QHR Technologies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE FIRST QUARTER ENDED MARCH 31, 2010

For further information, please contact:
Al Hildebrandt, President & CEO Phone: (250) 979-1701 E-Mail: ahildebrandt@QHRtechnologies.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended March 31, 2010

INTRODUCTION

This management discussion and analysis ("MD&A"), dated May 26, 2010 of QHR Technologies Inc. (the "Company" or "QHR") provides an analysis of the financial condition of the Company and the results of operations for the first quarter ended March 31, 2010. The information contained herein should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2009 and the related notes therein.

The audited financial statements referred to in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used in prior year-end audited financial statements. All figures herein are expressed in Canadian dollars unless otherwise noted.

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.QHRtechnologies.com.

THE COMPANY'S OBJECTIVES AND STRATEGIES

QHR's objectives are to

- Establish both of its operating divisions as market leaders in the healthcare and social services segments in which they compete;
- Continue to strengthen its competitive advantages; and
- Provide superior returns to its shareholders.

The Company's strategies to achieve these objectives are to:

- Achieve strong growth through expansion into new markets and through acquisitions;
- Offer superior products and customer service; and
- Promote a culture that rewards initiative and innovation.

COMPANY OVERVIEW

QHR was listed as a public company (TSX-V: QHR) on June 28, 2000 and is incorporated under the laws of the Province of British Columbia, Canada. QHR Technologies Inc. is the parent company for operating subsidiaries including QHR Software Inc. ("QHR Software"), Optimed Software Corporation ("Optimed"), Cloudwerx Data Solutions Inc. ("Cloudwerx") and Clinicare Corporation ("Clinicare").

These operating companies operate in two distinct markets and for internal management the operations of QHR are treated as two divisions of the Company. The Enterprise Management Solutions ("EMS") division specializes in Workforce Management Software and Financial Management Software targeted at medium to large healthcare and social services organizations. The Electronic Medical Records ("EMR") division provides applications for use in physician's medical offices through traditional software licensing and through hosted services as an Application Service Provider ("ASP").

The Company's proprietary EMS applications are marketed under the Quadrant™ brand and comprise two product offerings. The Workforce Management Software consists of integrated applications, including payroll, staff scheduling, human resources and employee self service, that provide human resource management solutions for complex healthcare and social services environments. The Financial Management Software provides customized financial software built on Microsoft's Dynamics GP (formerly Great Plains) platform. Together, these products enable QHR to offer comprehensive enterprise management software to the healthcare and social services market.

The Company's flagship Electronic Medical Records application is marketed under the Accuro® EMR brand. It provides a suite of medical software modules designed to improve the quality of the operational work environment of family physicians, medical specialists and surgeons. Accuro delivers productivity gains and cost savings through computerized medical records and it conforms to the stringent requirements of EMR protocols that have been established by Federal and Provincial governments. The EMR division also supports and maintains legacy-based EMR systems from acquired companies including Clinicare and National Medical Solutions, Inc. Over time, the Company provides customers on these legacy systems with a cost-effective upgrade path to the newer and more advanced Accuro system.

Cloudwerx, which is part of the EMR division, enables the division to provide integrated data hosting services to its EMR customers as it hosts EMR software for those customers that prefer hosted software delivery through an Application Service Provider.

BUSINESS STRATEGY

Enterprise Management Solutions division

The EMS division provides software to organizations in the healthcare and social services sectors, targeting medium to large organizations. This is a growing market based on the demographics of an ageing population.

Quadrant products are differentiated from competitors' products in ways that are meaningful to Canadian healthcare industry customers. The Workforce Management Software has unique capabilities to meet the employee scheduling and payroll needs of complex work environments. The Financial Management Software is the only Microsoft Dynamics GP based financial software that is customized to the Canadian healthcare market. The Company is also recognized for its outstanding product support to customers.

The Company's strategy for this division is to:

- Leverage its leadership position in the public sector, a position that has been strengthened with the acquisition of the financial software division ("Financials Division") of Momentum Healthware, and target private healthcare and social services organizations;

- Cross-sell Workforce Management Software to Financial Management Software customers, and vice-versa, and expand sales within the entire customer base as the growth of these customers requires further application of the Company's products; and

- Develop best of breed, stand-alone modules of its current products that can interface with other companies' products, thus broadening market reach.

Electronic Medical Records division

The EMR division operates in a rapidly changing marketplace, with adoption of EMR systems in Canadian physician offices being promoted and funded by the Federal and most Provincial governments. The Federal Government's objective, through Canada Health Infoway, is to have Electronic Health Records in place for all Canadians by 2016.

The division's flagship product, Accuro EMR, is developed using the latest Java-based technology and offers industry-leading functionality, workflow and conformance to standards. The product is built on a flexible platform which allows ongoing product development to respond to the evolving requirements of the EMR marketplace. The division also provides support and maintenance of legacy EMR and practice management systems from acquired companies for physicians who have not yet upgraded to Accuro.

With the acquisition of Clinicare, a Company founded in 1984, the EMR division added one of the most established EMR solution in Canada to its family of products and it has substantially increased its customer base. The Company's strategy has been to selectively acquire legacy-based EMR and practice management systems, which adds to the Company's recurring revenue and increases its customer base. Customers benefit as the Company's support structure and resources are more substantial than the acquired software companies had as standalone businesses. Over time, the Company's strategy is to selectively implement unique functionality from the acquired systems to the Accuro product, and to develop data conversion tools to allow customers to upgrade to the Accuro system without losing their historic patient data. This provides customers with an upgrade path to newer technology that is cost-effective for both our customers and QHR, and it helps ensure that customers remain on QHR systems over the long term.

In addition to providing industry leading EMR software, the division has enhanced its competitive position through the formation of Cloudwerx, which provides a one-stop solution for clients seeking a hosted EMR solution.

The EMR division's goal is to be the leading provider of EMR systems across Canada. It has established a strong market position in B.C., Alberta, Saskatchewan and Manitoba, and it has recently expanded into Ontario, strengthened by its Clinicare acquisition.

Overall, the Company's strategy for this division is to:

- Gain market share through both organic growth and acquisitions; and
- Leverage its position in existing and expansion markets and, at the appropriate time, further expand into the USA.

BUSINESS MODEL

Recurring revenue

The Company's business model is to provide technologically advanced business software solutions and build long-term relationships with customers. The Company's revenue model is based, initially, on providing professional services to customers to implement business solutions. Thereafter the Company enjoys ongoing recurring revenues as long as customers continue to use the Company's products. At the start of the 2010 fiscal year, recurring revenues had reached approximately $11,500,000 on an annualized basis compared to $4,800,000 at the same time last year.

Enterprise Management Solutions division

Quadrant™ contracts are typically in the range of $100,000 to $1,000,000 and consist of three elements: an upfront purchase of software licenses, professional fees to implement the software at a client's site over a 3-12 month period, and annual, recurring support and maintenance fees. Once installed, customers are expected to continue using the Company's software for many years because of the high cost of changing vendors. This, added to the Company's reputation for strong customer service, has provided the EMS division with a customer retention and annual renewal rate exceeding 95%.

The software license revenues are recognized after completion of the initial support and maintenance period. Professional fees to implement the software are recognized as services are rendered. Annual maintenance and support revenue is paid in advance and recognized on a straight-line basis throughout the year. Annual maintenance and support payments received in advance are recorded as deferred revenue on the balance sheet, until earned.

Electronic Medical Records division

Accuro® EMR systems are sold based on a monthly license and services agreement with monthly recurring revenues dependant 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. Revenue is recognized on a monthly basis. There are upfront fees to cover the cost of training and implementation and this revenue is recognized when the services are provided. Customers continue paying the monthly fee for as long as they use the software. Once installed, customers are reluctant to change systems due to the quality of the Accuro system, plus the deterrents of the investment in staff training and challenges associated with converting historic patient data to new systems. This, added to the Company's reputation for strong customer service, has provided the EMR division with a customer retention rate also exceeding 95%.

The division's sales and marketing efforts are focused on selling Accuro to new and acquired customers. Existing customers of its other EMR and patient management systems, such as Clinicare, are charged recurring monthly or annual fees for software maintenance and support. Annual maintenance and support payments are paid in advance and are recorded as deferred revenue on the balance sheet until recognized monthly on a straight-line basis throughout the year.

The division provides hosting services to EMR customers, including application hosting, technical support, off-site data storage and business continuation services. Customers are charged an initial fee for implementation and set-up and, in some cases, the division resells hardware in conjunction with the implementation. Revenue from these services and the associated hardware is recognized as they are delivered. After the systems are implemented, revenue is recognized on a monthly basis.

ACQUISITIONS

In executing its business strategy the Company made three strategic acquisitions during 2009. Further information regarding these acquisitions can be found in the Financial Statements under the heading of "Business Combinations" and in Business Acquisition Reports filed on April 13, 2009 and February 19, 2010.

Financial software division of Momentum Healthware, Inc.

On January 19, 2009, QHR announced the acquisition of the Financials Division of Momentum Healthware, Inc., a privately held Manitoba based company. The acquisition was effective January 15, 2009 and the purchase completed on January 27, 2009. Management considers that this acquisition gives QHR the opportunity to become a market leader in providing a comprehensive enterprise management software solution to the healthcare and social services markets.

The Financials Division provides customized financial software that is tailored for the Canadian healthcare industry and built on Microsoft's proven Dynamics GP software platform. The primary market for its software is healthcare and long term care facilities, which is the same market segment that QHR targets with its Workforce Management Software. Management estimates that there was approximately a 30% overlap between customers of the Financials Division and the Company's Workforce Management System customer base. This provides an opportunity for the Company to cross sell Financial Management Software to Workforce Management Software customers, and vice versa. Over time, the Company expects to provide better integration between the Workforce and Financial Management Systems which will provide its customers with improved capabilities to better manage their organizations.

Subsequent to the acquisition, the Financials Division was merged with QHR's HR division to form the Enterprise Management Solutions ("EMS") division of QHR.

Cloudwerx Data Solutions Inc.

On September 1, 2008 QHR acquired 100% of the shares of Clinicvault Inc. ("Clinicvault"), a privately held Calgary-based company. Clinicvault had a track record of successfully hosting data in the EMR world. On June 22, 2009, the Company announced it was entering into a joint venture agreement with SEBO Systems Inc. ("SEBO"), a privately held Calgary-based data hosting company, to create a new entity dedicated to providing data hosting and data storage services and solutions to the healthcare sector. The new company, Cloudwerx Data Solutions Inc. ("Cloudwerx"), would combine Clinicvault with the data hosting and storage business of SEBO. Cloudwerx was initially to be owned 51% by QHR and 49% by SEBO and headquartered in Calgary, Alberta.

Subsequent to the joint venture agreement, a new agreement was reached whereby effective July 1, 2009, Cloudwerx would operate both the Clinicvault and SEBO data hosting and data storage businesses. In accordance with the terms of the new agreement, the computer equipment of SEBO's Calgary data centre was acquired by the Company and incorporated into Cloudwerx, and Cloudwerx became 100% owned by QHR.

Clinicare Corporation

On November 8, 2009, the Company announced that it had made an offer to acquire 100 percent of the outstanding common shares of Clinicare Corporation ("Clinicare"), a privately held company incorporated in Alberta. As at March 31, 2010, the Company had acquired 100% of Clinicare Class A common shares and 100% of Clinicare Class B common shares.

With the acquisition of Clinicare, QHR's EMR division became one of Canada's largest EMR providers. QHR's EMR division now supports over 3,300 physicians across Canada, with customers in almost every province. Over 2,000 of the division's customers utilize full Electronic Medical Records functionality, as opposed to only practice management and administrative functions. Management believes that more Canadian physicians use its EMR solutions than any other EMR vendor and that these physician clients have the most extensive EMR database of patient information in Canada.

ECONOMIC OUTLOOK AND COMPANY STRATEGY

Operations

While there have been many recent signs of economic recovery in Canada, management believes that 2010 will continue to present challenges to most Canadian businesses. It is not yet clear how long the economic recovery will take, nor is it clear how the pace of the recovery will affect buying decisions of potential customers.

QHR is well positioned, however, in that:

- The Healthcare sector continues to grow based on demographic changes in Canada, and represented approximately 11.9% of Canadian GDP in 2009;
- The Company's customers, being regional health districts, hospitals, long-term care facilities, social support agencies and physicians' offices are not usually impacted by the business cycle;
- The Company's products, such as accounting and payroll, are mission critical to the running of those enterprises; and
- Federal and Provincial Governments are accelerating investment in information technology infrastructure creating more demand for the Company's products.

QHR expects to achieve continued growth over the next year based on the Company's recent acquisitions and based on strong organic growth and expansion into new markets. The Company enjoys strong cash flow due to its recurring revenue model, and will continue to invest in product development as well as considering further strategic acquisitions. The Company also continues to raise equity capital to support operational growth and partially fund acquisitions, and expects to continue to do so in the future provided that market conditions remain favourable.

SELECTED FINANCIAL INFORMATION

The following financial data is selected information regarding the Company's operating results for the three months ended March 31, 2010 and 2009:

Quarter ended March 31	2010	2009
Total revenue	$ 4,661,946	$ 3,213,766
Earnings before other items	240,915	982,178
Amortization, interest & foreign exchange	575,648	407,657
Net earnings (loss)	(334,733)	574,521
Basic and diluted earnings (loss) per share	(.01)	.03
Total assets	17,531,891	17,727,713
Long term obligations	1,760,436	1,893,273
Cash dividends declared per share	None	None

RESULTS OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 2010

Results from operations in any given period are not necessarily indicative of results to be expected in future periods. QHR is a technology business where investment, various trends and factors in the marketplace and product enhancements must be carefully managed to achieve long-term revenue growth and profitability.

Revenue

The Company recorded revenue of $4,661,946 for the three months ended March 31, 2010 compared to $3,213,766 for the corresponding period in 2009, an increase of 45%. Revenues by division for the periods ending March 31 are shown in the following table.

Revenue	2010 3 months	2009 3 months	% increase (decrease)
EMS division	$ 2,446,545	$2,488,893	(1.7%)
EMR division	2,215,401	724,873	206%
Total revenue	$ 4,661,946	$ 3,213,766	45%

The EMS division achieved revenue in the quarter of $2,446,545, representing a negligible decrease over the amount the previous year of $2,488,893. This decrease is attributable to an unusually high level of software sales in the first quarter of 2009.

Revenue for the EMR division in the first quarter was $2,215,401 compared to $724,873 in 2009 representing a $1.5 million increase. Of this increase, $300,000 was organic and $1.2 million was as a result of the acquisition of Clinicare and Cloudwerx in 2009.

Operating expenses

Operating expenses, excluding cost of goods sold, for the three months ended March 31, 2010 were $3,939,169 compared to $2,020,889 for the corresponding period in 2009, an increase of 95%.

The following table shows a breakdown of operating expenses for the period ending March 31.

Operating Expenses	2010 3 months	2009 3 months	% increase (decrease)
Service costs	$ 2,095,059	$ 974,889	115%
Selling/admin expense	1,844,110	1,046,000	76%
Total	$ 3,939,169	$ 2,020,889	95%

Service costs for the first quarter were $2,095,059 compared to $974,889 last year, an increase of $1,120,170 or 115%. This increase in service cost is primarily due increased costs associated with the Clinicare line of business and additional professional services staff to respond to the increased demand for EMS services in Ontario.

Selling and administration expenses for the first quarter were $1,844,110 compared to $1,046,000 for the same period last year, an increase of $798,110 or 76%. Included in the administrative costs are higher than normal audit and professional fees of approximately $400,000. The balance of the increase is a combination of acquisition related severance costs and the growth in the sales and marketing depatments.

Other expenses

Stock-based compensation was $19,319 in the quarter reflecting the cost of stock options granted during the period. Amortization of property and equipment for the quarter ended March 31, 2010 was $126,815 compared to $67,521 in the same quarter of 2009, an increase of $59,294. Amortization of intangible assets for the quarter totaled $275,137 compared to $161,737 in the previous year, an increase of $113,400. These increases were the result of the amortization of assets associated with the acquisitions made during 2009. Interest expense increased from $145,980 in the first quarter of 2009 to $149,290 in 2010 representing a 2% increase. Both of these quarterly interest costs are unusually high as they both follow a major acquisition.

Net earnings

The Company experienced a net loss of $334,733 for the three months ended March 31, 2010 compared to net earnings of $574,521 for the same period last year. In addition to the increase in expenses explained in the previous sections, first quarter earnings in 2009 were a record $575,000 due to a large software sale in the EMS division that quarter.

SUMMARY OF QUARTERLY RESULTS

The Company's financial results for its eight most recently completed quarters are as follows:

Thousands of dollars	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08
Revenue								
EMS	2,447	3,065	2,841	1,822	2,489	1,399	748	1,007
EMR	2,215	1,125	908	849	725	643	545	509
Total revenue	4,662	4,189	3,749	2,671	3,214	2,042	1,293	1,516
Net earnings (loss)	(335)	330	656	(206)	575	331	(215)	11
Basic earnings (loss) per share	($0.01)	$0.01	$0.03	($0.01)	$0.03	$0.01	($0.01)	$0.00

LIQUIDITY AND CAPITAL RESOURCES	Mar. 31, 2010	Dec. 31, 2009
Cash on hand	$ 679,974	$ 1,037,609
Working capital (deficiency)	(4,314,330)	(5,133,854)
Adjusted working capital deficiency (before deferred revenue)	(296,314)	(3,052,442)
Shareholders' equity	6,830,989	6,108,403

The Company ended the first quarter of 2010 with cash on hand of $679,974 compared to $1,037,609 at the end of 2009 and to $326,844 at March 31, 2009. The Company had a working capital deficiency of $4,314,330 at March 31, 2010. This is an $819,524 improvement over its deficiency at December 31, 2009. This deficiency includes $4,018,016 of deferred revenue that will be satisfied through the delivery of products and services in future periods.

Management calculates its adjusted working capital for internal operational purposes as current assets less current liabilities before deferred revenue. When the deferred revenue is removed from the calculation, the adjusted working capital deficiency is $296,314, a $2.8 million improvement over December 31, 2009.

Operating activities

For the quarter ended March 31, 2010, operating activities resulted in net cash inflows of $855,071 compared to net cash inflows of $3,654,354 in the same quarter of 2009. The most significant change was in the accounts payable and accrued liabilities that produced a $2.8 million difference in net cash inflows. This difference is in part due to the positive cash flow impact from the liabilities incurred with the Momentum acquisition in the first quarter of 2009. The remainder of the difference is explained by outflows in the first quarter of 2010 stemming from payments required as a result of accounts payable relative to the recently acquired Clinicare business.

Investing activities

For the quarter ended March 31, 2010 the Company made net investments of $205,087 compared to $4,513,034 during the same quarter of 2009. The high level of investment in the first quarter of 2009 related to the Momentum business acquisition.

Financing activities

The Company's financing activities during the first quarter of 2010 consisted primarily of the issuance of $1,038,000 in new equity capital offset by repayments of promissory notes and long-term debt payments totaling $2,045,619. These financing activities were used to support the acquisitions made during 2009 and to maintain working capital.

The following table summarizes the Company's financial liabilities and the remaining contractual maturities.

Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years
Long-term debt	$ 1,825,214	$ 367,008	$ 1,458,206	$ -
Accounts payable and accrued liabilities	2,867,873	2,867,873	-	-
Promissory notes payable	1,350,222	1,350,222	-	-
Capital lease obligations	639,577	337,347	302,230	-
Operating leases for premises	3,046,696	802,289	1,968,542	275,865
Total contractual obligations	$ 9,729,582	$ 5,724,739	$ 3,728,978	$ 275,865

The ability of the Company to meet its financial obligations as they come due is largely dependent on its ability to generate profitable revenues as budgeted in its business plans, collect accounts receivable and attract new financing from the investment community to support Company activities including acquisitions. The Company continues to be engaged in seeking capital to support its continued growth.

TRANSACTIONS WITH RELATED PARTIES

On January 27, 2009 the Company received three-year term loans of $1,145,000, of which $850,000 was from related parties including certain directors and senior management and their immediate families. The loans bear interest at 12% per annum plus bonus interest of 200 common shares of the Company for each $1,000 of amount loaned. The balance of these loans outstanding as at March 31, 2010 was $731,927, of which $480,000 was owed to related parties. For the quarter ended March 31, 2010 total interest paid or accrued on the loans to these related parties was $14,326.

Related party transaction costs were incurred on normal commercial terms.

FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

The Accounting Standards Board of the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Early conversion to IFRS for fiscal years beginning on or after January 1, 2009 will also be permitted.

When implemented, IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an effect on taxes, contractual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. The Company is currently developing an IFRS implementation plan. Part of the implementation plan is to review contracts and agreements, and to increase the level of awareness and knowledge amongst management, the Board of Directors and the Audit Committee.

As at December 31, 2009, a preliminary review of the Company's financial statements has been performed to determine potential impact of IFRS adoption. This review has identified the following primary areas that may be impacted by IFRS conversion: Revenue Recognition, Intangible Assets, Goodwill, Property and Equipment, and Leases. Accounting for Income Taxes and Stock Based Compensation is expected to be affected but the impact has not yet been analyzed.

In order to facilitate the Company's successful transition to IFRS, it has contracted with a professional accounting firm with IFRS expertise to assist in the conversion assessment and process. The Company is also implementing a new accounting system, Microsoft Dynamics GP, which it expects will more easily accommodate the changes necessary for the IFRS conversion, Implementation of the system is expected to be substantially compete in 2Q 2010. The Company expects to provide its Board of Directors and Audit Committee with further IFRS training and detailed project updates through the second and third quarters of 2010.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace the existing Section 1600, Consolidated Financial Statements, and provide the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections will be applicable to the Company on January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

Arrangements with Multiple Deliverables

EIC-175, “Arrangements with Multiple Deliverables”, was issued in December 2009 and is an amendment to EIC-142, “Arrangements with Multiple Deliverables”. The revised guidance changes the determination of separate units of account and the allocation of the consideration to the deliverables. Additional disclosure requirements will be required not only for the transition adjustments but also thereafter for all significant multiple-element arrangements. The criteria for identifying all deliverables in a multiple-element arrangement that represent separate units of accounting have been simplified. Entities are no longer required to have objective and reliable evidence of fair value of the undelivered item for a deliverable to qualify as a separate unit of accounting. EIC-175 is effective for revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this section.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 "Financial Instruments-Recognition and Measurement" was amended April 2009. Paragraphs were added and amended regarding the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this section.

OTHER

Section 5.4 of National Instrument 51-102 - Disclosure of Outstanding Share Data:

Authorized Share Capital
Unlimited common shares without par value

Unlimited Class A Preference shares

Issued Common Shares	Number	Amount
Balance at March 31, 2010	29,720,509	$10,496,802

INVESTOR RELATIONS

The Company retains the services of Tangent Management Corp. to provide investor relations services.

BUSINESS RISKS AND UNCERTAINTIES

QHR is exposed to a variety of business risks, some of which are inherent to all competitive commercial enterprises and others that are specific to the software and technology related industries. Management endeavours to limit the affects of risk factors through its planning and management processes.

Government regulation and funding

Both of the Company’s divisions operate in market sectors influenced by government regulations and funding policies. In the case of the Enterprise Management Software division, it deals with large healthcare organizations and this can result in extended sales cycles and unpredictable decisions from potential customers. In the case of the Electronic Medical Records division, the speed of adoption of EMR technology is heavily dependent on the continuation of funding provided to physicians by provincial governments. In addition, provincial government regulations can significantly impact the sales of software in each province. The Company ensures that its products are compliant with government regulations and continually monitors the situation in each province.

Software industry and competition

There are inherent risks in the software applications industry. The Company faces competition from companies selling similar solutions that will impact QHR's ability to grow or maintain its revenue base. Competition may also affect the software functionality that the Company must develop and the selling strategies it must adopt. New competitors may also appear as new technologies, products and services are developed. Competition could affect the Company's pricing strategies and lower revenue and net earnings. It could also affect the ability to retain existing customers and attract new ones.

Operating results

QHR has ambitious plans to achieve growth in revenue and earnings. If the Company fails to successfully carry out these plans there could be a material adverse effect on the Company's results of operations. The Company has incurred losses in the past and revenue depends on signing new contracts some of which are subject to a long and complex sales cycle.

Acquisitions

The Company's growth strategy includes making strategic acquisitions. There is no assurance that the Company will find suitable companies to acquire or that the Company will have sufficient resources to complete any acquisition.

Key employees

Future success of the Company largely depends on the continued efforts and performance of its executive team and key employees. Failure to attract and retain key employees with necessary skills could have an adverse material impact upon the Company's operating results and financial condition.

Liquidity

The Company's growth strategy anticipates being able to finance the Company's operations and its continued expansion through additional equity investments and through debt financing. There is no assurance that the Company will be able to secure such financing in the future.

OUTLOOK

The Company continues to execute its business model based on recurring revenues. Recurring revenues had reached approximately $11,500,000 on an annualized basis at December 31, 2009 as compared to $4,800,000 as at December 31, 2008.

Management expects to achieve continued growth in revenues and earnings during 2010. Revenues are forecasted to exceed $20,000,000 based on the acquisitions discussed above, the strong base of recurring revenue in place, and on an acceleration of activity in both of the Company's divisions. The EMS division has a strengthening pipeline of opportunities for both Workforce Management Systems and Financial Management Systems. The EMR division became the first approved EMR vendor in Saskatchewan and in Manitoba, both in the second half of 2009, while Clinicare is an approved EMR vendor in Manitoba and Ontario. Successful provincial approvals result in qualification for subsidies payable to physicians in certain provinces that are intended to encourage physicians to implement EMR systems.

Management expects that approval of the Company's products for these subsidies will further enhance revenue growth in 2010.

The Company has extensive experience in healthcare and social services software applications and technology development. QHR has proven to be an innovator in the design and delivery of powerful, integrated software systems for complex healthcare environments. More recently it has demonstrated its ability to create new products for the emerging Electronic Medical Records market. The Company recognizes the importance of continually improving the software that it provides to its customer and, as such, it maintains an ongoing program of software maintenance and development and has in-house software development teams in each of its EMR and EMS divisions.

Enterprise Management Solutions division

In the Enterprise Management Solutions market many large healthcare organizations continue with the use of old payroll technologies. Complex union contracts strain the capabilities of many HR departments and complicated contract rules have overridden the functional power of existing systems. This provides an opportunity for the Company's Workforce products.

In addition, the acquisition of the Financials Division from Momentum Healthware provides the Company with a financial software offering that is customized for the Canadian healthcare market and is built on the proven Microsoft Dynamics GP platform. The combination of Workforce Management Software and Financial Management Software provides the Company's customers with an advanced suite of products that can be used to more effectively manage their organization's resources – both human and financial. Management believes that increasing health care costs and budget pressures will result in Canadian healthcare organizations needing to continue to focus on resource efficiencies and cost management, and that the Company's EMS products are well positioned to satisfy these needs.

While the timing of new business is extremely difficult for QHR to predict, there are many healthcare facilities in Canada currently seeking to upgrade their out-dated systems. They are interested in proven, reliable and powerful state-of-the-art products. The Company's proprietary products meet the requirements of many prospective customers.

Once chosen by the customer, these new Enterprise Management systems will typically remain in use for more than a decade providing annual recurring revenue to the Company. This movement to upgrade, plus the inherent long-term revenue streams associated with software use, continues to provide opportunities for QHR to prosper.

Electronic Medical Records division

QHR also has encouraging prospects in the Electronic Medical Records market. Both Federal and Provincial governments have made the creation of the electronic health record for all Canadians a strategic priority. Canada Health Infoway, a non-profit agency funded by the Federal Government, has reported that in 2005 it was estimated that 17% of primary care physicians and specialists were using EMR systems in Canada. This was far behind most western world countries and was in last place among the twenty countries that were studied. The United States was in second-to-last place at 18% and all other countries exceeded 40%. The United Kingdom, Norway, Finland, the Netherlands, New Zealand, Denmark and Sweden all had EMR penetration rates of between 93% and 97%. The Federal Government, through Canada Health Infoway, has the objective of having Electronic Health Records for 100% of Canadians by 2016 and, as of the end of 2009, had approved funding of $1.6 billion towards this objective.

The Company's flagship Accuro EMR product is built on modern Java-based technology and is gaining acceptance by family physicians and specialists across Western Canada. With the acquisition of Clinicare, QHR has acquired one of the most established EMR software suppliers in Canada and has substantially increased the number of physicians in its customer base. The Clinicare EMR product has traditionally been a strong solution for larger physician offices and clinics, and it has an established base in Ontario. In line with its strategy, the Company is implementing some of the unique Clinicare functionality into the Accuro product, and has developed a data conversion process that allows Clinicare customers to upgrade to Accuro while retaining their historic patient data. The Clinicare acquisition, combined with the advanced technology of Accuro EMR, has positioned QHR as a market leader in the Electronic Medical Records market in Canada.

The Electronic Medical Records business serves a market of over 60,000 physicians in Canada. Market-wide this represents a revenue opportunity of over $200 million per year for the EMR vendors that will eventually service the Canadian market. Management expects the EMR division to make a strong contribution to earnings in 2010.

Industry Outlook

According to the Canadian Institute for Health Information, healthcare spending in Canada was expected to reach $183.1 billion in 2009, an estimated increase of $9.5 billion or 5.5% over 2008. Total healthcare spending per capita was estimated at $5,452, and estimated healthcare spending as a percent of Gross Domestic Product increased from 10.8% in 2008 to 11.9% in 2009. Seventy percent of these expenditures were made by the public sector, while the remainder was split between private insurance and out-of-pocket spending by individuals.

The segments of the healthcare industry that the Company deals with include hospitals, other healthcare institutions such as long term care facilities and physicians offices. Collectively, these segments accounted for 52% or $95 billion of total health care spending, with hospitals representing 28%, other institutions representing 10%, and physicians offices accounting for 14%. Other segments in the industry, which the Company does not typically deal with, include other services such as dental and vision care, drugs and pharmaceuticals, capital spending and health research.

The Information Technology Association of Canada reports that, on average, healthcare organizations spend less than 2% of their operating budgets on information technology, which is below the 4% rate seen in many other developed countries. The Association expects that Canadian expenditures will increase to 2.5% of operating budgets due to investments in Electronic Health Records being made by Canada Health Infoway and other agencies and provincial governments.

Management believes the industry that the Company participates in will continue to grow in coming years, driven by an aging population and ongoing demands for improved healthcare services. Management expects industry spending to be relatively unaffected by recession, and that the publicly-funded nature of the industry gives it stability.

Management also believes that there are two significant trends in the healthcare industry over the coming years. First is the conversion from manual and paper-based systems throughout the healthcare system to the implementation of robust and interoperable systems to manage patient information and healthcare procedures and records. The second is an increased focus on cost control and improved resource utilization to deal with the pressure of ever-increasing healthcare costs. Management believes that the Company is well positioned to assist the healthcare industry in meeting its challenges and will benefit from these trends.

FORWARD LOOKING STATEMENTS

This MD&A contains “forward-looking statements” within the meaning of applicable Canadian securities legislation that reflect the Company’s current expectations, forecasts and assumptions. Generally, forward looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results expressed or implied by such forward looking statements. These include but are not limited to the speculative nature of the healthcare software industry which is affected by numerous factors beyond the Company’s control including slow and complicated sales cycles, the existence of present and possible government regulation, competition, uncertainty of profitable revenue levels, general market circumstances and the need to continue to access capital from internal or external sources.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are advised to consider such forward-looking statements in light of the risks set forth below. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.