QUORUM
INFORMATION TECHNOLOGIES INC.

1st Quarter Report

2018

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 annual double-digit 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.

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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 Q1 FY2018 we had the following significant measurable steps towards this transition:

- Recurring SaaS support revenue for Q1 FY2018 increased by $281,447 over Q1 FY2017, which represents a 12% 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.

Revenue Type	Q1 2018	Q1 2017	Growth
Support revenue	**$ 2,733,167**	$ 2,451,720	12%
Add-on revenue	**370,159**	261,594	42%
New installations revenue	**360,226**	439,605	-18%
Core revenue subtotal	**3,463,552**	3,152,919	10%
Transitions revenue	**58,699**	119,068	-51%
Gross revenue	**$ 3,522,251**	$ 3,271,987	8%

- Quorum's annual SaaS support revenue run rate is now $11,386,920 based on March 2018 support revenue of $948,910.
- Support revenue now represents 78% of total revenue for Q1 FY2018 compared to 75% for Q1 FY2017.
- Support revenue growth drivers include:
    - Sales to existing customers of Quorum-developed products, strategic 3rd party products, XSELLERATOR user licenses and annual support increases represent 63% of the Q1 FY2018 support revenue growth. Autovance had previously been a strategic 3rd party partner. However, in September 2017, Quorum acquired all of the issued and outstanding shares of Autovance Technologies Inc. and the total Autovance revenue is included above. Of that revenue, the additional support revenue in Q1 FY2018 from Autovance's proprietary product, Autovance Desk, for Quorum customers was $32,000 and Autovance revenue for non-Quorum customers for Q1 FY2018 was $86,150. The run rate as of March 31, 2018 of Quorum's revenue associated with Autovance's annual SaaS support revenue is $771,000 based on March support revenue of $64,214.
    - The remaining 37% of the Q1 FY2018 support revenue growth comes from increases in our customer base. In Q1 FY2018 Quorum completed ten new XSELLERATOR rooftop installations and had one rooftop loss (for a quarterly churn of 0.3%) and ended the quarter with a total of 350 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 Q1 FY2017, Quorum had nine new rooftop installations, however, new installation one-time revenue declined in Q1 FY2018 because the Q1 FY2018 installed dealerships were smaller than those installed in Q1 FY2017 and because of increased competitive pressure on installation costs which drove down install prices in Q1 2018.

- Gross Margin – in Q1 FY2018, our gross margin was 52%, consistent with Q1 FY2017. The gross margin for our SaaS-based support revenue was 70% in Q1 FY2018.
- Sales Backlog – not all dealership rooftops sold in Q1 FY2018 and FY2017 were able to be installed during Q1 FY2018. Quorum had 13 sold dealership rooftops planned to be installed throughout the remainder of FY2018 and Q1 FY2019 compared to 17 at the end of Q1 FY2017 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 Q1 FY2018, we completed Ford US integration development and in February 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%. Quorum plans to continue to invest in significant projects in the US 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 up 110% for Q1 FY2018 compared to Q1 FY2017. Training revenue represents 67% of Quorum's total add-on revenue and add-on revenue increased 42% in Q1 FY2018 over Q1 FY2017.
    - Increased customer satisfaction and reference-ability of our customers.

Dealership Success Scorecard[1]

- Communicator – Dealerships utilizing Communicator: 255
    - Messages in Q1 FY2018: 3,682,327
    - Year over year message growth: 87%

- M3 (VIP only) – Dealerships utilizing VIP: 153
    - Total Q1 FY2018 incremental Customer Pay revenue: $27,041,191
    - Year over year revenue growth: 22%

- Sales CRM – Dealerships trained: 108
    - Average Q1 FY2018 utilization of Sales CRM 68%
    - Total # of dealerships that have moved away from 3rd party CRM systems: 23

- 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.

- 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 10% in Q1 FY2018 as compared to Q1 FY2017.

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

- Quorum made a number of incremental, critical investments in Q1 FY2018 compared to Q1 FY2017 that are key to future growth; however, these investments negatively impacted our working capital by $500K and EBITDA and net income by $375K. The investments were as follows:
    - US Market expansion – invested in a completely redesigned, larger booth for the National Automobile Dealers Association (NADA) conference. The new booth and related advertising, cost an additional $170K in Q1 FY2018 compared to Q1 FY2017. Additionally, we announced the pilot of our first Ford US dealerships and hired a new US Sales Account Manager.
    - St. John's Office expansion – invested in a new, larger office to accommodate future growth. The cost of the move, including furniture, leaseholds, and duplicate rent was $130K in Q1 FY2018 and the incremental impact on EBITDA and net income was $40K.
    - Staffing – from Q2 FY2017 to Q1 FY2018 we increased staffing levels by 20 new employees to allow increased installation and training capacity, added marketing and sales staff, as well as increases to our development and support groups, including a new customer care group. The incremental staffing impacted working capital, EBITDA and net income by an additional $150K (net of government grant funding).
    - GM certifications – with GM DTAP Service Lane programs in both Canada and the US, Quorum invested an additional $50K in certification costs with GM in Q1 FY2018 compared to Q1 FY2017, which had an incremental impact on EBITDA and net income of $15K.
- Customer Satisfaction metrics are as follows:
    - Each year we conduct Customer Satisfaction Index ("CSI") surveys. The results of our most recent survey conducted in Q3 FY2017 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 Q1 FY2018 are as follows:

- Gross revenue increased by 8% to $3,522K in Q1 FY2018 from $3,272K in Q1 FY2017
- Gross margin increased to $1,840K in Q1 FY2018 from $1,704K in Q1 FY2017, an 8% increase. Gross margin as a percentage of gross revenue remained consistent at 52%.
- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) decreased to $188K in Q1 FY2018 from $369K in Q1 FY2017. Increased gross margin was offset by:
    - larger salaries and benefits expense due to increased staffing levels;
    - an increase in general and administrative costs due to an office move in the quarter and higher office rental expense; and
    - an increase in NADA expense due to an expansion of Quorum's booth.
- Loss before deferred income tax expense was $398K in Q1 FY2018 compared to income before deferred income tax expense of $77K in Q1 FY2017.
- Comprehensive loss was $189K in Q1 FY2018 compared to comprehensive income of $32K in Q1 FY2017.

  Including cash of $4,193K, total net working capital at March 31, 2018 was $4,657K with a current ratio of 3.91, compared to $5,154K at December 31, 2017, with a current ratio of 4.86, a decrease

of $497K. The decrease in net working capital from December 31, 2017 is mainly due to the decrease in cash and prepaid expenses and an increase in accounts payable, offset by an increase in accounts receivable during Q1 FY2018.

Conclusion

Quorum has generated eighteen 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 12% in Q1 FY2018.
- This growth was driven by sales of added Quorum-developed and strategic 3rd party products (63%) to existing customers and added installations of new customers (37%).
- Quorum's annual SaaS support revenue run rate is now $11,386,920 based on March 2018 support revenue of $948,910.
- Support revenue now represents 78% of total revenue for Q1 FY2018 compared to 75% for Q1FY2017.
- Our pipeline has 13 sold rooftops that will be installed in future quarters.
- Our dealership quarterly churn is low at 0.3% 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 continued 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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Gross revenue	**$ 3,522,251**	$ 3,271,987
Direct costs	**1,682,513**	1,568,101
Gross margin	**1,839,738**	1,703,886
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**187,730**	369,269
Income (loss) before deferred income tax expense	**(397,889)**	76,793
Net income (loss)	**(245,525)**	42,641
Comprehensive income (loss)	**(189,081)**	32,187
Basic income (loss) per share	**$ (0.0047)**	$ 0.0008
Fully diluted income (loss) per share	**$ (0.0047)**	$ 0.0008
Weighted average number of common shares		
Basic	**52,627,690**	52,045,594
Diluted	**52,627,690**	52,045,594

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

May 17, 2018

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Corporation's interim consolidated results of operations and financial condition. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018 and 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 also 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 as SaaS revenue.

Add–on revenue – a combination of services that active dealership rooftops purchase from Quorum including, but not limited to, on-site training services, remote training services, new XSELLERATOR user licenses, 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 flow from operations after changes in non-cash operating working capital.

Q1 2018 Overview

Gross revenue increased by 8% to $3,522K in Q1 FY2018 from $3,272K in Q1 FY2017. The increase in revenue is due to:

- An increase of $281K in recurring support revenue as a result of having more active dealership rooftops at the end of Q1 FY2018 compared to the end of Q1 FY2017;
- An increase of $109K in add-on revenue to existing customers due to an increase in training revenue;
- A decrease of $79K in new installations revenue, which was a result of completing more but smaller installations in Q1 FY2018 as compared to Q1 FY2017; and
- A decrease of $60K in transitions revenue.

Gross margin increased to $1,840K in Q1 FY2018 from $1,704K in Q1 FY2017, an 8% increase. Gross margin as a percentage of gross revenue remained consistent at 52%.

Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) decreased to $188K in Q1 FY2018 from $369K in Q1 FY2017. 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. During Q1 FY2018, six new staff members were added in anticipation of a higher install rate going forward. As well, during Q1 FY2018, the Corporation moved to a larger office in St. John's, Newfoundland. Sales and marketing expense included expenses associated with the 2018 National Automobile Dealers Association ("NADA") convention. The one-time cost of NADA was $301K during Q1 FY2018 as compared to $131K during Q1 FY2017. The increase in NADA expense is due to the expansion of Quorum's booth.

Loss before deferred income tax expense was $398K in Q1 FY2018 compared to income before deferred income tax expense of $77K in Q1 FY2017.

Comprehensive loss was $189K in Q1 FY2018 compared to comprehensive income of $32K in Q1 FY2017.

Including cash of $4,193K, total net working capital at March 31, 2018 was $4,657K with a current ratio of 3.91, compared to $5,154K at December 31, 2017, with a current ratio of 4.86, a decrease of $497K. The decrease in net working capital from December 31, 2017 is mainly due to the decrease in cash and prepaid expenses and an increase in accounts payable, offset by an increase in accounts receivable during Q1 FY2018.

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), other Original Equipment Manufacturing ("OEM") integration work and third party company integration.

Q1 FY2018 Financial Highlights

- **8% increase in gross revenue.**
- **8% increase in gross margin.**
- **12% increase in XSELLERATOR recurring support revenue.**
- **42% increase in add-on revenue from existing customers.**
- **18% decrease in new installations revenue.**
- **51% decrease in transitions revenue.**
- **37th quarter in a row of positive EBITDA in Q1 FY2018 of $188K versus $369K in Q1 FY2017.**
- **Loss before deferred income tax expense of $398K in Q1 FY2018 compared to income before deferred income tax expense of $77K in Q1 FY2017.**
- **Net loss of $246K in Q1 FY2018 compared to net income of $43K in Q1 FY2017.**
- **Comprehensive loss of $189K in Q1 FY2018 compared to comprehensive income of $32K in Q1 FY2017.**
- **39th quarter in a row of positive cash flow from operating activities of $201K in Q1 FY2018 versus $550K in Q1 FY2017.**

Results of Operations

($000's except per share amounts)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Gross revenue	**$ 3,522**	$ 3,272
Gross margin	**1,840**	1,704
Gross margin percentage	**52%**	52%
EBITDA expenses[2]	**1,652**	1,335
Operating income before interest, taxes, depreciation and amortization (EBITDA)	**188**	369
EBITDA percentage of revenue	**5%**	11%
Income (loss) before deferred income tax expense	**(398)**	77
Net income (loss)	**(246)**	43
Other comprehensive income (loss)[3]	**56**	(11)
Comprehensive income (loss)	**(189)**	32
Net income (loss) per share	**(0.0047)**	0.0008
Cash flow from operating activities	**201**	550

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

Detailed Discussion on Operating Results for the Periods Ended March 31, 2018 and March 31, 2017

Revenue and Gross Margin Analysis

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Gross revenue	**$ 3,522,251**	$ 3,271,987
Third party costs (direct)	**779,831**	748,943
Salaries and benefits (direct)	**902,682**	819,158
Gross margin	**$ 1,839,738**	$ 1,703,886
Gross margin %	**52%**	52%
Support revenue[4]	**$ 2,733,167**	$ 2,451,720
Add-on revenue	**370,159**	261,594
New installations revenue	**360,226**	439,605
Transitions revenue	**58,699**	119,068
Gross revenue	**$ 3,522,251**	$ 3,271,987

Revenue

Revenues from operations were $3,522,251 in Q1 FY2018 compared to $3,271,987 in Q1 FY2017, an increase of $250,264 or 8%. The Corporation adopted IFRS 15 "Revenue from contracts with customers" ("IFRS 15") effective January 1, 2018 utilizing the cumulative effect method. Under the cumulative effect method, comparative periods have not been restated. However, the quantitative differences between reported results under IFRS 15 and those that would have been reported under IAS 11 and IAS 18 ("prior IFRS") have been disclosed. For the quarter ended March 31, 2018, total revenue was $69,815 higher than it would have been under prior IFRS. Quorum revenue results were as follows:

Recurring support revenue increased to $2,733,167 in Q1 FY2018, compared to $2,451,720 in Q1 FY2017, an increase of $281,447 or 12%. The Corporation completed ten new installations during Q1 FY2018 with each now paying recurring monthly support and services fees. As our customer base grows, support revenue should continue to grow proportionately. Sales to existing customers of Quorum-developed products, strategic 3rd party products, XSELLERATOR user licenses and annual support increases, represents 63% of the Q1 FY2018 support revenue growth. The remaining 37% of the Q1 FY2018 support revenue growth comes from increases in our customer base. In Q1 FY2018, Quorum completed ten new XSELLERATOR rooftop installations and had one rooftop loss and ended the quarter with a total of 350 active installed dealership rooftops.

Add-on revenue to existing customers increased to $370,159 in Q1 FY2018, compared to $261,594 in Q1 FY2017, an increase of $108,565 or 42%. The increase is mainly due to an increase in training revenue.

New installations revenue was $360,226 in Q1 FY2018 compared to $439,605 in Q1 FY2017, a decrease of $79,379 or 18%. While the Corporation completed ten rooftop installations in Q1 FY2018 compared to nine in Q1 FY2017, the Q1 FY2018 installed dealerships were smaller than in Q1 FY2017, and increased competitive pressure on installation costs drove down install prices in 2017. Under IFRS 15, total new installation revenue was $69,815 higher in Q1 FY2018 than it would have been under prior IFRS.

[4] Communicator revenue was included in add-on revenue in prior periods. Communicator revenue is recurring and will be included in support revenue for Q1 FY2018 and all future periods. Q1 FY2017 has been restated for comparative purposes.

Q1 FY2018 transitions revenue was $58,699 compared to $119,068 in Q1 FY2017, a decrease of $60,369 or 51%.

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 Q1 FY2018 were $1,682,513 compared to $1,568,101 in Q1 FY2017, an increase of $114,412 or 7%. The increase in direct costs is mainly due to the addition of employees required to meet the Corporation's future business plan.

During Q1 FY2018, $35,888 ($57,718-Q1 FY2017) from the National Research Council of Canada ("NRC") was received and applied as a reduction of salaries and benefits (direct). As well, during Q1 FY2018, $30,751 ($nil-Q1 FY2017) from the Newfoundland and Labrador Innovation Council ("NLIC") was accrued and applied as a reduction of salaries and benefits direct and $10,705 ($nil-Q1 FY2017) from the Department of Tourism, Culture, Industry and Innovation ("TCII") was accrued and applied as a reduction of salaries and benefits direct. Also during Q1 FY2018, $33,437 ($nil-Q1 FY2017) from Alberta Innovates Technology Futures ("AITF") was received and applied as a reduction of salaries and benefits (direct).

During Q1 FY2018, gross margin increased to $1,839,738 or 52% compared to $1,703,886 or 52% for Q1 FY2017.

Expenses

	Q1 Ended March 31, 2018	Q1 Ended March 31, 2017
Salaries and benefits[5] [6]	**$ 664,780**	$ 543,983
Stock-based compensation	**193,868**	-
General and administrative	**297,794**	252,127
Sales and marketing[6]	**689,434**	538,507
Total expenses	**$ 1,845,876**	$ 1,334,617

Total expenses before interest, taxes, depreciation, amortization and foreign exchange for Q1 FY2018 were $1,845,876 or 52% of sales as compared to $1,334,617 or 41% of sales for Q1 FY2017.

Salaries and benefits expenses for Q1 FY2018 were $664,780 compared to $543,983 in Q1 FY2017 for an increase of $120,797 or 22%. The increase in Q1 FY2018 from Q1 FY2017 is due to the addition of employees required for future growth. Sales and marketing salaries and benefits expense of $367,235 was reallocated from salaries and benefits to sales and marketing for Q1 FY2017 for comparative purposes.

Stock-based compensation expense for Q1 FY2018 was $193,868 compared to $nil for Q1 FY2017. During Q1 FY2018, eligible employees were granted 1,119,300 Restricted Stock Units (RSU's) as prescribed by the RSU Plan. 285,100 RSU's at an average price of $0.67 per RSU vested during Q1 FY2018 as compared to nil during Q1 FY2017. No stock options were issued in Q1 FY2018. 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.

[5] Net of Government assistance.
[6] Salaries and benefits expense for Sales and Marketing associates are now included in sales and marketing expense. Q1 FY2017 has been restated for comparative purposes.

General and administrative expenses for Q1 FY2018 were $297,794 compared to $252,127 in Q1 FY2017 for an increase of $45,667 or 18%. The increase from Q1 FY2017 is mainly due to an increase in rental expense. During Q1 FY2018, the Corporation moved to a newer and larger office in St. John's, Newfoundland and Labrador.

Sales and marketing expenses for Q1 FY2018 were $689,434 or 20% of sales compared to $538,507 for Q1 FY2017 or 16% of sales, an increase of $150,927. The increase from the prior year is due to the expansion of Quorum's booth at the 2018 National Automobile Dealers Association ("NADA") convention and offset by a decrease in variable compensation expense.

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. During the quarter, the Canadian/US exchange rate increased from 1.2545 at December 31, 2017 to 1.2894 at March 31, 2018. This increase had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized gain on the assets held was $57,107 during Q1 FY2018 compared to a $12,215 unrealized loss during Q1 FY2017. There was a realized foreign exchange loss of $663 during Q1 FY2018 compared to foreign exchange gain of $1,761 during Q1 FY2017.

Capitalization & Amortization

During Q1 FY2018, 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 quarter and related amortization for XSELLERATOR:

	Q1 Ended March 31, 2018	Q1 Ended March 31, 2017
Software development costs capitalized	**$ 484,968**	$ 385,850
Amortization of software development costs	**$ 334,743**	$ 267,940

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 $439,788, net of funding from ACOA of $41,882, and direct overheads of $45,180, for a total of $484,968 in Q1 FY2018, compared to capitalized payroll costs of $356,024, net of funding from ACOA of $44,509, and direct overheads of $29,826, for a total of $385,850 in Q1 FY2017.

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 software development costs for Q1 FY2018 increased to $334,743 as compared to $267,940 for Q1 FY2017, a $66,803 increase or 25%. The amortization policy of the Corporation is ten-year straight line.

The Corporation invested $283,762 in computer software, leasehold improvements and other capital assets during Q1 FY2018, compared to $22,693 in Q1 FY2017. During Q1 FY2018, the Corporation moved to a new and larger office in St. John's, NL. The new St. John's office includes office furniture and equipment valued at $325,000 with a carrying value of $185,408 at the lease inception date.

Depreciation on the capital assets was $29,600 in Q1 FY2018, compared to $24,383 in Q1 FY2017.

Net Income, EBITDA and Net Income per Share

	FY 2018 March 31 Q1	**FY 2017 March 31 Q1**
EBITDA	**$ 187,730**	$ 369,269
Net income (loss)	**$ (245,525)**	$ 42,641
Net income (loss) per share		
- Basic	**$ (0.0047)**	$ 0.0008
- Diluted	**$ (0.0047)**	$ 0.0008
Weighted average number of common shares		
- Basic	**52,627,690**	52,045,594
- Diluted	**52,627,690**	52,045,594

EBITDA for Q1 FY2018 was $187,730 or $0.004 per share compared to $369,269 or $0.007 per share for Q1 FY2017. This is a decrease of $181,539 from Q1 FY2017.

Net loss for Q1 FY2018 was $245,525 or $0.0047 per share, compared to net income of $42,641 or $0.0008 per share for Q1 FY2017. This is a $288,166 decrease from Q1 FY2017.

LIQUIDITY AND FINANCIAL RESOURCES

	March 31, 2018	December 31, 2017
Current assets		
Cash	**$ 4,193,024**	$ 4,595,145
Accounts receivable	**1,689,682**	1,454,001
Loan receivable	**119,454**	102,949
Inventory	**15,490**	16,372
Prepaid expenses	**240,853**	321,775
	6,258,503	6,490,242
Current liabilities		
Accounts payable and accrued liabilities	**1,033,688**	947,503
Deferred revenue	**466,275**	297,454
Current portion of long-term debt	**68,692**	91,498
Current portion of finance lease liability	**33,062**	-
	1,601,717	1,336,455
Net working capital	**$ 4,656,786**	$ 5,153,787

Quorum continues to maintain a strong balance sheet and a positive cash position.

Net working capital at March 31, 2018 was $4,656,786 compared to $5,153,787 at December 31, 2017, a decrease of $497,001. The current ratio at March 31, 2018 was 3.91 compared to 4.86 at December 31, 2017. The decrease in net working capital from the prior year is mainly due to the decrease in cash and prepaid expenses and an increase in accounts payable, offset by an increase in accounts receivable during Q1 FY2018.

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 $402,121 in Q1 FY2018 compared to an increase of $166,847 in Q1 FY2017.

Cash flows from operating activities were $200,964 in Q1 FY2018 compared to $550,198 in Q1 FY2017, a decrease of $349,234 or 63%. This decrease is due to net loss in Q1 FY2018 of $245,525 compared to net income of $42,641 in Q1 FY2017, as well as an increase in accounts receivable, offset by an increase in accounts payable. In prior periods, cash flows from operating activities were reported using the direct method. Effective Q1 FY2018, and for comparative periods, the indirect method will be used. Under the direct method, cash flow from operating activities was reported as $544,673 in Q1 FY2017. The difference under the indirect method is due to inclusion of the loan receivable in cash flows from financing activities and the effect of foreign currency on cash.

Cash inflows related to financing activities were $57,016 in Q1 FY2018 compared to $71,722 in Q1 FY2017. During Q1 FY2018, $22,807 of loan repayments were made pursuant to the 2012 ACOA loan compared to $18,612 during Q1 FY2017. As well, during Q1 FY2018, $102,949 of loan proceeds were received pursuant to the 2016 ACOA loan as compared to $93,838 during Q1 FY2017. During Q1 FY2018, loan receivables increased by $16,505 as compared to an increase of $3,504 for Q1 FY2017. In previous periods, under the direct method, changes to the loan receivable as included in cash flows from operating activities. As well, during Q1 FY2018, payments of $6,621 were made pursuant to a finance lease for furniture and equipment as compared to $nil in Q1 FY2017.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested $615,849 in product development in Q1 FY2018. The Corporation invested a further $98,354 for computer software, computer hardware, leasehold improvements and other capital assets, for net outflow of cash related to investing activities of $714,203.

Current Liabilities

Accounts payable and accrued liabilities were $1,033,688 at March 31, 2018 compared to $947,503 at December 31, 2017, and $989,642 at March 31, 2017. The increase is mainly due to increases in accrued overtime, accrued vacation expense, and NADA convention expenses.

Deferred revenue at March 31, 2018 was $466,275, compared to $297,454 at December 31, 2017. Under the GM DTAP contract, the Corporation's support billings are billed in advance. As of March 31, 2018, $221,855 of support fees were billed that related to April 1-19th, 2018. The balance of $244,420 is for training services for new and existing customers to be delivered during the remainder of FY2018.

Long-term Liabilities

On January 25, 2018, the Corporation signed a new rental contract for office space at 240 Waterford Bridge Road, St. John's, Newfoundland and Labrador. This agreement has a non-cancellable term of 7.5 years. Included as an inducement to the lease was furniture and equipment with an estimated value of $325,000. . Under IFRS, at the inception of the lease, the fair value of the furniture and equipment and the corresponding finance lease liability is $185,408 computed using an interest rate of 15%.

On March 26, 2018, the Corporation entered into a $175,000 loan agreement with Atlantic Canada Opportunities Agency ("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 1, 2019. As of May 17, 2018, $41,569 has been claimed and recorded as a loan receivable. Under IFRS, the fair value of the loan at March 31, 2018 is $22,654 of which $nil is current principal due within the next 12 months. The difference between the fair value of the loan and the cash receivable has been accounted for as government assistance.

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. As of March 31, 2018, the Corporation has incurred certain costs eligible under the Agreement and is entitled to an amount of $942,040, of which $864,155 has been drawn at March 31, 2018. The fair value of the loan is $415,234, 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. 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.

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, the full $500,000 was received. Under IFRS, the fair value of the loan at March 31, 2018 is $68,692 of which $68,692 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, $75,017 is remaining on the loan at March 31, 2018 and $75,017 is required to be repaid within the next 12 months.

Share Capital

Note 9 of the March 31, 2018 unaudited condensed consolidated financial statements of the Corporation provides further details on share capital.

During Q1 FY2018, the share price ranged from a high of $0.68 and a low of $0.55. The average share price over the period was $0.73. As of March 31, 2018, there were no fully diluted shares outstanding as all options have been exercised and/or expired.

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. As of March 31, 2018, a total of 3,401,400 RSU's have been granted and 2,497,200 RSU's at an average price of $0.49 were vested.

Material Contracts & Commitments

On May 15, 2018, the Corporation and the Government of Newfoundland and Labrador, Department of Tourism, Culture, Industry and Innovation (TCII), under the Investment Attraction Fund (IAF) announced that TCII will provide funding, up to a maximum of $500,000 which is tied to the achievement of specific employment targets. As of May 17, 2018, $nil has been received. The contribution from TCII is non-repayable as long as the Corporation is successful in achieving employment targets.

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 Customer Direct Vehicle Sales project. As of May 17, 2018 $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 1, 2019. As of May 17, 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 May 17, 2018, the full $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 May 17, 2018, $942,040 has been claimed and $864,155 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.

Off Balance Sheet Arrangements

Other than the lease commitments noted in Note 11 of the March 31, 2018 unaudited condensed consolidated financial statements, the Corporation has not entered into any off balance sheet arrangements.

New standards and interpretations adopted

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except for an investment in an equity instrument which is not held-for-trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI"). The election is available on an individual investment-by-investment basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets at amortized cost, contract assets and debt investments at FVOCI.

The Corporation adopted this standard on January 1, 2018 and it had a nominal impact on the Corporation's disclosures.

IFRS 15 Revenue from Contracts with Customers

The Corporation has adopted IFRS 15 Revenue from Contracts with Customers with an initial adoption date of January 1, 2018. The Corporation utilized the cumulative effect method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. See Note 13 of the March 31, 2018 unaudited condensed consolidated financial statements for further details.

Recent Accounting Pronouncements

Refer to the Corporation's December 31, 2017 annual report for the recent accounting pronouncements for which the Corporation is continuing to evaluate the impact of adopting these standards.

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 opinion 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, depreciation of property and equipment, amortization of intangible assets, deferred income taxes and stock-based compensation.

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" or the "Corporation") 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 merger & acquisition 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. As of March 31, 2018 approximately 51% of Quorum's 350 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 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 the Corporation's common shares trade cannot be predicted. The market price of Quorum's 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 Quorum's common shares.

2018 1st Quarter

Condensed Consolidated Financial Statements (unaudited)

Quorum Information Technologies Inc.
Condensed Consolidated Statements of Financial Position (unaudited)

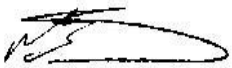
(stated in Canadian dollars)

As at		March 31, 2018	December 31, 2017*
ASSETS			
Current:			
Cash		**$ 4,193,024**	$ 4,595,145
Accounts receivable		**1,689,682**	1,454,001
Loan receivable	**Note 6**	**119,454**	102,949
Inventory		**15,490**	16,372
Prepaid expenses		**240,853**	321,775
		6,258,503	6,490,242
Property and equipment	**Note 4**	**547,645**	320,277
Intangible assets	**Note 5**	**7,920,052**	7,708,380
Goodwill	**Note 5**	**485,765**	485,765
Deferred income tax asset		**2,607,454**	2,405,793
Investment tax credits		**3,421,061**	3,421,061
		21,240,480	20,831,518
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		**1,033,688**	947,503
Deferred revenue		**466,275**	297,454
Current portion of long-term debt	**Note 6**	**68,692**	91,498
Current portion of finance lease liability	**Note 8**	**33,062**	-
		1,601,717	1,336,455
Long-term debt	**Note 6**	**437,888**	380,901
Finance lease liability	**Note 8**	**146,589**	-
Deferred income tax liability		**203,076**	204,379
		2,389,270	1,921,735
SHAREHOLDERS' EQUITY			
Share capital	**Note 9**	**16,725,011**	16,531,143
Contributed surplus		**2,307,213**	2,307,213
Retained earnings (deficit)		**(181,014)**	71,427
		18,851,210	18,909,783
		$21,240,480	$ 20,831,518

See accompanying notes to interim consolidated financial statements.

* The Corporation initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 13.

Approved on behalf of the Board:



_____ **Director**
Maury Marks
President & CEO

_____ **Director**
Michael Podovilnikoff
Chairman of the Board of Directors

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(stated in Canadian dollars)

		Three Months Ended March 31, 2018	Three Months Ended March 31, 2017*
Gross revenue		**$ 3,522,251**	$ 3,271,987
Direct costs			
Third party costs		**779,831**	748,943
Salaries and benefits		**1,013,463**	876,876
Government assistance		**(110,781)**	(57,718)
Gross margin		**1,839,738**	1,703,886
Expenses			
Salaries and benefits	**Note 2**	**744,363**	543,983
Government assistance		**(79,583)**	-
General and administrative		**297,794**	252,127
Sales and marketing	**Note 2**	**689,434**	538,507
Stock-based compensation	**Note 10**	**193,868**	-
Interest expense on long-term debt		**2,192**	6,387
Bank charges and other interest expense		**4,735**	4,670
Amortization of intangible assets		**362,294**	268,083
Depreciation of property and equipment		**29,600**	24,383
Total expenses		**2,244,697**	1,638,140
Interest income		**7,070**	11,047
Income (loss) before deferred income tax expense		**(397,889)**	76,793
Deferred income tax expense (recovery)		**(152,364)**	34,152
Net income (loss)		**(245,525)**	42,641
Other comprehensive income (loss)			
Foreign exchange gain (loss)		**56,444**	(10,454)
Comprehensive income (loss)		**$ (189,081)**	$ 32,187
Net income (loss) per share	**Note 9**		
- Basic		**$ (0.0047)**	$ 0.0008
- Diluted		**$ (0.0047)**	$ 0.0008

See accompanying notes to interim consolidated financial statements.

* The Corporation initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 13.

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Changes in Equity (unaudited)

(stated in Canadian dollars)

		Three Months Ended March 31, 2018	Three Months Ended March 31, 2017*
Common shares			
Balance, beginning of period		**$ 16,531,143**	$ 16,427,543
Issued		**193,868**	-
Balance, end of period		**16,725,011**	16,427,543
Contributed surplus			
Balance, beginning of period		**2,307,213**	1,940,013
Stock options exercised		**-**	-
Balance, end of period		**2,307,213**	1,940,013
Retained earnings (deficit)			
Balance, beginning of period		**71,427**	(311,098)
Impact of adoption of IFRS 15	**Note 13**	**(63,360)**	-
Net income (loss) for the period		**(245,525)**	42,641
Other comprehensive income (loss) for the period		**56,444**	(10,454)
Balance, end of period		**(181,014)**	(278,911)
Total shareholders' equity		**$ 18,851,210**	$ 18,088,645

See accompanying notes to interim consolidated financial statements.

* The Corporation initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 13.

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(stated in Canadian dollars)

		Three Months Ended March 31, 2018	Three Months Ended March 31, 2017*
Cash provided by (used in):			
Operating activities			
Net income (loss) for the period		**$ (245,525)**	$ 42,641
Adjustments for:			
Amortization		**362,294**	268,083
Depreciation		**29,600**	24,383
Stock-based compensation		**193,868**	-
Deferred income tax expense (recovery)		**(152,364)**	34,152
Interest expense		**721**	10
Interest paid		**(143)**	(10)
Change in non-cash operating working capital:			
Decrease (increase) in accounts receivable		**(251,617)**	39,171
Decrease in inventory		**882**	3,670
Decrease in prepaid expenses		**80,922**	50,951
Increase in accounts payable and accrued liabilities		**129,671**	55,669
Increase in deferred revenue		**52,655**	31,478
	Note 2	**200,964**	550,198
Financing activities			
Proceeds from long-term debt		**102,949**	93,838
Repayment of long-term debt		**(22,807)**	(18,612)
Decrease (increase) in loan receivable		**(16,505)**	(3,504)
Repayment of finance lease		**(6,621)**	-
	Note 2	**57,016**	71,722
Investing activities			
Purchase of property and equipment		**(98,354)**	(22,693)
Software development costs		**(615,849)**	(430,359)
		(714,203)	(453,052)
Effect of foreign currency on cash		**54,102**	(2,021)
Increase (decrease) in cash		**(402,121)**	166,847
Cash, beginning of period		**4,595,155**	5,235,097
Cash, end of period		**$ 4,193,024**	$ 5,401,944

See accompanying notes to interim consolidated financial statements.

* The Corporation initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 13.

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 unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2017. These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on May 17, 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) Significant accounting judgments and estimates
The preparation of these unaudited condensed 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 revenues and expenses during the reporting period. Actual outcomes will differ from these estimates. The critical accounting estimates and judgments have been set out in Note 3 to the Corporation's consolidated financial statements for the year ended December 31, 2017.

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 Q4 of 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 period ended March 31, 2017, $367,235 of such salaries and benefits previously classified as "salaries and benefits" expense are now included in "sales and marketing" expense.
- Effective January 1, 2018, the Corporation changed the presentation of its statement of cash flows from the direct to the indirect method. For the period ended March 31, 2017, this new format resulted in minor presentation changes to cash provided by (used in) operating activities and financing activities.

2. Basis of Presentation *(continued)*

e) Recent accounting pronouncements

There were no new or amended accounting standards or interpretations issued during the three months ended March 31, 2018 that are applicable to the Corporation in future periods. A description of accounting standards and interpretations that will be adopted by the Corporation in future periods can be found in Note 3 to the annual consolidated financial statements for the year ended December 31, 2017.

3. Significant Accounting Policies

Except for the adoption of IFRS 15, "Revenue from Contracts with Customers" and IFRS 9, "Financial Instruments", the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in Note 3 of the Corporation's 2017 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

Revenue recognition

The Corporation has adopted IFRS 15, "Revenue from Contracts with Customers", with an initial adoption date of January 1, 2018. The Company utilized the cumulative effect method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. See note 13 for further details.

Revenue represents the amount the Corporation expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Corporation reports revenue under four revenue categories being, recurring support SaaS revenue, add-on revenue, new installations revenue and transitions revenue.

Contracts with multiple products or services

Typically, the Corporation enters into contracts that contain multiple products and services such as software licenses, maintenance, training services, and hardware. The Corporation evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Quorum's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated standalone selling price ("SSP").

Nature of products and services

The Corporation sells on-premise software licenses on a month-to-month basis. Revenue from the license of distinct software is recognized at the time that both the right-to-use the software has commenced and the software has been made available to the customer.

A portion of the Corporation's revenues, categorized as add-on revenue, are accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract. Training revenue is also included as add-on revenue and is recognized when training has been completed.

3. Significant Accounting Policies *(continued)*

Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes, to a lesser extent, recurring fees derived from software licenses that are not distinct from maintenance, transaction revenues, managed services, and hosted products.

New installations revenue including installation, implementation, and training of software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method or as such services are performed as appropriate in the circumstances. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Corporation expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

Significant judgments and estimates
The Corporation uses judgment to assess whether multiple products and services sold in a contract are considered distinct and should be accounted as separate performance obligations or together. Estimates are required to determine the SSP for each distinct performance obligation in order to allocate revenue where multiple performance obligations exist in a contract.

Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also applies estimates in the calculation of future contract costs and related profitability as it relates to labour hours and other considerations, which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding receivables.

Financial Instruments
The Corporation has adopted IFRS 9, “Financial Instruments” with an initial adoption date of January 1, 2018. IFRS 9 replaces the guidance in IAS 39, “Financial Instruments: Recognition and Measurement”, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets are classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss, except for an investment in an equity instrument, which is not held-for-trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (“OCI”). The election is available on an individual investment-by-investment basis. Amounts presented in OCI are not reclassified to profit or loss at a later date. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss (“ECL”) model. The new impairment model applies to financial assets at amortized cost. The Corporation adopted this standard on January 1, 2018 and it had a nominal impact on the Corporation’s disclosures.

4. 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, 2018	$1,086,441	$ 648,371	$ 372,841	$ 47,898	$2,155,551
Additions	16,459	15,983	221,628	29,692	283,762
ACOA loan proceeds	(3,432)	-	(7,424)	(6,812)	(17,668)
Balance at March 31, 2018	1,099,468	664,354	587,045	70,778	2,421,645
Depreciation and Impairment					
Balance at January 1, 2018	934,127	634,269	238,250	28,628	1,835,274
Disposals	-	-	9,100	-	9,100
Net exchange differences	26	-	-	-	26
Depreciation	11,589	5,524	10,368	2,119	29,600
Balance at March 31, 2018	945,742	639,793	257,718	30,747	1,874,000
Carrying amount March 31, 2018	$ 153,726	$ 24,561	$ 329,327	$ 40,031	$ 547,645

	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

5. Intangible Assets and Goodwill

The Corporation's intangible assets comprise internally generated software development costs and vendor distribution rights. The carrying amounts 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, 2018	$19,803,155	$ 42,646	$19,845,801	$ 485,765
ACOA loan proceeds	(41,884)	-	(41,884)	-
Additions	615,850	-	615,850	-
Balance at March 31, 2018	20,377,121	42,646	$20,419,767	485,765
Amortization and impairment				
Balance at January 1, 2018	12,104,352	33,069	12,137,421	-
Amortization	362,161	133	362,294	-
Balance at March 31, 2018	12,466,513	33,202	12,499,715	-
Carrying amount Match 31, 2018	$ 7,910,608	$ 9,444	$ 7,920,052	$ 485,765

	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	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

6. Long-term Debt

Long-term debt includes the following financial liabilities:

	March 31, 2018	December 31, 2017
ACOA financing 2012	**$ 68,692**	$ 91,498
ACOA financing 2016	**415,234**	380,901
ACOA financing 2018	**22,654**	-
	506,580	472,399
Installments due within one year	**68,692**	91,498
Total long-term debt	**$ 437,888**	$ 380,901

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 7). On a cash basis, $75,017 is outstanding on the loan at March 31, 2018 and $75,017 is required to be repaid within the next 12 months.

On July 5, 2016, the Corporation entered into a new 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 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 March 31, 2018, the Corporation has incurred certain costs eligible under the Agreement and is entitled to an amount of $942,040. The fair value of the loan is $415,234, 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 $864,155 and the receivable amount of $77,885 has been accounted for as government grant (refer to Note 7). 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.

On March 26, 2018, the Corporation entered into a new loan agreement with ACOA to finance the St. John's, NL Office Expansion project, which includes new furniture, hardware and leasehold improvements required for the new office in St. John's, NL. The maximum amount of loan is $175,000 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under the Agreement. As of March 31, 2018, the Corporation has incurred certain costs eligible under the Agreement and is entitled to an amount of $41,569. The fair value of the loan is $22,654, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan, and the receivable amount of $41,569 has been accounted for as government grant (refer to Note 7). 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 July 1, 2019.

6. Long-term Debt *(continued)*

Scheduled principal repayments at March 31, 2018 are as follows:

2018 – 9 months	$	68,692
2019		207,764
2020		229,179
2021		945
Total	$	506,580

7. 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 May 17, 2018, full grant proceeds of $272,801 have been received.

On March 26, 2018, the Corporation entered into a $175,000 new loan agreement with ACOA to finance the St. John's, NL Office Expansion project, which includes new furniture, hardware, and leasehold improvements required for the new office in St. John's, NL. The loan, which is unsecured and interest-free, matures on June 30, 2024. Monthly repayments will commence on July 1, 2019. The $18,915 difference between the fair value of the loan and the loan receivable as of March 31, 2018 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

7. Government Grants and Assistance *(continued)*

have been deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset.

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 develop a Customer Direct Vehicle Sales tool for the dealership and their customers. The contribution from NLIC is non-repayable. As of May 17, 2018, $nil has been received.

8. Finance Leases

The Corporation leases furniture and equipment under a finance lease agreement for which the underlying leased assets secure the lease obligation. The lease term is February 1, 2018 to July 31, 2025. The carrying value of the lease as of March 31, 2018 is $179,651 (March 31, 2017 - $nil), which has been computed using an interest rate of 15%. Depreciation expense relating to assets under finance leases for the period ending March 31, 2018 is $5,757 (March 31, 2017 - $nil).

Future minimum lease payments outstanding under the Corporation's finance lease obligations as of March 31, 2018 are as follows:

2018 – 9 months	$ 28,784
2019	32,766
2020	28,492
2021	24,776
2022	21,544
2023	18,734
2024	16,291
2025	8,264
Total	**$ 179,651**

9. 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 shareholders' equity for the period is presented below:

	Three Months Ended March 31, 2018		Year Ended December 31, 2017	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Common Shares				
Balance, beginning of period	**52,395,594**	**$16,531,143**	52,045,594	$16,427,543
Issued pursuant to stock-based compensation	**285,100**	**193,868**	350,000	103,600
Balance, end of period	**52,680,694**	**$16,725,011**	52,395,594	$16,531,143

(c) Net income per share

In calculating the basic and diluted net income per share for the three months ended March 31, 2018 and 2017, 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 $0.63 for the first quarter of 2018 and $0.74 for the first quarter of 2017. As of March 31, 2018, all stock options have expired and there are no dilutive shares.

	Three Months Ended March 31, 2018	2017
Net Income (loss)	**$ (245,525)**	$ 42,641
Common Shares		
Balance	**52,627,690**	52,045,594
Diluted shares outstanding	**52,627,690**	52,045,594
Net income (loss) per share – basic	**$ (0.0047)**	$ 0.0008
Net income (loss) per share – diluted	**$ (0.0047)**	$ 0.0008

10. Stock-Based Compensation

As at March 31, 2018, a total of 5,268,069 common shares were reserved for issuance under the Corporation's Stock Option Plan and Restricted Stock Unit Plan of which 4,363,869 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 March 31, 2018, 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 March 31, 2018, a total of 2,497,200 Restricted Stock Units at an average price of $0.49 since plan inception, have vested.

For the period ended March 31, 2018, stock-based compensation expense of $193,868 (March 31, 2017 - $nil) was recorded related to the Corporation's incentive award plan. Restricted Stock Units for the respective periods and the number of RSU's outstanding are summarized as follows:

	As at March 31, 2018		**As at December 31, 2017**	
	Number of RSU's	**Average Price**	**Number of RSU's**	**Average Price**
Balance, beginning of period	**70,000**	**$ 0.56**	420,000	$ 0.35
Granted during the period	**1,119,300**	**$ 0.68**	-	-
Vested during the period	**(285,100)**	**$ 0.67**	(350,000)	$ 0.68
Forfeited during the period	**-**		-	-
Balance, end of period	**904,200**	**$ 0.67**	70,000	$ 0.56

11. Operating Leases

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

2018 – 9 months	$ 458,438
2019	614,845
2020	619,789
2021	535,445
2022	481,474
2023	478,074
2024	506,196
2025	295,281
Total	**$3,989,542**

Lease payments recognized as an expense during the three-month period ending March 31, 2018 amount to $129,214 (2017: $79,422). 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.

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 for an office space at 6303 26 Mile, Washington Township, Michigan. This agreement has a non-cancellable term of three years. The contract was amended on June 21, 2017 to extend the lease term through to and including August 31, 2020.

On June 22, 2017, the Corporation signed a rental contract 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 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.

On April 30, 2018, the Corporation signed a rental contact for parking spaces located adjacent to the new St. John's office at 240 Waterford Bridge Road, St. John's, Newfoundland and Labrador. This agreement has a non-cancellable term of 4 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.

12. 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

	Three Months Ended March 31	
	2018	**2017**
Canada	**$ 2,793,915**	$ 2,546,592
United States	**728,336**	725,395
Total gross revenue	**$ 3,522,251**	$ 3,271,987

Long-Term Assets[7]

	March 31, 2018	December 31, 2017
Canada	**$ 8,942,161**	$ 8,504,265
United States	**11,301**	10,156
Total long-term assets	**$ 8,953,462**	$ 8,514,421

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

13. Explanation of Transition to IFRS 15

The following table details the impact on the opening balance sheet as a result of adopting the new standard.

	January 1, 2018 prior to adoption of IFRS 15	Adjustments	January 1, 2018 after adoption of IFRS 15
Assets			
Current:			
Accounts receivable	$ 1,454,001	$ (15,936)	$ 1,438,065
Deferred income tax asset	2,405,793	25,256	2,431,049
Total assets	$ 20,831,518	$ 9,320	$ 20,840,838
Liabilities & Shareholders' Equity			
Liabilities			
Current:			
Accounts payable and accrued liabilities	$ 947,503	$ (43,486)	$ 904,017
Deferred revenue	297,454	116,166	413,620
Total liabilities	1,921,735	72,680	1,994,415
Shareholders' equity:			
Retained earnings	71,427	(63,360)	8,067
Total liabilities and shareholder's equity	$ 20,831,518	$ 9,320	$ 20,840,838

13. Explanation of Transition to IFRS 15 *(continued)*

The following table summarizes the impacts of adopting IFRS 15 on the Corporation's consolidated financial statements for the three months ended March 31, 2018.

	March 31, 2018 as reported	Adjustments	March 31, 2018 without adoption of IFRS 15
ASSETS			
Current:			
Accounts receivable	$ 1,689,681	$ 15,936	$ 1,705,617
Deferred income tax asset	2,607,454	15,341	2,622,795
Total assets	$ 21,240,480	$ 31,277	$ 21,271,757
Liabilities			
Current:			
Accounts payable and accrued liabilities	$ 1,033,688	$ (15,986)	$ 1,017,702
Deferred revenue	466,275	85,751	552,026
Total liabilities	2,389,270	69,765	2,459,035
Shareholders' equity			
Deficit	(181,014)	(38,488)	(219,502)
Total liabilities and shareholder's equity	$ 21,240,480	$ 31,277	$ 21,271,757

13. Explanation of Transition to IFRS 15 *(continued)*

The following table summarizes the impacts of adopting IFRS 15 on the Corporation's consolidated financial statements for the three months ended March 31, 2018.

	March 31, 2018 as reported	Adjustments	March 31, 2018 without adoption of IFRS 15
Gross revenue	$ 3,522,251	$ (69,815)	$ 3,452,436
Third party costs	779,831	(15,986)	763,845
Gross margin	1,839,738	(53,829)	1,785,909
Loss before deferred income tax expense	(397,889)	(53,829)	(451,718)
Deferred income tax expense (recovery)	(152,364)	(15,341)	(167,705)
Net loss	(245,525)	(38,488)	(284,013)
Net loss per share	$ (0.0047)	$ (0.0007)	$ (0.0054)

The adoption of IFRS 15 had no impact to cash from or used in operating, financing or investing activities on the Corporation's condensed consolidated statement of cash flows.

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
Chief Executive Officer
Ontario's Vehicle Sales Regulator

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

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