of EBITDA and Adjusted EBITDA as supplemental measures to evaluate the performance of the Company. EBITDA is defined as earnings before income tax expense, financing costs, depreciation, amortization and stock-based compensation. Adjusted EBITDA is defined as EBITDA adjusted for acquisition, transition and integration costs and other expenses that do not impact core operating performance.

Management believes that EBITDA and Adjusted EBITDA provides important measures of the Company's operating performance because they allow management, investors and others to evaluate and compare the Company's core operating results, including its return on capital and operating efficiencies, from period to period by removing the impact of its capital structure (interest expense), asset base (depreciation and amortization), tax consequences, other non-core operating items (acquisition costs) and other non-free cash items. Both EBITDA and Adjusted EBITDA do not have any standardized meaning prescribed by IFRS, other companies may calculate these non-IFRS measures differently, and therefore our EBITDA and Adjusted EBITDA may not be comparable to a similar titled measure by other companies. Accordingly, investors are cautioned not to place undue reliance on them and are also urged to read all IFRS accounting disclosures presented in the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2015.

Management determined that Adjusted EBITA provides additional transparency with respect to costs that are not related to the normal operations of the Company. These are acquisition, transition and integration costs incurred for the execution of significant projects. As these costs can become large, management believes that disclosure of such costs provides additional clarity of the true operating performance of the Company.

4.2 Results of Operations

Three months ended March 31	2015	2014	\$ Change	% Change
Revenues	\$ 7,578,411	\$ 6,888,073	\$ 690,338	10.0%
Cost of goods sold	738,587	654,755	83,832	12.8%
Service costs	1,921,364	1,621,078	300,286	18.5%
Research and development	900,738	687,721	213,017	31.0%
Sales and Marketing	1,282,707	1,227,813	54,894	4.5%
General and administrative	2,910,110	1,815,828	1,094,282	60.3%
Operating expenses	7,753,506	6,007,195	1,746,311	29.1%
EBITDA ⁽¹⁾	\$ (175,095)	\$ 880,878	\$ (1,055,973)	>100%
Adjusted EBITDA ⁽¹⁾	\$ 716,143	\$ 1,040,877	\$ (324,734)	31.2%

⁽¹⁾ EBITDA and Adjusted EBITDA is a Non-IFRS Measures. See Section 4.1 "Non-IFRS Measure".

EBITDA for the three months ended March 31, 2015, decreased to \$(175,095), compared to \$880,878 for the same period last year, reflecting CEO transition costs, as well as other non-normalized expenses.

4.3 First quarter financial information

Q1 2015, continuing operations financial information is as follows:

- The Company on a consolidated basis recorded record revenue of \$7,578,411 an increase of \$690,338 or 10.0% over the \$6,888,073 in revenue recorded in the first quarter of 2014.
- Consolidated recurring revenue for Q1 of 2015 was 81.8% of total revenue, which compares to 76.6% for Q1 of 2014 and 79.1% for Q4 of 2014.

- Adjusted EBITDA⁽¹⁾ for the quarter was \$716,143, down from \$1,040,877 for the same quarter last year. This decrease in adjusted EBITDA⁽¹⁾ is due to operating cost increases associated with the recent addition of the virtual care product. Adjustments to EBITDA⁽¹⁾ of \$891,238 included payments of \$714,784 in relation to the CEO Retirement Agreement and related Professional fees as well as \$176,454 for restructuring and CEO succession search fees.

Revenues

The Company recorded revenue of \$7,578,411 for the three months ended March 31, 2015, compared to \$6,888,073 for the three months ended March 31, 2014, an increase of 10.0%.

Operating Expenses

Total operating expenses for the three months ended March 31, 2015, were \$7,753,506 compared to \$6,007,195 for the same period in 2014, an increase of 29.1%. This increase relates to Medeo integration costs as well as CEO retirement costs.

Quarterly financial data from continuing operations	Mar 31	Three months ended		
		Jun 30	Sept 30	Dec 31
2015				
Revenue	\$ 7,578,411			
EBITDA	(175,095)			
Adjusted EBITDA	716,143			
Net loss	(801,280)			
Comprehensive income (loss)	(527,449)			
Net earnings per share – basic	(0.02)			
Net earnings per share – diluted	(0.02)			
Weighted average common shares outstanding				
Basic	48,892,751			
Diluted	50,580,807			
2014				
Revenue	\$ 6,888,073	\$ 6,893,882	\$ 6,991,419	\$ 7,217,729
EBITDA	880,878	636,863	821,694	(886,909)
Adjusted EBITDA	1,040,877	830,364	1,011,193	20,029
Net earnings (loss)	96,433	65,687	60,635	(1,803,469)
Comprehensive income (loss)	185,817	(15,702)	196,229	(1,226,280)
Net earnings per share – basic	0.00	0.00	0.00	(0.02)
Net earnings per share – diluted	0.00	0.00	0.00	(0.02)
Weighted average common shares outstanding				
Basic	48,211,722	48,508,527	48,679,462	48,544,706
Diluted	50,090,314	49,897,403	50,185,523	50,177,427
2013				
Revenue	\$ 5,852,925	\$ 5,716,017	\$ 5,993,088	\$ 6,091,348
EBITDA	904,438	510,204	595,610	(236,411)
Adjusted EBITDA	904,438	510,204	595,610	190,129
Net loss	163,734	(233,302)	(258,798)	(1,346,341)
Comprehensive (loss) income	197,125	(171,582)	(303,136)	(1,315,483)
Net earnings per share – basic	0.00	0.00	(0.01)	(0.03)
Net earnings per share – diluted	0.00	0.00	0.00	(0.03)
Weighted average common shares outstanding				
Basic	47,466,087	47,770,976	47,946,132	47,788,388
Diluted	47,721,847	47,925,693	48,249,048	48,099,791

Certain prior period quarterly amounts have been restated to conform to the financial statement presentation adopted for the current period.

On a consolidated basis, 81.8% of the revenue (approximately \$6.2 million quarterly and \$24.8 million annually) is derived from recurring revenues (December 31, 2014 – 79.1%). The Company's quarterly results have historically been less volatile as recurring revenues provide a consistent revenue stream.

Economic Outlook and Company Strategy

Healthcare is a steady and growing marketplace. New client contracts secured during 2014 indicate continued growth opportunities for the Company.

- Total Canadian healthcare spending is expected to reach approximately \$195 billion in 2015. The healthcare sector continues to grow based on demographic changes in Canada and represents approximately 11.7% of Canadian GDP;
- The Company's customers, being physicians' offices, clinics, health agencies, hospitals and long-term care facilities are not usually impacted by the business cycle;
- The Company's products, such as billing, patient scheduling and electronic medical records, are mission critical to the running of its customers' enterprises;
- Federal and Provincial Governments continue to make investments in information technology infrastructure thereby creating more demand for the Company's products.

Management remains focused on implementing a business model which will serve to (i) add recurring revenue streams (ii) broaden the Company's portfolio of products and services, and (iii) geographically diversify the customer base.

QHR expects to achieve continued growth over the next year based on its market position and strong organic growth along with the addition of selling complementary products to its existing customer base. The Company enjoys strong cash flow due to its recurring revenue model and will continue to invest in product development as well as continue to evaluate strategic acquisitions. The Company is well capitalized to support operational growth and fund acquisitions.

4.4 Liquidity and Financial Condition

	March 31, 2015	December 31, 2014
Cash	\$ 9,920,002	\$ 12,168,522
Working capital ⁽¹⁾	11,690,533	11,981,555
Shareholders' equity	27,992,858	28,274,887

(1) The Company uses working capital changes as a supplemental non-IFRS financial measure in its evaluation of liquidity. Management believes monitoring working capital items assists in assessing the efficiency of allocation of short term financial resources. Working Capital is calculated by subtracting current liabilities (excluding deferred revenue) from current assets.

The Company ended the period with cash on hand of \$9,920,002 compared to \$12,168,522 in 2014. The Company had positive working capital of \$11,690,533 at March 31, 2015, a decrease of \$291,022 from December 31, 2014.

Operating Activities

For the three months ended March 31, 2015, operating activities resulted in net cash outflows of \$2,115,180 compared to net cash outflows of \$944,026 for the same period in 2014. The variance between the cash inflows is driven by payments related to the CEO retirement agreement and also due to an increase in accounts receivable and a reduction in accounts payable.

Investing Activities

For the three months ended March 31, 2015, the Company had net cash outflows from investing activities of \$177,911 compared to \$109,807 in 2014.

Financing Activities

For the three months ended March 31, 2015, the Company had net financing outflows of \$6,525 compared to inflows of \$148,129 for the same period in 2014.

4.5 Capital Resources

Our capital resources as at March 31, 2015, consisted of cash in the amount of \$9,920,002. The Company plans to continue funding cash requirements through operations. If required, the Company has credit facilities in place that can be drawn upon as follows:

Operating Line of Credit

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 account receivable. The operating line of credit is payable upon demand by the Bank. The Company had \$Nil outstanding on its operating line at March 31, 2015, (December 31, 2014 - \$Nil). The interest rate is at the Bank’s prime rate plus 0.6% per annum. At March 31, 2015, the effective rate on this loan was 3.60% (December 31, 2014 – 3.60%).

4.6 Contractual Obligations

The Company’s known contractual obligations at March 31, 2015, are quantified in the following table:

March 31, 2015	Less than 1 year	1 to 5 years	Total
Capital lease obligations (including interest)	\$ 456,070	\$ 163,581	\$ 619,651
Operating office leases	387,968	456,237	844,205
Total	\$ 844,038	\$ 619,818	\$ 1,463,856

4.7 Issued Capital

- a) Authorized
 - Unlimited common shares without par value
 - Unlimited Class “A” Preference shares
- b) Issued

Common shares issued and outstanding	Number of shares	Amount
December 31, 2013	47,968,162	\$ 19,475,841
Share issuance, acquisition of Medeo	1,000,000	1,054,852
Shares repurchased and cancelled	(48,500)	(56,260)
Options exercised	826,125	786,607
December 31, 2014	49,745,787	21,261,040
Options exercised	200,000	241,364
March 31, 2015	49,945,787	\$ 21,502,404

5.0 OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2015, and May 27, 2015, the Company did not have any off balance sheet arrangements.

6.0 RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2015, and 2014 the Company paid compensation to key management personnel and the amounts are recognized as an expense during the reporting period.

7.0 FINANCIAL INSTRUMENTS AND RISK EXPOSURES

Fair Value Measurement

The Company's current financial assets include cash and receivables. The Company's financial liabilities include accounts payable and accrued liabilities, promissory notes payable, capital lease obligations and long-term debt.

The Company has classified its cash, and receivables as loans and receivables, measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities, promissory notes payable, capital lease obligations and long term debt are classified as other financial liabilities, measured at amortized cost using the effective interest rate method.

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.

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. It is not unusual that government funded contracts can take longer than 90 days to be paid and any such delays reduce cash balances as they occur. Pursuant to their respective terms, net accounts receivable were aged as follows as at March 31, 2015 and December 31, 2014:

Trade receivables	March 31, 2015	December 31, 2014
Current	\$ 1,934,583	\$ 1,573,086
31-60 days	649,202	295,842
61-90 days	427,597	95,039
Greater than 90 days	1,087,864	1,135,956
Allowance for doubtful accounts	(234,767)	(215,265)
Total	\$ 3,864,479	\$ 2,884,658

Allowance for doubtful accounts	March 31, 2015	December 31, 2014
Opening	\$ (215,265)	\$ (480,300)
Allowance	(36,270)	(204,307)
Recovery	16,768	469,342
Total	\$ (234,767)	\$ (215,265)

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 March 31, 2015, the Company had cash of \$9,920,002, trade accounts and other receivables of \$3,864,479 for a total of \$13,784,481. The Company had short-term financial obligations from accounts payable and accrued liabilities of \$2,820,003, promissory note payable of \$83,495, current capital lease obligations of \$422,131 which total \$3,325,629. 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.

March 31, 2015	Less than 1 year	1 to 3 years	Total
Accounts payable and accrued liabilities	\$ 2,820,003	\$ -	\$ 2,820,003
Promissory notes payable	83,495	-	83,495
Capital lease obligations (including interest)	456,070	163,581	619,651
Total	\$ 3,359,568	\$ 163,581	\$ 3,523,149

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. As at March 31, 2015, approximately 9.5% (March 31, 2014 – 10.0%) of revenue is transacted in US dollars and the Company is exposed to foreign exchange risk thereon.

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. A 1% appreciation (depreciation) in the United States dollar relative to the Canadian dollar would result in a gain (loss) of approximately \$7,194 (March 31, 2014 - \$6,888).

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 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%
March 31, 2015	\$ 99,200	\$ (99,200)
December 31, 2014	\$ 121,685	\$ (121,685)

8.0 CRITICAL ACCOUNTING ESTIMATES

8.1 Significant Management Judgment

The following are significant management judgments 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 judgment. 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 judgment 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.

8.2 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 is 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 judgment 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.

Share-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 share-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 share 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.

8.3 Accounting Policies

Business Combinations and Goodwill

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3, *Business Combinations* and IAS 27, *Consolidated and Separate Financial Statements* in accordance with the IFRS 1, *Fourth-time Adoption of International Financial Reporting Standards exemption*.

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 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 and Comprehensive Income.

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

Share-based Compensation

The Company grants stock options to buy common shares of the Company to directors, senior officers, certain employees and service providers pursuant to an incentive share option plan. 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 share options expected to eventually vest.

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, an increase in the allowance may be made.

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 and Comprehensive Income.

The assets with indefinite useful lives are not amortized, but are tested for impairment annually at the cash generating unit ("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 and Comprehensive Income 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
Contract development	3 years
Customer relationships	1- 10 years
Acquired technology	3 - 7 years
Software	3 years

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 to sell 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 and Comprehensive Income.

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 and Comprehensive Income. 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 cash generating unit 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 cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Revenue Recognition

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 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.

In Canada, the Company also derives 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 are 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 is recognized after the completion of the initial warranty period. Professional services to implement the software are recognized as services are rendered and annual maintenance and customer support revenue is paid in advance and recognized on a straight-line basis throughout the year.

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

Income Taxes

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

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 taxes payable with regard to previous periods.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position 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 and comprehensive income.

9.0 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.

The Company is a defendant in a claim from November, 2010, relating to a dispute arising from the Company's acquisition of Clinicare Corporation. Management believes the claim is without merit and has responded with a statement of defense and a counter claim for damages. The foundation of the dispute relates to a hold back that the Company made on disbursements of proceeds based on specific commercial attributes not being evident upon closing which were represented by the vendor. Accordingly, the Company is confident that there will be no material impact arising from this litigation.

10.0 BUSINESS RISKS AND UNCERTAINTIES

Investors should carefully consider the risks and uncertainties described in its unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 before making an investment decision. If any of the risks actually occur, our business, financial condition or operating results could be materially harmed. This could cause the trading price of our common shares to decline, and you may lose all or part of your investment.

10.1 Risks Associated with Financial Results

Our inability to generate sufficient cash flows from our operations may affect our ability to continue as a going concern. Our consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and the settlement of liabilities in the normal course of operations. The application of the going concern basis is dependent upon us having sufficient available cash resources and achieving profitable operations to generate sufficient cash flows to fund continued operations. Should we fail to generate sufficient cash flows from operations, we will require additional financing to remain a going concern.

Our inability to accurately forecast our results from quarter-to-quarter may affect our cash resources and result in wide fluctuations in the market price of our stock. Our operating results have varied on a quarterly basis in the past and may fluctuate significantly in the future as a result of a variety of factors, many of which are described below. Due to these and other factors, most of which are outside of our control, our quarterly revenues and operating results are difficult to forecast. As a result, we may not be able to accurately predict our necessary cash expenditures during each quarter or obtain financing in a timely manner to cover any shortfalls. We also believe that period-to-period comparisons of our operating results may not be meaningful and one should not rely on any such comparisons as an indication of our future performance.

10.2 Risks Associated with Business and Operations

Our exposure to business and operation risks includes but is not limited to the following:

We recognize the threats posed by operating in an uncertain global economic environment. The uncertain global economy and financial markets continue to limit overall visibility to end markets. This uncertainty may continue to impact our industry, resulting in lower demand for some of our products. This environment can pose significant risk to our business by impacting demand for our customers' products, the financial condition of our customers or suppliers, as well as the level of customer consolidations. A deterioration in economic environment may accelerate the effect of the various risk factors described in this MD&A, as well as result in other unforeseen events that will impact our business and financial condition.

To succeed, we must be able to control spending and prudently allocate financial resources to optimize value. To drive sales, our products must meet the needs of existing and potential customers and be competitively priced; additional judgment will need to be exercised if the granting of credit to customers is required to close the transaction. In view of the current difficulty, both in obtaining credit and accessing the capital markets, stewardship of cash continues to be critical to our success.

We cannot be sure we will be able to identify market trends, enhance our existing technologies or develop new technologies in order to effectively compete in the EMR industry. To succeed, we must be able to enhance our existing technologies and develop new technologies and products to meet market requirements. To drive sales, our products must meet the needs of existing and potential customers and be competitively priced. Additionally, there must be sufficient interest in and demand for our products. If we do not develop these new technologies and products in a timely and cost effective manner, or if others develop new technologies ahead of us, we may not achieve profitability in the EMR industry and may not be able to participate in selling these new technologies or products.

We depend on key employees and we cannot be sure that we will be able to keep these employees or hire and train replacements. Our success depends on the skills, experience and performance of our senior management and other key personnel. While we offer competitive compensation packages and stock options to attract key employees, we do not carry key person insurance on these employees. Highly skilled technical employees and management in the communications industry are in demand and the market for such persons is highly competitive. We cannot be sure that we will be able to retain these employees or hire replacements. If we do not successfully retain the key personnel or hire and train replacements, we will be unable to develop the new products and technologies necessary to compete in our markets or to effectively manage our business.

We may encounter difficulties completing or integrating our acquisitions which could adversely affect our operating results. We expect to expand our presence in new end-markets or expand our capabilities, some of which may occur through acquisitions. These transactions may involve acquisitions of entire companies and/or acquisitions of selected assets of companies. Potential difficulties related to our acquisitions include:

- integrating acquired operations, systems and businesses;
- retaining customer, supplier, employee or other business relationships of acquired operations;
- addressing unforeseen liabilities of acquired businesses;
- limited experience with new technologies; and
- not achieving anticipated business volumes.

Any of these factors could prevent us from realizing the anticipated benefits of an acquisition, including additional revenue, operational synergies and economies of scale. Our failure to realize the anticipated benefits of acquisitions could adversely affect our business and operating results. Our failure to support the carrying value of goodwill and intangible assets in periods subsequent to the acquisitions could require write-downs that adversely affect our operating results.

Mergers or other strategic transactions by competitors could weaken our competitive position or reduce our revenue. If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. Our competitors may also establish or strengthen co-operative relationships with existing or prospective clients, thereby limiting our ability to promote our products and services. Disruptions in our business caused by these events could reduce our competitiveness and ultimately our revenue.