



**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:

Schedule A

Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
QHR TECHNOLOGIES INC.	September 30, 2003	03/11/06

ISSUER'S ADDRESS **1632 DICKSON AVENUE, SUITE 210**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Kelowna	BC	V1Y 7T2	(250) 717-5266	(250) 763-3122

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Al Hildebrandt	President & CEO, Director	(250) 979-1701

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
ahildebrandt@qhrsoftware.com	qhrsoftware.com

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.

"Al Hildebrandt"	AL HILDEBRANDT	03/11/06
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"Frank Estergaard"	FRANK ESTERGAARD	03/11/06
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

September 30, 2003

(Unaudited)

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
September 30, 2003 and December 31, 2002

	(Unaudited) September 30, <u>2003</u>	(Audited) December 31, <u>2002</u>
<u>ASSETS</u>		
Current		
Cash	\$ 381,557	\$ 150,287
Accounts receivable	366,664	292,879
Prepaid expenses and deposits	60,772	39,642
	<hr/>	<hr/>
	808,993	482,808
Long-term		
Accounts receivable (Note 3)	118,583	-
Capital	196,864	45,305
	<hr/>	<hr/>
	\$ 1,124,440	\$ 528,113
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 185,562	\$ 224,214
Due to related parties	-	85,019
Current portion bank term loan (Note 4)	36,280	-
	<hr/>	<hr/>
Amount before deferred revenue	221,842	309,233
Deferred revenue	889,417	845,378
	<hr/>	<hr/>
	1,111,259	1,154,611
Long term		
Bank term loan (Note 4)	166,282	-
Current portion	(36,280)	-
	<hr/>	<hr/>
	130,002	-
Minority interest	-	-
	<hr/>	<hr/>
	1,241,261	1,154,611
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital (Note 6)	3,672,645	3,672,645
Share subscriptions (Note 6 (iii))	252,000	
Deficit	(4,041,466)	(4,299,143)
	<hr/>	<hr/>
	(116,821)	(626,498)
	<hr/>	<hr/>
	\$ 1,124,440	\$ 528,113
	<hr/> <hr/>	<hr/> <hr/>
Business Combination (Note 7)		

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the three and nine months ended September 30, 2003 and 2002
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenue				
Software license fees	\$ 381,495	\$ 550,999	\$ 1,186,253	\$ 1,136,846
Software services	409,470	342,539	1,209,600	798,560
Consulting services and other	34,012	22,456	128,413	91,085
	<u>824,977</u>	<u>915,994</u>	<u>2,524,266</u>	<u>2,026,491</u>
Expenses				
Sales and marketing	82,880	113,905	319,468	282,781
Service delivery	223,376	138,995	631,496	370,295
Administrative	198,223	158,496	709,208	479,394
Product management and development	192,768	168,639	611,317	436,190
	<u>697,247</u>	<u>580,035</u>	<u>2,271,489</u>	<u>1,568,660</u>
Earnings before other items:	127,730	335,959	252,777	457,831
Other items:				
Write-down of acquisition goodwill	-	-	-	(74,994)
Gain on settlement of accounts payable	-	31,114	-	31,114
Minority interest	13,797	-	4,900	-
	<u>141,527</u>	<u>367,073</u>	<u>257,677</u>	<u>413,951</u>
Net earnings for the period	141,527	367,073	257,677	413,951
Deficit, beginning of period	(4,182,993)	(4,531,899)	(4,299,143)	(4,578,777)
Deficit, end of period	<u>\$ (4,041,466)</u>	<u>\$ (4,164,826)</u>	<u>\$ (4,041,466)</u>	<u>\$ (4,164,826)</u>
Basic and diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Weighted average number of shares outstanding	<u>13,350,759</u>	<u>12,950,759</u>	<u>13,350,759</u>	<u>12,950,759</u>
Dilutive effect of stock options	<u>44,932</u>	<u>-</u>	<u>21,429</u>	<u>-</u>
Dilutive weighted average number of shares outstanding	<u>13,395,691</u>	<u>12,950,759</u>	<u>13,372,188</u>	<u>12,950,759</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and nine months ended September 30, 2003 and 2002
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash provided by (used in) Operating Activities				
Net earnings for the period	\$ 141,527	\$ 367,073	257,677	\$ 413,951
Charges to earnings not affecting cash:				
Amortization of capital assets	16,664	7,172	42,491	20,410
Write down of goodwill	-	-	-	74,994
Gain on settlement of accounts payable	-	(31,114)	-	(31,114)
Minority interest	(13,797)	-	(4,900)	-
	<u>144,394</u>	<u>343,131</u>	<u>295,268</u>	<u>478,241</u>
Changes in non-cash working capital items related to operations				
Accounts receivable	95,523	(3,133)	(192,368)	(243,215)
Prepaid expenses and deposits	9,575	1,947	(21,130)	(4,969)
Accounts payable and accrued liabilities	(143,668)	(53,675)	(38,652)	(71,482)
Deferred revenue	(35,919)	(196,498)	44,039	273,964
	<u>69,905</u>	<u>91,772</u>	<u>87,157</u>	<u>432,539</u>
Financing Activities				
Bank term loan proceeds	58,755	-	177,442	-
Bank term loan repayment	(8,075)	-	(11,160)	(45,000)
Promissory note repayment	-	-	-	(78,875)
Decrease in due to related parties	(65,019)	(24,621)	(85,019)	(61,915)
Proceeds from share subscriptions	252,000	-	252,000	-
Proceeds from issuance of convertible debenture	-	-	-	100,000
	<u>237,661</u>	<u>(24,621)</u>	<u>333,263</u>	<u>(85,790)</u>
Investing Activity				
Acquisition of capital assets	(10,991)	(753)	(194,050)	(24,549)
Minority interest in cash of subsidiary	-	-	4,900	-
Increase in cash during the period	296,575	66,398	231,270	322,200
Cash, beginning of period	84,982	277,700	150,287	21,898
Cash, end of period	<u>\$ 381,557</u>	<u>\$ 344,098</u>	<u>\$ 381,557</u>	<u>\$ 344,098</u>
Supplemental disclosure:				
Cash paid for interest	<u>\$ 2,867</u>	<u>\$ 1,764</u>	<u>\$ 4,130</u>	<u>\$ 7,811</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
INTERIM CONSOLIDATED OPERATING EXPENSES
for the three months ended September 30, 2003 and 2002
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Schedule 1 – SALES AND MARKETING				
Wages and benefits	\$ 61,873	\$ 50,756	\$ 204,794	\$ 157,281
Other	21,007	63,149	114,674	125,500
	<u>\$ 82,880</u>	<u>\$ 113,905</u>	<u>\$ 319,468</u>	<u>\$ 282,781</u>
 Schedule 2 – SERVICE DELIVERY				
Wages and benefits	\$ 182,123	\$ 98,309	\$ 493,617	\$ 275,348
Other	41,253	40,686	137,879	94,947
	<u>\$ 223,376</u>	<u>\$ 138,995</u>	<u>\$ 631,496</u>	<u>\$ 370,295</u>
 Schedule 3 – ADMINISTRATIVE EXPENSES				
Accounting and audit fees	\$ (2,263)	\$ 10,627	\$ 18,497	\$ 22,119
Amortization	16,664	3,081	42,491	16,319
Consulting fees	39,525	39,941	135,209	64,531
Directors' fees	1,500	9,000	4,500	9,000
Foreign exchange	1,748	(3,211)	6,922	6,131
Interest and bank charges	3,366	2,829	11,053	18,968
Legal fees	5,006	7,657	37,205	14,705
Office and miscellaneous	38,572	23,595	120,114	76,380
Rent	26,235	3,066	69,027	36,198
Travel	2,335	1,927	17,194	4,169
Transfer agent fees	3,416	1,556	13,583	10,620
Wages and benefits, including management fees	62,119	58,428	233,413	200,254
	<u>\$ 198,223</u>	<u>\$ 158,496</u>	<u>\$ 709,208</u>	<u>\$ 479,394</u>
 Schedule 4 – PRODUCT MANAGEMENT AND DEVELOPMENT				
Wages and benefits	\$ 189,682	\$ 133,001	\$ 583,028	\$ 386,377
Other	3,086	35,638	28,289	49,813
	<u>\$ 192,768</u>	<u>\$ 168,639</u>	<u>\$ 611,317</u>	<u>\$ 436,190</u>

SEE ACCOMPANYING NOTES

QHR TECHNOLOGIES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(Unaudited)

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. 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, 2002. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

Note 2 Significant Accounting Policies

a) Principles of Consolidation

These consolidated financial statements include the accounts of QHR Technologies Inc., its wholly-owned subsidiary QHR Software Group Inc., and its 51% owned subsidiary QHR Atlantic Software Group Inc., all incorporated under the laws of the Province of British Columbia. All significant inter-company transactions and balances have been eliminated.

b) Revenue Recognition

The Company recognizes revenue from software licensing pursuant to the terms of its software licensing agreements once its contractual obligations have been fulfilled, the customer acceptance provisions have been satisfied and collection is reasonably assured.

The Company recognizes revenue derived from the sale of support and maintenance service contracts on a straight-line basis over the term of the contract. The unearned portion of the contract is shown as deferred revenue.

The Company recognizes all other revenue including implementation and consulting fees as services are rendered.

c) Development Costs

Development costs related to software products developed for sale are expensed as incurred unless they meet the criteria for deferral under generally accepted accounting principles.

Note 3 Long-term Account Receivable

	September 30, <u>2003</u>	December 31, <u>2002</u>
The long-term account receivable is unsecured and payable in monthly amounts of \$3,335 including interest at 5 5/8% per annum.	\$ 166,282	\$ -
Less current portion	36,280	-
	<u>\$ 130,002</u>	<u>\$ -</u>

Note 4 Bank Term Loan

The Company has an authorized Small Business Improvement Loan with a bank for a maximum amount of \$250,000 to finance the purchase of capital assets. The loan bears interest at prime plus 3% and is repayable in equal monthly instalments over its 5-year term. The term loan is secured by a General Security Agreement over the assets of the Company, a Chattel Mortgage assigning specific assets financed under the loan and a personal guarantee up to a maximum of \$62,500 by a Director of the Company. The balance of the loan at September 30, 2003 amounted to \$166,282.

Note 5 Related Party Transactions

During the nine-month periods ended September 30, 2003 and 2002, the Company incurred the following expenses charged by directors, officers and private companies with common directors with the Company and a significant shareholder:

	<u>2003</u>	<u>2002</u>
Consulting fees	\$ 13,500	\$ 21,400
Directors' fees	4,500	9,000
Interest	-	4,104
Management fees	39,000	130,500
Travel	4,500	-
Wages and benefits – administrative expenses	128,500	-
	<u>\$ 190,000</u>	<u>\$ 165,004</u>

These expenses were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Included in accounts payable at September 30, 2003 is \$14,611 (December 31, 2002: \$7,974) owing to directors, officers of the Company and its subsidiaries and companies with a common director.

Note 5 Related Party Transactions – (cont'd)

Due to related parties has been repaid during the period. The amount of \$85,019 at December 31, 2002 represents 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 6 Share Capital

a) Authorized:

100,000,000 Common shares without par value

b) Issued:

	<u>Number</u>	<u>\$</u>
Balance, September 30, 2003 and December 31, 2002	13,350,759	3,672,645

c) Escrow:

At September 30, 2003, the Company's transfer agent holds 4,427,998 shares in escrow. These shares are released from escrow on the basis of 10% of the original escrow amount (7,380,000) semi-annually to June 28, 2006.

d) Commitments:

(i) 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 shares on the date of the grant.

A summary of the status of the stock option plan as of September 30, 2003 and September 30, 2002 and changes during the nine-month periods ending on those dates is presented below:

	<u>September 30, 2003</u>		<u>September 30, 2002</u>	
		Weighted Average Exercise <u>Price</u>		Weighted Average Exercise <u>Price</u>
	<u>Shares</u>		<u>Shares</u>	
Outstanding at beginning of period	946,900	\$0.95	976,700	\$1.05
Granted	100,000	\$0.70	50,000	\$0.35
Expired	-	-	(100,000)	\$1.50
Cancelled	(1,200)	(\$1.00)	-	-
Options outstanding and exercisable at end of period	<u>1,045,700</u>	<u>\$0.93</u>	<u>926,700</u>	<u>\$0.97</u>

Note 6 Share Capital – (cont'd)

d) Commitments: – (cont'd)

(i) Stock-based Compensation Plan – (cont'd)

At September 30, 2003, the Company had 1,045,700 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>
870,700	\$1.00	June 28, 2005
50,000	\$0.35	June 4, 2007
25,000	\$0.35	November 28, 2007
100,000	\$0.70	August 27, 2008
<u>1,045,700</u>		

The Company does not record compensation expense on the granting of stock options to employees and directors. Disclosure of pro forma earnings and earnings per share had the Company elected to follow the fair value method using the Black-Scholes option pricing model is as follows.

	<u>Three months ended</u> <u>September 30,</u> <u>2003</u>		<u>Nine months ended</u> <u>September 30,</u> <u>2003</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net earnings for the period as reported	\$ 141,527	\$ 367,073	\$ 257,677	\$ 413,951
Stock-based compensation	(62,970)	-	(62,970)	(14,443)
Pro forma earnings for the period	<u>\$ 78,557</u>	<u>\$ 367,073</u>	<u>\$ 194,707</u>	<u>\$ 399,508</u>
Pro forma basic and diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>

The fair value of share options was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>Nine months ended</u> <u>September 30, 2003</u>	<u>Nine months ended</u> <u>September 30, 2002</u>
Risk-free interest rate	2.65%	5%
Annual dividends per share	-	-
Expected stock price volatility	144%	115%

The expected lives of the options used in the option pricing model was determined to be the 5-year term of the options.

Note 6 Share Capital – (cont'd)

d) Commitments: – (cont'd)

(ii) Share Purchase Warrants

At September 30, 2003, the Company had 500,000 share purchase warrants outstanding, each warrant entitling the holders thereof the right to purchase one common share for \$1.25 per share. These warrants expire on October 31, 2003.

(iii) Share Subscriptions

As at September 30, 2003, the Company had received share subscriptions for 420,000 common shares at \$0.60 per share for net proceeds of \$252,000. All subscription proceeds were received by the Company prior to September 30, 2003 and shares were issued subsequent to September 30, 2003.

Note 7 Business Combination – QHR Atlantic

QHR Atlantic Software Group Inc. (“QHR Atlantic”) was formed on March 4, 2003 with the Company owning 51% and the shareholders of Whidden Systems Ltd. (“Whidden”) owning 49%. There were no assets acquired or consideration paid as a result of the March 4, 2003 transaction. Pursuant to a shareholders agreement, QHR Atlantic may repurchase and cancel some or all of the 49% of the common shares of QHR Atlantic owned by the shareholders of Whidden. For every \$2.04 of revenue received by QHR Atlantic, QHR Atlantic has an obligation to repurchase one share from the shareholders of Whidden for \$0.51 per share, subject to the approval of QHR Atlantic’s directors.

The maximum obligation of QHR Atlantic pursuant to the shareholders agreement is \$250,000. If all of the QHR Atlantic common shares owned by the shareholders of Whidden have not been repurchased by December 31, 2009, any further repurchase obligations will be terminated.

Any shares of QHR Atlantic repurchased by QHR Atlantic will also be accounted for using the purchase method, which will result in an increase in the Company’s intangible assets (customer lists, software and other intellectual property rights).

Note 8 Comparative Figures

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

QHR Technologies Inc.
Notes to the Interim Consolidated Financial Statements
September 30, 2003 – Page 6
(Unaudited)

Note 9 Segmented Information

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

		Nine months ended September 30, <u>2003</u>	Nine months ended September 30, <u>2002</u>
Canada	– Software License Fees	\$ 928,284	\$ 914,658
	– Software Services	995,706	658,477
	– Consulting Services and Other	106,752	58,611
		<hr/> 2,030,742	<hr/> 1,631,746
United States	– Software License Fees	257,969	222,188
	– Software Services	213,894	140,083
	– Consulting Services and Other	21,661	32,474
		<hr/> 493,524	<hr/> 394,745
Total Revenue		<hr/> <u>\$ 2,524,266</u>	<hr/> <u>\$ 2,026,491</u>



**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:

_____ Schedule A

 X Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
QHR TECHNOLOGIES INC.	September 30, 2003	03/11/06

ISSUER'S ADDRESS **1632 DICKSON AVENUE, SUITE 210**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Kelowna	BC	V1Y 7T2	(250) 717-5266	(250) 763-3122

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Al Hildebrandt	President & CEO, Director	(250) 979-1701

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
ahildebrandt@qhrsoftware.com	qhrsoftware.com

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.

"Al Hildebrandt"	AL HILDEBRANDT	03/11/06
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"Frank Estergaard"	FRANK ESTERGAARD	03/11/06
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 nine months ended September 30, 2003

Schedule A: Financial Information
– See financial statements attached

Schedule B: Supplementary Information

1. Analysis of expenses and deferred costs:
Operating Expenses
– See financial statements attached
2. Related party transactions:
– See Note 5 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: Nil
 - b) Summary of options granted during the period:

<u>Date of Grant</u>	<u>Number of Options</u>	<u>Name of Optionee</u>	<u>Exercise Price Per Share</u>	<u>Expiry Date</u>
August 27, 2003	25,000	Jake Epp	\$0.70	August 27, 2008
August 27, 1003	25,000	Frank Estergaard	\$0.70	August 27, 2008
August 27, 2003	25,000	Tom O’Flaherty	\$0.70	August 27, 2008
August 27, 2003	25,000	Dr. Don Rix	\$0.70	August 27, 2008
	<u>100,000</u>			

4. Summary of securities as at the end of the reporting period:
 - a) Description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion:
– See Note 6 to the financial statements attached
 - b) Number and recorded value for shares issued and outstanding:
– See Note 6 to the financial statements attached
 - c) Description of options, warrants and convertible securities outstanding including number or amount exercised or conversion price and expiry date, and any recorded value:
– See Note 6 to the financial statements attached
 - d) Number of shares in each class of shares subject to escrow or pooling agreements:
– See Note 6 to the financial statements attached

5. List of Directors and Officers:
- Al Hildebrandt, President, Chief Executive Officer and Director
 - Kathy Love, Corporate Secretary
 - Dave Goertz, Director
 - Jake Epp, Director
 - Tom O’Flaherty, Director
 - Frank Estergaard, Director
 - Dr. Don Rix, Director

Schedule C: Management Discussion
– See attached

QHR TECHNOLOGIES INC.
QUARTERLY REPORT
for the nine months ended September 30, 2003

Schedule C: Management Discussion and Analysis

Overview

QHR Technologies Inc. (the "Company" or "QHR") continues to build its business operations and refine its line of software products on behalf of its customers, employees and shareholders. The business plan is to solidify its growing reputation as an innovative leader in the design, development, marketing and implementation of reliable human resource ("HR") software products.

Headquartered in Kelowna, British Columbia, Canada, QHR now services over 45 client organizations encompassing more than 85,000 employees in North America. The HR software offered by the Company delivers functional tools for payroll administration, staff scheduling, HR management and applicant/employee tracking in one integrated system format. Collectively the suite of HR modules is known and marketed as Quadrant HR™. Trademarks in Canada and the United States protect the proprietary rights of the Company.

Over the past three years, QHR shifted from a research, engineering and development enterprise to a product and service marketing operation. QHR secured a meaningful share of the Canadian healthcare industry for itself and began to prove the validity of its integrated design concepts offered in its products. Customer adoption rates confirmed that Quadrant HR™ can meet the required budget efficiencies and can be effectively configured to provide reliable service to its users.

Sales results have been the best evidence that QHR has successfully moved to a revenue-based marketing organization. Customer demand appears to have been driven by the reliability, practicality and functionality offered by Quadrant HR™. This user-friendly software system focuses on effective administration of employee information and the articulation of this data into accurate management reports on behalf of the customer. The fundamental design concept is that HR data need only be processed once into a single dedicated HR database. From this data repository employee information can be utilized to service all the needs of complex, multi-position HR environments.

Customer satisfaction has given QHR a good reputation and a solid foundation to continue to grow its share of the HR market. Customer reaction and sales growth results indicate that a healthy probability of profitable business growth exists for the Company in the future.

While current success is welcomed, the transition of QHR into a successful business has taken many years of perseverance. When venture capital for the technology industry all but disappeared, QHR was able to find the development capital it needed through internal sources from the profitability of its operations. Although it negatively affects the reported profits of QHR, residual cash flows have been strategically reinvested in the continued development of Quadrant HR™ to improve its integrated functional power while meeting planned timetables.

QHR completed the final phases of its next generation of Quadrant HR™ during the quarter. The Company continued to advance its fundamental integration concepts into its product lines known as Quadrant HR - Version 2.0 and it was released in September 2003 as scheduled.

In addition to securing the resources needed to create its products, QHR continues to face a marketing cycle that takes a considerable period of time and venture capital to develop. Since the fall of 2001, investments have been made to educate prospective clients that Quadrant HR™ has the power to meet the demanding needs of the modern HR manager. This commitment to marketing began to show profitable returns in 2002 and continued during the first nine months of 2003. An aggressive campaign

to sell a “simple, smart and seamless” Version 2.0 of Quadrant HR™ commenced during the quarter. The marketing initiative focuses on managing all employees in an organization through a single integrated HR software system.

The Company continues to deliver its products and services through its wholly owned subsidiary QHR Software Group Inc. (“QHR Group”) and QHR Atlantic Software Group Inc. (“QHR Atlantic”). These operations are consolidated in the financial statements as at September 30, 2003.

QHR Group is a Canadian company headquartered in Kelowna, British Columbia. Operating since 1997, it created the current Quadrant HR technology as software solutions designed to automate all facets of HR management issues where complex HR administration is required. The business model of QHR Group focuses on software design; customer development and satisfaction; and implementation of computer software for HR management, staff scheduling and payroll administration in large enterprise clients such as healthcare facilities. In addition it provides training and software service to all of its clients.

QHR Atlantic was formed to concentrate on market opportunities in Atlantic Canada. Operating out of Halifax, NS its business agenda concentrates on marketing Quadrant HR™ to new customers in Nova Scotia, Prince Edward Island, New Brunswick and Newfoundland. It was established with the principal shareholders of Whidden Systems Ltd., a business that has been a long time supplier of payroll software in eastern Canada. QHR is investing resources in this venture and continuing to support the former Whidden clients to secure a foothold in Atlantic Canada.

The continuing shift from product development to sales and earnings growth is the main priority for the future. Accordingly, the Company is committing resources to strengthen the ability of its internal sales operations. The business model concentrates on generating revenues calculated on the number of employees serviced by its software products. Management’s objective is to increase revenue and earnings at a minimum rate of 30% or better annually.

Another key objective for management is to increase the corporate value of QHR on behalf of its shareholders. This is currently determined by the market price of the common shares of the Company. Share price has improved steadily during 2003 in direct proportion to the value of its technology and business operations. Market capitalization now exceeds \$10,000,000 compared to \$4,000,000 a year ago. Corporate value has improved over 150% during the past year.

Products

The main competitive strength of Quadrant HR™ is the provision of a powerful user-friendly HR system giving HR administrators the ability to collect and utilize employee information from many sources in one central data repository. It 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 simply 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 data 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. This significantly improves the effectiveness and efficiency of the modern HR department.

QHR has developed a unique approach to service customers with complex HR issues such as multiple employee positions, multiple employment contracts and multiple operational facilities such as healthcare enterprises. Quadrant HR™ has been specifically tailored for complex employee environments in large to medium sized operations.

Quadrant HR™ has proven itself in the HR marketplace as an effective management tool that delivers significant cost efficiencies and improves HR operations. The Company will continue to develop, expand and exploit its products in the healthcare marketplace and focus on new markets such as manufacturing and other industries. During the quarter, QHR successfully completed and released Version 2.0 of Quadrant HR™ that includes new Staff Scheduling and Web Applicant Tracking modules and substantially concludes its integration objectives for Quadrant HR™.

HR customers are generally not accustomed to a single all-inclusive HR system with this type of functional power from a single vendor. Market response indicates that the design strength of Version 2.0 is capturing the interest of knowledgeable HR customers and that they are prepared to adopt the system.

The Company's software products are designed to provide useful HR automation assistance that handles the unique needs of today's complex HR environment. Quadrant HR™ is designed to provide powerful software support to HR managers for:

- ◆ Payroll processing
- ◆ Compensation planning
- ◆ Performance management
- ◆ Organization/position management
- ◆ Recruitment and selection
- ◆ Compliance reporting
- ◆ Employee relations
- ◆ HR planning
- ◆ Staff scheduling
- ◆ Workflow management
- ◆ Employee training and development

Markets

QHR currently offers Quadrant HR™ software products in Canada and the United States primarily for healthcare applications. The market for HR services is highly competitive, rapidly evolving and subject to rapid technological change. The market development of QHR 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 continues to be necessary. Its primary

competitive advantage is that its cost effectiveness outperforms the competition and the customer service is the best available in the market.

Target markets that are ideal candidates for Quadrant HR™ include:

- ◆ Healthcare facilities
- ◆ Municipalities
- ◆ 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 has been 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 QHR will be able to service any software applications installed. The Company is therefore marketing its products with large integration companies that can offer that assurance to customers.

Results of Operations

QHR, QHR Group and QHR Atlantic consolidate their operations for the purpose of financial reporting. The Company's year-end is December 31.

Results from operations are not necessarily indicative of results to be expected in future periods. QHR is an emerging corporation where various trends and factors in the marketplace and product development must be carefully managed to achieve revenue growth and profitability. Product strength is being enhanced by QHR with the introduction of the new Version 2.0 of Quadrant HR™ released in September 2003.

Business operations continue to provide reliable cash flows and operational and financial needs can be reasonably predicted. The Company has been working hard to ensure that operations can be funded from a healthy combination of internal sources of capital as it is required and improving its access to external capital.

Generally accepted accounting principles, as currently applicable to the Company, require the Company to expense all product development costs in the period they are incurred. QHR has invested approximately \$4,400,000 in the development of Quadrant HR™ since this project began and this expenditure is not reflected on the balance sheet as an asset. Management believes that Quadrant HR™ software has found a market niche where revenue volume can grow consistently for a number of years.

The Company's revenues and expenditures are indicative of a creative enterprise that continues to make the transition from product engineering to a sales oriented company. Significant investment has already been made to introduce the Company products to the marketplace as well as continued product development based on customer requirements. These investments have shown favourable financial returns during the first nine months of 2003.

Operations in the current year include the revenues and expenses of QHR Atlantic for the seven months from March 1, 2003.

The Company is recognizing revenue in the amount of \$2,524,266 for the nine months ending September 30, 2003 compared to \$2,026,491 in 2002. Revenue recognition is determined by the guidance provided by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants Statement of Position 97-2 entitled “Software Revenue Recognition”.

Deferred revenue is \$889,417 at September 30, 2003 compared to \$845,378 at December 31, 2002. Deferred revenue is defined as cash received for contract work in advance of services and products being delivered. Deferred revenue is serviceable from current corporate resources.

For the nine months ending September 30, 2003, the Company’s earnings from operations were \$257,677 compared to \$413,951 for same period in 2002. Earnings were \$0.02 per share compared to \$0.03 per share for the first nine months of 2002. Results for the current year were impacted by an aggressive investment policy to complete, release and market Version 2.0 of Quadrant HR in September 2003, investment in QHR Atlantic sales opportunities and expenses associated with the move to new Kelowna premises in March 2003. Management is confident that these expenditures will enhance the Company’s future revenue and earnings growth.

The Company invested \$319,468 in sales and marketing activities during the period ending September 30, 2003 compared to \$282,781 at September 30, 2002. New contract successes and future opportunities developed steadily due to these marketing expenditures.

Service delivery expenditures for the nine-month period ending September 30, 2003 increased to \$631,496 compared to \$370,295 for 2002. This was due primarily to additional personnel required for expansion through QHR Atlantic.

Administrative expenditures for the nine-month period ending September 30, 2003 increased to \$709,208 compared to \$479,394 for 2002. This was due to start up costs for QHR Atlantic and new equipment and office space in Kelowna, B.C., as well as, consulting fees that were spent for market development, investor relations and general management.

Product development expenditures increased to \$611,317 compared to \$436,190 for 2002. The bulk of these expenditures were for continuous improvements to the product line and additional functions such as Web Applicant Tracking and Staff Scheduling that were necessary for Quadrant HR™ to continue to gain market share. These functions are included in Version 2.0 of Quadrant HR™, which was released in September 2003.

Milestones

The Company completed and released Version 2.0 of Quadrant HR during the period. Version 2.0 is designed to seamlessly integrate HR management, payroll administration and staff scheduling functions within one system. These integrated functions are the cornerstone of the unique design concepts that QHR is advancing in its business model. This has been the goal since 1997 and it has come to fruition.

Investor Relations

The Company’s Investor Relations Contract signed on November 27, 2002 with David R. Procter, an independent contractor was terminated in June 2003 by mutual consent.

There are no Investor Relation Contracts in force at this time.

Legal Proceedings

There are no legal proceedings in progress.

Subsequent Events

The Company announced new contracts with Brockville General Hospital in Brockville, Ontario and Luther Home Corporation of Winnipeg, Manitoba. These contracts cover the purchase of the recently released Version 2.0 of Quadrant HR™. The new contracts will generate over \$250,000 in revenues most of which will be recognized in the financial results for 2003. QHR will add approximately 710 employees to its employee service base through these transactions. Brockville General Hospital will place 600 employees on Quadrant HR™ while Luther Home Corporation of Winnipeg, Manitoba will add 110 employees.

The Company completed a private placement of 420,000 common shares at \$.60 per share in the amount of \$252,000 on October 14, 2003. The private placement was announced by news release on August 26, 2003. All funds were received prior to September 30, 2003 and they are recorded as Share Subscriptions on the Balance Sheet. The placement was received from nine employees, seventeen close friends and business associates and two directors of the Company. The common shares are restricted from trading for a period of one year.

The Company announced a new contract with Statistics Canada for Western Canada. This contract covers the purchase of the staff-scheduling module recently released as part of Version 2.0 of Quadrant HR™. This new contract will generate over \$100,000 in first-year revenues most of which will be recognized in the financial results for 2003.

Related Party Transactions

Al Hildebrandt, President, CEO and Director, is paid a salary of \$10,000 per month. The financial statements include \$90,000 paid for the nine-month period ending September 30, 2003. An outstanding incentive stock option of 450,000 common shares exercisable at \$1.00 per common share is also in place. These options expire on June 28, 2005.

The balance of the unsecured advances from a company controlled by the President and CEO in the amount of \$85,019 at December 31, 2002 was repaid in full during the nine-month period ending September 30, 2003.

Gearhead Enterprises Inc., a wholly owned company of a Director of the Company, was paid \$39,000 during the nine-month period ending September 30, 2003 for management services. The provision of operational management services and financial obligations thereon concluded on June 30, 2003. Gearhead has outstanding stock options for 150,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

The Corporate Secretary of the Company was paid \$13,500 during the period for administration services. This officer has outstanding stock options for 5,000 common shares exercisable at \$1.00 per common share. These options expire on June 28, 2005.

A director of QHR Atlantic was paid \$38,500 during the period for management services.

On August 27, 2003, the Company granted 100,000 options to directors at an exercise price of \$0.70 per share. These options vested immediately and expire on August 27, 2008. In addition, the Company granted a further 100,000 options to directors at an exercise price of \$0.70 per share which do not vest until such time as the directors are re-elected to the Board of Directors at the Company's next Annual General Meeting, the date of which has yet to be determined.

Liquidity and Capital Resources

The Company has a working capital deficiency of \$302,266 at September 30, 2003, an improvement of \$369,537 from December 31, 2002. The working capital deficiency at September 30, 2003 includes \$889,417 in deferred revenue that will be satisfied through the delivery of products and services during future periods at which time it will be recognized as revenue in the financial statements.

Current assets were \$808,993 at September 30, 2003, an increase of \$326,185 from December 31, 2002. Current assets less current liabilities before deferred revenue amounted to \$587,151 at September 30, 2003, an improvement of \$413,576 from December 31, 2002.

The Company entered into a sales contract during the first quarter of 2003 resulting in an amount of \$166,414 being receivable over a period of five years, payable at \$3,335 monthly including interest at 5 5/8%. The non-current portion of this receivable in the amount of \$118,583 is excluded from current assets at September 30, 2003.

On January 9, 2003 the Company obtained approval of a Small Business Improvement Loan from a bank for an amount of up to \$250,000 to finance the purchase of capital assets. The loan bears interest at prime plus 3% and is repayable in equal monthly instalments over its 5-year term. Security includes a General Security Agreement over the assets of the Company, a Chattel Mortgage assigning specific assets financed under the loan and a personal guarantee of \$62,500 by a Director of the Company. As of September 30, 2003 the amount outstanding on this Capital Term Loan was \$166,282.

Proceeds from share subscriptions pursuant to a private placement (see Subsequent Events) in the amount of \$252,000 were included in Cash at September 30, 2003.

General Risk Factors and Uncertainties

The Company's common shares have experienced price volatility but managed to improve due to the success of its operational development. The market for technology issues as a whole has experienced extreme price fluctuations and disinterest by investors. This major decline in interest in technology companies may negatively impact the Company's ability to raise capital, retain employees and continue to implement its business plan should additional capital be required.

The Company is focused on expanding its business through the development and marketing of new products such as Web-Applicant Tracking and Staff Scheduling to an expanding customer base. Future results will depend on the ability to successfully complete these product offerings and the resulting adoption rate of customers to implement these products into their HR administration systems. QHR must accumulate the resources to complete these products from a combination of both internal and external sources.

Additional risks and uncertainties that pertain to the growth of QHR operations are detailed below:

Lengthy Sales and Implementation Cycles

The Company currently experiences a lengthy marketing and sales cycle that requires considerable investment of Company resources to attract new customers. There are no assurances of success and approvals of contracts are often subject to delays that are beyond the control of QHR.

Contracts all vary in terms and conditions but usually involve a fixed price per employee for the various HR functions to be delivered. The implementation of software to the satisfaction of the customer involves various periods of time ranging from three months to eighteen months. This situation means that QHR must work closely with its clients to achieve success.

There are no assurances that any negative events in the implementation process for any customer will not have adverse effects on the business plans of QHR, the results of its operations and its financial health.

Product Development and Technological Change

The software industry is characterized by rapid technological change, competition and many new product introductions. The ability of QHR to continue to achieve market success and maintain its competitive advantages will depend on its capability to maintain a competent R&D staff that is current with all technological advances as it pertains to evolving computer hardware, software platforms and operating environments.

Foreign Exchange Exposure

The Company has had some commercial success in the United States. During the nine months ending September 30, 2003 about 20% of the Company's revenues have been generated in US dollars while corresponding expenses are incurred in Canadian dollars. This means the Company is exposed to exchange rate fluctuations between the Canadian and U.S. dollar. To date, QHR has not engaged in exchange rate-hedging activities.

Ability to Attract and Retain Key Personnel

Corporate success is largely dependent on the performance of its key employees. Failure to retain key employees and to successfully recruit additional key employees with the requisite skills could result in negative operating results in terms of financial health and profitability. Competition for highly skilled management, technical and other employees has decreased somewhat over the past several years, but is still an important growth factor in the software industry.