



**British Columbia  
Securities Commission**

**QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F (previously Form 61)**

**Freedom of Information and Protection of Privacy Act:** The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

  X   Schedule A

           Schedule B  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
<b>QHR TECHNOLOGIES INC</b>	<b>March 31, 2002</b>	<b>02/05/30</b>

ISSUER'S ADDRESS **1708 Dolphin Avenue, 4<sup>th</sup> Floor**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
<b>Kelowna</b>	<b>BC</b>	<b>V1Y 9S4</b>	<b>(250) 717-5266</b>	<b>(250) 763-3122</b>

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
<b>Dave Goertz</b>	<b>Director</b>	<b>(250) 763-3122</b>

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
<b>dgoertz@quadranthr.com</b>	<b>quadranthr.com</b>

**CERTIFICATE**

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

<b>"Al Hildebrandt"</b>	<b>AL HILDEBRANDT</b>	<b>02/05/30</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

<b>"Dave Goertz"</b>	<b>DAVE GOERTZ</b>	<b>02/05/30</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

**QHR TECHNOLOGIES INC.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2002

(Unaudited – See Notice to Reader)

TERRY AMISANO LTD.  
KEVIN HANSON, C.A.

AMISANO HANSON  
CHARTERED ACCOUNTANTS

### NOTICE TO READER

We have compiled the interim consolidated balance sheet of QHR Technologies Inc. as at March 31, 2002 and the interim consolidated statements of operations and deficit and cash flows for the three months then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, Canada  
May 28, 2002

“AMISANO HANSON”  
Chartered Accountants

**QHR TECHNOLOGIES INC.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
 March 31, 2002 and December 31, 2001  
 (Unaudited – See Notice to Reader)

	(Unaudited) March 31, <u>2002</u>	(Audited) December 31, <u>2001</u>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 114,953	\$ 21,898
Accounts receivable	301,938	167,601
Prepaid expenses	6,448	-
	<hr/>	<hr/>
	423,339	189,499
Capital assets	46,227	51,481
Goodwill	37,500	74,994
	<hr/>	<hr/>
	\$ 507,066	\$ 315,974
	<hr/> <hr/>	<hr/> <hr/>
<b><u>LIABILITIES</u></b>		
Current		
Bank loan payable	\$ 29,914	\$ 45,000
Accounts payable – Note 3	710,173	656,259
Promissory note payable	39,060	78,875
Due to related parties – Note 3	178,708	166,948
Deferred revenue	523,865	375,024
	<hr/>	<hr/>
	1,481,720	1,322,106
Convertible debenture – Note 4	100,000	-
	<hr/>	<hr/>
	1,581,720	1,322,106
	<hr/> <hr/>	<hr/> <hr/>
<b><u>SHAREHOLDERS' DEFICIENCY</u></b>		
Share capital – Note 5	3,572,634	3,572,634
Contributed surplus	11	11
Deficit	( 4,647,299)	( 4,578,777)
	<hr/>	<hr/>
	( 1,074,654)	( 1,006,132)
	<hr/>	<hr/>
	\$ 507,066	\$ 315,974
	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES

**QHR TECHNOLOGIES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
for the three months ended March 31, 2002 and 2001  
(Unaudited – See Notice to Reader)

	<u>2002</u>	<u>2001</u>
Revenue		
Software license fees	\$ 196,612	\$ -
Software services – Note 3	181,072	135,654
Consulting services and other	41,016	24,063
	<u>418,700</u>	<u>159,717</u>
Operating Expenses		
Sales and marketing – Schedule 1	68,830	33,950
Service delivery – Schedule 2	117,661	97,341
Administrative expenses – Schedule 3	121,583	98,797
Product management and development – Schedule 4	141,654	320,520
	<u>449,728</u>	<u>550,608</u>
Loss for the period before other item	( 31,028)	( 390,891)
Other item:		
Write-down of acquisition goodwill	( 37,494)	( 37,495)
Net loss for the period	( 68,522)	( 428,386)
Deficit, beginning of the period	( 4,578,777)	( 3,491,697)
Deficit, end of the period	<u>\$ ( 4,647,299)</u>	<u>\$ ( 3,920,083)</u>
Basic and diluted loss per share before write-down of acquisition goodwill	\$ -	\$ ( 0.03)
Basic and diluted loss per share	<u>\$ ( 0.01)</u>	<u>\$ ( 0.04)</u>

SEE ACCOMPANYING NOTES

**QHR TECHNOLOGIES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
for the three months ended March 31, 2002 and 2001  
(Unaudited – See Notice to Reader)

	<u>2002</u>	<u>2001</u>
Operating Activities		
Net loss for the period	\$ ( 68,522)	\$ ( 428,386)
Charge to income not affecting cash:		
Amortization of capital assets	6,214	12,058
Write-down of goodwill	37,494	37,495
	<hr/>	<hr/>
	( 24,814)	( 378,833)
Changes in non-cash working capital items related to operations:		
Accounts receivable	( 134,337)	( 97,580)
Prepaid expenses	( 6,448)	8,709
Accounts payable	53,914	35,392
	<hr/>	<hr/>
	( 111,685)	( 432,312)
Investing Activity		
Acquisition of capital assets	( 960)	-
	<hr/>	<hr/>
Financing Activities		
Bank loan repayment	( 15,086)	( 18,750)
Promissory note repayment	( 39,815)	-
Advance from related parties	11,760	318,169
Increase in deferred revenue	148,841	133,186
Proceeds from issuance of convertible debenture	100,000	-
	<hr/>	<hr/>
	205,700	432,605
	<hr/>	<hr/>
Increase in cash during the period	93,055	293
Cash (cash deficiency), beginning of the period	21,898	( 83,193)
	<hr/>	<hr/>
Cash (cash deficiency), end of the period	\$ 114,953	\$ ( 82,900)
	<hr/> <hr/>	<hr/> <hr/>
Cash (cash deficiency) is comprised of:		
Cash	\$ 114,953	\$ 7,100
Bank indebtedness	-	( 90,000)
	<hr/>	<hr/>
	\$ 114,953	\$ ( 82,900)
	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES

**QHR TECHNOLOGIES INC.**  
for the three months ended March 31, 2002 and 2001  
(Unaudited – See Notice to Reader)

	<u>2002</u>	<u>2001</u>
Schedule 1 – SALES AND MARKETING		
Amortization	\$ 841	\$ 306
Consulting fees	-	701
Office and miscellaneous	2,420	1,834
Product promotion	833	3,610
Rent	1,780	1,458
Travel	12,522	3,948
Wages and benefits	50,434	22,093
	<u>\$ 68,830</u>	<u>\$ 33,950</u>

Schedule 2 – SERVICE DELIVERY

Amortization	\$ 1,309	\$ 1,336
Office and miscellaneous	1,508	9,865
Rent	7,120	5,554
Staff training and recruitment	122	-
Travel	24,386	12,631
Wages and benefits	83,216	67,955
	<u>\$ 117,661</u>	<u>\$ 97,341</u>

Schedule 3 – ADMINISTRATIVE EXPENSES

Accounting and audit fees	\$ -	\$ 3,237
Amortization	1,454	3,368
Consulting fees – Note 3	10,774	38,971
Interest and bank charges	7,342	4,514
Legal fees	29	5,019
Management fees – Note 3	63,000	16,694
Office and miscellaneous	27,923	4,182
Rent	3,560	2,112
Travel	595	1,232
Transfer agent fees	3,383	720
Wages and benefits – Note 3	3,523	18,748
	<u>\$ 121,583</u>	<u>\$ 98,797</u>

.../Cont'd.

**QHR TECHNOLOGIES INC.**  
for the three months ended March 31, 2002 and 2001  
(Unaudited – See Notice to Reader)

Continued

	<u>2002</u>	<u>2001</u>
Schedule 4 – PRODUCT MANAGEMENT AND DEVELOPMENT		
Amortization	\$ 2,610	\$ 7,048
Office and miscellaneous	129	24,680
Rent	5,340	11,991
Staff training and recruitment (recovery)	921	( 1,267)
Travel	435	19,151
Wages and benefits	132,219	258,917
	<hr/>	<hr/>
	\$ 141,654	\$ 320,520
	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES

**QHR TECHNOLOGIES INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 March 31, 2002  
 (Unaudited – See Notice to Reader)

Note 1 Interim Reporting

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies and methods of their application as the Company's most recent annual financial statements, except as noted in Note 2. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual financial statements for the year ended December 31, 2001. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Note 2 Significant Accounting Policy

Principles of Consolidation

These consolidated financial statements include the accounts of QHR Technologies Inc. and its wholly-owned subsidiary New Horizon Technologies Inc., a company incorporated under the laws of the Province of British Columbia. All significant inter-company transactions and balances have been eliminated.

Changes in Accounting Policy

Effective January 1, 2002, the Company prospectively adopted the new recommendations of the CICA relating to goodwill and other intangible assets. Accordingly, the Company ceased amortization of goodwill on January 1, 2002 and now tests for impairment.

Note 3 Related Party Transactions – Note 4

During three months ended March 31, 2002 and 2001, the Company charged the following revenues to companies related by virtue of common directors:

	<u>2002</u>	<u>2001</u>
Software services	\$ 783	\$ 750
	<u>          </u>	<u>          </u>

During the three months ended March 31, 2002, and 2001, the Company incurred the following expenses charged by directors, officers and private companies with common directors with the Company and a significant shareholder:

	<u>2002</u>	<u>2001</u>
Consulting	\$ 6,000	\$ 24,000
Management fees	43,500	16,694
Wages and benefits – administrative expenses	-	18,450
	<u>          </u>	<u>          </u>
	\$ 49,500	\$ 59,144
	<u>          </u>	<u>          </u>

These revenues and expenses were measured by the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

Note 3 Related Party Transactions – Note 4 – (cont'd)

Included in accounts payable at March 31, 2002 is \$27,202 (December 31, 2001: \$23,066) owing to directors and officers of the Company.

Due to related parties at March 31, 2002, in the amount of \$178,708 (December 31, 2001: \$166,948) are amounts owing to companies with common directors and shareholders with respect to unpaid advances, fees and expenses. These amounts are unsecured, non-interest bearing with no specific terms for repayment.

Note 4 Convertible Debentures

The Company issued a convertible debenture for \$100,000 to a director of the Company. The debenture bears interest at 7% per annum, is unsecured and is due on March 31, 2004. The lender may convert all or a portion of the principal into common shares of the Company as follows:

- (a) \$0.25 per share within 180 days of issuance;
- (b) \$0.75 per share for 181 – 365 days of issuance; and
- (c) \$1.00 per share within the second year of the debenture.

This transaction is subject to regulatory approval.

Note 5 Share Capital – Notes 3 and 7

a) Authorized:

100,000,000 Common shares without par value

b) Issued:

	<u>Number</u>	<u>\$</u>
Balance, March 31, 2002 and December 31, 2001	12,950,759	3,572,634

c) Escrow:

At March 31, 2002, 6,273,000 shares are held in escrow by the Company's transfer agent. The release of these shares is subject to the direction of the relevant regulatory authorities.

d) Commitments:

Stock-based Compensation Plan

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant.

Note 5 Share Capital – Notes 3 and 7

d) Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the status of the stock option plan as of March 31, 2002 and March 31, 2001 and changes during the periods ending on those dates is presented below:

	<u>March 31, 2002</u>		<u>March 31, 2001</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of period	976,700	\$1.05	1,032,600	\$1.05
Granted	-	-	-	-
Exercised	-	-	-	-
Options outstanding and exercisable at end of period	<u>976,700</u>	<u>\$1.05</u>	<u>1,032,600</u>	<u>\$1.05</u>

At March 31, 2002, the Company had 976,700 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
100,000	\$1.50	September 23, 2002
876,700	\$1.00	June 28, 2005
<u>976,700</u>		

Share Purchase Warrants

At March 31, 2002, the Company had 1,140,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
200,000	\$1.25	April 10, 2002
440,000	\$1.50	May 5, 2002
500,000	\$1.00	October 31, 2002
	or at \$1.25	October 31, 2003
<u>1,140,000</u>		

Note 6 Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current period.

Note 7 Subsequent Events

Subsequent to March 31, 2002:

- i) The Company's wholly-owned subsidiary changed its name to QHR Software Group Inc. effective April 17, 2002.
- ii) Share purchase warrants outstanding at December 31, 2001 for the purchase of a total of 640,000 common shares expired.

Note 8 Segmented Information

The Company's revenue is derived from the following geographic segments:

	<u>2002</u>	<u>2001</u>
Canada		
- Software License Fees	\$ 178,832	\$ -
- Software Services	170,494	135,654
- Consulting Services and Other	41,016	24,063
	<hr/> 390,342	<hr/> 159,717
United States		
- Software License Fees	17,780	-
- Software Services	10,578	-
	<hr/> 28,358	<hr/> -
Total Revenue	<hr/> <hr/> \$ 418,700	<hr/> <hr/> \$ 159,717



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**QUARTERLY AND YEAR END REPORT  
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INCORPORATED AS PART OF:

\_\_\_\_\_ Schedule A

  X   Schedule B  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
<b>QHR TECHNOLOGIES INC</b>	<b>March 31, 2002</b>	<b>02/05/30</b>

ISSUER'S ADDRESS **1708 Dolphin Avenue, 4<sup>th</sup> Floor**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
<b>Kelowna</b>	<b>BC</b>	<b>V1Y 9S4</b>	<b>(250) 717-5266</b>	<b>(250) 763-3122</b>

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
<b>Dave Goertz</b>	<b>Director</b>	<b>(250) 763-3122</b>

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
<b>dgoertz@quadranthr.com</b>	<b>quadranthr.com</b>

**CERTIFICATE**

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

<b>"Al Hildebrandt"</b>	<b>AL HILDEBRANDT</b>	<b>02/05/30</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

<b>"Dave Goertz"</b>	<b>DAVE GOERTZ</b>	<b>02/05/30</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

**QHR TECHNOLOGIES INC.**  
**QUARTERLY REPORT**  
for the three months ended March 31, 2002

- Schedule A: Financial Information  
– See financial statements attached
- Schedule B: Supplementary Information
1. Analysis of expenses and deferred costs:  
– See financial statements attached
  2. Related party transactions:  
– See Note 3 to the financial statements attached
  3. Summary of securities issued and options granted during the period:
    - a) Summary of common shares issued during the period: None
    - b) Summary of options granted during the period: None
  4. Summary of securities as at the end of the reporting period:
    - a) Authorized share capital:  
– See Note 5 to the financial statements attached
    - b) Number and recorded value for shares issued and outstanding:  
– See Note 5 to the financial statements attached
    - c) Options, warrants and convertible securities outstanding:  
– See Note 5 to the financial statements attached
    - d) Number of shares in each class of shares subject to escrow or pooling agreements:  
– See Note 5 to the financial statements attached
  5. List of Directors and Officers: Al Hildebrandt, President, Chief Executive Officer and Director  
Dave Goertz, Director  
Jake Epp, Director  
Tom O’Flaherty, Director  
Kathy Love, Corporate Secretary
- Schedule C: Management Discussion  
– See attached

**QHR TECHNOLOGIES INC.**  
**QUARTERLY REPORT**  
for the three months ended March 31, 2002

Schedule C: Management Discussion

**Overview**

QHR Technologies Inc. (the "Company" or "QHR") is engaged in the business of developing and implementing software products for the management of human resources ("HR") in large and medium sized organizations. QHR operates its business through its wholly owned subsidiary, New Horizon Technologies Inc. ("NHT"). (Subsequent to the quarter-end, NHT changed its name to QHR Software Group Inc. – See Subsequent Events section below.)

NHT is an innovative Western Canadian software company that has developed an enterprise software solution for automating all facets of HR issues in large, complex organizations. NHT is focused on the design, development, marketing and implementation of computer software for HR and payroll management in large enterprises such as health care facilities.

Our HR and payroll software products enable managers to collect, track and utilize employee information from many sources including staff scheduling. This information is available from one central data repository. The product is marketed under the trade name, Quadrant HR (trademarks are pending in Canada and the United States).

A number of companies including ERP vendors market HR and payroll products to many industry segments. NHT has developed a unique marketing opportunity to service customers with complex HR issues including multiple employee positions, multiple employment contracts and multiple operational facilities such as emerging healthcare organizations. Quadrant HR is an effective management tool that provides significant cost efficiencies. The Company will further develop, expand and exploit its products in the healthcare marketplace and focus on new markets such as manufacturing and other industries.

Quadrant HR is designed to automate the current business practice of many HR managers that perform their duties manually or with limited computer support such as general-purpose spreadsheet applications. The wide variety of financial data resulting from the specific HR transactions required to effectively manage HR departments is derived from accurate payroll calculations. Quadrant HR eliminates the practice of recording personnel data several different times in different systems in order to capture the requirements of staff scheduling, human resources and payroll. The software model is designed to provide a reliable single-entry personnel database that is accessible by all managers and will significantly improve the effectiveness and efficiency of the organization's HR management.

The Financial Statements for the three months ending March 31, 2002 for the Company are prepared on a consolidated basis. Management notes that the first generation of Quadrant HR was substantially completed during the fourth quarter of 2001. The costs to date to develop this unique product are approximately \$3,300,000 since inception in 1997. These costs are not reflected on the Balance Sheet of the Company as an asset due to the Generally Accepted Accounting Policies that are currently applicable to the Company. Management believes that the market for QHR products is proving to exist and the expenditures in Quadrant HR will prove to be worthwhile.

## **Products**

The Company's software products are all designed to provide HR managers with useful automation to handle the unique needs of today's complex human resource environment. QHR markets these products under the name Quadrant HR. It is designed to be a powerful management tool and provides software assistance to HR managers for:

- ◆ Payroll processing
- ◆ Compensation planning
- ◆ Performance management
- ◆ Organization/position management
- ◆ Recruitment and selection
- ◆ Central employee database
- ◆ Compliance reporting
- ◆ Employee relations
- ◆ HR planning
- ◆ Direct links to staff scheduling
- ◆ Workflow management
- ◆ Employee training and development

## **Markets**

QHR currently offers Quadrant HR software products in Canada and the United States for healthcare applications. The market for HR services is highly competitive, rapidly evolving and subject to rapid technological change. QHR's market development is indicative of a start-up technology company that is beginning to make the shift from product design and development to marketplace distribution.

It has been essential that Quadrant HR become a reliable best-of-breed software product handling multiple HR processes for its clients. Therefore, the continued investment and expenditures in the product development of Quadrant HR and related services has been necessary. Our competitive advantage has to be that our products can out perform their competition and for our customer service to be the best available in the market.

Target markets that are ideal candidates for Quadrant HR include:

- ◆ Healthcare facilities,
- ◆ Public safety organizations such as fire, police and emergency service departments
- ◆ Hotel, casino and entertainment operations
- ◆ Civil services such as post office and military

One of the main barriers to entry into these markets for QHR is its financial condition and the limited resources at its disposal. QHR is a relatively new company with a good suite of products but must demonstrate to potential customers that we will be able to service any software applications we install. The Company is therefore marketing our products to large integration companies that can offer that assurance to customers.

## **Results of Operations**

QHR and NHT consolidate their operations for the purpose of financial reporting and the financial statements are a continuation of the operations of NHT. The operations of QHR are included in the consolidated financial statements. The Company's year-end is December 31.

Results of operations are not necessarily indicative of results to be expected in future periods. Various trends and factors must be managed in order to achieve revenue growth and profitability. The introduction and market acceptance of Quadrant HR has taken a greater investment of Company resources than management had originally anticipated. The result has been poor financial health, limited access to investment capital due to general market conditions and the size and timing of customer orders has not materialized as projected.

As previously stated, Generally Accepted Accounting Principles, as currently applicable to the Company requires the Company to expense all product development costs in the period they are incurred. QHR has invested in excess of \$3,300,000 in the development of Quadrant HR since this project began and it is not reflected on the balance sheet as an asset. Management believes that Quadrant HR software has found an emerging market niche where revenue volume is growing consistently.

The Company's revenues and expenditures are indicative of a junior organization making the transition from a product development enterprise to a marketing company. Much investment has been required to introduce the Company products to the marketplace and assess customer requirements. Company resources are limited and the rate of customer adoption has been slower than originally anticipated.

The Company for the three months ending March 31, 2002 recorded a loss from operations including write-down of goodwill of \$68,522 compared to \$428,386 for the first quarter of 2001. The loss per share for the period was \$0.01 compared to \$0.04 for the same period last year, an improvement of 400%. This reduction in loss is a direct result of the completion of the first generation of Quadrant HR and an increased adoption rate of the product by customers.

The Company recognized revenues for the three months ending March 31, 2002 of \$418,700 compared to \$159,717 in 2001, an increase of 162% over the previous period.

Deferred revenue reached \$523,865 at quarter-end compared to \$480,985 for 2001, up 9% from the same period last year.

The Company invested \$68,830 in sales and marketing development during the quarter compared to \$33,950 for 2001. This investment was made to establish sales momentum for Quadrant HR in the marketplace. Customer success was initiated due to the expenditures that were made.

Competition for technical personnel in the high-technology industry is intense. We believe that our future success depends in part on our continued ability to hire and retain qualified personnel. It is difficult for a small company such as QHR to recruit and retain personnel because of our size of operation and our limited resources. Therefore, we have had to pay a premium for the personnel we been able to recruit. Our failure to recruit qualified personnel could have a material adverse effect on our business, results of operations and financial condition.

Salaries for the quarter declined to \$269,392 compared to \$367,713 for 2001. This was due to the completion of the first generation of Quadrant HR and a subsequent reduction of staff.

Travel expenditures for customer service, trade shows and market development was \$37,938 compared to \$36,962 for 2001. Many of these costs are associated with the active market introduction of Quadrant HR.

Consulting and management fees for the quarter were \$69,000 compared to \$40,694 for 2001. These were spent for market research, Website construction and general management.

Product development expenditures decreased to \$141,654 compared to \$320,520 for 2001. These costs diminished over prior periods as the first generation of Quadrant HR was substantially completed during the previous year. The bulk of these expenditures were for continuous improvements to the product line and additional functions that were necessary for Quadrant HR to gain market acceptance.

### **Milestones**

During the quarter, the Company appointed two new outside directors to the Board of Directors. The Honorable Jake Epp, a former federal cabinet minister and Mr. Tom O’Flaherty both consented to act as Directors of the Company. They replace Mr. Lucas Lundin and Mr. James R. Bond who resigned in 2001. Mr. Bond remains a consultant to the Company and an advisor to the Board of Directors.

The Company issued a convertible debenture for \$100,000 to a director of the Company during the quarter. The debenture bears interest at 7% per annum, is unsecured and is due on March 31, 2004. The lender may convert all or a portion of the principal into common shares of the Company as follows:

- (a) \$0.25 per share within 180 days of issuance;
- (b) \$0.75 per share from 181 – 365 days of issuance; and
- (c) \$1.00 per share within the second year of the debenture.

This transaction is subject to regulatory approval.

The Company notes that it completed the first generation of Quadrant HR in October 2001. This allowed a full scale marketing effort to proceed. This campaign has been successful and the adoption rate by customers has gained momentum. In addition to the \$418,700 of revenue reported for the first quarter of 2002, management notes that sales began to accelerate in the fourth quarter of 2001. It would like to highlight that fourth quarter operations generated \$436,748 in revenue and achieved a small profit of \$25,422 during that period.

The Company has now secured over 40 clients who use various Quadrant HR software. It employs 23 employees to develop, market, install and service customers.

Service contracts for 2002 were billed in excess of \$500,000 and will be recognized as revenue during the year. Recognition of this revenue will begin in April 2002 and will be recognized on a monthly basis. Service contracts provide an important source of revenue that will assist QHR in the re-establishment of its financial health.

In order to adapt Quadrant HR to other industrial uses, the Company paid a product development fee in the amount of \$100,000 in 2001 to a company in the aviation industry. The purpose is to develop a HR product for the aviation manufacturing and service industry. The development of this product is progressing well and is expected to be completed in the second quarter of 2002. The successful completion of this version of Quadrant HR with the beta site customer will generate \$100,000 in revenues for the Company as per the agreement.

### **Investor Relations**

QHR currently has no Agreement for Investor Relations with any outside individuals or agencies.

On September 12, 2001 the Company’s Agreement for Investor Relations with Dragonfly Promotions Ltd. expired and was not renewed.

The original agreement was entered into on September 12, 2000. Dragonfly Promotions Ltd., a British Columbia company, wholly owned by Mr. James Lee, a businessman with 15 years on investment industry experience. The agreement ran for twelve months. In consideration of the services provided by Dragonfly, QHR agreed to pay Dragonfly a monthly fee of \$5,000.00. In addition to the monthly fee, QHR granted an incentive option to Dragonfly entitling Dragonfly to acquire up to 100,000 common shares of QHR at an exercise price of \$1.50 per share subject to regulatory approval. During the term of the agreement, 25,000 shares of the stock option vested for exercise at the end of each consecutive 90 day period. The option expires on September 23, 2002.

### **Legal Proceedings**

The Company is not involved in any legal proceedings at the time of this report.

### **Subsequent Events**

The Company announced that since the year-end it had received new contracts contributing in excess of \$700,000 new positive cash flow. Along with these new contracts, service contract revenue for 2002 should exceed \$500,000.

Since its year-end, QHR has billed its clients in excess of \$1,600,000 for new and renewed contracts, and on-going service contracts. The Company has received in excess of \$1,280,000 in payments from customers. This has improved the financial health of QHR and reduced the need to finance operations from external sources of capital.

The name of New Horizon Technologies Inc. was changed to QHR Software Group Inc. on April 17, 2002. The change was made to better identify the overall organization as a whole for customers, shareholders and investors.

### **Related Party Transactions**

Gearhead Enterprises Inc, a wholly owned company of a Director of the Company was paid \$19,500 during the quarter for management services. Gearhead has an outstanding stock option of 150,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

Achievers Choice Technologies Inc., a company controlled by the President, CEO and Director of the Company was paid \$24,000 during the quarter for management services. The CEO has an outstanding stock option of 450,000 common shares exercisable at \$1.00 per common share for a period of five years. These options expire on June 28, 2005.

The Corporate Secretary of the Company was paid \$6,000 during the quarter for administration services. This officer has an outstanding stock option of 5,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

### **Liquidity and Capital Resources**

The working capital deficiency at March 31, 2002 was \$1,058,381 a decrease of \$314,420 from March 31, 2001.

This working capital deficiency is primarily the result of a slower than anticipated adoption rate for the Company's products by potential customers and limited access to equity capital due to general market conditions for technology. Expenditures made for the continued development the Company's products, market penetration and implementation the business plans of the Company have contributed to the deficit. The deficit also includes a loan from a control shareholder in the amount of \$178,708 and deferred revenue of \$523,865.

Since its year-end, QHR has billed its clients in excess of \$1,600,000 for new and renewed contracts, and on-going service contracts. The Company has received in excess of \$1,280,000 in payments from customers. This has reduced the need to finance operation from external sources of capital.

Cash flows from operating activities used \$106,164 compared to \$432,312 for the same period in 2001.

A term loan in the amount of \$29,914 from the Royal Bank remained outstanding at March 31, 2002. This loan reduces by \$5,000 per month plus interest.

Unsecured advances in the amount of \$178,708 were owing to a company controlled by the Chief Executive Officer, President, control shareholder and director of the Company.

The Company's common shares have experienced price volatility as a result of the slow pace of our operational development. In addition, the stock market for technology issues as a whole has experienced extreme price fluctuations. This major decline in interest in technology companies and the market price of our common shares may negatively impact our ability to raise capital, retain employees and continue to implement our business plan.

Should the Company be unable to secure adequate equity funding or adequate revenue volume from customers at any time during the next year Management may have to revise its business plans accordingly.