



## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2007 and 2006

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

For further information, please contact:

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**QHR TECHNOLOGIES INC.**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT JUNE 30, 2007 AND DECEMBER 31, 2006**

	<b>June 30 2007</b>	December 31 2006
<b>ASSETS</b>		
Current Assets		
Cash	\$ 431,612	\$ 48,182
Accounts receivable	1,119,214	860,469
Prepaid expenses and deposits	186,519	94,415
	<u>1,737,345</u>	<u>1,003,066</u>
Accounts receivable	111,469	212,463
Capital assets (Note 2)	352,478	276,372
Intangible assets	273,708	328,042
	<u>\$ 2,475,000</u>	<u>\$ 1,819,943</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 429,279	\$ 442,777
Current portion of long-term debt	12,154	11,695
Current portion of capital lease obligations	34,972	48,178
Shareholder loan	-	250,000
	<u>476,405</u>	<u>752,650</u>
Deferred revenue	2,140,755	1,232,387
	<u>2,617,160</u>	<u>1,985,037</u>
Long-term debt (Note 3)	71,157	77,351
Capital lease obligations	8,741	18,409
	<u>2,697,058</u>	<u>2,080,797</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 4)	5,593,159	5,593,159
Deficit	(5,815,217)	(5,854,013)
	<u>(222,058)</u>	<u>(260,854)</u>
	<u>\$ 2,475,000</u>	<u>\$ 1,819,943</u>

APPROVED BY THE DIRECTORS:

"Al Hildebrandt"

Director

"Charles LaFlèche"

Director

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

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**QHR TECHNOLOGIES INC.****CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006**

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	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>REVENUE</b>	\$ 1,321,813	\$ 933,077	\$ 2,611,764	\$ 1,876,557
<b>EXPENSES</b>				
Sales and marketing	245,775	265,625	549,672	526,507
Service and delivery	430,897	316,735	818,304	661,331
General and administrative	256,787	305,960	513,826	616,397
Product management and development	286,953	337,733	498,086	619,174
	1,220,412	1,226,053	2,379,888	2,423,409
Earnings (loss) before the following items	101,401	(292,976)	231,876	(546,852)
Amortization of capital assets	33,383	39,064	66,498	77,133
Amortization of intangible assets	42,125	79,188	109,334	132,021
Interest expense	5,186	3,869	17,317	8,141
Loss (gain) on foreign exchange	(526)	-	(69)	-
<b>Net earnings (loss)</b>	<b>21,233</b>	<b>(415,097)</b>	<b>38,796</b>	<b>(764,147)</b>
Deficit, beginning of period	5,836,450	5,682,417	5,854,013	5,333,367
Deficit, end of period	\$ 5,815,217	\$ 6,097,514	\$ 5,815,217	\$ 6,097,514
Basic and diluted earnings (loss) per share	\$ 0.00	\$ (0.03)	\$ 0.00	\$ (0.05)
Basic weighted average number of shares outstanding	16,295,759	16,295,759	16,295,759	16,295,759

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**QHR TECHNOLOGIES INC.****CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	\$ 21,233	\$ (415,097)	\$ 38,796	\$ (764,146)
Items not affecting cash				
Amortization of capital assets	33,383	39,064	66,498	77,133
Amortization of intangible assets	42,125	79,188	109,334	132,021
Changes in non-cash operating assets and liabilities				
Accounts receivable	936,160	555,273	(157,751)	(208,101)
Prepaid expenses and deposits	4,591	47,614	(92,104)	(13,575)
Accounts payable and accrued liabilities	(220,894)	(81,930)	(13,498)	(56,612)
Deferred revenue	(485,873)	(83,817)	908,368	888,585
	<u>330,725</u>	<u>140,295</u>	<u>859,643</u>	<u>55,305</u>
<b>INVESTING ACTIVITIES</b>				
Capital assets	(27,433)	(1,615)	(142,604)	(20,421)
Acquisition of intangible assets	(55,000)	(41,250)	(55,000)	(41,250)
	<u>(82,433)</u>	<u>(42,865)</u>	<u>(197,604)</u>	<u>(61,671)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term debt and capital lease obligations	(14,572)	(9,093)	(28,609)	(17,783)
Repayment of shareholder loan	(250,000)	-	(250,000)	-
	<u>(264,572)</u>	<u>(9,093)</u>	<u>(278,690)</u>	<u>(17,783)</u>
Increase (decrease) in cash and equivalents	<u>(16,280)</u>	<u>88,337</u>	<u>383,430</u>	<u>(24,149)</u>
<b>Cash – beginning of period</b>	<b>447,892</b>	<b>478,394</b>	<b>48,182</b>	<b>590,880</b>
<b>Cash – end of period</b>	<b>\$ 431,612</b>	<b>\$ 566,731</b>	<b>\$ 431,612</b>	<b>\$ 566,731</b>
Supplemental Cash Flow Disclosure				
Interest paid	\$ 5,186	\$ 3,869	\$ 17,317	\$ 8,141

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

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**QHR TECHNOLOGIES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**Note 1**      **Interim Reporting**

The unaudited consolidated 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 statement, and accordingly, they should be read in conjunction with the annual financial statements for the year ended December 31, 2006. 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.

During the first and second quarters costs associated with the development and enhancement of new software product initiatives are capitalized. When any product initiative is deemed to be not technically feasible and will not produce revenue, this cost is written off in the period in which the determination is made. Costs associated with the maintenance of Quadrant HR™ and Accuro™ EMR are expensed as incurred.

**Note 2**      **Capital Assets**

June 30, 2007	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 62,243	\$ 26,436	\$ 37,364
Office equipment	77,201	39,334	41,054
Computer – hardware	432,789	372,642	72,242
Computer – software	166,451	150,489	19,773
Leasehold improvements	185,046	96,850	94,294
New software products	114,499	-	93,701
	<u>\$ 1,038,229</u>	<u>\$ 685,751</u>	<u>352,478</u>

The cost and net book value of capital assets acquired under capital lease obligations are \$122,553 and \$39,513, respectively.

December 31, 2006	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 60,614	\$ 23,351	\$ 37,263
Office equipment	77,201	32,944	44,257
Computer – hardware	406,811	335,480	71,331
Computer – software	165,954	142,825	23,129
Leasehold improvements	185,046	84,654	100,392
	<u>\$ 895,626</u>	<u>\$ 619,254</u>	<u>\$ 276,372</u>

The cost and net book value of capital assets acquired under capital lease obligations are \$122,553 and \$57,497, respectively.

**Note 3**      **Long-Term Debt**

	<b>June 30, 2007</b>	December 31, 2006
Landlord term loan, repayable at \$1,252 per month including interest at 8%. The loan is unsecured and due March 2008 unless the lease on the Company's premises is renewed at comparable terms.	\$ 68,803	\$ 73,554
Landlord term loan, repayable at \$261 per month including interest at 8%. The loan is unsecured and due March 2008 unless the lease on the Company's premises is renewed at comparable terms.	14,508	15,492
	83,311	89,046
Less current portion	(12,154)	(11,695)
	<b>\$ 71,157</b>	<b>\$ 77,351</b>

**Note 4**      **Share Capital**

a) Authorized:

Unlimited common shares without par value  
Unlimited Class A Preference shares

b) Issued:

	<u>June 30, 2007</u>		<u>December 31, 2006</u>	
	Number	Amount	Number	Amount
Balance, beginning of period	16,295,759	\$ 5,593,159	16,295,759	\$ 5,593,159
Stock-based compensation	-	-	-	-
For cash:				
– Pursuant to private Placement at \$0.50	-	-	-	-
Less: share issue costs	-	-	-	-
<b>Balance, end of period</b>	<b>16,295,759</b>	<b>\$ 5,593,159</b>	<b>16,295,759</b>	<b>\$ 5,593,159</b>

c) Escrow:

At June 30, 2007, there are no common shares held in escrow.

d) Warrants:

At June 30, 2007, the Company had no purchase warrants outstanding.

e) 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 June 30, 2007 and December 31, 2006 and changes during the periods ending on those dates is presented below:

	<u>June 30, 2007</u>		<u>December 31, 2006</u>	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	275,000	\$0.56	350,000	\$0.56
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Cancelled	-	-	75,000	\$0.58
Options outstanding and exercisable, end of period	275,000	\$0.56	275,000	\$0.56

At June 30, 2007, the Company had 275,000 share purchase options outstanding and exercisable, 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>
150,000	\$0.50	July 4, 2007
100,000	\$0.70	August 27, 2007
25,000	\$0.35	September 4, 2007
<u>275,000</u>		

**Note 5** **Subsequent Event**

On July 9, 2007 the Company announced that it had entered into an agreement with the shareholders of National Medical Solutions (National), a private Alberta based EMR software firm, to acquire 100% of the issued and outstanding common shares of National. Consideration for the purchase will be 2,000,000 common shares of the Company. On August 1, 2007 the parties signed a share purchase agreement completing the transaction. On August 14, 2007 the TSX Venture Exchange approved the transaction as an expedited filing.

**Note 6** **Related Party Transactions**

On April 16, 2007 the Company repaid the \$250,000 loan from a shareholder. Interest paid to the shareholder totalled \$9,039 and the shareholder was also reimbursed for expenses incurred on the loan amounting to \$1,198.