QUORUM
DEALER MANAGEMENT SYSTEMS

ANNUAL Report
2017

Our Vision

Quorum is a recognized leader in DMS technology for North American automotive dealerships, focused on providing innovation that helps them increase their customer satisfaction, operational efficiency and revenue.

Our Mission

- Be the very best at building and supporting the most advanced automotive dealership systems in the North American marketplace
- Enable dealerships to streamline their operations, enhance their business and better serve their customers - to realize a true return on their technology investment by maximizing utilization of the XSELLERATOR DMS
- Extend the product and services capability throughout Quorum to grow within the larger multi-rooftop dealer groups market initially in Canada and with a longer term focus on the US
- Provide outstanding and personal customer support
- Be an exceptional place to work that is engaging and rewarding to employees
- Maximize shareholder value through steady profitable growth

Our Values

Integrity

We are realistic, honest and fair in our commitments.
And, above all, we follow through.

Respect

Our customers and our people are our greatest strengths;
we encourage, listen to, and value their contributions.

Excellence

We set high standards, strive for continuous improvement
in everything we do, and we exceed expectations.

Knowledge

Understanding our customers' business processes,
and the technology that supports them, is our focus.

Empowerment

We have an open, collaborative culture, empowering our people
to promote innovation and fresh thinking.

Teamwork

Our success is the result of teamwork. We operate with the highest level
of cooperation and trust, and will share objectives between departments.

Table of Contents

President's Message

Quorum is a leader in technology for automotive dealerships, and is focused on providing innovation that helps dealerships increase their customer satisfaction and revenue. The Company is driven to provide exceptional customer support and assist dealerships to realize a true return on their technology investment by maximizing utilization of the Quorum DMS, XSELLERATOR™, and the Autovance Desk system, to enhance their business. Quorum delivers its software products and service to franchised, independent and some non-automotive dealerships in Canada and the United States.

In prior years Quorum was focused on total revenue growth, however, in FY2017 Quorum started the transition to focus on Software as a Service (SaaS) revenue growth. Our recurring support revenue is entirely SaaS-based and, for investors, it is the most valuable revenue stream for the Company.

In 2017 we had the following significant measurable steps towards this transition:

Revenue Type	FY2017	FY2016	Growth
Support revenue	**$ 10,283,681**	$ 8,930,984	15%
Add-on revenue	**1,189,158**	1,452,067	-18%
New installations revenue	**1,039,486**	1,544,205	-33%
Core revenue subtotal	**12,512,325**	11,927,256	5%
Transitions revenue	**231,301**	251,194	-8%
Gross revenue	**$ 12,743,626**	$ 12,178,450	5%

- Recurring SaaS support revenue for FY2017 increased by $1,352,697[1] over FY2016, which represents a 15% increase. Both added installations of new customers and sales of added Quorum-developed and strategic 3rd party products (for which Quorum is a reseller) to our existing customer base contributed to this growth.
- Quorum's annual SaaS support revenue run rate is now $10,906,104 based on December 2017 Support revenue of $908,842.
- Support revenue now represents 81% of total revenue for FY2017 compared to 73% for FY2016.
- Support revenue growth drivers include:
    - Sales to existing customers of Quorum-developed products, strategic 3rd party products, XSELLERATOR user license sales and annual support increases represent 78% of the FY2017 support revenue growth. Included in the above is Autovance revenue and Autovance has been a strategic 3rd party partner for Quorum. In September 2017, Quorum acquired all of the issued and outstanding shares of Autovance Technologies Inc. Additional support revenue in FY2017 from Autovance's proprietary product, Autovance Desk, for Quorum customers was $92,000 (7% of support revenue growth) and Autovance revenue for non-Quorum customers since the date of acquisition was $106,000 (8% of support revenue growth). The run rate as of December 31, 2017 of Quorum's revenue associated with Autovance's annual SaaS support revenue is $706,000 based on December support revenue of $58,835.
    - The remaining 22% of the FY2017 support revenue growth comes from increases in our customer base. In FY2017 Quorum completed 26 new XSELLERATOR rooftop installations and had 10 rooftop losses (for an annual churn of 3.1 %) and ended the year with a total of 341 active installed dealership rooftops. The primary reason for any rooftop losses (or churn) is that our dealership customers can be acquired by dealer groups and the group may already be using a competitor's system. In FY2016, Quorum had 27 new rooftop installations, however, new installation one-time revenue declined in FY2017 because of

[1] In previous years, Communicator revenue was included in add-on revenue. In FY2017, Communicator revenue has been included with support revenue as it is truly recurring revenue and comparative periods have been updated. A detailed description of the changes is included in the MD&A.

Quorum's focus on SaaS support revenue with each new sale and because of increased competitive pressure on installation costs which drove down install prices in 2017.

- Sales Backlog – not all dealership rooftops sold in FY2017 were able to be installed during that year and Quorum had 23 sold dealership rooftops planned to be installed in FY2018 and Q1 FY2019 compared to 20 at the end of FY2016 that were installed in FY2017 and Q1 FY2018.
- Canadian and US Market – Quorum has continued to expand our Total Addressable Market (TAM) in Canada over the last five years. In order to increase our TAM, Quorum must complete multi-month projects with vehicle manufacturers (OEMs) to integrate to their systems. In FY2017, we completed two significant projects to allow future US market growth as follows:
  - In FY2017 we completed Ford US integration development and in February of 2018 we piloted our first Ford dealership in the US. The result is that Quorum can now sell our software to Ford dealerships in the US which increases our TAM in the US by 35%.
  - In Q4 FY2017 Quorum completed the "Platinum" certification under the GM US DTAP Service Lane program. Under this program the dealerships recover their training costs through the GM co-op funds. The dealerships also receive significant monthly incentives for utilizing Quorum's "Platinum" level certified inspection and quoting tools under the DTAP Service Lane program.

  Quorum plans to continue to invest in significant projects in the US market to accelerate growth in this market. Additionally, we plan to further invest in manufacturer integration in both Canada and the US.
- Add-on revenue and Dealership Utilization - Quorum continues to enhance three high value components of our software - Communicator, VIP and Sales CRM. We track key dealership utilization metrics related to these areas in a Dealership Success Scorecard (shown below). Getting our dealerships to utilize these areas has the following benefits to Quorum:
  - Drives training revenue – training visits were down 31% for FY2017 compared to FY2016. Training revenue represents 64% of Quorum's total add-on revenue and add-on revenue was down 18% in FY2017 over FY2016. Training visits were down in FY2017 due to rule changes for specific provinces under the Canada Job Grant. Quorum has adjusted our quoting process and reset customer expectations to match the status of the province which should result in increased future training visits.
  - Increased customer satisfaction and reference-ability of our customers.
- Core Revenue – Core revenue is comprised of support, add-on and new installations revenue. Transitions revenue pertains to conversion of dealerships to new server hardware and/or the latest version of Microsoft operating system and database software. Core revenue increased by 5% in FY2017 as compared to FY2016.

Dealership Success Scorecard[2]

- Communicator – Dealerships utilizing Communicator: 250
- Messages in FY2017: 10,179,463
- Year over year message growth: 146%

- M3 (VIP only) – Dealerships utilizing VIP: 150
- Total FY2017 incremental Customer Pay revenue: $103,587,869
- Year over year revenue growth: 51%

- Sales CRM – Dealerships trained: 100
- Average Q4 FY2017 utilization of Sales CRM 66%
- Total # of dealerships that have moved away from 3rd party CRM systems: 22

[2] The numbers and dollar figures included in the Dealership Success Scorecard are based on dealership results.

- Areas of the Dealer Scorecard
    - *Communicator* features text, email and instant message functionality that is integrated into the XSELLERATOR workflow.
    - *Make More Money ("M3")* is an initiative which focuses on ten XSELLERATOR processes that drive incremental revenue into our dealership customers' operations. Aggregate data from the Vehicle Inspection Process ("VIP"), which is just one of the ten M3 processes, is shown above.
    - *Sales CRM* - Quorum continues to make significant enhancements to sales Customer Relationship Management (CRM) features within XSELLERATOR.

- Customer Satisfaction metrics are as follows:
  - Each year we conduct Customer Satisfaction Index ("CSI") surveys. The results of our Q3 FY2017 survey compared to our Q1 FY2017 survey showed strong customer satisfaction as follows:
    - Q3 FY2017 reported 86% of dealer principals as "satisfied" or "very satisfied" and 96% of end users as "somewhat satisfied", "satisfied" or "very satisfied" overall.
    - Q1 FY2017 reported 85% of dealer principals as "satisfied" or "very satisfied" and 98% of end users as "somewhat satisfied", "satisfied" or "very satisfied" overall.
  - Our monthly Support Center CSI survey continues to report approximately 95% "very satisfied" with the service received from our support team.
- Employees – none of the Company's accomplishments are possible without highly motivated, engaged people. Our sincere thanks to the people that drive Quorum. Every year we measure our staff engagement and we actively work towards improving our job satisfaction and engagement throughout the Company.

Other key financial results highlights for FY2017 are as follows:
- Gross revenue increased to $12,744K in FY2017 from $12,178K in FY2016, a 5% increase.
- Gross margin increased to $6,510K in FY2017, from $6,368K in FY2016, a 2% increase. Gross margin as a percentage of gross revenue decreased to 51% in FY2017 from 52% in FY2016.
- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) decreased to $1,894K in FY2017 from $1,917K in FY2016. EBITDA as a percent of gross revenue was 15% in FY2017, a slight decrease from 16% in FY2016. Increased gross margin was offset by:
  - Higher salaries and benefits expense due to increased staffing levels.
  - Increased general and administrative costs due to higher office rental expense and an increase in consulting services.
- Income before deferred income tax expense increased to $1,500K for FY2017 compared to $664K in FY2016 mainly due to an impairment reversal of $937K.
- Net income decreased to $474K for FY2017 compared to $493K in FY2016. The increase in income before deferred income tax expense was offset by an increase in deferred income tax expense due to a reduction in the US Corporate Tax rate for 2018 and beyond.
- Net working capital at December 31, 2017 was $5,154K with a current ratio of 4.86, compared to $5,622K at December 31, 2016, with a current ratio of 5.42, a decrease of $468K. The decrease in net working capital from the prior year is mainly due to the decrease in cash and offset by an increase in accounts receivable during FY2017. The decrease in cash was largely due to the $875,000 in cash consideration paid for the acquisition of Autovance.

Conclusion

Quorum has generated seventeen consecutive quarters of revenue growth (over the prior year quarters) and we continue to increase our staffing levels in anticipation of future growth. Our strategy to focus on product innovations, improving product utilization and superior levels of customer service has increased the market demand for our product and services. Our fundamentals behind future revenue growth are still very strong and are as follows:

- Our SaaS-based recurring support revenue continued to grow by an impressive 15% in FY2017.
- This growth was driven by sales of added Quorum-developed and strategic 3rd party products (78%) to existing customers and added installations of new customers (22%).
- Quorum's annual SaaS support revenue run rate is now $10,906,104 based on December 2017 support revenue of $908,842.
- Support revenue now represents 81% of total revenue for FY2017 compared to 73% for FY2016.
- Our pipeline has 23 sold rooftops that will be installed in future quarters.
- Our dealership annual churn is low at 3.1% and the primary reason for any churn is industry consolidation.
- The Dealer Success Scorecard continues to show improving results, which indicates higher utilization of critical areas of XSELLERATOR by our customers.
- Dealership customers' satisfaction remains high.
- We continue to increase our total addressable market with new OEM integration with Ford US and with continue certifications for added integration like our GM US "Platinum" Service Lane certification for our VIP and quoting process.

My sincere appreciation is extended to Quorum's Board of Directors and to our employees and consultants who have been diligent and dedicated in their support of the Corporation's goals and objectives. My thanks also extend to our investors for their long-term and continued support of Quorum

Maury Marks
President & Chief Executive Officer

Financial Highlights

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Gross revenue	**$ 12,743,626**	$ 12,178,450	$ 10,744,478
Direct costs	**6,233,132**	5,810,362	5,173,396
Gross margin	**6,510,494**	6,368,088	5,571,082
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**1,894,463**	1,916,765	1,716,184
Income before deferred income tax	**1,499,537**	663,709	593,586
Net income	**474,411**	493,059	451,714
Comprehensive income	**382,525**	448,886	709,727
Basic net income per share	**$ 0.0091**	$ 0.0096	$ 0.0107
Fully diluted net income per share	**$ 0.0091**	$ 0.0096	$ 0.0107
Weighted average number of common shares			
Basic	**52,074,361**	51,485,200	42,318,803
Diluted	**52,074,361**	51,485,200	42,318,803

Management's Discussion and Analysis of Financial Condition and Results of Operations

April 23, 2018

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Corporation's consolidated results of operations and financial condition. This "Management's Discussion and Analysis" should be read in conjunction with the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2017 and the notes thereto. Comparisons made to prior periods are to the corresponding period in the preceding year unless otherwise indicated.

Background and Description of Business

Quorum Information Technologies Inc. ("Quorum" or the "Corporation") is an information technology company that focuses on the automotive retail business, and is incorporated under the Business Corporations Act of Alberta.

Quorum develops, markets, implements and supports its two software products, XSELLERATOR™, a Dealership Management System ("DMS") and Autovance Desk, an automotive sales Desking system. The products are delivered to franchised, independent and some non-automotive dealerships in Canada and the United States. The Corporation is a Dealer Technical Assistance Program ("DTAP") strategic partner with GM and a silver-certified partner with Microsoft. Quorum has a large opportunity with an available market of approximately 12,400 dealerships across North America and to capitalize on this market Quorum has invested significant funds and resources.

Non-IFRS Measures

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Certain supplementary information and measures not recognized under IFRS are provided in this MD&A where management believes they assist the reader in understanding Quorum's results. These measures are calculated by Quorum on a consistent basis unless otherwise specifically explained. These measures are further explained as follows:

EBITDA – net earnings before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation. EBITDA is a metric used to assess the financial performance of an entity. Management believes that this metric assists in determining the ability of the Corporation to generate cash from operations.

Gross margin – revenue less direct costs, which includes third party costs and salaries and benefits of employees directly related to the activities from which the Corporation generates revenue. Management believes this metric provides a good measure of the operating performance of the Corporation.

Current ratio – current assets divided by current liabilities. Current ratio is a liquidity ratio that measures an entity's ability to pay short-term and long-term obligations. Management believes this metric provides a good measure of the Corporation's liquidity.

Software as a Service (SaaS) revenue - SaaS revenue includes all recurring subscription and support fees from dealership customers.

Recurring support revenue – support fees from dealership customers. Each month every active dealership rooftop that utilizes the Quorum software receives an invoice that covers charges for support services.

Recurring support revenue includes Communicator revenue, Quorum's integrated two-way texting and emailing service. In prior periods Communicator revenue was included with add-on revenue. Recurring support revenue is also referred to SaaS revenue.

Add–on revenue – a combination of services that our active dealership rooftops purchase from Quorum including, but not limited to, on-site training services, remote training services, new XSELLERATOR user license fees, and financial and insurance forms development.

New installations revenue – fees charged for the initial installation services for new dealership customer to get them initially setup and using XSELLERATOR. These fees also include, but are not limited to, training services, configuration charges, project management, data conversion services, hardware and 3rd party software.

Transitions revenue – revenue from replacing aging customer servers, and related hardware and software.

Cash flow from operating activities – cash receipts from customers less cash paid to suppliers and employees less interest paid. Management believes this metric provides a good measure of cash sources and uses.

Cash expenditures – cash payments for operating and investing activities including cash paid to suppliers and employees, interest paid, as well as cash paid for property and equipment, software development costs and business acquisitions.

2017 Overview

Gross revenue increased by 5% to $12,744K in FY2017 from $12,178K in FY2016. The increase in revenue is due to:

- An increase of $1,353K in recurring support revenue as a result of having more active dealership rooftops at the end of FY2017 compared to the end of FY2016;
- A decrease of $263K in add-on revenue to existing customers due to a decrease in training revenue;
- A decrease of $505K in new installations revenue which was a result of less and smaller rooftop installations in FY2017 as compared to FY2016; and
- A decrease of $20K in transitions revenue.

Gross margin increased to $6,510K in FY2017, from $6,368K in FY2016, a 2% increase. Gross margin as a percentage of gross revenue was 51% in FY2017, a slight decrease from 52% in FY2016. Gross margin as a percentage of gross revenue decreased due to increased staffing levels that were underutilized during the year because there were less new installations and less training visits than planned. Staffing levels have increased to handle future growth expectations as evidenced by our 23 rooftop installation backlog as of December 31, 2017. As such, these staff, from a revenue generating perspective, should be utilized to a greater degree in future years.

Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) was $1,894K in FY2017, a slight decrease from $1,917K in FY2016. Increased gross margin was offset by larger salaries and benefits expense due to increased staffing levels and increased general and administrative costs due to higher office rental expense. EBITDA also decreased due to an increase in consulting services, but was offset by a decrease in sales and marketing expense due to a decrease in variable compensation expense.

Income before deferred income tax expense increased to $1,500K for FY2017 compared to $664K in FY2016. The increase is mainly due to a $937K impairment reversal.

Including cash of $4,595, total net working capital at December 31, 2017 was $5,154K with a current ratio of 4.86, compared to $5,622K at December 31, 2016, with a current ratio of 5.42, a decrease of $468K. The decrease in net working capital from the prior year is mainly due to the decrease in cash, offset by an increase in accounts receivable during FY2017. The decrease in cash was largely due to the $875,000 in cash consideration paid for the acquisition of Autovance Technologies Inc.

On September 1, 2017, Quorum completed the acquisition of all of the issued and outstanding shares of Autovance Technologies Inc. (the "Autovance Acquisition"). Autovance was an Alberta-based private company that provides web-based desking to the Canadian automotive industry. The acquisition of Autovance will support Quorum's strategic integrated end-to-end business process direction. The closing date of the Autovance Acquisition was September 1, 2017. The aggregate purchase price was $1,242,200 consisting of $875,000 in cash paid on the date of acquisition and $367,200 in share consideration satisfied through the issuance of 540,000 Restricted Stock Units (RSUs) of the Corporation. The RSUs will be granted upon the achievement of certain milestones by Autovance post-closing and, upon the satisfaction of each milestone, will vest over a period of two years from the date of milestone satisfaction. In conjunction with the Autovance Acquisition, the Corporation recorded $30,000 in transaction costs to general and administrative expenses for the year ended December 31, 2017. Autovance will expand the Corporation's position and market-share of the available dealerships in North America. As of December 31, 2017, Autovance had over 164 customers with particular concentration of sales in Ontario and Alberta.

The Corporation continues to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR represents the "next generation" of Dealership Management Systems for the automotive market. New investment is now more focused on development that will grow market share, improve customer satisfaction, reduce support calls (and our cost of support), support additional Original Equipment Manufacturing (OEM) integration work, as well as additional third party company integration.

2017 Financial Highlights

- **5% increase in gross revenue.**
- **2% increase in gross margin.**
- **15% increase XSELLERATOR recurring support revenue.**
- **18% decrease in add-on revenue from existing customers.**
- **33% decrease in new installations revenue.**
- **8% decrease in transitions revenue.**
- **9th year in a row of positive EBITDA: $1,894K in FY2017 versus $1,917K in FY2016.**
- **Income before deferred income tax expense of $1,500K in FY2017 compared to $664K in FY2016.**
- **Net income of $474K in FY2017 compared to $493K in FY2016.**
- **Comprehensive income of $383K in FY2017 compared to $449K in FY2016.**
- **9th year in a row of positive cash flow from operating activities: $1,693K in FY2017 versus $1,693K in FY2016.**
- **13% increase in cash expenditures.**

Corporation's Fiscal Year (FY) 2017 results presented on a quarterly basis compared to FY2016:

($000's except per share amounts)

Year / Quarter – 2017	**Year to date**	**Dec. 31 Q4**	**Sept. 30 Q3**	**June 30 Q2**	**March 31 Q1**
Gross revenue	**$ 12,744**	**$ 3,214**	**$ 3,070**	**$ 3,188**	**$ 3,272**
Third party costs	**2,620**	**612**	**612**	**647**	**749**
Salaries and benefits	**3,841**	**1,027**	**1,032**	**905**	**877**
Government assistance	**(227)**	**(87)**	**(36)**	**(46)**	**(58)**
Gross margin	**6,510**	**1,662**	**1,462**	**1,682**	**1,704**
Gross margin percentage	**51%**	**52%**	**48%**	**53%**	**52%**
EBITDA expenses[3]	**4,616**	**1,169**	**984**	**1,128**	**1,335**
Operating income before interest, taxes, depreciation and amortization (EBITDA)	**1,894**	**493**	**478**	**554**	**369**
EBITDA as a percentage of revenue	**15%**	**15%**	**16%**	**17%**	**11%**
Income before deferred income tax expense	**1,500**	**989**	**175**	**259**	**77**
Deferred income tax expense (recovery)	**1,025**	**923**	**75**	**(7)**	**34**
Net income	**474**	**65**	**100**	**266**	**43**
Other comprehensive income (loss)[4]	**(92)**	**14**	**(47)**	**(48)**	**(11)**
Comprehensive income	**383**	**80**	**53**	**218**	**32**
Net income per share	**0.0091**	**0.0013**	**0.0019**	**0.0051**	**0.0008**
Cash flow from operating activities	**1,693**	**606**	**163**	**379**	**545**
Cash expenditures (cash payments for operating and investing activities)	**$ 13,669**	**$ 3,166**	**$ 4,173**	**$ 3,079**	**$ 3,251**

($000's except per share amounts)

Year / Quarter – 2016	**Year to date**	**Dec. 31 Q4**	**Sept. 30 Q3**	**June 30 Q2**	**March 31 Q1**
Gross revenue	$ 12,178	$ 3,127	$ 3,059	$ 3,045	$ 2,947
Third party costs	2,534	690	591	586	667
Salaries and benefits	3,381	842	912	861	766
Government assistance	(105)	(65)	(30)	(10)	-
Gross margin	6,368	1,661	1,585	1,608	1,514
Gross margin percentage	52%	53%	52%	53%	51%
EBITDA expenses[3]	4,451	1,272	1,003	1,172	1,004
Operating income before interest, taxes, depreciation and amortization (EBITDA)	1,917	389	582	436	510
EBITDA as a percentage of revenue	16%	12%	19%	14%	17%
Income before deferred income tax expense	663	8	224	180	251
Deferred income tax expense (recovery)	170	(122)	164	6	122
Net income	493	130	60	174	129
Other comprehensive income (loss) [4]	(44)	31	41	5	(121)
Comprehensive income	449	161	101	179	8
Net income per share	0.010	0.003	0.001	0.003	0.003
Cash flow from operating activities	1,693	476	475	333	409
Cash expenditures (cash payments for operating and investing activities)	$ 12,069	$ 3,172	$ 3,010	$ 2,979	$ 2,908

[3] EBITDA expenses include salaries and benefits, general and administrative and sales and marketing.
[4] Other comprehensive income (loss) is comprised of foreign exchange gain (loss).

DETAILED DISCUSSION ON OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

Revenue and Gross Margin Analysis

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Gross revenue	**$ 12,743,626**	$ 12,178,450	$ 10,744,478
Direct costs	**6,233,132**	5,810,362	5,173,396
Gross margin	**6,510,494**	6,368,088	5,571,082
Gross margin %	**51%**	52%	52%
Support revenue[5]	**$ 10,283,681**	$ 8,930,984	$ 7,971,650
Add-on revenue	**1,189,158**	1,452,067	1,024,619
New installations revenue	**1,039,486**	1,544,205	854,435
Transitions revenue	**231,301**	251,194	893,774
Gross revenue	**$ 12,743,626**	$ 12,178,450	$ 10,744,478

Revenue

Revenues from operations were $12,743,626 in FY2017 compared to $12,178,450 in FY2016, an increase of $565,176 or 5%. Quorum revenue results were as follows:

Recurring support revenue increased to $10,283,681 in FY2017, compared to $8,930,984 in FY2016, an increase of $1,352,697 or 15%. The Corporation completed 26 new installations during FY2017 with each newly installed customer now paying recurring monthly support and services fees. As our customer base grows, support revenue should continue to grow proportionately. Communicator revenue, which in prior years was included with add-on revenue, is now included with support revenue as it is truly a recurring revenue. As a result, support revenue and add-on revenue for FY2016 and FY2015 have been restated to reflect this change in classification: $122,813 and $89,908 has been reclassified from add-on revenue to support revenue for FY2016 and FY2015, respectively.

Add-on revenue to existing customers decreased to $1,189,158 in FY2017, compared to $1,452,067 in FY2016, a decrease of $262,909 or 18%. The decrease is mostly due to fewer on-site training visits in FY2017 compared to FY2016. This drop in add-on revenue is due to a decline in training visits as compared to FY2016. Training visits were down in FY2017 due to rule changes for specific provinces under the Canada Job Grant. Quorum has adjusted our quoting process and reset customer expectations to match the status of the province, which should result in increased future training visits.

New installations revenue was $1,039,486 in FY2017 compared to $1,544,205 in FY2016, a decrease of $504,719 or 33%. During FY2017, the Corporation completed 26 new rooftop installations, however, new installation revenue declined in FY2017 because of the Corporation's focus on SaaS subscription revenue with each new sale and because of increased competitive pressure on installation costs, which drove down transaction prices in 2017.

FY2017, Transitions revenue was $231,301 compared to $251,194 in FY2016, a decrease of $19,893.

[5] Communicator revenue was included in add-on revenue in prior periods. Communicator revenue is recurring and will be included in support revenue for FY2017 and future periods. FY2016 and FY2015 have been restated for comparative purposes.

Direct Costs and Gross Margin

Direct costs include all costs related to installations and support including third party costs and all the implementation, transitions and support staff. Direct costs for FY2017 were $6,233,132 compared to $5,810,362 in FY2016 and $5,173,396 in FY2015. During FY2017, $209,340 ($73,379-FY2016, $nil-FY2015) from the National Research Council of Canada ("NRC") was received and applied as a reduction of salaries and benefits (direct). As well, during FY2017, $17,500 ($32,025-FY2016, $nil-FY2015) from the Newfoundland and Labrador Government, Department of Tourism, Culture Industry and Innovation ("TCII") was received and applied as a reduction of third party costs. The increase in direct costs is mainly due to the addition of employees required to meet the Corporation's future business plan.

During FY2017, gross margin increased to $6,510,494 or 51% compared to $6,368,088 or 52% for FY2016 and $5,571,082 or 52% for FY2015. Gross margin as a percentage of gross revenue decreased due to increased staffing levels that were underutilized during the year because there were less new installations and less training visits than planned. In addition, staffing levels have increased to handle future growth expectations as evidenced by our 23 rooftop backlog. As such, these staff, from a revenue generating perspective, should be utilized more fully in future periods.

Expenses

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and benefits[6] [7]	**$ 2,076,906**	$ 1,897,670	$ 1,876,808
Stock-based compensation	**103,600**	206,452	165,452
General and administrative[8]	**1,006,118**	921,170	779,869
Sales and marketing[9]	**1,533,007**	1,632,483	1,198,221
Total Expenses	**$ 4,719,631**	$ 4,657,775	$ 4,020,350

Total expenses before interest, taxes, depreciation, amortization and foreign exchange for FY2017 were $4,719,631 or 37% of sales as compared to $4,657,775 or 38% of sales for FY2016 and $4,020,350 or 37% of sales for FY2015.

Salaries and benefits expenses for FY2017 were $2,076,906 compared to $1,897,670 in FY2016 for an increase of $179,236 or 9% and $1,876,808, in FY2015 for an increase of $200,098 or 11% from FY2015. The increase in FY2017 from FY2016 and FY2015 is due to the addition of employees required to meet the Corporation's future business plan. During FY2017, $10,000 ($11,103-FY2016, $nil-FY2015) from the NRC was received and applied as a reduction of salaries and benefits expense for the year.

Stock-based compensation expense for FY2017 was $103,600 compared to $206,452 in FY2016, a decrease of $102,852, and $165,452 in FY2015, a decrease of $61,852. During FY2014 and FY2016, eligible employees and directors were granted 2,326,500 Restricted Stock Units (RSU's) as prescribed by the RSU Plan. 350,000 RSUs at an average price of $0.68 per RSU vested during FY2017 as compared to 749,300 RSU's at an average price of $0.59 per RSU which vested during FY2016 and 687,300 RSU's at an average price of $0.36 which vested during FY2015. During FY2017, 1,119,300 RSU's were granted to eligible employees and managers. Approximately one-third of those incentive awards will vest during FY2018.

[6] Salaries and benefits are net of government assistance.
[7] Salaries and benefits expense for Sales and Marketing associates are now included in Sales and Marketing expense. FY2016 and FY2015 have been restated for comparative purposes: $1,342,784 has been reallocated from Salaries and Benefits to Sales and Marketing for FY2016 and $910,303 has been reallocated from Salaries and Benefits to Sales and Marketing for FY2015.
[8] General and administrative are net of government assistance.
[9] Sales and marketing are net of government assistance.

No stock options were issued during FY2017. The most recent issuance of stock options occurred in FY2010, at which time 396,381 options were issued. The stock-based compensation expense is a non-cash expense.

General and administrative expenses for FY2017 were $1,006,118 compared to $921,170 in FY2016 for an increase of $84,948 or 9% and $779,869 in FY2015, an increase of $226,249 or 29%. The increase from FY2016 and FY2015 is due to increases in the number of employees, consulting fees and rental expense. During Q4 FY2016 and FY2015 the Corporation amended its rental contracts for the offices in Calgary, Alberta and St. John's, Newfoundland and Labrador to include extra space required by the Corporation. During FY2017, $4,624 ($10,474-FY2016, $nil-FY2015) from TCII was received and applied as a reduction of general and administrative expenses. During FY2017, $41,681 ($23,218-FY2016, $nil-FY2015) from ACOA was received and applied as a reduction of general and administrative expenses. Sales and marketing salaries and benefits expense, which in prior years was included with salaries and benefits expense, is now included with sales and marketing expense. Salaries and benefits expense and Sales and Marketing expense for FY2016 and FY2015 have been restated: $1,342,784 and $910,303 has been reallocated from salaries and benefits expense to sales and marketing expense for FY2016 and FY2015 respectively.

Sales and marketing expenses for FY2017 were $1,533,007 or 12% of sales compared to $1,632,483 for FY2016 or 13% of sales, a decrease of $99,476 or 6% and $1,198,221 for FY2015 or 11% of sales, an increase of $334,786 or 28%. The decrease from FY2016 is due to a decrease in variable compensation expense. The increase from FY2015 is due to the addition of sales and marketing employees required to meet the Corporation's future business plan, as well as an increase in variable compensation expense. In prior years, sales and marketing salaries expense was included in salaries and benefits expense. FY2017 sales and marketing expense includes salaries and marketing salaries expense and FY2016 and FY2015 have been restated for comparative purposes. During FY2017, $nil ($17,302-FY2016, $nil-FY2015) from TCII was received and applied as a reduction of sales and marketing expenses.

Foreign Exchange

The Corporation has a low exposure risk to realized foreign exchange gains and losses since a majority of its U.S. operations are performed through Quorum Information Technologies (US) Inc., Quorum's wholly-owned U.S. subsidiary. All transactions for this entity are performed in U.S. dollars. The Corporation does incur unrealized gains and losses on the conversion of the U.S. entity's net assets during consolidation for financial reporting. Over the last two fiscal years, the Canadian/U.S. exchange rate has fluctuated from 1.3840 at December 31, 2015, to 1.3427 at December 31, 2016 and down to 1.2545 at December 31, 2017. This decrease has had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized gain/loss on the assets held was a $96,306 loss in FY2017, $65,624 loss in FY2016, and a $274,907 gain in FY2015. There was a realized foreign exchange gain of $4,420 during FY2017, a $21,451 gain during FY2016, and a $16,894 loss during FY2015.

Capitalization & Amortization

During FY2017, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR is considered one of the most advanced, fully integrated products in the marketplace.

Summary of software development costs capitalized during the year and related amortization for XSELLERATOR:

	December 31, 2017	December 31, 2016	December 31, 2015
Software development costs capitalized	**$ 1,611,000**	$ 1,401,683	$ 1,318,464
SR&ED investment tax credits	**$ (31,853)**	$ (43,507)	$ (22,844)
Provincial portion of SR&ED refund	**$ (70,551)**	$ (41,686)	$ (22,320)
Amortization of software development costs	**$ 1,077,400**	$ 937,006	$ 809,518

All research and development costs are expensed as incurred unless they satisfy the IFRS criteria for deferral and subsequent amortization. As noted above, the Corporation continues to conduct ongoing research and development towards the improvement of XSELLERATOR and has capitalized payroll costs of $1,491,728, net of funding from ACOA of $177,408, and direct overheads of $119,272, for a total of $1,611,000 in FY2017, compared to capitalized payroll costs of $1,300,199, net of funding from ACOA of $189,448, and direct overheads of $101,484 for a total of $1,401,683 in FY2016, and capitalized payroll costs of $1,235,670 and direct overheads of $82,794 for a total of $1,318,464 in FY2015.

Investment tax credits of $31,853 from the FY2016 Scientific Research and Experimental Development (SR&ED) claim were reallocated from software development costs to the investment tax credit asset during the year (FY2016-$43,507 for the FY2015 claim; FY2015-$22,844 for the FY2014 claim) due to a required reclassification based on the approval of the claim by Canada Revenue Agency. Also, the provincial portion of these SR&ED claims entitled the Corporation to a cash refund of $70,551 for FY2016, $41,686 for FY2015, and $22,320 for FY2014. Refunds were recognized as a reduction of capitalized software during FY2017, FY2016 and FY2015 respectively.

The Corporation tests the cash generating units ("CGUs"), which represent the lowest level within the Corporation at which intangible assets are monitored for internal management purposes, annually for impairment. As of December 31, 2017 it was determined that the recoverable amounts of the GM US CGU and the Other OEM CGU, which were recognized as impaired upon transition to IFRS, exceeded their carrying amounts by $937,273 and allowed for a previous impairment loss to be reversed.

XSELLERATOR is a leading-edge product in the automotive DMS field and the Corporation intends to maintain this lead through continued investment in the product. The Corporation has continued its development efforts as it prepares to roll out additional features and functionality, as well as more and improved integration points with existing and new manufacturers.

Amortization of XSELLERATOR software development costs for FY2017 increased to $1,077,400 as compared to $937,006 for FY2016, a $140,394 increase, and $809,518 for FY2015, a $267,882 increase. The amortization policy of the Corporation is ten-year straight line.

The Corporation invested $144,743 in computer software, leasehold improvements and other capital assets during FY2017, compared to $217,695 in FY2016 and $118,710 in FY2015.

Depreciation on the capital assets was $119,284 in FY2017, compared to $98,525 in FY2016 and $58,833 in FY2015.

Net Income, EBITDA and Net Income per Share

	December 31, 2017	December 31, 2016	December 31, 2015
EBITDA	**$ 1,894,463**	$ 1,916,765	$ 1,716,184
Net income	**474,411**	493,059	451,714
Net income per share			
- Basic	**$ 0.0091**	$ 0.0096	$ 0.0107
- Diluted	**$ 0.0091**	$ 0.0096	$ 0.0107
Weighted average number of common shares			
- Basic	**52,074,361**	51,485,200	42,318,803
- Diluted	**52,074,361**	51,485,200	42,318,803

EBITDA for FY2017 was $1,894,463 or $0.036 per share compared to $1,916,765 or $0.037 per share for FY2016 and $1,716,184 or $0.041 per share for FY2015. This is a decrease of $22,302 from FY2016 and a $178,279 increase from FY2015.

Net income for FY2017 was $474,411 or $0.0091 per share, compared $493,059 or $0.0096 per share for FY2016, and $451,714 or $0.0107 per share for FY2015. This is a $18,648 decrease from FY2016 and a $22,697 increase from FY2015.

Total Assets

	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	**$ 20,831,518**	$ 19,614,631	$ 18,834,351

Total assets at December 31, 2017 were $20,831,518 compared to $19,614,631 at December 31, 2016 and $18,834,351 at December 31, 2015. The increase in total assets of the Corporation of 6% in FY2017 and the increase of 11% since December 31, 2015 is due to the following elements:

1. Current assets decreased by $402,736 from FY2016. This decrease was largely due to the $875,000 in cash consideration paid for the acquisition of Autovance. Current assets increased by $496,853 from FY2015 to FY2016, largely due to the increase in cash and accounts receivable.
2. Intangible assets, goodwill and investment tax credits increased by $2,721,504 from FY2016 and increased by $422,379 from FY2015 to FY2016. The increase from FY2016 is largely due to the Autovance acquisition and impairment reversal. The continuous investment by Quorum in its software system year over year has increased the value of the asset and/or provided investment tax credits with regards to the research being performed.
3. Property and equipment increased to $320,277 at December 31, 2017 from $288,719 at December 31, 2016 and from $210,650 at December 31, 2015, an increase of $109,627 since December 31, 2015. The increase is due to a combination of additions of $331,041 and depreciation of $217,809 over the two years.
4. Deferred income tax asset decreased by $1,133,439 from FY2016 due to the Corporation generating taxable income which has created the need for the Corporation to utilize its loss carry-forwards and capital cost allowances that make up the tax asset, to reduce taxable income. The asset also decreased due to the reduction in the US Corporate Tax rate for 2018 and future years.

LIQUIDITY AND FINANCIAL RESOURCES

	December 31, 2017	December 31, 2016	December 31, 2015
Current assets			
Cash	**$ 4,595,145**	$ 5,235,097	$ 5,014,178
Accounts receivable	**1,454,001**	1,310,220	1,165,090
Loan receivable	**102,949**	91,890	-
Inventory	**16,372**	18,491	12,040
Prepaid expenses	**321,775**	237,280	204,817
	6,490,242	6,892,978	6,396,125
Current liabilities			
Accounts payable and accrued liabilities	**947,503**	933,973	866,943
Deferred revenue	**297,454**	262,536	342,921
Current portion of long-term debt	**91,498**	74,448	57,420
	1,336,455	1,270,957	1,267,284
Net working capital	**$ 5,153,787**	$ 5,622,021	$ 5,128,841

Net working capital at December 31, 2017 was $5,153,787 compared to $5,622,021 at December 31, 2016, a decrease of $468,234. The current ratio at December 31, 2017 was 4.86 compared to 5.42 at December 31, 2016. The decrease in net working capital from the prior year is mainly due to the decrease in cash, offset by an increase in accounts receivable during FY2017. The decrease in cash was largely due to the $875,000 in cash consideration paid for the acquisition of Autovance.

At the time of the release of this MD&A, management is satisfied that Quorum has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans. Quorum assesses its requirements for capital on an ongoing basis and there can be no guarantee that Quorum will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. Quorum continues to place emphasis on evaluating credit capacity, credit counterparties, and liquidity to ensure its ability to meet its ongoing commitments and obligations.

Cash Flows

The Corporation's cash balance decreased by $639,952 in FY2017 compared to an increase of $220,919 in FY2016. The decrease in cash was largely due to the $875,000 in cash consideration paid for the acquisition of Autovance.

Cash flows from operating activities were $1,692,664 in FY2017 compared to $1,692,861 in FY2016, a decrease of $197. During FY2017, cash receipts from customers increased by $670,766 due to an increase in revenue. Cash paid to suppliers and employees increased during the year by $681,189 as a result of an increase in the number of employees.

Net cash inflows related to financing activities were $404,877 in FY2017 compared to $336,884 in FY2016. During FY2017, $70,738 was received from the Canada Revenue Agency for the refundable provincial portion of the 2016 SR&ED claim that was approved during the year compared to $41,686 approved and received in FY2016 for the refundable provincial portion of the 2015 SR&ED claim. During FY2017, $408,587 of loan proceeds were received pursuant to the 2016 ACOA loan as compared to $352,618 during FY2016. As well, $74,448 of loan repayments were made pursuant to the 2012 ACOA loans during FY2017 compared to $57,420 of loan repayments pursuant to the 2012 ACOA loan during FY2016.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and Autovance Desk and invested $1,756,636 in product development in FY2017. The Corporation invested a further $144,743 for computer software, computer hardware, leasehold improvements and other capital assets. The largest single cash outlay during FY2017 was the cash consideration of $875,000 less cash acquired on acquisition of $38,886, paid for the strategic Autovance Acquisition. Total net outflow of cash related to investing activities during FY2017 was $2,737,493.

Current Liabilities

Accounts payable and accrued liabilities were $947,503 at December 31, 2017 compared to $933,973 at December 31, 2016, an increase of $13,530.

Deferred revenue at December 31, 2017 was $297,454, compared to $262,536 at December 31, 2016. Under the GM DTAP contract, the Corporation's support billings are billed in advance. As of December 31, 2017, $219,719 of support fees were billed that related to January 1-19th, 2018. The balance of $77,735 is for training services for new and existing customers to be delivered in FY2018.

Long-term Liabilities

	December 31, 2017	December 31, 2016	December 31, 2015
ACOA financing (2012)	**$ 91,498**	$ 165,947	$ 223,367
ACOA financing (2016)	**380,901**	195,717	-
	472,399	361,664	223,367
Due within one year	**91,498**	74,448	57,420
Total long-term liabilities	**$ 380,901**	$ 287,216	$ 165,947

On September 21, 2012, the Corporation entered into a $500,000 loan agreement with ACOA to finance the transition project which includes an upgrade to Windows 2008 R2, SQL Server 2012 and Office 2010, deployment of Lync and Exchange server and upgrade to PB12.Net and ASP model. The loan, which is unsecured and interest-free, matures on December 31, 2018. Monthly repayments commenced on January 2, 2014. As of October 23, 2013, $500,000 was received. Under IFRS, the fair value of the loan at December 31, 2017 is $91,498 of which all is current principal due within the next 12 months. The difference between the fair value of the loan and the cash received has been accounted for as government assistance. On a cash basis, $100,016 is remaining on the loan at December 31, 2017 and is required to be repaid within the next 12 months.

On July 5, 2016, the Corporation entered into a new loan agreement (the "Agreement) with Atlantic Canada Opportunities Agency ("ACOA") to finance the XSELLERATOR refactoring project which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The maximum amount of loan is $1,076,067 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under the Agreement. As of December 31, 2017, the Corporation has incurred certain costs eligible under the Agreement and is entitled to an amount of $864,155, of which $761,206 has been drawn and $102,949 is receivable at December 31, 2017. The fair value of the loan is $380,901, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan and the cash received and receivable has been accounted for as government grant (refer to Note 8). The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2019. As of April 23, 2018, $864,154 was received.

On March 26, 2018, the Corporation entered into a $175,000 loan agreement with ACOA to finance the St. John's, NL Office Expansion project. The loan, which is unsecured and interest-free, matures on June 30, 2024. Monthly repayments will commence on July 2, 2019. As of April 23, 2018, $nil was received.

Share Capital

Effective June 27, 2014, the Corporation implemented the Restricted Stock Unit (RSU) Plan, which provides incentives to eligible employees, officers and directors of the Corporation through the issuance of Restricted Stock Units. The RSU's generally vest as follows, subject to the absolute discretion of the Board of Directors: one-third on the date of grant, and one-third on each of the one and two-year anniversaries from the date of grant.

During FY2017, the Board of Directors approved 1,050,000 RSUs to be granted in January 2018. Approximately one-third of those RSUs vested over Q1 FY2018 and Q2 FY2018.

DETAILED DISCUSSION ON OPERATING RESULTS FOR THE QUARTERS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

Revenue

	Q4 Ended Dec 31, 2017	Q4 Ended Dec 31, 2016	Q3 Ended Sept 30, 2017	Q3 Ended Sept 30, 2016	Q2 Ended June 30, 2017	Q2 Ended June 30, 2016	Q1 Ended March 31, 2017	Q1 Ended March 31, 2016
Gross revenue	**$3,214,079**	$3,127,725	**$3,069,858**	$3,059,123	**$3,187,702**	$3,044,403	**$3,271,987**	$2,947,199
Third party costs (direct)[10]	**594,072**	657,593	**612,142**	591,461	**646,727**	586,000	**748,943**	666,910
Salaries and benefits (direct)[10]	**957,430**	809,266	**996,086**	882,040	**858,574**	850,926	**819,158**	766,166
Gross margin	**1,662,577**	1,660,866	**$1,461,630**	$1,585,622	**1,682,401**	$1,607,477	**$1,703,886**	$1,514,123
Gross margin %	**52%**	53%	**48%**	52%	**53%**	53%	**52%**	51%
Support revenue[11]	**$2,705,286**	$2,394,333	**$2,603,030**	$2,246,455	**$2,523,645**	$2,169,195	**$ 2,451,720**	$2,121,001
Add-on revenue [11]	**357,440**	326,171	**265,072**	374,140	**305,052**	496,312	**261,594**	255,444
New installations revenue	**114,793**	389,457	**201,756**	389,359	**283,332**	342,176	**439,605**	423,213
Transitions revenue	**36,560**	17,764	**-**	49,169	**75,673**	36,720	**119,068**	147,541
Gross revenue	**$3,214,079**	$3,127,725	**$3,069,858**	$3,059,123	**$3,187,702**	$3,044,403	**$3,271,987**	$2,947,199

For Q4 FY2017, revenues from operations were $3,214,079 compared to $3,127,725 for Q4 FY2016, an increase of $86,354 or 3%. Quorum revenue results for Q4 FY2017 were as follows:

Recurring support revenue increased to $2,705,286 in Q4 FY2017, compared to $2,394,333 in Q4 FY2016, an increase of $310,953 or 13%. The Corporation completed 26 new installations during FY2017 with each now paying recurring monthly support and service fees. As our customer base grows, support revenue should continue to grow proportionately. Communicator revenue of $40,188 was reallocated from add-on revenue to support revenue for Q1-Q4 FY2016 for comparative purposes as this form of revenue is recurring.

[10] Net of Government Assistance.
[11] Communicator revenue was included in add-on revenue in prior periods. Communicator revenue is recurring and will be included in support revenue for FY2017 and all future periods. Q1-Q3 FY2017 and Q1-Q4 FY2016 have been restated for comparative purposes.

Add-on revenue to existing customers increased to $357,440 in Q4 FY2017, compared to $326,171 in Q4 FY2016, an increase of $31,269 or 10%. The increase was due to an increase in training revenue during Q4 FY2017.

New installations revenue was $114,793 in Q4 FY2017 compared to $389,457 in Q4 FY2016, a decrease of $274,664 or 71%. This revenue decreased because the Corporation completed fewer and smaller rooftop installations in Q4 FY2017 as compared to Q4 FY2016.

Transitions revenue for Q4 FY2017 was $36,560, compared to $17,764 in Q4 FY2016, an increase of $18,796.

Direct Costs and Gross Margin

For Q4 FY2017, gross margin was $1,662,577 compared to $1,660,866 for Q4 FY2016, an increase of $1,711 or 0.1%. The increase in revenue was offset by an increase in direct costs due to new hires that were added during Q4 FY2017.

Expenses

	Q4 Ended Dec 31, 2017	Q4 Ended Dec 31, 2016	Q3 Ended Sept 30, 2017	Q3 Ended Sept 30, 2016	Q2 Ended June 30, 2017	Q2 Ended June 30, 2016	Q1 Ended March 31, 2017	Q1 Ended March 31, 2016
Salaries and benefits[12]	**$ 629,624**	$ 618,673	**$ 372,602**	$ 428,746	**$ 530,697**	$ 424,940	**$ 543,983**	$ 425,311
Stock-based compensation	**103,600**	103,600	**-**	102,852	**-**	-	**-**	-
General and administrative [13]	**226,856**	262,748	**289,702**	224,244	**237,433**	227,302	**252,127**	206,876
Sales and marketing [12 13]	**312,417**	390,485	**321,659**	350,619	**360,424**	519,236	**538,507**	372,142
Total expenses	**$1,272,497**	$1,375,507	**$ 983,963**	$1,106,461	**$1,128,554**	$1,171,478	**$1,334,617**	$1,004,329

Total expenses before interest, taxes, amortization, and foreign exchange for Q4 FY2017 were $1,272,497 or 40% of sales as compared to $1,375,507 or 44% of sales for Q4 FY2016.

Salaries and benefits expenses for Q4 FY2017 were $629,624, net of NRC grant proceeds of $10,000, compared to $618,673, net of NRC grant proceeds of $11,103 in Q4 FY2016 for an increase of $10,951 or 2%. The increase in Q4 FY2017 is due to the addition of employees required to meet the Corporation's future business plan. Sales and marketing salaries and benefits expense of $353,388 was reallocated from salaries and benefits to sales and marketing for Q4 FY2016 for comparative purposes.

Stock-based compensation for Q4 FY2017 was $103,600, compared to $103,600 for Q4 FY2016. The stock-based compensation expense is a non-cash expense.

General and administrative expenses for Q4 FY2017 were $226,856, compared to $262,748, net of NL Government grant proceeds of $10,474 in Q4 FY2016 for a decrease of $35,892 or 14%. The decrease is due to the emphasis the Corporation has put on cost controls.

[12] Salaries and benefits expense for Sales and Marketing associates are now included in sales and marketing expense. Q1-Q3 FY2017 and Q1-Q4 FY2016 have been restated for comparative purposes.
[13] Net of government assistance.

Sales and marketing expenses for Q4 FY2017 were $312,417, or 10% of sales, compared to $390,485, net of NL Government grant proceeds of $17,302 for Q4 FY2016, or 12% of sales, for a decrease of $78,068 or 20%. The decrease is due to less variable compensation expense during Q4 FY2017 as compared to Q4 FY2016. Sales and marketing salaries and benefits expense of $353,388 was reallocated from salaries and benefits to sales and marketing for Q4 FY2016 for comparative purposes.

Foreign Exchange Gain

The change in the Canadian/U.S. exchange rate since September 30, 2017, applied to Quorum's U.S. denominated net assets, resulted in a foreign exchange gain of $14,111 for Q4 FY2017.

Capitalization & Amortization

	Q4 Ended Dec 31, 2017	Q4 Ended Dec 31, 2016
Software development costs capitalized	**$ 413,812**	$ 372,325
Amortization of software development costs	**$ 271,473**	$ 235,174

During Q4 FY2017, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. The Corporation continues to conduct ongoing research and development towards the improvement of XSELLERATOR and has capitalized payroll costs of $382,275, net of ACOA proceeds, and direct overheads of $31,537 for a total of $413,812 in Q4 FY2017 compared to capitalized payroll costs of $345,607, net of ACOA proceeds, and direct overheads of $26,718 for a total of $372,325 in Q4 FY2016.

Amortization for Q4 FY2017 increased to $271,473 as compared to $235,174 for Q4 FY2016.

Income Summary and EBITDA

Income before deferred tax expense for Q4 FY2017 was $988,847 compared to $8,169 for Q4 FY2016 for an increase of $980,678. This increase was largely due to an impairment reversal during Q4 FY2017.

Net income for Q4 FY2017 was $65,778 compared to $129,990 for Q4 FY2016 for a decrease of $64,212. The decrease was largely due to the deferred income tax expense during Q4 FY2017.

EBITDA in Q4 FY2017 was $493,680 or $0.009 per share compared to $388,959 or $0.008 per share for Q4 FY2016. The increase of $104,721 or 27% is due to the increase in revenue, decrease in third party costs, general and administrative expense, and sales and marketing expense offset by larger direct salaries and benefits expense due to increased staffing levels required to meet the Corporation's future business plan.

Cash Flows

The Corporation's cash balance increased by $327,485 in Q4 FY2017 compared to an increase of $322,127 in Q4 FY2016.

Cash flows from operating activities were $605,219 in Q4 FY2017 compared to $475,546 in Q4 FY2016. This is due to an increase in revenue and a decrease in general, administrative, sales, and marketing expenses.

Share Capital

There were no stock options issued during Q4 FY2017 or Q4 FY2016. All previously outstanding options have been exercised and have expired. During Q4 FY2017, 350,000 RSUs vested as compared to 350,000 RSUs during Q4 FY2016.

Material Contracts & Commitments

On March 28, 2018, the Corporation signed an agreement with The Newfoundland and Labrador Innovation Council (NLIC), to provide funding, up to a maximum of $249,329, to for the Online Vehicle Sales project. As of April 23, $nil has been received. The contribution from NLIC is non-repayable.

On March 26, 2018, the Corporation entered into a $175,000 loan agreement with ACOA to finance the St. John's, NL Office Expansion project. The loan, which is unsecured and interest-free, matures on June 30, 2024. Monthly repayments will commence on July 2, 2019. As of April 23, 2018, $nil as received.

On May 2, 2016, the Corporation signed an agreement with the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), to provide funding, up to a maximum of $272,801, to develop an improved communication system for the dealership and their customers. As of April 23, 2018, $272,801 has been received. The contribution from NRC-IRAP is non-repayable.

On July 5, 2016, the Corporation completed an agreement with ACOA to provide a $1,076,067 interest-free, unsecured loan to provide funding to refactor several key functional areas within its DMS. Repayment of the loan will commence on September 1, 2019. As of April 23, 2018, $942,040 has been claimed and $864,154 has been received.

On September 21, 2012, the Corporation completed an agreement with ACOA to provide $500,000 of funding to finance the transition project which includes an upgrade to Windows 2008 R2, SQL Server 2012 and Office 2010, deployment of Lync and Exchange server and upgrade to PB12.Net and ASP model. As of October 23, 2013, the loan was received in full. Repayment of the loan commenced on January 2, 2014. This interest-free and unsecured loan matures on December 31, 2018.

The GM IDMS program has been replaced by the new GM Dealer Technology Assistance Program (DTAP). DTAP is a comprehensive program that includes certification of certain vendors and systems for use by GM dealers. The Corporation signed the necessary agreements to participate in the GM US DTAP program on May 28th, 2013 and the GM Canada program on March 31, 2014.

Estimates and Judgments

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the possible disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the period.

Although estimates and assumptions must be made during the financial statement preparation process, it is management's option that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in Quorum's consolidated financial statements are the impairment of intangible assets and goodwill, depreciation of property and equipment, amortization of intangible assets, deferred income taxes and stock-based compensation.

Future Accounting Pronouncements

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

In May, 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. In September, 2015, the IASB formalized the deferral of the effective date of IFRS 15 by one year, to January 1, 2018. The new standard replaces the two main recognition standards, IAS 18 "Revenue" and IAS 11 "Construction Contracts", and provides a five-step model framework as a core principle upon which an entity recognizes revenue. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. Quorum will adopt IFRS 15 on January 1, 2018. The Corporation has completed its review of IFRS 15 and has concluded that the adoption of this standard will not have a material impact on Quorum's net income or financial position. However, the new standard will result in expanded disclosures in the notes to the Corporation's financial statements.

In July, 2014, the IASB completed the final elements of IFRS 9, "Financial Instruments". The standard replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Quorum will adopt IFRS 9 on January 1, 2018. The Corporation has completed its review of IFRS 9, and does not expect that the adoption of the standard will result in any changes to the Corporation's existing classifications or carrying values of financial instruments. The new standard will result in expanded disclosures in the notes to the Corporation's financial statements.

In January, 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". The Corporation plans to adopt IFRS 16 on January 1, 2019 and is currently assessing the potential impact of this adoption on the Corporation's financial statements.

Outlook

The automotive dealership market has traditionally implemented older, character-based technology for its in-house systems. However, the auto manufacturers are developing numerous new electronic interfaces between their systems and the auto dealerships' systems. As a Windows-based, fully-integrated product, XSELLERATOR is one of the most technologically advanced software products in the DMS field, and as such, is better able to implement the new electronic interfaces more quickly and effectively than its competitors that utilize older technology. The Corporation anticipates that there will be a considerable amount of demand from the auto dealership industry to upgrade to the latest technology, and for companies that utilize new technology in order to electronically interface with the auto manufacturers. This provides a unique opportunity for the Corporation to market its XSELLERATOR product both at the dealership and the manufacturer level.

The Corporation believes that its success depends largely upon the following factors:

- Financial health of the automotive industry including dealerships and manufacturers.
- Sales, installations and support of the Corporation's XSELLERATOR product.
- Retention of existing customers.

- Continued ability of the Corporation to prioritize the correct enhancements and improvements contained in new version releases of the Corporation's proprietary software product, XSELLERATOR.
- Continued ability to release new versions that don't have critical issues, bugs or defects.
- Performance and stability of the Corporation's complete software and hardware solutions.
- The ability of the Corporation to attract and retain top quality people.
- The ability of the Corporation to attract and leverage quality business partners to help accelerate the Corporation's growth and penetration into the expanding marketplace.
- Development of business processes and standardization of those processes, to facilitate the implementation and support of XSELLERATOR on a North American scale.
- Building and maintaining positive relationships with 3rd party partner companies and the automotive manufacturers.

Management expects sales from its suite of DMS software products will continue to grow over the next several years. Management is committed to enhancing its market share in the DMS software market in both Canada and the U.S. However, it is difficult to forecast the Corporation's sales and market share with precision due to factors such as: the nature of the automotive industry; acceptance of XSELLERATOR; the overall sales cycle; and approvals from other auto manufacturers.

Forward-Looking Statements

This report contains certain forward-looking information and statements within the meaning of applicable securities laws. All statements in this report, other than statements of historical fact, which address events or developments concerning Quorum Information Technologies Inc. ("Quorum") that Quorum expects to occur are "forward-looking information and statements". The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "potential", "could", "scheduled", "believe", "plans", "intends", "might" and similar expressions are intended to identify forward-looking information or statements.

In particular, but without limiting the foregoing, this report may contain forward-looking information and statements pertaining to the following: business plan of Quorum including its plans for targeting new OEM Integration, new dealership roof top sales, and increasing Automotive Group Partnerships; the timing for completion and cost of OEM Integration; estimates of return on assets and EBITDA; potential M&A opportunities; the timing of adoption of new accounting standards and the potential impact of new accounting standards on the Corporation's financial statement; the timing of adoption of new accounting standards and the potential impact of new accounting standards on Quorum's financial statement; the effect of acquisitions on the Corporation including the effect of the Autovance acquisition; various industry activity forecasts; and (v) other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. Various assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-looking statements throughout this report. The forward-looking information and statements contained in this report reflect several material factors, expectations and assumptions including, without limitation: (i) capital expenditures by dealers; (ii) market availability of current and future dealership rooftops; (iii) schedules and timing of certain projects and Quorum's strategy for growth; (iv) Quorum's future operating and financial results; and (v) treatment under governmental regulatory regimes and tax and other laws. The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon.

Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking information and statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: (i) volatility in exchange rates for the Canadian dollar relative to the US dollar; (ii) liabilities and risks inherent in the software services industry; (iii) competition for, among other things, capital and skilled personnel; (iv) changes in general economic, market and business conditions in Canada and the United States; and (v) actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws. Quorum cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking information and statements contained in this document speak only as of the date of this document, and Quorum assumes no obligation to update or revise them to reflect news events or circumstances, except as may be required pursuant to applicable laws. Any financial outlook or future oriented financial information in this document, as defined by applicable securities legislation, has been approved by management of Quorum. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Business Risks

The Corporation faces key risks, including adequacy of capital and/or cash flow to pursue its business plan objectives, reliance on relatively few key suppliers and customers, and the emergence of superior competing technologies. This list is not intended to be exhaustive, but merely to communicate to shareholders certain key risks faced by the Corporation in its business.

Liquidity Risk

The Corporation has achieved nine consecutive years of positive cash flow from operating activities.

Customer Concentration Risk

Although the Corporation has been expanding its coverage of various dealership brands, a significant portion of its business is conducted with General Motors dealerships in both Canada and the U.S. Prior to GM entering bankruptcy protection on June 1, 2009, over 90% of Quorum's 225 deployed dealership rooftops were GM dealerships. At the end of 2017 approximately 52% of Quorum's 341 deployed customers were GM dealerships. Quorum's product strategy has moved to a much stronger focus on new OEM business partners, with the intention of continuing to expand the system to support other makes. Over time, this strategy will continue to diversify our customer base; however, GM franchises will remain a key focus for the organization.

Server Reliability Risk

Quorum's XSELLERATOR product operates on a server that is installed at each dealership or in a Cloud environment. In either environment, server up-time, data backup, virus protection and disaster recovery are critical to our customers and Quorum. To ensure the highest level of continuity of service for our customers Quorum has deployed:

- Rigorous installation and migration procedures to ensure server consistency.
- Strong change control, including automated tools to manage many of our changes, on all dealership servers, to maintain server consistency.
- Approved application lists and related controls, to ensure that applications follow a testing process before they are installed on dealership servers.
- Servers with both redundant hard drives and power supplies.
- Support agreements with our hardware providers to supply 24-hour support – seven days a week. Typically, the service agreements also have four-hour response times.
- Web-based backup services that are monitored by a Server View application built by Quorum.
- Anti-virus protection that is monitored by Server View.

- A Disaster Recovery environment located at Quorum's St. John's office. This is an optional service that dealerships can subscribe to.

Server downtime and lost data cost our customers in terms of lost productivity and results in a financial impact to our customers. Although Quorum cannot guarantee continuity of service, we have taken numerous steps to help protect our customers.

Technology Changes

Some of the markets for Quorum's software products are characterized by periodic technological advances, and the Corporation must improve its software products to remain competitive. Periodic technological change and associated new product introductions and enhancements characterize the software industry in general. Quorum's current and potential customers increasingly require greater levels of functionality and more sophisticated product offerings. Accordingly, the Corporation believes that future success depends upon its ability to enhance current software products and to develop and to introduce new products offering enhanced performance and functionality at competitive prices in a timely manner, and on the ability to enable the software products to work in conjunction with other products from manufacturers and other third party suppliers that its customers may utilize. Quorum's failure to develop and to introduce or to enhance products in a timely manner free of critical errors, bugs or issues with limited downtime or performance issues could have a material adverse effect on the business, results of operations, and financial condition.

Quorum may be unable to respond on a timely basis to the changing needs of its customer base and the new applications it designs for customers may prove to be ineffective. The Corporation's ability to compete successfully will depend in large measure on its ability to bring to market effective new products or services, to maintain a technically competent research and development staff, and to adapt to technological changes and advances in the industry. Quorum's software products must remain compatible with evolving computer hardware and software platforms and operating environments. Quorum cannot provide assurance that it will be successful in these efforts. In addition, competitive or technological developments and new regulatory requirements may require the Corporation to make substantial, unanticipated investments in new products and technologies, and the Corporation may not have sufficient resources to make these investments. If the Corporation were required to expend substantial resources to respond to specific technological or product changes, the operating results would be adversely affected.

Quorum attempts to mitigate these risks through various strategic and operating mechanisms such as ongoing research and development to maintain XSELLERATOR's position as one of the most advanced products in the automotive DMS field, fair and equitable compensation and workplace policies, flexibility in operational decision making, review and discussion of competitors' policies to maintain market advantage, and ongoing interaction with both debt and capital markets. Management believes these strategies reduce the Corporation's business risk to an acceptable level, which will allow the Corporation to continue to grow and maximize shareholder value.

Despite the Corporation's attempts to mitigate key risks, shareholders should be aware that the information technology industry is subject to rapid technological change, and the products and services provided by the Corporation are also expected to be subject to rapid technological changes. To remain competitive, the Corporation must be able to keep pace with the technological developments in this industry and change its product and service lines to meet new demands. The Corporation will depend on research and development for improvements and enhancements to XSELLERATOR, and the introduction of new products and services that have not been commercially tested to accelerate its future growth. The Corporation has a proven track record of success in innovative product design and enhancements, and has the expertise and the capital backing in place to continue it.

Trade Relations

The US, Canada and Mexico are currently involved in talks to renegotiate the North American Free Trade Agreement (NAFTA). It is uncertain whether the outcome of NAFTA renegotiations will result in material changes to the terms of NAFTA, and what effects those changes may have on the Corporation.

Further, unlegislated proposals from the government of the US have contemplated prohibitive actions against foreign businesses competing in the US economy. It is uncertain whether the government of the US will proceed with any proposed or contemplated actions, or the effects those actions may have on the Corporation.

Information Security and Disaster Recovery

The efficient operation of the Corporation's business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyberterrorists. In addition, an unforeseen natural or manmade disaster could result in key information technology systems being compromised, damaged or destroyed.

Quorum has implemented security measures to maintain confidential and proprietary information stored on the Corporation's information systems. However, these measures and technology may not be adequate due to the increasing volume and sophistication of these cyber attacks. The Corporation has also implemented backup and redundancy measures with respect to certain information technology systems. However, there is a risk that these measures may not adequately prevent data loss as a result of a security breach or disaster. This could result in business disruption, decreased performance, or increased costs, and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Reliance on Key Personnel

The successful operation of the Corporation's business depends upon the relationships, experience, abilities, expertise, judgment, discretion, integrity and good faith of the Corporation's executive officers, managers, employees and consultants. In addition, the ability of the Corporation to expand its services and product offerings will depend upon the ability to attract qualified personnel as needed. The demand for skilled employees in the technology space is high, and the supply is limited. The inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Failure to Achieve Benefits of Acquisitions

The full benefits of any acquisitions completed by the Corporation will require the retention of key personnel; the integration of management, administration and finance functions; and the implementation of appropriate operations, financial and management systems and controls in order to capture the benefits and efficiencies that were anticipated to result from these acquisitions. This will require substantial attention from our management. The diversion of management's attention, as well as any other difficulties that may be encountered in the transition and integration processes, could have an adverse impact on the Corporation's revenues, operating results and cash flows. The Corporation could experience difficulties in effectively integrating the businesses and assets of any acquisitions. If any such difficulties resulted in the Corporation failing to achieve the anticipated benefits resulting from the acquisitions, the Corporation could face higher costs and lower than expected revenue and miss other market opportunities. There can be no assurance that the businesses of any acquisitions will be successfully integrated.

Unpredictability and Volatility of Share Price

The prices at which our common shares trade cannot be predicted. The market price of the Quorum common shares could be subject to significant fluctuations in response to variations in quarterly financial and operating results and other factors. In addition, the securities markets have experienced significant market wide and sectoral price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. Such fluctuations may adversely affect the market price of our common shares.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the years ended December 31, 2017 and December 31, 2016 and all other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements and include some amounts that are based on management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors supervises the financial statements and other financial information through its Audit Committee, which consists solely of outside directors.

Calvista, LLP has audited the financial statements in accordance with Canadian generally accepted auditing standards. Calvista, LLP are the external auditors who were appointed by the shareholders. They have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting.

The Audit Committee has reviewed the financial statements including notes thereto, with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Maury R. Marks, CPA, CA
President and Chief Executive Officer

Marilyn Bown, CPA, CGA
Chief Financial Officer

CALVISTA LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Quorum Information Technologies Inc.

We have audited the accompanying consolidated financial statements of Quorum Information Technologies Inc., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quorum Information Technologies Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Calvista LLP

Calgary, Alberta, Canada

Chartered Professional Accountants

April 23, 2018

CALVISTA LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Suite 1635, 1632 - 14th Ave NW
Calgary, AB T2N 1M7
TEL: 403.777.2299
FAX: 403.777.4201
WEB: WWW.CALVISTA.CA
KRESTON
A member of Kreston International | A global network of independent accounting firms

2017 Audited Financial Statements

Quorum Information Technologies Inc.

Consolidated Statements of Financial Position

(stated in Canadian dollars)

As at		December 31, 2017	December 31, 2016
ASSETS			
Current:			
Cash		**$ 4,595,145**	$ 5,235,097
Accounts receivable		**1,454,001**	1,310,220
Loan receivable	Note 7	**102,949**	91,890
Inventory		**16,372**	18,491
Prepaid expenses		**321,775**	237,280
		6,490,242	6,892,978
Property and equipment	Note 5	**320,277**	288,719
Intangible assets	Note 6	**7,708,380**	5,504,493
Goodwill	Note 6	**485,765**	-
Deferred income tax asset	Note 10	**2,405,793**	3,539,232
Investment tax credits	Note 9	**3,421,061**	3,389,209
		20,831,518	19,614,631
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		**947,503**	933,973
Deferred revenue		**297,454**	262,536
Current portion of long-term debt	Note 7	**91,498**	74,448
		1,336,455	1,270,957
Long-term debt	Note 7	**380,901**	287,216
Deferred income tax liability	Note 10	**204,379**	-
		1,921,735	1,558,173
SHAREHOLDERS' EQUITY			
Share capital	Note 11	**16,531,143**	16,427,543
Contributed surplus	Note 13	**2,307,213**	1,940,013
Retained earnings (deficit)		**71,427**	(311,098)
		18,909,783	18,056,458
		$ 20,831,518	$ 19,614,631

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director
Maury Marks
President & CEO

Director
Michael Podovilnikoff
Chairman of the Board of Directors

Quorum Information Technologies Inc.
Consolidated Statements of Comprehensive Income

(stated in Canadian dollars)

Year ended		December 31, 2017	December 31, 2016
Gross revenue		**$ 12,743,626**	$ 12,178,450
Direct costs			
Third party costs		**2,619,384**	2,533,989
Salaries and benefits		**3,840,588**	3,381,777
Government assistance	Note 8	**(226,840)**	(105,404)
Gross margin		**6,510,494**	6,368,088
Expenses			
Salaries and benefits	Note 2	**2,086,906**	1,908,774
Government assistance	Note 8	**(56,305)**	(62,097)
Stock-based compensation	Note 12	**103,600**	206,452
General and administrative		**1,052,423**	954,862
Sales and marketing	Note 2	**1,533,007**	1,649,784
Interest expense on long-term debt		**25,548**	42,576
Bank charges and other interest expense		**16,892**	19,491
Amortization of intangible assets		**1,109,080**	937,619
Depreciation of property and equipment		**119,284**	98,525
Impairment reversal on intangible assets	Note 6	**(937,273)**	-
Total expenses		**5,053,162**	5,755,986
Interest income		**42,205**	51,607
Income before deferred income tax expense		**1,499,537**	663,709
Deferred income tax expense	Notes 10	**1,025,126**	170,650
Net income		**474,411**	493,059
Other comprehensive loss			
Foreign exchange loss		**91,886**	44,173
Comprehensive income		**$ 382,525**	$ 448,886
Net income per share	Note 11		
- Basic		**$ 0.0091**	$ 0.0096
- Diluted		**$ 0.0091**	$ 0.0096

See accompanying notes to consolidated financial statements.

Quorum Information Technologies Inc.

Consolidated Statements of Changes in Equity

(stated in Canadian dollars)

Year ended		**December 31, 2017**	**December 31, 2016**
Common shares			
Balance, beginning of year		**$ 16,427,543**	$ 16,221,091
Issued pursuant to stock-based compensation		**103,600**	206,452
Balance, end of year		**16,531,143**	16,427,543
Contributed surplus			
Balance, beginning of year		**1,940,013**	1,940,013
Contingent acquisition consideration	**Note 4**	**367,200**	-
Balance, end of year		**2,307,213**	1,940,013
Retained earnings (deficit)			
Balance, beginning of year		**(311,098)**	(759,984)
Net income		**474,411**	493,059
Other comprehensive (loss)		**(91,886)**	(44,173)
Balance, end of year		**71,427**	(311,098)
Total shareholders' equity		**$ 18,909,783**	$ 18,056,458

See accompanying notes to consolidated financial statements.

Quorum Information Technologies Inc.

Consolidated Statements of Cash Flows

(stated in Canadian dollars)

Year ended		**December 31, 2017**	**December 31, 2016**
Cash flow from operating activities			
Cash receipts from customers		**$ 12,623,703**	$ 11,952,937
Cash paid to suppliers and employees		**(10,930,805)**	(10,249,616)
Interest paid		**(234)**	(10,460)
		1,692,664	1,692,861
Cash flow from financing activities			
Proceeds from long-term debt		**408,587**	352,618
Proceeds from SR&ED		**70,738**	41,686
Repayment of long-term debt		**(74,448)**	(57,420)
		404,877	336,884
Cash flow from investing activities			
Purchase of property and equipment		**(144,743)**	(217,695)
Software development costs		**(1,756,636)**	(1,591,131)
Business combination	**Note 4**	**(836,114)**	-
		(2,737,493)	(1,808,826)
Increase (decrease) in cash		**(639,952)**	220,919
Cash, beginning of year		**5,235,097**	5,014,178
Cash, end of year		**$ 4,595,145**	$ 5,235,097

See accompanying notes to consolidated financial statements.

1. Nature of Operations

Quorum Information Technologies Inc. ("Quorum" or the "Corporation") is an information technology company that focuses on the automotive retail business in Canada and the U.S. and is incorporated under the Business Corporations Act of Alberta. The address of Quorum's registered office is Suite 200, 7500 MacLeod Trail, Calgary AB, Canada. Quorum develops, markets, implements and supports its own software product, XSELLERATOR™, a Dealership Management System for the automotive market, and the Autovance Desk system.

2. Basis of Presentation

(a) Statement of compliance
These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Board of Directors on April 23, 2018.

(b) Basis of measurement
The consolidated financial statements have been prepared on a going concern basis using the historical cost convention except financial instruments at fair value through profit or loss are measured at fair value.

(c) Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the statement of financial position date. Gains and losses on translation of monetary items are recognized in net income, except for those foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, which are recognized in other comprehensive income ("OCI") in the cumulative translation account.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

(d) Reclassification of prior year presentation
Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications had no effect on the Corporation's reported results of operations. In 2017, the Corporation concluded that it was appropriate to reclassify the salaries and benefits of its sales and marketing employees from "salaries and benefits" to "sales and marketing" expense. For the year ended December 31, 2016, $1,342,784 of such salaries and benefits were previously classified as "salaries and benefits" expense are now included in sales and marketing expense.

3. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

(a) Consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries all of which are wholly-owned. All inter-company balances and transactions are eliminated on consolidation.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Cost is determined on the weighted average cost basis. Inventory consists of goods for resale.

(c) Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. One-half the normal depreciation is taken in the year of acquisition. Depreciation is provided using the following methods and rates:

Computer hardware	30%	declining balance
Computer software	100%	declining balance
Leasehold improvements	7 yrs	straight-line
Office equipment	20%	declining balance

Estimates of useful lives are updated as required, but at least annually, whether or not the asset is revalued.

The gain or loss arising on the disposal of property and equipment is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in net income.

(d) Identifiable Intangible Assets

Identifiable intangible assets include internally developed software and vendor distribution rights, and are recorded at cost, less accumulated amortization. One-half the normal amortization is taken in the year of acquisition. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 6. Amortization is provided using the following methods and rates:

Software development costs	10 yrs	straight-line
Vendor distribution rights	7%	declining balance

Costs associated with maintaining computer software are expensed as incurred.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new customized software for information technologies and telecommunications systems are recognized as intangible assets provided they meet the following recognition requirements:

3. Significant Accounting Policies *(continued)*

(i) Completion of the intangible asset is technically feasible so that it will be available for use or sale;
(ii) The Corporation intends to complete the intangible asset and use or sell it;
(iii) The Corporation has the ability to use or sell the intangible asset;
(iv) The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
(v) There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(vi) The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalization are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with any relevant and appropriate overheads. Internally generated software developments recognized as intangible assets are subject to the same subsequent measurement method as externally acquired software licenses. However, until completion of the development project, the assets are subject to impairment testing only as described below in note 6.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in net income.

(e) Business Combinations and Goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Corporation. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued, and debt incurred or assumed at the acquisition date. The fair value of the assets and liabilities acquired is determined and compared to the fair value of the consideration paid. If the fair value of the consideration paid exceeds the fair value of the net assets acquired, then goodwill is recognized. Transaction costs associated with business combinations are expensed as incurred.

Goodwill acquired through a business combination is allocated to each cash-generating unit (“CGU”), or group of CGUs, that is expected to benefit from the business combination. Each of these CGUs represents the lowest level within the Company at which the associated goodwill is monitored for management purposes.

(f) Impairment

For the purposes of testing impairment, assets are grouped at the lowest levels for which there are largely independent cash in-flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount, which is the higher of the fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-

3. Significant Accounting Policies *(continued)*

generating unit and determines a suitable interest rate in order to calculate the present value of the cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Any impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss related to goodwill is not reversed.

(g) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value as applicable. The Corporation performs reviews to identify onerous contracts and, where applicable, records provision for such contracts.

(h) Revenue Recognition

The Corporation recognizes revenue in accordance with the provisions of IAS 18 and specifically as follows:

Revenue from product sales is recognized when the rights of ownership of the products are transferred to the purchaser upon shipment or delivery based on specific contract terms. The Corporation's revenue recognition policy is as follows:

(i) Integrated Database Management System (IDMS) contracts entered into with General Motors Corporation (GM) to deliver, on behalf of GM, dealer management systems to GM-branded dealerships and non-IDMS contracts entered into directly with dealership customers: revenue pertaining to the XSELLERATOR server is recognized when the server and the XSELLERATOR software is installed at the customer's site. The balance of revenue (XSELLERATOR software and implementation services) is recognized when the customer "goes live" with the XSELLERATOR software.

(ii) Revenue from ongoing maintenance and support of XSELLERATOR is recognized in the period that the support service has been delivered to the customer.

(iii) Payments received in advance of satisfaction of the Corporation's revenue recognition policies are recorded as deferred revenue.

3. Significant Accounting Policies *(continued)*

(i) Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(j) Government Grants

Grants from the government are recognized at their face value where there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions. Government grants relating to costs are deferred and recognized in net income over the period necessary to match them with the costs that they are intended to compensate.

(k) Stock-based Compensation

The Corporation uses the fair value method to account for stock options granted to employees, officers, and directors of the Corporation for grants under the Corporation's Stock Option Plan. Compensation expense for options granted is based on the estimated fair value, using the Black-Scholes option pricing model, at the time of grant and the expense is recognized over the tranche's vesting period by increasing contributed surplus, with a corresponding increase to employee stock option benefits expense, based on the number of awards expected to vest.

(l) Income Taxes

Income tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of net income, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(m) Financial Instruments

Non-derivative financial assets:

The Corporation initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

3. Significant Accounting Policies *(continued)*

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(n) Net Income Per Share
Basic net income per share is based on the income attributable to shareholders for the period divided by the weighted average number of common shares outstanding during the period. The diluted net income per share is based on the weighted average number of common shares outstanding during the period plus the effects of dilutive share equivalents. Diluted net income per share is determined by adjusting the net income attributable to ordinary shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

(o) Significant Accounting Judgments and Estimates
The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes will differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Management has made significant assumptions about the future and other sources of estimation uncertainty at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ. Assumptions made, relate to, but are not limited to, the following:

Accounts receivable
Accounts receivable are recorded at the estimated recoverable amount which requires management to estimate uncollectable accounts.

Property and equipment
Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Corporation's property and equipment in the future.

3. Significant Accounting Policies *(continued)*

Internally generated software development costs
Management monitors progress of internal research and development projects by using a project management system. Significant judgment is required in distinguishing research from the development phase. Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred. To distinguish any research-type project phase from the development phase, it is the Corporation's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the group's overall budget forecast as the capitalization of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data. The Corporation's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

Recoverability of asset carrying values and identification of cash-generating units
The Corporation assesses its property and equipment, including intangible assets and goodwill, for possible impairment at the end of each reporting period or if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. The recoverability of the Corporation's asset carrying values is assessed at the cash-generating unit (CGU) level. CGUs are defined as the lowest level of integrated assets for which there are separately identifiable cash flows that are largely independent of cash flows from other assets or groups of assets. The determination of the CGUs is subject to management judgments taking into consideration the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, exposure to market risk, and the manner in which management monitors and makes decisions about its operations.

The assessment of any impairment of property and equipment, including intangible assets and goodwill, is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGUs to which the assets relate. The required valuation methodology and underlying financial information that is used to determine value in use requires significant judgments to be made by management. These judgments include, but are not limited to, long-term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows.

Purchase Price Allocations
The assets acquired and liabilities assumed are recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets, including goodwill, other assets, and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates, and market conditions at the date of acquisition.

Stock-based compensation
The fair value of stock options granted is measured using a Black-Scholes model. Measurement inputs include share price on measure date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant,

3. Significant Accounting Policies *(continued)*

anticipated forfeiture rate, and the risk-free interest rate. The Corporation estimates volatility based on historical trading history excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Corporations' normal share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest. Consequently, the actual stock-based compensation expense will vary from the amount estimated.

Income Taxes
Related deferred income tax assets and deferred income tax liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their respective tax basis based on the enacted or substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and the expected usage of existing tax pools and credits, and accordingly affect the amount of the deferred income tax assets and liabilities calculated at a point in time. These differences could materially impact earnings.

Commitments and contingencies
Management estimates the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.

(p) Recent Accounting Pronouncements

Future accounting policy changes
The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

In May, 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. In September, 2015, the IASB formalized the deferral of the effective date of IFRS 15 by one year, to January 1, 2018. The new standard replaces the two main recognition standards, IAS 18 "Revenue" and IAS 11 "Construction Contracts", and provides a five-step model framework as a core principle upon which an entity recognizes revenue. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. Quorum will adopt IFRS 15 on January 1, 2018. The Corporation has completed its review of IFRS 15 and has concluded that the adoption of this standard will not have a material impact on Quorum's net income or financial position. However, the new standard will result in expanded disclosures in the notes to the Corporation's financial statements.

In July, 2014, the IASB completed the final elements of IFRS 9, "Financial Instruments". The standard replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Quorum will adopt IFRS 9 on January 1, 2018. The Corporation has completed its review of IFRS 9, and does not expect that the adoption of the standard will result in any changes to the Corporation's existing

(stated in Canadian dollars)

3. Significant Accounting Policies *(continued)*

classifications or carrying values of financial instruments. The new standard will result in expanded disclosures in the notes to the Corporation's financial statements. In January, 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". The Corporation plans to adopt IFRS 16 on January 1, 2019 and is currently assessing the potential impact of this adoption on the Corporation's financial statements.

4. Business Combinations

Autovance Technologies Inc.
On September 1, 2017, Quorum completed the acquisition of all of the issued and outstanding shares of Autovance Technologies Inc. (the "Autovance Acquisition"). Autovance was an Alberta-based private company that provides web-based desking to the Canadian automotive industry. The acquisition of Autovance will support Quorum's strategic integrated end-to-end business process direction. The closing date of the Autovance Acquisition was September 1, 2017. The aggregate purchase price was $1,242,200 consisting of $875,000 in cash paid on the date of acquisition and $367,200 in share consideration satisfied through the issuance of 540,000 Restricted Stock Units (RSUs) of the Corporation. The RSUs will be granted upon the achievement of certain milestones by Autovance post-closing and, upon the satisfaction of each milestone, will vest over a period of two years from the date of milestone satisfaction. In conjunction with the Autovance Acquisition, the Corporation recorded $30,000 in transaction costs to general and administrative expenses during the year ended December 31, 2017.

The Corporation's purchase price allocation for the Autovance Acquisition is as follows:

Allocation of purchase price	
Current assets[14]	$ 110,841
Property and equipment	21,298
Intangible assets	916,711
Deferred tax liability	(217,145)
Goodwill	485,765
Total assets	**1,317,470**
Current liabilities	75,270
Net assets acquired	**1,242,200**

Consideration given	
Cash	$ 875,000
RSU consideration	367,200
Total consideration	**$1,242,200**

[14] Includes cash acquired on acquisition of $38,886

(stated in Canadian dollars)

4. Business Combinations

From the date of this acquisition to December 31, 2017, Autovance contributed an estimated $106,025 of revenue to the Corporation. The amount of profit or loss attributable to the acquisition from the date of acquisition to December 31, 2017 is not readily determinable. The goodwill recognized on the Autovance Acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Corporation. The goodwill will be examined annually for impairment.

5. Property and Equipment

The Corporation's property and equipment comprise computer hardware and software, office equipment and leasehold improvements. The carrying amount can be analyzed as follows:

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount					
Balance at January 1, 2017	$1,029,409	$ 620,161	$ 306,664	$ 47,898	$2,004,132
Additions	45,673	40,017	59,053	-	144,743
Additions through business combinations	14,924	-	7,124	-	22,048
ACOA loan proceeds	(3,565)	(11,807)	-	-	(15,372)
Balance at December 31, 2017	1,086,441	648,371	372,841	47,898	2,155,551
Depreciation and Impairment					
Balance at January 1, 2017	882,816	596,779	214,032	21,786	1,715,413
Net exchange differences	577	-	-	-	577
Depreciation	50,734	37,490	24,218	6,842	119,284
Balance at December 31, 2017	934,127	634,269	238,250	28,628	1,835,274
Carrying amount December 31, 2017	$ 152,314	$ 14,102	$ 134,591	$ 19,270	$ 320,277

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount					
Balance at January 1, 2016	$ 949,451	$ 573,393	$ 279,279	$ 22,387	$1,824,510
Additions	101,797	53,683	30,526	31,689	217,695
ACOA loan proceeds	(21,839)	(6,915)	(3,141)	(6,178)	(38,073)
Balance at December 31, 2016	1,029,409	620,161	306,664	47,898	2,004,132
Depreciation and Impairment					
Balance at January 1, 2016	834,187	569,905	193,002	16,766	1,613,860
Net exchange differences	1,975	-	1,053	-	3,028
Depreciation	46,654	26,874	19,977	5,020	98,525
Balance at December 31, 2016	882,816	596,779	214,032	21,786	1,715,413
Carrying amount December 31, 2016	$ 146,593	$ 23,382	$ 92,632	$ 26,112	$ 288,719

(stated in Canadian dollars)

6. Intangible Assets and Goodwill

The Corporation's intangible assets comprise internally generated software development costs and vendor distribution rights. The carrying amounts of intangible assets and goodwill for the reporting periods under review can be analyzed as follows:

	Software Development Costs	Vendor Distribution Rights	Total Intangible Assets	Goodwill
Gross Carrying Amount				
Balance at January 1, 2017	$ 16,490,188	$ 42,646	$ 16,532,834	$ -
Additions through business combinations (Note 4)	916,711	-	916,711	485,765
Impairment reversal	937,273	-	937,273	-
ACOA loan proceeds	(177,408)	-	(177,408)	-
Additions	1,636,391	-	1,636,391	-
Balance at December 31, 2017	19,803,155	42,646	19,845,801	485,765
Amortization and impairment				
Balance at January 1, 2017	10,995,842	32,499	11,028,341	-
Amortization	1,108,510	570	1,109,080	-
Balance at December 31, 2017	12,104,352	33,069	12,137,421	-
Carrying amount December 31, 2017	$ 7,698,803	$ 9,577	$ 7,708,380	$ 485,765
Gross Carrying Amount				
Balance at January 1, 2016	$ 15,173,698	$ 42,646	$ 15,216,344	$ -
ACOA loan proceeds	(189,448)	-	(189,448)	-
Additions	1,505,938	-	1,505,938	-
Balance at December 31, 2016	16,490,188	42,646	16,532,834	-
Amortization and impairment				
Balance at January 1, 2016	10,058,836	31,886	10,090,722	-
Amortization	937,006	613	937,619	-
Balance at December 31, 2016	10,995,842	32,499	11,028,341	-
Carrying amount December 31, 2016	$ 5,494,346	$ 10,147	$ 5,504,493	$ -

Impairment testing for cash-generating units

For the purpose of impairment testing, software development costs and goodwill are allocated to the Corporation's cash generating units ("CGUs") which represent the lowest level within the Corporation at which these assets are monitored for internal management purposes. The Corporation recognizes four CGUs: GM Canadian Dealerships ("GM CDN"), GM United States Dealerships ("GM US"), Other Original Equipment Manufacturer Dealerships ("Other OEM") and Autovance Desk ("AV Desk"). The Corporation tests the CGUs annually for impairment. The Corporation's impairment analysis as of December 31, 2017 indicated that the carrying of the net assets for the GM CDN CGU, GM US CGU and Other OEM CGU did not exceed their respective recoverable values and, therefore, no indication of impairment exists. The recoverable amount of the GM US CGU and Other OEM CGU, which was recognized as impaired upon transition to IFRS, exceeded its carrying amount by $937,273, which allows for a previous software development costs impairment loss to be reversed.

(stated in Canadian dollars)

6. Intangible Assets *(continued)*

The recoverable amount of the CGUs was based on their value in use. The key assumptions for the value in use calculations are those regarding the discount rates and expected growth rates in future cash flows. Management estimates discount rates for the purpose of the impairment analysis using pre-tax rates that reflect the estimated weighted average cost of capital of the Corporation. This discount rate has been calculated using an estimated risk free rate of return adjusted for the Corporation's estimated equity market risk premium and the Corporation's estimated cost of debt. An estimated pre-tax discount rate of 21% was used as at December 31, 2017 (December 31, 2016 – 25%). The growth rates represent management's current assessment of future trends in the industry and are based on both external and internal sources, as well as historical data. The Corporation prepares cash flow forecasts for the purpose of the impairment analysis for the upcoming year and subsequent five year period based on estimated variable support revenue growth rates of 0% to 15% depending on the CGU. Future cash flows are based on various assumptions and judgments including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. It is unlikely that a change in a key assumption in the value-in-use calculation would cause the CGUs carrying amounts to exceed its recoverable amounts.

7. Long-term Debt

Long-term debt includes the following financial liabilities:

	December 31, 2017	**December 31, 2015**
ACOA financing 2012	**$ 91,498**	$ 165,947
ACOA financing 2016	**380,901**	195,717
	472,399	361,664
Installments due within one year	**91,498**	74,448
Total long-term debt	**$ 380,901**	$ 287,216

On September 21, 2012, the Corporation entered into a $500,000 loan agreement with Atlantic Canada Opportunities Agency ("ACOA") to finance the transition project which includes an upgrade to Windows 2008 R2, SQL Server 2012 and Office 2010, deployment of Lync and Exchange server and upgrade to PB12.Net and ASP model. The loan, which is unsecured and interest-free, matures on December 31, 2018. Monthly repayments commenced on January 2, 2014. As of October 23, 2013, the loan has been received in full and recorded at a fair value of $207,681, based on a 20% rate of interest over 5 years. The difference between the fair value of the loan and the cash received has been accounted for as a government grant (refer to Note 8). On a cash basis, $100,016 is outstanding on the loan at December 31, 2017 and $100,016 is required to be repaid within the next 12 months.

On July 5, 2016, the Corporation entered into a new loan agreement (the "Agreement) with ACOA to finance the XSELLERATOR refactoring project which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The maximum amount of loan is $1,076,067 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under the Agreement.

(stated in Canadian dollars)

7. Long-term Debt *(continued)*

As of December 31, 2017, the Corporation has incurred certain costs eligible under the Agreement and is entitled to an amount of $864,155. The fair value of the loan is $380,901, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan, the cash received of $761,206 and the receivable amount of $102,949 has been accounted for as government grant (refer to Note 8). The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2019.

Scheduled principal repayments at December 31, 2017 are as follows:

2018	$ 91,498
2019	200,712
2020	180,189
Total	$ 472,399

8. Government Grants and Assistance

On September 21, 2012, the Corporation entered into a $500,000 loan agreement with ACOA to finance the transition project which includes an upgrade to Windows 2008 R2, SQL Server 2012 and Office 2010, deployment of Lync and Exchange server and upgrade to PB12.Net and ASP model. The loan, which is unsecured and interest-free, matures on December 31, 2018. Monthly repayments commenced on January 2, 2014. The $292,319 difference between the fair value of the loan and the cash received has been accounted for as a government grant, as prescribed by IAS 20 under IFRS. The amount relates to expenses and capital expenditures to be incurred over the term of the project. Any amounts allocated to capital expenditures have been deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset.

On July 5, 2016, the Corporation entered into a $1,076,067 loan agreement with ACOA to finance the XSELLERATOR refactoring project which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The loan, which is unsecured and interest-free, is repayable in annual installments calculated as 1.5% of gross revenues for the fiscal year immediately preceding the due date of the respective payment. Annual repayments will commence on September 1, 2019. The amount relates to expenses and capital expenditures to be incurred over the term of the project. Any amounts allocated to capital expenditures have been deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset.

On May 2, 2016, the Corporation signed an agreement with the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), to provide funding, up to a maximum of $272,801, to develop an improved communication system for the dealership and their customers. The contribution from NRC-IRAP is non-repayable. As of April 20, 2018, $272,801 has been received.

(stated in Canadian dollars)

9. Investment Tax Credits

The Corporation recorded government research and development tax credits pertaining to the following taxation years. These amounts have been applied to reduce the cost of capitalized software development costs and expire twenty years after the year in which they were earned.

2002	$ 192,988
2003	279,845
2004	463,146
2005	573,125
2006	580,940
2007	387,520
2008	218,944
2009	125,134
2010	147,903
2011	147,078
2012	161,871
2013	44,363
2014	22,844
2015	43,508
2016	31,852
	$ 3,421,061

The Corporation is preparing the application for government research and development tax credits pertaining to the 2017 taxation year. These credits have not yet been recognized by the Corporation nor approved by the authorities. The actual amount realized may vary from the estimate of $167,766.

10. Income Taxes

Income tax expense differs from the amount that would be obtained by applying the combined Canadian Federal and Provincial and U.S. statutory income tax rate to earnings before income taxes which are as follows:

	December 31, 2017	December 31, 2016
Estimated combined corporate tax rate	**28.5%**	28.5%
Income before deferred income tax expense	**1,499,537**	663,709
Calculated income tax expense	**427,368**	189,157
Nondeductible items for tax purposes	**50,200**	81,081
Change in future income tax rates	**482,868**	45,351
Difference in rates in other jurisdictions- US	**(3,376)**	10,539
Adjustments and assessments	**68,066**	(155,478)
Net deferred income tax expense	**1,025,126**	170,650

(stated in Canadian dollars)

10. Income Taxes *(continued)*

Future income tax assets and liabilities reflect the temporary differences between the carrying amounts of certain accounts and their corresponding amounts for income tax purposes. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management expects that most of the future tax assets will be realized but their expectations could change materially in the near term based on future taxable income during the carry forward period. The principal components of these differences are as follows:

	December 31, 2017	December 31, 2016
Property and equipment	**$ 873,962**	$ 1,328,785
Loss carry forwards	**1,134,379**	1,634,443
Investment tax credits	**183,085**	561,946
Share issue costs	**9,988**	14,059
Net deferred tax asset	**$ 2,201,414**	$ 3,539,233

The breakdown of the net deferred tax asset is presented below:

	December 31, 2017	December 31, 2016
Deferred income tax asset	**$ 2,405,793**	$ 3,539,233
Deferred income tax liability	**(204,379)**	-
Net deferred tax asset	**$ 2,201,414**	$ 3,539,233

At the end of the years, subject to confirmation by income tax authorities, the Corporation has the following tax pools available for carry forward:

	December 31, 2017	December 31, 2016
Undepreciated capital cost	**$ 4,095,551**	$ 4,932,216
SR&ED expenditures	**10,933,829**	10,863,442
Cumulative capital expenditures	**11,950**	11,950
Non-capital losses	**4,452,201**	4,314,335
Share issue costs	**36,998**	49,330
Total	**$ 19,530,529**	$ 20,171,274

(stated in Canadian dollars)

10. Income Taxes– *(continued)*

The Corporation has $4,452,201 of non-capital losses available for income tax purposes to reduce taxable income of future years that expire as follows:

	Canada	United States
2026	$ -	$ 1,138,479
2027	-	1,551,171
2028	-	880,392
2029	23,594	-
2030	95,538	-
2032	88,994	-
2033	86,709	-
2034	118,061	-
2035	105,185	-
2036	155,685	-
2037	182,204	26,189
Total	$ 855,970	$ 3,596,231

11. Share Capital

(a) Authorized

The Corporation is authorized to issue an unlimited number of Common shares and Preferred shares issuable in series.

(b) Issued and Outstanding

A summary of the changes to share capital for the period is presented below:

	December 31, 2017		December 31, 2016	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Common Shares				
Balance, January 1, 2017	**52,045,594**	**$16,427,543**	51,296,294	$16,221,091
Issued pursuant to stock-based compensation	**350,000**	**103,600**	749,300	206,452
Total share capital at December 31, 2017	**52,395,594**	**$16,531,143**	52,045,594	$16,427,543

(c) Net income per share

In calculating the basic and diluted net income per share for the years ended December 31, 2017 and 2016, the weighted average number of shares used in the calculation is shown in the table below. The diluted shares are based on an average stock price of $0.71 for the fiscal year 2017 and $0.52 for the fiscal year 2016. As of December 31, 2017, all stock options have expired and there are no dilutive shares.

(stated in Canadian dollars)

11. Share Capital *(continued)*

	December 31, 2017	2016
Net Income	**$ 474,411**	$ 493,059
Common Shares		
Balance	**52,074,361**	51,485,200
Effect of dilutive shares	**-**	-
Diluted shares outstanding	**52,074,361**	51,485,200
Net income per share – basic	**$ 0.0091**	$ 0.0096
Net income per share – diluted	**$ 0.0091**	$ 0.0096

12. Stock-Based Compensation

As at December 31, 2017, a total of 5,239,559 common shares were reserved for issuance under the Corporation's Stock Option Plan and Restricted Stock Unit Plan of which 4,050,259 common shares remain available for grant. Pursuant to the Corporation's stock-based compensation plans, options and restricted share units may be granted up to a maximum of 10% of common shares currently issued and outstanding.

(a) Stock Option Plan

Quorum provides incentives to employees, officers and directors of the Corporation by issuing options to acquire common shares. The exercise price of the options is determined by the Board of Directors in accordance with the policies of the TSX Venture Exchange ("TSXV"). The options have a maximum term of five years with a hold period of four months from the date of the initial grant, and no more than 1/3 of the stock options granted to any one individual shall vest in any twelve-month period.

As of December 31, 2017, there were no stock options outstanding.

(b) Restricted Stock Unit Plan

Effective June 27, 2014, the Corporation implemented the Restricted Stock Unit (RSU) Plan which provides incentives to eligible employees, officers and directors of the Corporation through the issuance of RSU's. The RSU's generally vest as follows, subject to the absolute discretion of the Board of Directors: one-third on the date of grant, and one-third on each of the one and two-year anniversaries from the date of grant. As of December 31, 2017, a total of 2,212,100 Restricted Stock Units at an average price of $0.47, since plan inception, have vested. During 2017, the Board of Directors approved 1,050,000 RUSs to be granted in January 2018 and approximately one third of those RSUs will vest over Q1 FY2018 and Q2 FY2018.

For the year ended December 31, 2017 stock-based compensation expense of $103,600 (2016 - $206,452) was recorded related to the RSU compensation plan. Restricted Stock Units for the respective periods and the number of RSU's outstanding are summarized as follows:

(stated in Canadian dollars)

12. Stock-Based Compensation *(continued)*

	As at December 31, 2017		As at December 31, 2016	
	Number of RSU's	**Average price**	Number of RSU's	Average price
Balance, beginning of period	**420,000**	**$ 0.35**	1,003,700	$ 0.32
Granted during the period	**0**	**$ 0.68**	210,000	$ 0.60
Vested during the period	**(350,000)**	**$ 0.68**	(749,300)	$ 0.28
Forfeited during the period	**-**	**-**	(44,400)	$ 0.25
Balance, end of period	**70,000**	**$ 0.56**	420,000	$ 0.35

13. Contributed Surplus

The following table reconciles the Corporation's contributed surplus:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Contributed surplus, beginning of year	**$ 1,940,013**	$ 1,940,013
Contingent acquisition consideration	**367,200**	-
Contributed surplus, end of year	**$ 2,307,213**	$ 1,940,013

14. Operating Leases

The Corporation's future minimum operating lease payments are as follows:

2018	$ 586,819
2019	589,545
2020	595,989
2021	515,044
2022	478,074
Total	**$2,765,471**

Lease payments recognized as an expense during the year ended December 31, 2017 amount to $326,890 (2016: $296,582). This amount consists of minimum lease payments.

The rental contract for the office rented since September 1, 2014 at 7500 Macleod Trail, Calgary, Alberta had an initial non-cancellable term of five years. This rental contract was amended on November 5, 2015 to include extra space required by the Corporation and now has a non-cancellable term which ends on December 31, 2020.

(stated in Canadian dollars)

14. Operating Leases *(continued)*

The rental contract for the office rented since May 1, 2013 at 136 Crosbie Road, St. John's, Newfoundland and Labrador has a non-cancellable term of five years. This rental contract was amended on November 30, 2015 and November 30, 2016 to include extra space required by the Corporation. The term of the lease did not change.

On August 29, 2014, the Corporation signed a rental contract with Office Building LLC for an office space at 6303 26 Mile, Washington Township, Michigan. This agreement has a non-cancellable term of three years.

On June 22, 2017, the Corporation signed a rental contract with Colborne Properties Inc for an office space at 630 Colborne Street, London, Ontario. This agreement has a non-cancellable term of five years and commenced on September 1, 2017.

On January 25, 2018, the Corporation signed a rental contract with The Tower Corporate Campus Inc. for an office space at 240 Waterford Bridge Road, St. John's, Newfoundland and Labrador. This agreement has a non-cancellable term of 7.5 years.

The Corporation's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

15. Financial Instruments and Risk Management

a) *Financial instrument measurement and classification*
The classification of financial instruments remains consistent at December 31, 2017 with that as at December 31, 2016. The carrying value of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, and deferred revenue approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Corporation's current credit premium. The carrying value of long-term debt where interest is charged at a fixed rate is not significantly different than fair value.

b) *Credit risk*
Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations to the Corporation. The Corporation manages credit risk by assessing the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable includes balances from customers operating primarily in the automotive dealership industry. Accordingly, the Corporation views the credit risks on these amounts as normal for the industry. An analysis of accounts receivable, net of impairment provisions, which are past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Past due 61 – 90 days	**$ 194,873**	$ 145,639
Past 90 days	**24,747**	33,607
Total past due	**$ 219,620**	$ 179,246

(stated in Canadian dollars)

15. Financial Instruments and Risk Management *(continued)*

The Corporation reduces an account receivable to its estimated recoverable amount. At December 31, 2017, the Corporation had recorded a provision of $3,090 (December 31, 2016 – $7,784) relating to accounts receivable which may not be collectible.

c) *Foreign currency risk*
Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its working capital balances denominated in foreign currencies and on the translation of its foreign operations. The Corporation uses the U.S. dollar as its functional currency for the operations of Quorum Information Technologies (US) Inc. The Corporation manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions. A 10% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates. For the year ended December 31, 2017, a 10% increase/decrease in the Canadian dollar vis-à-vis the U.S. dollar is estimated to decrease/increase net income of the Corporation from unrealized gains/losses by approximately $98,583 (2016 – $141,156), and from realized gains/losses approximately $62,914 (2016 – $23,596).

At December 31, 2016, the Corporation has not entered into any foreign exchange U.S. dollar forward purchase contracts to manage its exposure to upcoming U.S. dollar denominated purchases pursuant to its Canadian operations.

e) *Liquidity risk*
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due and describes the Corporation's ability to access cash. The Corporation requires sufficient cash resources to finance operations, fund capital expenditures, repay debt, and settle other liabilities of the Corporation as they come due. The Corporation manages liquidity risk through management of its operational cash flows.

The following table details the remaining contractual maturities of the Corporation's financial liabilities as of December 31, 2017:

	Payments Due By Period					
	Less than 3 months	**3 months to 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**
Accounts payable and accrued liabilities	$ 947,503	$ -	$ -	$ -	$ -	$ 947,503
Long-term debt[15]	16,666	83,350	413,467	662,600	-	1,176,083
Operating leases	97,803	489,016	1,185,534	2,272,670	1,279,851	5,324,874
Total	$1,061,972	$572,366	$1,599,001	$2,935,270	$1,279,851	$7,448,460

[15] Undiscounted amount

(stated in Canadian dollars)

16. Segmented Information

The Corporation operates in one segment, the computer network and business software industry.

In 2004 the Corporation commenced selling into the United States marketplace. Gross revenue and long-term assets by geographic area are summarized as follows:

Revenue

	December 31, 2017	December 31, 2016
Canada	**$ 10,062,300**	$ 9,517,613
United States	**2,681,326**	2,660,837
Total gross revenue	**$ 12,743,626**	$ 12,178,450

Long-Term Assets[16]

	December 31, 2017	December 31, 2016
Canada	**$ 8,504,265**	$ 5,782,952
United States	**10,156**	10,260
Total long-term assets	**$ 8,514,421**	$ 5,793,212

17. Related Parties

Included in salaries and benefits expense and sales and marketing expense is remuneration of the key management personnel of the Corporation, which includes directors and officers of the Company. For the year ended December 31, 2017, remuneration of $1,094,804 included $856,804 of salaries and cash-based compensation and $238,000 of stock-based compensation costs (December 31, 2016 - $756,910 and $134,800, respectively).

During the year ended December 31, 2017, the Corporation incurred fees in the amount of $2,660 December 31, 2016 – $2,420) under a consulting agreement with the spouse of an officer and director, of which $1,250 (December 31, 2016 - $1,250) remained unpaid at December 31, 2017. The fees were in relation to tax and consulting services.

[16] Includes: Property and equipment, intangible assets and goodwill

18. Capital Structure

The Corporation's capital structure is comprised of shareholders' equity and long-term debt. The Corporation's objectives when managing its capital structure are to:

(a) maintain financial flexibility so as to preserve the Corporation's access to capital markets and its ability to meet its financial obligations; and
(b) finance internally-generated growth.

Corporate Information

Board of Directors

Maury Marks
Director
President & Chief Executive Officer
Quorum Information Technologies Inc.

Michael Podovilnikoff
Chairman of Board of Directors
Business Consultant

John Carmichael
Director
President
Canadian Automotive Specialty
Holdings Inc.

Scot Eisenfelder
Director
CEO & Executive Chairman
Affinitiv Inc.

Craig Nieboer
Director
Chief Financial Officer
CES Energy Solutions Corp.

Joe Campbell
Director
President & Chief Executive Officer
Tricor Automotive Group Inc.

Jon Hook
Director
Senior Analyst
Voss Capital, LLC

Officers

Michael Podovilnikoff
Chairman of Board of Directors

Maury Marks
President & Chief Executive Officer

Marilyn Bown
Chief Financial Officer

Corporate Counsel
Shea Nerland Law
Calgary, Alberta

Bankers
HSBC Bank Canada
Calgary, Alberta

Auditors
Calvista LLP
Professional Accountants
Calgary, Alberta

Stock Exchange Listing
TSX Venture Exchange
Trading Symbol: QIS

Registrar and Transfer Agent
Computershare Trust Company of Canada
Calgary, Alberta

QUORUM INFORMATION TECHNOLOGIES
Head Office
Suite 200, 7500 Macleod Trail SE, Calgary, AB T2H 0L9
Phone: 403.777.0036
E-mail: Investors@QuorumDMS.com
Web Site: www.QuorumDMS.com

QUORUM
DEALER MANAGEMENT SYSTEMS

QUORUM INFORMATION TECHNOLOGIES
7500 Macleod Trail SE, Suite 200
Calgary, AB T2H 0L9

Phone: 403.777.0036 Fax: 403-777-0039
E-mail: Investors@QuorumDMS.com
www.QuorumDMS.com

Stock Symbol – TSXV: QIS