



**ANNUAL Report**  
**2019**



## Our Product Vision

With innovation at its core, Quorum offers the automotive retail market technology-enabled end-to-end business processes beyond merely integrated software, but systems designed to work from a single set of information that facilitates a seamless workflow and eliminates inefficient processes. The solution set is comprised of a combination of Quorum-owned intellectual property (whether built or acquired) and close partner relationships.

## Our Mission

- Be the very best at building, implementing 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 Quorum's products.
- Provide outstanding and personal customer support.
- Be an exceptional place to work that is engaging and rewarding to employees.
- Maximize shareholder value through profitable Software as a Service ("SaaS") and Business Development Center ("BDC") growth.

## Our Values

### **Integrity**

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

### **Respect**

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

### **Excellence**

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

### **Knowledge**

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

### **Empowerment**

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

### **Teamwork**

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

## Table of Contents

Management's Discussion and Analysis	1
Management's Responsibility for Financial Reporting	38
Auditor's Report	39
Consolidated Financial Statements	43
Corporate Information	Inside Back Cover

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

April 22, 2020

## Basis of Presentation

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Corporation's consolidated results of operations and financial condition. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2019 and the notes thereto. Comparisons made to prior periods are to the corresponding period in the preceding year unless otherwise indicated.

## Forward Looking Information

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 document may contain forward-looking information and statements pertaining to the following: business plan of Quorum including its plans for targeting new Original Equipment Manufacturer ("OEM") Integration, new dealership rooftop sales, and increasing Automotive Group Partnerships; the timing for completion and cost of OEM Integration; estimates of return on assets and Adjusted EBITDA; potential merger and acquisition ("M&A") opportunities; the timing of adoption of new accounting standards and the potential impact of new accounting standards on the Corporation's financial statement; the effect of acquisitions on the Corporation including the effect of the Autovance, DealerMine and Oasis acquisitions; the effect of the BDC Capital facility; the effect Corporation's private placement financing; the potential effect of the COVID-19 pandemic on industry activity and economic activity in North America as a whole; various industry activity forecasts; growth opportunities including those in the United States; anticipated requirements by OEM manufacturers relating to integrations and certifications; and 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 report 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.

## Non-GAAP Measures and Key Performance Indicators

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

The table below summarizes these non-GAAP measures and the most relevant key performance indicators.

<p><b>Growth</b></p>	<ul style="list-style-type: none"> <li>• Software as a Service (“SaaS”) revenue, year-over-year growth rate and % of revenue - SaaS revenue includes all recurring subscription and support fees from dealership customers. Each month every active dealership rooftop that utilizes XSellerator, Advantage, Autovance Desk and Menu, or DealerMine CRM receives an invoice that covers charges for support services.</li> <li>• Business Development Centre (“BDC”) revenue, year-over-year growth rate and % of revenue – DealerMine provides, on a subscription basis, a cloud-based solution that drives revenue into the critical sales and service departments in a dealership.</li> </ul> <p><i>Management believes disclosing both SaaS and BDC revenue is useful to investors as it best reflects the performance of its activities and allows for better comparability from period to period as well as to trend analysis.</i></p> <ul style="list-style-type: none"> <li>• Annual recurring revenue (non-GAAP) – current reported quarter revenue multiplied by four for both SaaS and BDC revenue.</li> </ul> <p><i>Management believes this metric provides a good measure of determining future performance of the corporation.</i></p> <ul style="list-style-type: none"> <li>• Dealer count (“rooftops”) (non-GAAP) – period end rooftops for both Canada and the United States.</li> </ul> <p><i>Management believes this metric provides a good measure of the growth of the Corporation.</i></p>
<p><b>Profitability</b></p>	<ul style="list-style-type: none"> <li>• Gross margin – revenue less cost of revenue, which includes costs directly related to the activities from which the Corporation generates revenue.</li> </ul> <p><i>Management believes this metric provides a good measure of profitability with respect to SaaS and BDC revenue.</i></p> <ul style="list-style-type: none"> <li>• Adjusted EBITDA (non-GAAP) – Earnings before interest and financing costs, taxes, depreciation, amortization, stock-based compensation, foreign exchange gains and losses, loss on disposal of property and equipment, one-time acquisition-related expenses and restructuring fees.</li> <li>• Adjusted Cash Income (“ACI”) (non-GAAP) – Adjusted EBITDA less capitalized salaries and overhead.</li> </ul> <p><i>Management believes these measures are useful to investors as they best reflect the performance of the Corporation’s activities and allow for better comparability from period to period.</i></p>
<p><b>Liquidity and Financial Resources</b></p>	<ul style="list-style-type: none"> <li>• Net debt/Adjusted EBITDA – net debt calculated as total debt less cash</li> </ul> <p><i>Management uses the net debt metric to monitor the Corporation’s financial leverage and believes that this metric is useful to investors as it provides insight into its financial strength.</i></p>

## MD&A Objectives and Contents

In this document, the Corporation:

- Provides a narrative explanation of the audited consolidated financial statements through the eyes of management;
- Provides the context within which the audited consolidated financial statements should be analyzed, by giving enhanced disclosure about the dynamics and trends of the Company’s business; and
- Provides information to assist the reader in ascertaining the likelihood that past performance may be indicative of future performance.

In order to achieve these objectives, this MD&A is presented in the following main sections:

Section	Contents
1. Corporate Overview	<ul style="list-style-type: none"> <li>(i) About Quorum</li> <li>(ii) Dealership Environment</li> <li>(iii) Vision and Strategy</li> <li>(iv) Financing</li> <li>(v) Novel Coronavirus (“COVID-19”)</li> </ul>
2. Highlights and Key Performance Indicators	<ul style="list-style-type: none"> <li>(i) 2019 Financial Highlights</li> <li>(ii) 2019 Business Highlights</li> <li>(iii) Selected Annual Information and Key Performance Indicators</li> <li>(iv) Stock Performance</li> </ul>
3. Summary of Quarterly Results	A summary of the past eight quarters results and key performance indicators
4. Fourth Quarter Results	<ul style="list-style-type: none"> <li>(i) Operating Results</li> <li>(ii) Revenue and Gross Margin</li> <li>(iii) Operating Expenses</li> <li>(iv) Net Income, Adjusted EBITDA and Net Income per Share</li> <li>(v) Adjusted cash income</li> </ul>
5. Financial Review for the year ended December 31, 2019	<ul style="list-style-type: none"> <li>(i) Operating Results</li> <li>(ii) Revenue and Gross Margin</li> <li>(iii) Operating Expenses</li> <li>(iv) Foreign Exchange</li> <li>(v) Net Income, Adjusted EBITDA and Net Income per Share</li> <li>(vi) Adjusted Cash Income</li> </ul>
6. Liquidity and Financial Resources	<ul style="list-style-type: none"> <li>(i) Cash Flows</li> <li>(ii) Net Working Capital</li> <li>(iii) Capitalization and Amortization</li> <li>(iv) Long-term Debt</li> <li>(v) Government Grants and Assistance</li> <li>(vi) Share Capital</li> <li>(vii) Material Contracts &amp; Commitments</li> </ul>
7. Significant Accounting Estimates and Judgements	A discussion of critical accounting estimates made in the preparation of the audited financial statements

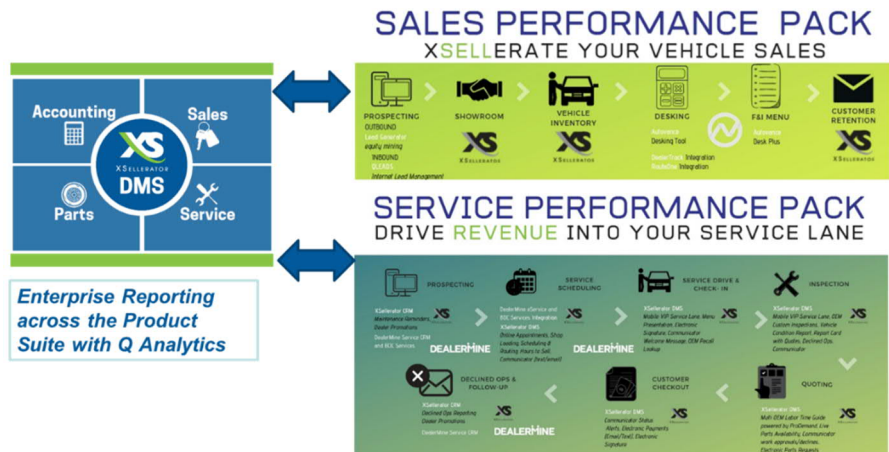
8. New Standards and Interpretations Adopted	New accounting standards adopted in the current year
9. Future Accounting Pronouncements	A summary of proposed accounting standard changes which may affect Quorum
10. Risk Environment	(i) Risks and Uncertainties (ii) Legal proceedings

## Corporate Overview

### About Quorum

Quorum is an information technology company that focuses on the automotive retail business. With innovation at its core, Quorum offers the automotive retail market technology-enabled end-to-end business processes beyond merely integrated software, but systems designed to work from a single set of information that facilitates a seamless workflow and eliminates inefficient processes. The solution set is comprised of a combination of Quorum-owned intellectual property (whether built or acquired) and close partner relationships.

The Quorum product suite, shown below, includes the XSellerator Dealership Management System (“DMS”) and other divisions' products that are bundled into Performance Packs for dealerships' sales and service departments. The Performance Packs combine specific integrated products to help dealers increase customer transparency and satisfaction and drive additional revenues into the dealership. Key to the Performance Packs' success is the Corporation's Q Analytics reporting strategy that provides enterprise reporting across all products in the Performance Pack. Dealerships can purchase the full Quorum product suite or they can individually purchase one or more products in the suite. Quorum's key products are the XSellerator DMS (including Communicator), DealerMine Service CRM (including eService), Autovance Desk and Advantage DMS. Additional products or services include; XSellerator Sales CRM, DealerMine Sales CRM, Power Lane, Q Analytics, Autovance Menu and DealerMine BDC services.



### Dealership Environment

There are approximately 22,800 dealerships across North America. On average, a dealership spends approximately \$14,000 per month on software from a variety of different companies. Quorum's software product suite represents approximately \$6,000 per month per rooftop of potential spend, leaving \$8,000 in spend that Quorum does not currently have a product for. Quorum currently serves 1,022 rooftops, at an average SaaS revenue per month of \$1,819 per rooftop.

Of the 22,800 dealerships across North America, 19,575 are in the United States and 3,225 in Canada. Of the 1,022 rooftops serviced by Quorum, 887 are in Canada and 135 are in the United States. Of the total addressable market (“TAM”), Quorum has a 27.5% penetration in Canada and 0.7% in the United States.

At an industry level, the automotive dealer market is seeing increased consolidation into larger dealer groups, which creates opportunities for DMS providers like Quorum that can integrate multiple dealer rooftops under one solution. In addition, auto manufacturers are increasing the requirements for DMS providers to integrate with their own OEM back-end systems, and de-certifying those DMS providers that are unable to connect their solutions with these systems.

## **Vision and Strategy**

Quorum’s vision is to build a single, integrated, end-to-end business process solution for North American automotive dealerships that covers all of their business-critical processes. To deliver on this vision, Quorum has initiated a build, resell and acquire strategy, which combines continued development of Quorum’s flagship XSellerator Dealer Management System product, partnering with complimentary third-party service providers to re-sell value-added services to Quorum’s existing customer base, and acquiring strategic companies that provide innovative solutions that augment Quorum’s existing suite of product offerings.

The genesis of this vision was a recognition of the changing landscape in the automotive dealer market as well as an in-depth understanding of the numerous disparate products that Quorum’s customers purchase from a variety of third-party providers. As noted above, with dealerships spending approximately \$8,000 per month on other third-party products not currently in Quorum’s software product suite, there is opportunity to consolidate these products under one offering. For a dealer group, Quorum can currently displace up to nine different products, allowing Quorum to capture part of this third-party spend while providing cost savings to customers and streamlining business processes.

Quorum began delivering on this vision in August 2017 with its acquisition of Autovance Technologies Inc. (“Autovance”), which provides sales desking solutions to help salespeople seamlessly present payment, lease and financing information to customers. Quorum has continued to market the Autovance Desk product to both new customers as well as its existing XSellerator customers, and has recently made the Autovance Desk product available to US-based XSellerator dealerships. Quorum believes that this additional value-added product will accelerate US growth opportunities by providing a more fulsome solution for US-based dealers and dealer groups. Autovance has recently added Autovance Menu to its suite of products and the XSellerator team is actively selling Autovance Menu.

In October 2018, Quorum completed the transformative acquisition of DealerMine Inc. (“DealerMine”). The DealerMine acquisition significantly accelerates Quorum’s strategic vision to be a full-service provider to automotive dealerships by adding DealerMine’s Customer Relationship Management (“CRM”) Service, Sales CRM and call centre services, otherwise known as the Business Development Centre (“BDC”). The DealerMine acquisition also significantly increases Quorum’s scale resulting in a combined company customer base of over 860 dealership rooftop customers at the time of acquisition, up from 447 prior to the acquisition. With only 15 XSellerator customers utilizing the DealerMine Service CRM product and BDC services at the time of acquisition, Quorum believes there is a significant growth opportunity for DealerMine within Quorum’s existing customer base.

In January 2019, Quorum completed the acquisition of Oasis Auto Complete Systems Limited (“Oasis”) which will allow for existing Oasis franchised dealerships to transition to the XSellerator platform, and the Oasis Advantage Product Suite will form the basis for a new system targeted at the independent dealership

market. As of December 31, 2019 a total of 24 Oasis Advantage customer conversions to XSellerator have been sold and 14 have been converted or installed.

Critical to Quorum's product suite strategy is building seamless integration between its products and providing an enterprise reporting tool across the product suite. Early in 2020, Quorum announced Q Analytics reporting as the Quorum product suite reporting tool. A second key factor to the success of Quorum's product strategy is to build integration and achieve certifications with OEM's across its full product suite.

In 2019, XSellerator completed Platinum level certification with GM for XSellerator's PowerLane (formerly called VIP) product. XSellerator also completed certification with Volkswagen (VW) and Audi. This certification allows XSellerator to be sold to VW/Audi dealerships which increases XSellerator's total addressable market, particularly to those dealer groups which house a variety of different vehicle brands. To date, the XSellerator division has completed integration with OEM's representing 18 different brands in Canada and 13 different brands in the US.

To complete Quorum's all-makes certification strategy, the XSellerator division still needs to complete integrations with the remaining significant OEM manufacturers being Honda/Acura, Mazda, BMW, Mercedes and Volvo and complete integrations with the following US OEM manufacturers; Toyota/Lexus, Hyundai, Kia and Subaru.

XSellerator, Autovance Desk, DealerMine Service and Sales CRM and Advantage, are leading-edge products in the automotive DMS field and the Corporation intends to maintain this lead through continued investment in the products. 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.

## **Financing**

In March 2019, Quorum successfully closed a \$15 million debt financing facility with BDC Capital Inc. Quorum drew \$8.125 million immediately to retire a bridge financing facility that was used to acquire DealerMine Inc. and pay the cash consideration of the Oasis acquisition. The balance of the BDC Capital Inc. facility remains available for potential future acquisitions.

In November 2019, Quorum successfully closed its oversubscribed, bought deal, private placement offering of common shares. Pursuant to the offering, Quorum issued 10,574,825 shares at a price of \$0.87 per share for aggregate gross proceeds of \$9,200,098. The net proceeds of the offering will be used for growth initiatives, working capital, general corporate purposes and future potential acquisition opportunities.

As Quorum moves forward into 2020, it has never had a more exciting set of growth opportunities. These opportunities include growing the core XSellerator DMS business, cross-selling products and services to our DMS customers, growing acquired assets, and continuing to assess other strategic acquisitions. DealerMine, Autovance and Advantage are high-growth, cloud-based SaaS businesses that can show immediate leverage in that they do not require OEM integration and require significantly less training and support to transition dealerships to their solutions. Continuing to build out the XSellerator base is the foundation on which the company can offer solutions from our recent acquisitions and third-party reseller arrangements.

## **Novel Coronavirus (“COVID-19”)**

In December 2019, a novel coronavirus disease (“COVID-19”) was reported and on March 11, 2020, the World Health Organization (“WHO”) characterized COVID-19 as a pandemic. Due to the concerns over the COVID-19 pandemic, the Corporation transitioned all staff to work from home and all onsite training and installation activities were put on hold by March 20, 2020.

In April 2020, dealerships’ sales departments were shut down or operating on minimal staff, while service and parts departments operations have slowed down considerably. With its dealership customers facing an extremely difficult business environment, the Corporation has proactively addressed their concerns by providing a 50% discount on their monthly support invoices for April and May. To counteract that, Quorum is working with both the US and the Canadian governments for relief from the lost revenues in April and May and currently has not committed to any additional discounts beyond May. Strategically, this was a short-term discount to protect long-term SaaS revenue.

While there remains some uncertainty regarding the duration and depth of the disruption to its customers’ businesses, the Corporation is confident that the combination of the actions taken to stem cash outflow, the proceeds raised from the November 2019 financing and government support provides the Corporation with sufficient resources to regain growth momentum through the recovery. Quorum’s solutions are critical to dealership operations and should be highly valued in helping dealers recover from the COVID-19 shutdown. Furthermore, the management team guided Quorum through similar challenges in 2008-09 where the Corporation emerged from the Global Financial Crisis stronger than it entered. For more details on Quorum’s COVID-19 response, please see the Risk Factors section of this MD&A.

## Highlights and Key Performance Indicators

### 2019 Financial Highlights

- 2019 revenue was the highest in the Corporation's history.
- Revenue increased by 100% to \$33 million in 2019 compared to \$16 million in 2018.
- SaaS revenue increased to \$22 million in 2019 compared to \$13 million in 2018, an increase of 75%.
- BDC revenue increased to \$7 million in 2019 compared to \$0.8 million in 2018, an increase of 751%.
- Total annual recurring SaaS revenue of \$23 million as of December 31, 2019.
- 2019 Adjusted EBITDA was the highest in the Corporation's history. Adjusted EBITDA was \$4.6 million in 2019, an increase of \$2.6 million over 2018.
- Adjusted cash income was \$2 million in 2019 compared to negative \$0.1 million in 2018, an increase of \$2 million.
- In March 2019, the Corporation closed a \$15 million debt financing facility with BDC Capital Inc. (the "BDC Capital Facility"). The \$8.125 million initial draw was used to retire the Bridge Loan used as a temporary measure to fund the purchase of DealerMine in late 2018, and pay the cash consideration of the Oasis acquisition.
- In June 2019, the Corporation closed a \$1.5 million interest free, unsecured, repayable investment with the Atlantic Canada Opportunities Agency ("ACOA") to assist with its Lead Generation Data Hub project.
- In November 2019, Quorum successfully closed its oversubscribed bought deal private placement offering of common shares. Quorum issued 10,574,825 shares at a price of \$0.87 per share for aggregate gross proceeds of \$9.2 million.

### 2019 Business Highlights

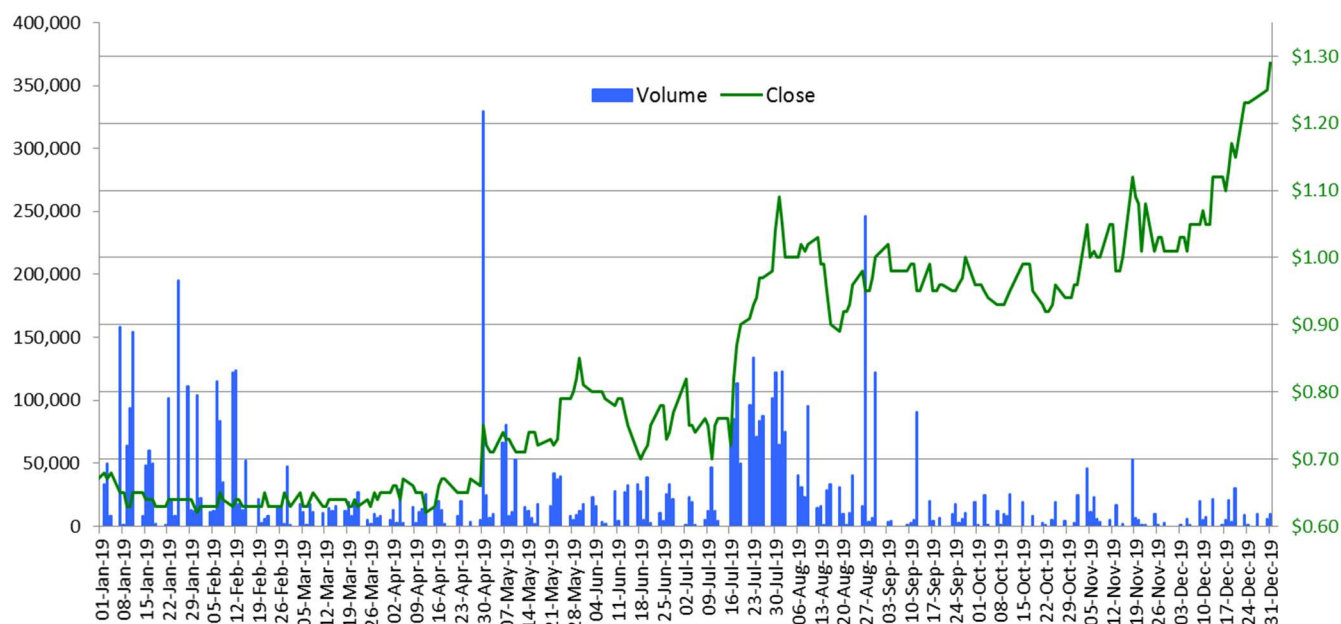
- In January 2019, the Corporation completed the acquisition of Oasis Auto Complete Systems Limited ("Oasis") for an aggregate purchase price of \$1.1 million.
- In January 2019, DealerMine entered into a long term strategic partnership with respect to the establishment of a dedicated BDC for AutoCanada's Canadian dealerships.
- In January 2019, XSellerator completed certification with Volkswagen (VW) and Audi. This certification allows XSellerator to be sold to VW/Audi dealerships which increases XSellerator's total available market, particularly to those dealer groups which house a variety of different vehicle brands.
- In January 2019, Autovance expanded its desking tool, Autovance Desk, into the US market.
- In April 2019, the Corporation completed the testing, piloting and certification of its XSellerator DMS service inspection and quoting tools with General Motors Canada Ltd under the GM DTAP Service Lane category. XSellerator was already certified in this category in the US and was the first DMS to attain the certification in Canada.
- In October 2019, XSellerator launched its DMS Sales Performance Pack, a set of integrated tools designed to help dealerships maximize the performance of their vehicle sales departments.
- In December 2019, Mr. D. Neil McDonnell and Mr. Greg Pollard were appointed to Quorum's Board of Directors, and Mr. Michael Podovilnikoff retired from the Board of Directors and stepped down as Board Chair. Mr. Scot Eisenfelder assumed the Board Chair role.

## Selected Annual Information and Key Performance Indicators

As at and for the years ended December 31	2019	2018	2017	Change 2019/2018	Change 2018/2017
(\$000's unless otherwise noted)					
<b>Growth</b>					
SaaS revenue	\$22,303	\$12,736	\$10,284	\$9,567	\$2,452
Year-over-year SaaS revenue growth	75%	24%	15%	51%	9%
SaaS revenue as a % of revenue	68%	77%	81%	(9%)	(4%)
BDC revenue	6,849	805	-	6,044	805
Year-over-year BDC revenue growth	751%	-	-	751%	-
BDC revenue as a % of revenue	21%	5%	-	16%	5%
Services and one-time revenue	3,690	2,900	2,460	790	440
Revenue - total	32,841	16,441	12,744	16,401	3,697
Year-over-year revenue growth	100%	29%	5%	71%	24%
Annual recurring revenue – SaaS	23,329	17,319	10,821	6,010	6,498
Annual recurring revenue – BDC	7,007	3,219	-	3,788	3,219
Dealer count/rooftops					
Canada	887	738	346	149	392
USA	135	138	73	(3)	65
Total	1,022	876	419	146	457
<b>Profitability</b>					
SaaS gross margin	14,712	8,654	7,025	6,058	1,629
Gross margin as a % of SaaS revenue	66%	68%	68%	(2%)	0%
BDC gross margin	666	102	-	564	102
Gross margin as a % of BDC revenue	10%	13%	-	(3%)	-
Services and one-time revenue gross margin	(155)	(372)	(515)	217	143
Gross margin as a % of services and one-time revenue	(4%)	(13%)	(21%)	9%	8%
Gross margin - total	15,223	8,384	6,510	6,839	1,874
Gross margin as a % of revenue	46%	51%	51%	(5%)	-
Adjusted EBITDA	4,568	2,032	1,924	2,536	108
Adjusted cash income (loss)	1,754	(118)	496	1,872	(614)
Net income (loss)	(1,106)	(711)	474	(395)	(1,185)
Net income (loss) per share	(0.018)	(0.013)	0.009	(0.005)	(0.022)
Net income (loss) per share (diluted)	(0.018)	(0.013)	0.009	(0.005)	(0.022)

As at and for the years ended December 31	2019	2018	2017	Change 2019/2018	Change 2018/2017
<b>(S000's unless otherwise noted)</b>					
<b>Liquidity and Financial Resources</b>					
Working capital	9,546	2,623	5,154	6,923	(2,531)
Cash flow from operating activities	3,495	867	1,742	2,628	(875)
Cash and cash equivalents	8,554	1,427	4,595	7,127	(3,168)
Total assets	49,924	36,767	20,832	13,157	15,935
Non-current financial liabilities	15,090	10,653	585	4,437	10,068
Total debt (unsecured)	698	503	472	195	31
Total debt (secured)	8,339	7,656	-	683	7,656
Net debt	483	6,732	(4,123)	(6,249)	10,855
Net debt/Adjusted EBITDA	11%	331%	(214%)	(321%)	546%

## Stock Performance



### Fiscal 2019 Trading Summary

Quorum's shares trade on the TSX Venture Exchange under the symbol QIS. The following table is the trading history for 2019.

Open:	\$0.68
High:	\$1.29
Low:	\$0.62
Close:	\$1.29
Average daily trading volume:	25,995

## Summary of Quarterly Results

The following is a summary of the past eight quarters' key performance indicators and a discussion of the factors that have impacted the quarterly results.

(\$000's except per share amounts)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Growth</b>								
SaaS revenue <sup>1</sup>	\$ 5,832	\$ 5,643	\$ 5,539	\$ 5,289	\$ 4,330	\$ 2,863	\$ 2,811	\$ 2,733
BDC revenue <sup>1</sup>	1,752	1,884	1,882	1,331	805	-	-	-
Services and one-time revenue	1,119	1,047	795	728	794	555	760	789
	<b>8,703</b>	<b>8,574</b>	<b>8,216</b>	<b>7,348</b>	<b>5,929</b>	<b>3,418</b>	<b>3,571</b>	<b>3,522</b>
Year-over year revenue growth	47%	151%	130%	109%	84%	11%	12%	8%
<b>Profitability</b>								
SaaS gross margin <sup>1</sup>	3,869	3,783	3,645	3,415	2,747	2,013	1,981	1,913
BDC gross margin <sup>1</sup>	(30)	259	280	157	102	-	-	-
Services and one-time gross margin	(80)	140	(94)	(121)	(64)	(245)	(68)	5
Gross margin	<b>3,759</b>	<b>4,182</b>	<b>3,831</b>	<b>3,451</b>	<b>2,785</b>	<b>1,768</b>	<b>1,913</b>	<b>1,918</b>
SaaS gross margin %	66%	67%	66%	65%	63%	70%	71%	70%
BDC gross margin %	(2%)	14%	15%	12%	13%	-	-	-
Services and one-time gross margin %	(7%)	13%	(12%)	(16%)	(8%)	(44%)	(9%)	0.6%
Gross margin %	<b>43%</b>	<b>49%</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>52%</b>	<b>53%</b>	<b>54%</b>
Research and development expense <sup>2</sup>	194	176	173	169	128	78	79	78
Sales and marketing expense	716	727	668	1,058	470	432	373	689
General and administrative	2,048	1,857	1,638	1,466	1,409	868	899	962
R&D as a percentage of revenue	2%	2%	2%	2%	2%	2%	2%	2%
S&M as a percentage of revenue	8%	8%	8%	14%	8%	13%	10%	20%
G&A as a percentage of revenue	24%	22%	20%	20%	24%	25%	25%	27%
Adjusted EDITDA	1,035	1,422	1,353	759	839	443	562	188
Adjusted cash income (loss)	294	655	768	38	289	(176)	174	(405)
Net income (loss)	(1,479)	620	309	(556)	(198)	(52)	(216)	(245)
Net income (loss) per share basic	(0.024)	0.010	0.005	(0.009)	(0.004)	(0.001)	(0.004)	(0.005)
Net income (loss) per share diluted	(0.024)	0.010	0.005	(0.009)	(0.004)	(0.001)	(0.004)	(0.005)
<b>Liquidity and Financial Resources</b>								
Working capital	9,546	1,354	1,538	1,371	2,623	4,418	4,770	4,657
Cash provided by operating activities	324	1,316	667	1,188	157	41	468	201
Cash and cash equivalents	8,554	622	981	1,507	1,427	3,478	4,060	4,193
Total assets	49,924	41,277	40,802	40,254	36,767	20,899	21,059	21,240
Non-current financial liabilities	15,090	13,590	14,072	13,834	10,653	793	833	788

<sup>1</sup> SaaS and BDC revenue for Q1 2019, Q2 2019 and Q3 2019 have been adjusted to deduct a percentage of the AutoCanada discount that was in prior quarters, applied entirely to SaaS revenue. Under the AutoCanada partnership agreement, Service CRM (SaaS) revenue was discounted but BDC revenue was not. Using the Stand Alone Selling Price for both Service CRM and BDC revenue, the discount has been allocated to both SaaS and BDC revenue vs SaaS revenue. The adjustments for each quarter are: Q1 2019 \$5K increase in SaaS and corresponding decrease in BDC, Q2 2019 \$102K increase in SaaS and corresponding decrease in BDC, and Q3 2019 \$132K increase in SaaS and corresponding decrease in BDC. The allocation of the AutoCanada discount between SaaS and BDC revenue also impacted gross margin and gross margin percentage for those revenue streams.

<sup>2</sup> As of 2019, and for comparative periods, cost of revenue no longer includes research and development salaries and benefits expense. Research and development salaries and benefits expense were reclassified from costs of goods sold to operating expenses to better align Quorum's financial statements with other technology company's financial statements. Comparable periods have been updated accordingly.

(\$000's except per share amounts)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total debt	9,037	8,964	8,780	8,645	8,159	530	524	507
Net debt	483	8,342	7,799	7,138	6,482	(2,948)	(3,536)	(3,686)
Net debt/Adjusted EBITDA	47%	587%	576%	940%	773%	(665%)	(629%)	(1961%)

### *Operating results*

Q4 2019 was the highest total revenue and SaaS revenue quarter in the Corporation's history. SaaS revenue and Services and One-Time revenue increased by 3% and 7% respectively over Q3 2019.

BDC revenue for Q4 2019 decreased by \$132K from Q3 2019 due to one-time credits that were issued to a client during Q4 2019 totaling \$170K due to missed minimum staffing requirements. In Q1 2020, the staffing requirements have been met.

The decrease in BDC revenue and added staffing and commission expenses related to the BDC resulted in BDC gross margin decreasing to negative \$30K or negative 2% of revenue in Q4 2019 compared to \$259K or 14% for Q3 2019. The decrease in BDC gross margin is due to:

- \$170K decrease in BDC revenue detailed above;
- an increase in new hires for the BDC during Q4 2019 to compensate for staffing shortages in 2019; and
- Added BDC commissions expense

In Q1 2020, the staffing issue has been resolved.

SaaS gross margin decreased slightly to 66% of revenue during Q4 2019 as compared to 67% for Q3 2019. SaaS gross margin increased by \$86K during Q4 2019 as compared to Q3 2019. SaaS gross margin percentage decreased slightly due to an increase in third party expenses during Q4 2019. Services and one-time gross margin decreased to negative 7% during Q4 2019 as compared to 13% for Q3 2019. Services and one-time gross margin decreased by \$220K during Q4 2019 as compared to Q3 2019. This was due to an increase in new installations revenue which has a negative gross margin revenue, as well as an increase in the cost of revenue for new installations revenue.

The result of the above was that total gross margin decreased by \$423K to \$3,759K or 43% of revenue in Q4 2019 compared to \$4,182K or 49% for Q3 2019.

Adjusted EBITDA for Q4 2019 decreased by \$386K as compared to Q3 2019 primarily due to the following:

- \$423K decrease in gross margin detailed above; and
- \$70K in expenses for the DealerMine division for new hires

Adjusted cash income for Q4 2019 decreased by \$360K as compared to Q3 2019 due to the \$386K decrease in Adjusted EBITDA detailed above, offset by a \$26K decrease in capitalized salaries and overhead.

### *Changes in accounting policy*

The Corporation 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.

Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach. The new standard requires a lessee to recognize in the statement of financial position: a liability for future lease payments (the lease liabilities) and an asset for the right to use the underlying leased asset during the lease term (the lease assets).

#### *Corporate acquisitions*

On October 31, 2018, Quorum completed the acquisition of all of the issued and outstanding shares of DealerMine Inc. and its wholly owned subsidiaries DealerMine USA Inc., and DealerMine USA Holdings Inc. (the “DealerMine Acquisition”). DealerMine was a New Brunswick-based private company that provides service and sales customer relationship management software and business development centre services to the Canadian and US automotive industry. The acquisition of DealerMine will support Quorum’s strategic integrated end-to-end business process direction. The aggregate purchase price was \$14,000,000 consisting of \$2,125,000 in cash paid on the date of acquisition, a \$7,500,000 Bridge Loan with Powerband Global Inc. and \$4,375,000 in Quorum shares which equates to 7,543,104 Quorum shares based on a 30-day volume-weighted average trading price.

On January 2, 2019, Quorum completed the acquisition of all of the issued and outstanding shares of Oasis Auto Complete Systems Limited (the “Oasis Acquisition”). Oasis was an Ontario-based private company that develops, implements and supports its Auto Complete dealership management system and Advantage Showroom system for the Canadian automotive industry. The acquisition of Oasis will support Quorum’s strategic integrated end-to-end business process direction. The aggregate purchase price was \$1,113,000 consisting of \$485,000 in cash paid on the date of acquisition, \$100,000 in Quorum shares which equates to 156,250 Quorum shares based on a 30-day volume-weighted average trading price and contingent consideration at a fair value of \$528,000. The undiscounted value of the contingent consideration is \$600,000.

#### *Capital transactions*

On February 22, 2019, the Corporation entered into a loan agreement with BDC Capital Inc. to finance the DealerMine acquisition and to provide additional working capital. The maximum loan amount is \$15,000,000 and \$8,125,000 has been drawn on to date.

On November 7, 2019, Quorum successfully closed its bought deal private placement offering of common shares. Pursuant to the offering, Quorum issued 10,574,825 shares, at a price of \$0.87 per share for aggregate gross proceeds of \$9,200,098. The net proceeds of the offering will be used for growth initiatives, working capital, general corporate purposes and future potential acquisition opportunities.

In June 2019, the Corporation closed a \$1.5 million interest free, unsecured, repayable investment with ACOA to assist with its Lead Generation Data Hub project.

## Fourth Quarter Results Operating Results

Quarter ended	December 31, 2019	December 31, 2018
Revenue	\$ 8,703,247	\$ 5,929,195
Cost of revenue	4,944,187	3,144,469
Gross margin	3,759,060	2,784,726
Operating expenses	4,592,639	2,883,349
Interest income	6,351	1,057
Loss before deferred income tax expense	(827,228)	(97,566)
Deferred income tax expense	652,300	99,904
Net loss	(1,479,528)	(197,470)
Other comprehensive loss		
Foreign exchange loss	(8,874)	(17,373)
Comprehensive loss	\$ (1,488,402)	\$ (214,843)

It should be noted that within this MD&A, certain research and development expenses which were previously included in cost of revenue – salaries and benefits, have been reclassified to operating expense as research and development expense. All comparative periods have also been restated to reflect this reclassification.

## Revenue and Gross Margin

Quarter ended	December 31, 2019	December 31, 2018
<b>Revenue</b>		
SaaS revenue	\$ 5,832,338	\$ 4,329,783
BDC revenue <sup>3</sup>	1,751,627	804,843
Services and one-time revenue	1,119,282	794,569
	\$ 8,703,247	\$ 5,929,195
<b>Cost of revenue</b>		
SaaS costs	\$ 1,962,700	\$ 1,582,708
BDC costs	1,781,754	703,303
Services and one-time costs	1,199,733	858,458
	4,944,187	3,144,469
<b>Gross margin</b>	<b>\$ 3,759,060</b>	<b>\$ 2,784,726</b>

<sup>3</sup> BDC revenue was previously included in services revenue

## Revenue

Q4 2019 was the highest revenue and SaaS revenue quarter in the Corporation's history. Revenue increased by 47% over Q4 2018. The increase in revenue is primarily due to:

- An increase of \$1,502,555 in SaaS revenue, or 35% as a result of the DealerMine and Oasis acquisitions and as a result of organic growth of both XSellerator and Autovance;
- An increase of \$946,784 in BDC revenue attributable to the DealerMine acquisition; and
- An increase of \$324,713 in services and one-time revenue primarily due to an increase in new installations revenue.

Quorum's Q4 2019 SaaS revenue of \$5,832,338 translates into an annualized run rate of \$23,329,352. SaaS revenue was 67% of revenue for Q4 2019 as compared to 73% for Q4 2018. The decrease in SaaS revenue as a percentage of revenue is due to significant BDC revenue in 2019.

BDC revenue of \$1,751,627 in Q4 2019 translates into an annualized run rate of \$7,006,508. BDC revenue was 20% of revenue for Q4 2019.

## Gross margin

Quarter ended	December 31, 2019	December 31, 2018
SaaS gross margin	\$ 3,869,638	\$ 2,747,075
BDC gross margin	(30,127)	101,540
Services and one-time gross margin	(80,451)	(63,889)
<b>Gross margin</b>	<b>\$ 3,759,060</b>	<b>\$ 2,784,726</b>

As of 2019, and for comparative periods, cost of revenue no longer includes research and development salaries and benefits expense. Research and development salaries and benefits expense were reclassified from costs of goods sold to operating expenses to better align Quorum's financial statements with other technology companies' financial statements. Comparable periods have been updated accordingly.

Gross margin increased to \$3,759,060 or 43% of revenue in Q4 2019 compared to \$2,784,726 or 47% for Q4 2018. The increase in gross margin is primarily due to additional revenue associated with DealerMine and Oasis, partially offset by the additional third-party costs and salaries and benefits for the two divisions during Q4 2019.

Lower gross margin percentage is a result of two reasons related to the DealerMine acquisition:

- DealerMine's SaaS revenue gross margin is lower as compared to XSellerator due to integration fees paid to other DMS companies that reduces its SaaS revenue margin by approximately 35%. It should be noted that going forward, DealerMine SaaS revenue generated from XSellerator customers will have significantly less direct third-party costs which should contribute to higher margins, and
- DealerMine's BDC revenue, which is 20% of revenue, during Q4 2019 had a negative 2% margin. The decrease in BDC revenue and added staffing and commission expenses related to the BDC, resulted in BDC gross margin decreasing to negative \$30K or negative 2% of revenue in Q4 2019 compared to \$102K or 13% for Q4 2018. The decrease in BDC gross margin is due to:

- \$170K decrease in BDC revenue due to credits that were issued to a client during Q4 2019 because of staffing shortages;
- an increase in new hires for the BDC during Q4 2019 to compensate for staffing short in 2019;
- Added BDC commission expense

In Q1 2020, the staffing issue has been resolved.

During Q4 2019, the Corporation received \$29,794 (Q4 2018 - \$141,489) from various Government sources that were applied as a reduction of salaries and benefits (direct) and third-party costs.

### Operating Expenses

Quarter ended	December 31, 2019	December 31, 2018
<b>Operating expenses</b>		
Research and development	\$ 193,565	\$ 127,904
Sales and marketing	715,517	470,257
General and administrative <sup>4</sup>	2,047,973	1,408,839
Stock-based compensation	325,725	197,748
Financing costs	297,917	10,040
Amortization and depreciation	1,011,942	655,085
Loss on disposal of property and equipment	-	13,476
<b>Total operating expenses</b>	<b>\$ 4,592,639</b>	<b>\$ 2,883,349</b>

Total operating expenses before financing costs, taxes, depreciation, amortization, stock-based compensation, foreign exchange and loss on disposal of property and equipment for Q4 2019 were 34% of sales as compared to 34% of sales for Q4 2018.

All research and development costs are expensed as incurred unless they satisfy the IFRS criteria for deferral and subsequent amortization. In previous quarters, research and development expenses were included in cost of goods sold. Research and development salaries and benefits expense were reclassified from cost of goods sold to operating expenses to better align Quorum's financial statements with other technology companies' financial statements. Comparable periods have been updated accordingly. Research and development expenses for Q4 2019 were 2% of revenue compared to 2% of revenue in Q4 2018.

Sales and marketing expenses for Q4 2019 were 8% of revenue compared to 8% of revenue in Q4 2018. The increase in total sales and marketing expenses is primarily attributable to the DealerMine and Oasis acquisitions as well as the addition of sales and marketing employees required to meet the Corporation's future growth objectives.

In previous quarters, salaries and benefits expense and general and administrative expense were reported separately. In Q4 2019 and going forward, salaries and benefits and general and administrative expenses have been combined as general and administrative expense. Comparative periods have been updated. General and administrative expenses for Q4 2019 were 24% of revenue compared to 24% of revenue in Q4 2018. The increase in general and administrative expense in Q4 2019 is primarily attributable to the DealerMine and Oasis acquisitions as well as new hires during Q4 2019. As well, during Q4 2019 the

<sup>4</sup> General and administrative expense includes salaries and benefits expense

Corporation incurred \$127,000 of one-time expenses related to the retirement of Robert Quirion, former President of DealerMine.

Offsetting the general and administrative expenses increases are decreases in rent expense as a result of the adoption of IFRS 16. The Corporation has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Corporation utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17, "Leases" and related interpretations. Under the previous standard, IAS 17, rent expense would have been \$379,275 for Q4 2019 vs the actual reported rent expense under IFRS 16 of \$206,043 for Q4 2019. Adoption of IFRS 16 effectively reduced Q4 2019 rent expense by \$173,232.

During Q4 2019, the Corporation received \$nil (Q4 2018 - \$108,065) from various government sources and applied as a reduction of operating expenses

### Net Income, Adjusted EBITDA and Net Income per Share

Quarter ended	December 31, 2019	December 31, 2018
Net income (loss)	\$ (1,479,528)	\$ (197,470)
Financing costs	297,917	10,040
Interest income	(6,351)	(1,057)
Deferred income tax expense	652,300	99,904
Amortization and depreciation	1,011,942	655,085
Stock-based compensation	325,725	197,748
Loss on disposal of property and equipment	-	13,476
Acquisition and related expenses	106,723	61,031
One-time restructuring fees	127,000	-
<b>Adjusted EBITDA</b>	<b>1,035,728</b>	<b>838,757</b>
<b>Net income (loss) per share</b>		
- Basic	\$ (0.024)	\$ (0.004)
- Diluted	\$ (0.024)	\$ (0.004)
<b>Weighted average number of common shares</b>		
- Basic	62,530,707	54,029,760
- Diluted	62,530,707	54,029,760

Adjusted EBITDA for Q4 2019 was \$1,035,728 or \$0.017 per share compared to \$838,757 or \$0.016 per share for Q4 2018. This is an increase of \$196,971 from Q4 2018.

Net loss for Q4 2019 increased by \$1,282,058 as compared to Q4 2018 due to the following:

- Financing costs increased by \$287,877 during Q4 2019 as compared to Q4 2018 mainly due to the BDC Capital Loan;
- Deferred income expense increased by \$552,396 during Q4 2019 as compared to Q4 2018 due to the loss of DealerMine's non-capital loss carryforwards;
- Amortization and depreciation increased by \$356,857 during Q4 2019 as compared to Q4 2018 mainly due to the DealerMine and Oasis acquisitions; and
- Stock-based compensation increased by \$127,977 during Q4 2019 as compared to Q4 2018 due to RSUs granted to the Board of Directors.

Net loss per share was \$0.024 for Q4 2019 as compared to \$0.004 per share for Q4 2018. This is a decrease of \$0.02.

### **Adjusted Cash Income**

<b>Quarter ended</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Adjusted EBITDA	\$ 1,035,728	\$ 838,757
Capitalized salaries and overhead	(740,903)	(550,289)
<b>Adjusted cash income (loss)</b>	<b>\$ 294,825</b>	<b>\$ 288,468</b>

Adjusted cash income for Q4 2019 increased by \$6,357 as compared to Q4 2018. Capitalized salaries and overhead increased by \$190,614 during Q4 2019.

## Financial Review for the year ended December 31, 2019

### Operating Results

Year ended	December 31, 2019	December 31, 2018
Revenue	\$ 32,841,336	\$ 16,440,676
Cost of revenue	17,617,893	8,056,684
Gross margin	15,223,443	8,383,992
Operating expenses	16,507,100	8,911,059
Interest income	6,351	21,879
Loss before deferred income tax expense	(1,277,306)	(505,188)
Deferred income tax expense (recovery)	(171,464)	205,748
Net loss	(1,105,842)	(710,936)
Other comprehensive gain (loss)		
Foreign exchange gain (loss)	(67,085)	26,403
<b>Comprehensive loss</b>	<b>\$ (1,172,927)</b>	<b>\$ (684,533)</b>

### Revenue and Gross Margin

Year ended	December 31, 2019	December 31, 2018
<b>Revenue</b>		
SaaS revenue	\$ 22,302,910	\$ 12,736,266
BDC revenue <sup>5</sup>	6,848,598	804,843
Services and one-time revenue	3,689,828	2,899,567
	32,841,336	16,440,676
<b>Cost of revenue</b>		
SaaS costs	7,590,558	4,081,956
BDC costs	6,182,209	703,303
Services and one-time costs	3,845,126	3,271,425
	17,617,893	8,056,684
<b>Gross margin</b>	<b>\$ 15,223,443</b>	<b>\$ 8,383,992</b>

#### *Revenue*

2019 was the highest revenue and SaaS revenue year in the Corporation's history. Revenue increased by 100% over the prior year. The increase in revenue is primarily due to:

- An increase of \$9,566,644 in SaaS revenue as a result of the DealerMine and Oasis acquisitions and as a result of organic growth of both XSellerator and Autovance; and

<sup>5</sup> BDC revenue was previously included with services revenue

- An increase of \$6,043,755 in BDC revenue primarily attributable to the DealerMine acquisition.

SaaS revenue increased to \$22,302,910 in 2019 compared to \$12,736,266 in 2018, an increase of 75%. SaaS revenue was 68% of revenue for 2019 as compared to 77% for 2018. The decrease in SaaS revenue as a percentage of revenue is due to significant BDC revenue in 2019 for which there was only two months of comparable revenue in 2018.

At the end of 2019, Quorum had 1,022 unique customers compared to 876 customers at the end of 2018.

As part of the DealerMine acquisition, Quorum acquired a Business Development Centre (“BDC”). BDC revenue was \$6,848,598 in 2019 for which there was only two months of comparable revenue in 2018. BDC revenue was 21% of revenue for 2019 as compared to 5% of revenue for 2018.

### *Gross margin*

Year ended	December 31, 2019	December 31, 2018
SaaS gross margin	<b>\$ 14,712,352</b>	\$ 8,654,310
BDC gross margin	<b>666,389</b>	101,540
Services and one-time gross margin	<b>(155,298)</b>	(371,858)
<b>Gross margin</b>	<b>\$15,223,443</b>	<b>\$ 8,383,992</b>

As of 2019, cost of revenue no longer includes research and development salaries and benefits expense. Research and development salaries and benefits expense were reclassified from cost of revenue to operating expenses to better align Quorum’s financial statements with other technology companies’ financial statements. Comparable periods have been updated accordingly.

Total gross margin increased to \$15,223,443 or 46% of revenue in 2019 compared to \$8,383,992 or 51% for 2018. The increase in gross margin is primarily due to additional revenue associated with DealerMine and Oasis, offset by the additional third-party costs and salaries and benefits for the two divisions during 2019.

Lower gross margin percentage is a result of two reasons related to the DealerMine acquisition:

- DealerMine’s SaaS revenue gross margin is lower as compared to XSellerator due to integration fees paid to other DMS companies that reduces its SaaS gross revenue margin by approximately 35%. It should be noted that going forward, DealerMine SaaS revenue generated from XSellerator customers will have significantly less direct third-party costs which should contribute to higher margins; and
- DealerMine’s BDC revenue, which is 21% of revenue, has a 10% margin.

During 2019, the Corporation received \$366,617 (2018 - \$469,619) from various Government sources that were applied as a reduction of salaries and benefits (direct) and third-party costs.

## Operating Expenses

Year ended	December 31, 2019	December 31, 2018
<b>Operating expenses</b>		
Research and development	\$ 710,928	\$ 363,273
Sales and marketing	3,169,043	1,963,721
General and administrative	7,008,914	4,137,990
Stock-based compensation	540,624	503,656
Financing costs	1,335,042	36,119
Amortization and depreciation	3,742,549	1,828,653
Loss on disposal of property and equipment	-	77,647
<b>Total operating expenses</b>	<b>\$ 16,507,100</b>	<b>\$ 8,911,059</b>

Total operating expenses before financing costs, taxes, depreciation, amortization, stock-based compensation, foreign exchange and loss on disposal of property and equipment for 2019 were 33% of revenue as compared to 39% of revenue for 2018.

All research and development costs are expensed as incurred unless they satisfy the IFRS criteria for deferral and subsequent amortization. In previous years, research and development expenses were included in cost of goods sold, direct costs - salaries and benefits. In 2019, research and development salaries and benefits expense were reclassified from cost of revenue to operating expenses to better align Quorum's financial statements with other technology companies' financial statements. Comparable periods have been updated accordingly. Research and development expenses for 2019 were 2% of revenue compared to 2% of revenue for 2018. Research and development are costs associated with development and certification, market analysis in support of new product definition and salaries and benefits of the software development group.

Sales and marketing expense for 2019 were 10% of revenue compared to 12% of revenue for 2018. The increase in total sales and marketing expense is primarily attributable to the DealerMine acquisition for which there were only two months of comparable expenses in 2018. The increase is also due to the addition of sales and marketing employees required to meet the Corporation's future growth objectives, as well as an increase in variable compensation expense. Sales and marketing expense include salaries and benefits of personnel employed in sales and marketing, costs of trade shows and other marketing-related activities. The decrease in sales and marketing expense as a percentage of revenue is due to DealerMine's lower sales and marketing expense.

In previous years, salaries and benefits expense and general and administrative expense were reported separately. In 2019, and going forward, salaries and benefits and general and administrative expense have been combined as general and administrative expense. Comparative periods have been updated accordingly. General and administrative expense for 2019 were 21% of revenue compared to 25% of revenue for 2018. The increase in general and administrative expense in 2019 is primarily attributable to the DealerMine and Oasis acquisitions, an increase in new hires and one-time expenses related to the retirement of Robert Quirion that were incurred in Q4 2019. As well, during 2019, government grants decreased by \$166,401 as compared to 2018.

Offsetting the general and administrative expenses increases are decreases in rent expense as a result of the adoption of IFRS 16. The Corporation has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Corporation utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17, “Leases” and related interpretations. Under the previous standard, IAS 17, rent expense would have been \$1,302,418 for 2019 vs the actual reported rent expense under IFRS 16 of \$661,637 for 2019. Adoption of IFRS 16 effectively reduced 2019 rent expense by \$640,781.

General and administrative expenses consist primarily of salaries, employee benefits and overhead expenses that are not otherwise allocated to other categories.

During 2019, eligible employees and directors were granted 720,000 Restricted Stock Units (“RSUs”) as prescribed by the RSU Plan. 642,900 RSUs at an average price of \$0.82 per RSU vested during 2019 (2018 – 443,100 at an average price of \$0.65 per RSU).

During 2019, the Corporation received \$180,307 (2018 - \$346,708) from various government sources and applied as a reduction of operating expenses.

## Foreign Exchange

The Corporation incurs unrealized gains and losses on the conversion of the U.S. entity’s net assets during consolidation for financial reporting. Over the last two fiscal years, the Canadian/U.S. exchange rate has fluctuated from 1.2545 at December 31, 2017, to 1.3642 at December 31, 2018 and to 1.2988 at December 31, 2019. This change has had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized gain/loss on the assets held was a \$69,649 loss in 2019 (2018 – gain of \$28,580).

## Net Income, Adjusted EBITDA and Net Income per Share

Year ended	December 31, 2019	December 31, 2018
Net income (loss)	\$ (1,105,842)	\$ (710,936)
Financing costs	1,335,042	36,119
Interest income	(6,351)	(21,879)
Deferred income tax expense (recovery)	(171,464)	205,748
Amortization and depreciation	3,742,549	1,828,653
Stock-based compensation	540,624	503,656
Loss on disposal of property and equipment	-	77,647
Acquisition and related expenses	106,723	112,768
One-time restructuring fees	127,000	-
<b>Adjusted EBITDA</b>	<b>4,568,281</b>	<b>2,031,776</b>
<b>Net income (loss) per share</b>		
- Basic	\$ (0.018)	\$ (0.013)
- Diluted	\$ (0.018)	\$ (0.013)
<b>Weighted average number of common shares</b>		
- Basic	62,530,707	54,029,760
- Diluted	62,530,707	54,029,760

Adjusted EBITDA for 2019 was \$4,568,281 or \$0.073 per share compared to \$2,031,776 or \$0.038 for 2018. This is an increase of \$2,536,505 from 2018.

## Adjusted Cash Income

Year ended	December 31, 2019	December 31, 2018
Adjusted EBITDA	\$ 4,568,281	\$ 2,031,776
Capitalized salaries and overhead	(2,813,913)	(2,149,365)
<b>Adjusted cash income (loss)</b>	<b>\$ 1,754,368</b>	<b>\$ (117,589)</b>

Adjusted cash income for 2019 increased by \$1,871,957 as compared to 2018. Capitalized salaries and overhead increased by \$664,548 during 2019.

## Liquidity and Financial Resources

### Cash Flows

Year ended	December 31, 2019	December 31, 2018
<b>Cash provided by (used in):</b>		
Operating activities	\$ 3,495,181	\$ 867,431
Financing activities	7,861,323	438,589
Investing activities	(4,529,212)	(4,394,251)
Effect of foreign currency on cash	49,663	(80,186)
Increase (decrease) in cash	6,876,955	(3,168,417)
Cash, beginning of period	1,676,728	4,595,145
<b>Cash, end of period</b>	<b>\$ 8,553,683</b>	<b>\$ 1,676,728</b>

The Corporation's cash balance increased by \$6,876,955 in 2019. The increase in cash was largely due to the private placement offering during 2019.

Cash flows from operating activities increased by \$2,627,750 in 2019. The increase in cash flows from operating activities is primarily attributable to an increase in Adjusted EBITDA, as well as increased accounts payable and accrued liabilities and contract liability, offset by an increase in accounts receivable. IFRS 16 for lease accounting was adopted January 1, 2019 using the modified retrospective approach, and as such, comparative information has not been restated.

Cash flows from financing activities increased by \$7,422,734 in 2019. In November 2019, Quorum successfully closed its oversubscribed bought deal private placement offering of common shares. Pursuant to the offering, Quorum issued 10,574,825 shares, which included 1,379,325 shares issued pursuant to an overallotment option that was exercised in full by the Underwriters, at a price of \$0.87 per share for aggregate proceeds of \$8,577,406, net of fees.

Cash flows related to investing activities in 2019 reflect cash consideration of \$485,000 paid as part of the Oasis acquisition. Under the terms of the Oasis Share Purchase Agreement, the consideration was

comprised of a combination of cash and shares and a two-year additional compensation earn out provision. In 2019, \$196,705 was paid as part of the earn-out provision.

The Corporation has a strong commitment to continually enhance and improve XSellerator, Autovance Desk and DealerMine Service and Sales CRM and invested \$3,054,792 in 2019 (2018 - \$2,509,036) in product development. The Corporation invested a further \$800,443 (2018 - \$214,379) for computer software, computer hardware, leasehold improvements and other capital assets. \$158,000 of the \$800,443 invested was to replace aging servers and hardware and \$469,000 was due to a one-time cash expenditure related to the DealerMine strategic agreement with AutoCanada to provide a dedicated BDC to its customers. Government funding, in the form of interest free, unsecured loans, were used to offset these amounts.

## Net Working Capital

As at	December 31, 2019	December 31, 2018
<b>Current assets:</b>		
Cash	\$ 8,553,683	\$ 1,676,728
Accounts receivable	3,593,619	2,972,508
Loan receivable	262,574	-
Inventory	18,912	17,712
Prepaid expenses	571,970	652,502
Contract assets	282,104	227,385
	<b>13,282,862</b>	<b>5,546,835</b>
<b>Current liabilities:</b>		
Bank indebtedness	-	250,000
Accounts payable and accrued liabilities	2,794,250	2,197,466
Contract liability	428,861	320,328
Current portion of lease liability	67,209	32,766
Current portion of long-term debt	207,229	122,932
Contingent consideration	239,265	-
	<b>3,736,814</b>	<b>2,923,492</b>
<b>Net working capital</b>	<b>\$ 9,546,048</b>	<b>\$ 2,623,343</b>

Including cash of \$8,553,683, total working capital as of December 31, 2019 increased to \$9,546,048 from \$2,623,343 as of December 31, 2018, an increase of \$6,922,705.

Working capital increased primarily due to the following:

- A \$6,876,955 increase in cash mainly due to proceeds received from the November Private Placement;
- A \$621,111 increase in accounts receivable mainly due to the a strategic partnership with a client;
- A \$262,574 loan receivable from ACOA; and
- A \$250,000 decrease in bank indebtedness due to the RBC Bank Line of Credit being repaid in full during 2019.

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 Quorum will have to obtain additional capital to finance the expansion plans of the business. Quorum continues to place emphasis on evaluating credit capacity, credit counterparties, and liquidity to ensure its ability to meet its ongoing commitments and obligations.

On October 18, 2018, the Corporation entered into a demand operating line of \$750,000 with HSBC Bank. As of December 31, 2019, the HSBC Bank operating line remained fully available.

DealerMine Inc. also has a demand operating line of \$250,000 with RBC Bank. As of December 31, 2019, the RBC Bank operating line remained fully available. On April 15, 2020, the demand operating line with RBC Bank was increased by \$150,000 for a total available operating line of \$400,000.

In April 2020, DealerMine Inc. signed an amended lease agreement for the Place 400 building in Saint John, New Brunswick, which extends the lease term through to 2026 for a substantial portion of the leased space. The lease requires a \$200,000 letter of credit for the period covering March 2020 to March 2021, decreasing by \$25,000 from March 2021 to March 2023 and decreasing a further \$25,000 to \$150,000 for the remainder of the amended lease term.

## Capitalization and Amortization

During 2019, the Corporation continued to invest significantly in the further development of its software products, XSellerator, Autovance Desk, DealerMine Sales and Service CRM and Advantage.

Software development costs capitalized and related amortization during the year are as follows:

	December 31, 2019	December 31, 2018
Software development costs capitalized	<b>\$2,953,391</b>	\$2,392,209
Software development costs upon acquisition	<b>365,000</b>	7,800,000
SR&ED investment tax credits	<b>(75,221)</b>	(98,206)
Provincial portion of SR&ED refund	<b>(139,478)</b>	(144,638)
Amortization of software development costs	<b>\$2,474,862</b>	\$1,499,964

All research and development costs are expensed as incurred unless they satisfy the IFRS criteria for deferral and subsequent amortization. The Corporation continues to conduct ongoing research and development towards the improvement of its software development products and has capitalized payroll costs of \$2,707,146, net of funding from ACOA of \$144,284, and direct overheads of \$246,245, for a total of \$2,953,391 in 2019, compared to capitalized payroll costs \$2,158,343, net of funding from ACOA of \$116,827, and direct overheads of \$233,866, for a total of \$2,392,209 in 2018.

Investment tax credits of \$75,221 from the 2018 Scientific Research and Experimental Development (SR&ED) claim were reallocated from software development costs to the investment tax credit asset during the year (2018 - \$98,206 for the FY2017 claim) due to a required reclassification based on the approval of the claim by Canada Revenue Agency. Also, the provincial portion of these SR&ED claims entitled the Corporation to a cash refund of \$139,478 for 2018 and \$144,638 for 2017. Refunds were recognized as a reduction of capitalized software during 2019 and 2018 respectively.

The Corporation tests the cash generating units (“CGUs”), which represent the lowest level within the Corporation at which intangible assets are monitored for internal management purposes, annually for

impairment. The Corporation recognizes six CGUs: GM Canadian Dealerships (“GM CDN”), GM United States Dealerships (“GM US”), Other Original Equipment Manufacturer Dealerships (“Other OEM”), Autovance Desk (“AV Desk”), DealerMine and Advantage. As of December 31, 2019 it was determined that the recoverable amounts of all CGUs exceeded their carrying amounts and as such, no impairment exists.

XSellerator, Autovance Desk, DealerMine Service and Sales CRM and Advantage are leading-edge products 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 2019 increased by \$974,898 from 2018. The amortization policy of the Corporation is ten-year straight line.

The Corporation also invested \$800,443 in computer software, leasehold improvements and other capital assets during 2019 (2018 - \$214,379).

### Long-term Debt and Loan Receivable

As at	December 31, 2019		December 31, 2018	
	Loan Receivable	Debt	Loan Receivable	Debt
ACOA financing 2016	\$ -	\$ 420,438	\$ -	\$ 474,351
ACOA financing 2018	-	75,134	-	28,568
ONB financing 2014	-	104,887	-	155,946
ACOA financing 2019 - XSellerator	262,574	139,110	-	-
ACOA financing 2019 - DealerMine	-	63,589	-	-
BDC Capital Inc. Facility 2019	-	8,234,084	-	-
	262,574	9,037,242	-	658,865
Installments due within one year	-	207,229	-	122,932
<b>Total long-term debt</b>	<b>\$ 262,574</b>	<b>\$ 8,830,013</b>	<b>-</b>	<b>\$ 535,933</b>

#### *ACOA financing 2016*

On July 5, 2016, the Corporation entered into a 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 this agreement. As of December 31, 2019, the Corporation has incurred certain costs eligible under this agreement and is entitled to the full amount of \$1,076,067. The fair value of the loan is \$420,438, 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 of \$1,076,067 has been accounted for as a 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. Annual repayments commenced on September 1, 2019. The maturity date is estimated to be September, 2023, as the loan is provisionally repayable.

#### *ACOA financing 2018*

On March 26, 2018, the Corporation entered into a 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 this agreement. As of December 31, 2019, \$145,932 was received. The fair value of the loan is \$75,134, 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 has been accounted for as a government grant. The loan, which is unsecured and interest-free, matures on June 30, 2024 and is repayable in equal monthly installments. Payments commenced on October 1, 2019.

#### *ONB financing 2014*

On April 11, 2014, DealerMine Inc. entered into a forgivable loan agreement with the New Brunswick Government ("ONB Financing 2014") to finance new hires required for the Business Development Centre ("BDC") expansion. The maximum amount of the forgivable loan was \$250,000 based on creating 135 new full-time positions. The hiring threshold was not achieved and DealerMine is required to pay back the forgivable loan. As of December 31, 2019, the fair value of the loan is \$104,887. The loan will mature on September 1, 2020.

#### *ACOA financing – 2019 - XSellerator*

On June 25, 2019, the Corporation entered into a loan agreement with ACOA to finance the XSellerator lead generation data hub project. The maximum amount of loan is \$1,542,245 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2019, \$281,561 was received and \$262,574 is receivable. The fair value of the loan is \$139,110, and 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 has been accounted for as a government grant. The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues from the resulting products for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2022.

#### *ACOA financing – 2019 - DealerMine*

On July 8, 2019, DealerMine Inc. entered into a forgivable loan agreement with ACOA to finance the DealerMine BDC expansion project, which includes new furniture, hardware and leasehold improvements required for a partnership agreement with AutoCanada. The maximum amount of the loan is \$117,500 and the amount will be released by ACOA when DealerMine incurs the costs eligible for reimbursement under the agreement. As of December 31, 2019, \$117,500 was received. The fair value of the loan is \$63,589, which has been computed using a 15% rate of interest over 4 years. The difference between the fair value of the loan and the cash to be received has been accounted for as a government grant. The loan, which is unsecured and interest-free, matures on October 31, 2023 and is repayable in equal monthly installments. The first payment is due on May 1, 2020.

#### *BDC Capital Inc. facility 2019*

On March 4, 2019, the Corporation entered into a loan agreement with BDC Capital Inc. to finance the DealerMine acquisition and to provide additional working capital. The maximum loan amount is \$15,000,000 and \$8,125,000 has been drawn on to date. The fair value of the loan is \$8,234,084 using an 11.7% rate of interest over six years. The loan is secured by a General Security Agreement on all of Quorum's present and after acquired personal property and on all present and future assets of Quorum related to intellectual property. The security interest ranks in first position with respect to Intellectual Property but subordinated in rank to any other security granted. The loan will mature on January 15, 2025.

### **Government Grants and Assistance**

As noted above in Long-term Debt, the Corporation has recorded as long-term debt, government grants and other assistance with respect to the following:

- ACOA financing 2016
- ACOA financing 2018
- ONB financing 2014
- ACOA financing 2019 – XSellerator
- ACOA financing 2019 - DealerMine

In addition to the above, the Corporation has received approval for additional government grants and other assistance totaling \$546,924, of which \$546,924 has been received and included in net income for the year ended December 31, 2019 (2018 - \$815,697).

On January 29, 2020, the Corporation announced that it will receive support from the National Research Council of Canada Industrial Research Assistance Program (“NRC IRAP”). NRC IRAP will provide advisory services and a contribution of up to \$272,245 to assist Quorum in undertaking a research and development project to refactor its Vehicle Inspection Process (“VIP”) application to remove dependencies on the XSellerator Dealership Management System (“DMS”) and offer a fully cloud-based inspection tool that can be licensed to, and integrated for use, by DealerMine customers and other industry partners. Subsequent to December 31, 2019, the Company has received \$82,461 in additional government grants and incentives.

## Share Capital

	<b>Number of Common Shares</b>	<b>Number of Restricted Shares Units</b>
<b>Balance January 1, 2018</b>	52,395,594	70,000
Issued pursuant to acquisition	7,543,104	-
Contingent consideration	90,000	-
RSU’s granted in year	-	1,119,300
RSU’s vested in year	443,100	(443,100)
<b>Balance December 31, 2018</b>	<b>60,471,798</b>	<b>746,200</b>
Issued pursuant to acquisition	156,250	-
Issued pursuant to private placement	10,574,825	-
Contingent consideration	149,334	-
RSU’s granted in year	-	720,000
RSU’s vested in year	642,900	(642,900)
RSU’s forfeited in year	-	(30,200)
<b>Balance December 31, 2019</b>	<b>71,995,107</b>	<b>793,100</b>

In November 2019, Quorum successfully closed its oversubscribed bought deal private placement offering of common shares. Pursuant to the offering, Quorum issued 10,574,825 shares, which included 1,379,325 shares issued pursuant to an overallotment option that was exercised in full by the Underwriters, at a price of \$0.87 per share for aggregate gross proceeds of \$9,200,098.

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 in the year of the grant, and one-third on each of the subsequent two years. The Company, at the discretion of the board of directors, may issue up to a maximum of 7,199,511 RSU's.

As at December 31, 2019, the outstanding RSU's vest as follows:

2020	613,100
2021	180,000
2022	-
	<hr/>
	<b>793,100</b>

As of December 31, 2019, there were no fully diluted shares outstanding as all options have been exercised and/or expired.

### **Material Contracts & Commitments**

Other than as disclosed elsewhere in this MD&A, there are no other material contracts or commitments.

### **Significant Accounting Estimates and Judgments**

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

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

### **New Standards and Interpretations Adopted**

On January 1, 2019, the Corporation adopted IFRS 16, "Leases" using the modified retrospective approach which does not require restatement of prior period financial statements. The new standard requires a lessee to recognize in the statement of financial position: a liability for future lease payments (the lease liabilities) and an asset for the right to use the underlying leased asset during the lease term (the lease assets).

The Corporation recognized the initial effect of applying IFRS 16 as an adjustment to deficit at January 1, 2019 (the date of initial application). Comparative information has not been restated and continues to be reported in accordance with the standards and accounting policies in effect prior to January 1, 2019. Refer to Notes 3 and 25 for further details.

The adoption of IFRS 16 resulted in the following financial impacts for the year ended December 31, 2019:

- Reduction in general and administrative expense of \$641K, and a corresponding increase to Adjusted EBITDA of \$641K;
- Increase in depreciation expense of \$554K;
- Increase in interest expense of \$186K; and
- Increase in cash provided by (used in) operating activities and corresponding reduction to cash provided by (used) in financing activities of \$84K.

## Future Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the year ended December 31, 2019 that are applicable to the Corporation in future periods.

## Risk Environment

### Risks and Uncertainties

#### *Business Risks*

The Corporation is exposed to a variety of risks, some of which are inherent to the industry and market in which Quorum operates, and others are specific to Quorum's operations. The impact of one, or any combination, of the risks and uncertainties outlined below may have an adverse effect on Quorum's business, cash flow, results of operations, reputation, financial condition and ability to execute on strategic objectives, which may in turn materially impact the market price of Quorum's securities. These risks and uncertainties are not the only ones facing the Corporation and additional risks and uncertainties not currently known to the Corporation or that the Corporation currently considers remote or immaterial, may also impair the operations of the Corporation.

#### *Liquidity Risk*

The Corporation currently has access to three credit facilities that provide liquidity to Quorum for its business, operations, and potential acquisitions. On October 18, 2018, the Corporation entered into a demand operating line of \$750,000 with HSBC Bank, which contains certain restrictive covenants and requirements to maintain certain financial ratios. As of April 22, 2020, the HSBC operating line has not been drawn upon. On May 10, 2012, DealerMine entered into a demand operating line of \$250,000 with RBC Bank, which contains restrictive covenants and requirements to maintain certain financial ratios. On April 15, 2020, DealerMine increased the demand operating line with RBC Bank by \$150,000 to \$400,000. As of April 22, 2020, \$200,000 has been drawn and \$200,000 remains available. In addition, in March 2019, Quorum successfully closed a \$15 million debt financing facility with BDC Capital Inc. Quorum drew \$8.125 million immediately to retire a bridge financing facility that was used to acquire DealerMine Inc. The balance of the BDC Capital facility remains available for potential future acquisitions.

The Corporation has traditionally not needed to rely significantly on operating lines such as the HSBC and RBC facilities. However, there is no guarantee that the Corporation will not need to rely on such facilities in the future, and that such facilities will be available. The HSBC, RBC and BDC Capital facilities may, from time to time, impose certain operating and financial restrictions on the Corporation that could impact its business and operations.

#### *Access to Capital*

The Corporation may, from time to time, be faced with restricted access to capital and increased financing costs as a result of market conditions. To the extent that such capital is limited or unavailable, Quorum's ability to make certain investments or execute on its acquisition strategy may be adversely affected. Based on current liquidity, access to capital, and anticipated cash from operations, management believes that it has sufficient resources available to fund anticipated capital and operational expenditures. However, if cash flow is lower than expected or future development or acquisition costs are higher than anticipated, Quorum may be required to seek additional capital or financing. Failure to obtain such capital may have an adverse impact on Quorum's planned expenditures or acquisitions, which may result in an adverse impact on the Corporation's business and operations.

#### *Reliance of Key Customers*

Certain customers of the Corporation represent a significant portion of Quorum's revenues and cash flow. In the event that a key customer were to cancel or significantly scale back its purchases of the Corporation's products or services, there is no guarantee that Quorum could replace this customer and its associated revenue or cash flow. The loss of one or a combination of key customers could have a material adverse impact on the Corporation's operations, business, results from operations, cash flows and financial condition.

#### *Legal and Regulatory Risk*

The Corporation is subject to a variety of legal and regulatory regimes at the federal and provincial or state level in Canada and the United States. In particular, laws and regulations relating to the protection of data, protection of personal information, restrictions on communications with customers including anti-spam legislation, and dealership and franchise laws may have an impact on the design of Quorum's products as well as on Quorum's business and results from operations.

In addition, the Corporation is subject to a number of different tax regimes in both Canada and the United States. Income tax laws and other tax related laws and regulations may change in the future or be interpreted in such a way that would result in a material adverse impact to the Corporation. Tax authorities which have jurisdiction over the Corporation may disagree with certain assessments made by the Corporation with respect to calculation of tax liabilities, or these authorities may change their administrative practices to the detriment of the Corporation and its shareholders. The Corporation's tax filings in Canada and the United States are subject to audit, which may result in reassessments of previous tax filings and could result in a material adverse impact on the Corporation and its results from operations.

#### *General Economic Conditions*

The Corporation's business and results from operations are, and will continue to be, impacted by general economic conditions in the markets in which Quorum operates. Quorum's customers are automotive dealers who are in the business of selling high value products to the consumer and commercial markets. Negative economic conditions or rising interest rates which impact the ability for consumers to purchase cars and trucks may in turn have a negative impact on the ability for automotive dealers to purchase the Corporation's products and services. Mitigating these effects is the fact that Quorum's products are also used by service and parts departments, which tend to see higher levels of activity during periods of economic uncertainty as customers retain their vehicles for longer periods of time. However, during an economic downturn, there can be no guarantee that Quorum's results from operations, growth prospects, or financial conditions would not be adversely impacted.

Refer to COVID-19 risk below for further discussion on the current economic climate.

#### *Trends and Changes in the Automotive Industry*

The automotive industry is in the early stages of potentially transformative change which may have far reaching implications for manufacturers, dealerships, and in turn, third party suppliers to this industry, including the Corporation. Shifting consumer habits to non-ownership or shared vehicles, developments in autonomous vehicles, increasing electrification of vehicle fleets and improved reliability may impact the demand for new cars and trucks. In addition, new entrants to the industry who are experimenting with direct to consumer sales models may result in changes to how traditional dealers operate. The Corporation believes that many of these changes will not only present risks, but also new opportunities to expand Quorum's products and services, however there is no guarantee that such changes will be ultimately beneficial to the Corporation's business or growth prospects.

#### *Dependence on Partners*

The Corporation has formed several strategic partnerships to re-sell certain value-added products and services from third parties to Quorum's existing customer base. While Quorum has an excellent relationship with these partners, there is a risk that failure by these third-party partners to deliver or perform their required services could harm the reputation of the Corporation and have an adverse impact on the business and results from operations.

In addition, the Corporation's XSellerator product requires certification by OEM automotive manufacturers in order to continue to operate with that respective brand's dealer network. Quorum maintains a positive relationship with the various OEM's which have certified Quorum's XSellerator product, however there is no guarantee that Quorum can maintain each certification in the future. The de-certification by an OEM of the XSellerator product would result in a loss of customers at that OEM brand's dealers, and in turn could have an adverse impact on the business and results from operations.

#### *Risks of Software Defects*

Complex software such as those offered by the Corporation may contain errors, defects, or deficiencies, particularly related to new products or integrations of products acquired through third party acquisitions. There is no guarantee that, despite the Corporation's best efforts to test and review its products, no defects or errors will be found in such products. Any defects, errors or deficiencies could result in material adverse impacts to the Corporation including negative customer response, negative publicity, harm to Quorum's reputation, delay of market acceptance for new or existing products, or litigation. To mitigate these potential risks, the Corporation carries errors & omissions insurance which may partially cover the risk of significant loss due to errors, defects or deficiencies which result in third party claims against the Corporation.

#### *Intellectual Property Risks*

The success of Quorum and its ability to compete depends on the proprietary products and services developed by the Corporation and the ability for the Corporation to prevent others from copying or misappropriating these products. The Corporation takes a number of measures to prevent the unauthorized copying, distribution, and unlicensed use of its products, however there is no guarantee that these measures will be one hundred percent effective. Quorum may have to engage in litigation in order to protect its intellectual property, which may be time-consuming and expensive, regardless of a successful outcome.

In developing new products and services, the Corporation takes steps to ensure that it is not infringing on the intellectual property rights of third parties. The Corporation is not currently aware of or believes that its products infringe on any third-party intellectual property rights, however, there is no guarantee that a third party will not make such a claim. Any claim, whether with or without merit, may be time consuming to evaluate and result in costly litigation. These claims may also result in delays to roll out new products, the revision of already existing products, or the Corporation entering into licensing agreements requiring the

payment of fees or royalties to the owner of such intellectual property. The terms of such licensing arrangements, if required, may be expensive and may or may not be available on terms acceptable to the Corporation.

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's financial statements are presented in Canadian dollars, however Quorum prices its products and services which are sold in the United States, and collects this respective revenue, in US dollars. As the Corporation expands its operations beyond Canada and into the United States, there is a risk that significant fluctuations in the value of the US dollar vs the Canadian dollar may have a material impact on the Corporation's results of operations.

#### *Server Reliability Risk*

Quorum's products operate in a Cloud environment or on a server that is installed at each dealership. In either environment, server up-time, data backup, virus protection and disaster recovery are critical to the Corporation's customers and Quorum.

Server downtime and lost data cost customers in terms of lost productivity and results in a financial impact to customers. Although Quorum cannot guarantee continuity of service, the Corporation has taken numerous steps to help protect 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 our position as one of the most advanced products in the

automotive 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 our products, 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.

#### *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.

#### *COVID-19*

The effects of the COVID-19 pandemic have materially affected how Quorum and its customers are operating their businesses, and the duration and extent to which this will impact the future results of operations and overall financial performance remains uncertain.

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic. A significant outbreak of epidemic, pandemic, or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the broader economies, financial markets and overall demand environment for the Corporation's products and services.

As a result of the COVID-19 pandemic, Quorum has temporarily closed all of its offices in Canada and in the United States and has transitioned all staff to work from home. Certain customer events have been shifted to virtual-only experiences and it may be advisable to similarly alter, postpone or cancel entirely additional customer, employee or industry events in the future. Moreover, the conditions caused by the COVID-19 pandemic can affect the rate of IT spending and could adversely affect customers' ability or willingness to purchase Quorum's offerings, delay prospective customers' purchasing decisions, adversely impact Quorum's ability to provide on-site training to customers, delay the provisioning of offerings, lengthen payment terms, reduce the value or duration of contracts, or affect attrition rates, all of which could adversely affect future sales, operating results and overall financial performance.

The broader implications of COVID-19 on Quorum's results of operations and overall financial performance remain uncertain. The COVID-19 pandemic and its adverse effects have become more prevalent in the locations where the Corporation, its customers, suppliers or third-party business partners conduct business and as a result, Quorum has begun to experience more pronounced disruptions in its operations. The Corporation may experience constrained supply or curtailed customer demand that could materially adversely impact its business, results of operations and overall financial performance in future periods. While revenue and earnings are relatively predictable as a result of the Corporation's

predominately SaaS revenue-based business model, the effect of the COVID-19 pandemic will not be fully reflected in results of operations and overall financial performance until future periods.

### **Legal proceedings**

The Corporation may, from time to time, be involved in certain litigation or claims that arise out of the normal course of operations.

Currently, the Corporation is not involved in any litigation proceedings which Management considers to be material to the Corporation or would have a material adverse impact on the Corporation's operations or financial position. However, there is no guarantee that any legal proceedings that the Corporation may become involved with will not have a material adverse effect on the Corporation.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the years ended December 31, 2019 and December 31, 2018 and all other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements and include some amounts that are based on management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

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

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

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

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



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



Marilyn Bown, CPA, CGA  
Chief Financial Officer



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## Independent Auditor's Report

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To the Shareholders of Quorum Information Technologies Inc.

### Opinion

We have audited the consolidated financial statements of Quorum Information Technologies Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- the information included in Management's Discussion and Analysis for the year ended December 31, 2019; and
- the information, other than the consolidated financial statements and our auditor's report thereon, in the 2019 Annual Report filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report and Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Leavitt.

*BDO Canada LLP*

Chartered Professional Accountants

Calgary, Alberta

April 22, 2020

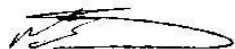


**Quorum Information Technologies Inc.**  
**Consolidated Statements of Financial Position**  
(stated in Canadian dollars)

As at	Notes	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current:</b>			
Cash		\$ 8,553,683	\$ 1,676,728
Accounts receivable		3,593,619	2,972,508
Loan receivable	9	262,574	-
Inventory		18,912	17,712
Prepaid expenses		571,970	652,502
Contract assets	5	282,104	227,385
		<b>13,282,862</b>	<b>5,546,835</b>
Contract assets	5	78,508	32,035
Property and equipment	6	1,028,542	608,122
Lease assets	25	3,138,202	-
Intangible assets	7	19,696,787	19,033,055
Goodwill	7	6,435,573	5,592,369
Deferred income tax asset	12	2,669,196	2,435,663
Investment tax credits	13	3,594,488	3,519,267
		<b>49,924,158</b>	<b>36,767,346</b>
<b>LIABILITIES</b>			
<b>Current:</b>			
Bank indebtedness	8	-	250,000
Accounts payable and accrued liabilities		2,794,250	2,197,466
Contract liability		428,861	320,328
Current portion of lease liability	25	67,209	32,766
Current portion of long-term debt	9	207,229	122,932
Contingent consideration	4	239,265	-
		<b>3,736,814</b>	<b>2,923,492</b>
Long-term accounts payable		77,560	-
Contract liability		31,653	-
Lease liability	25	3,419,799	120,979
Long-term debt	9	8,830,013	535,933
Bridge loan	11	-	7,502,466
Deferred income tax liability	12	2,730,974	2,493,870
		<b>18,826,813</b>	<b>13,576,740</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	30,557,608	21,254,051
Contributed surplus	16	2,380,799	2,462,961
Deficit		(1,841,062)	(526,406)
		<b>31,097,345</b>	<b>23,190,606</b>
		<b>\$ 49,924,158</b>	<b>\$ 36,767,346</b>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



**Director**

Maury Marks  
President & CEO



**Director**

Scot Eisenfelder  
Chairman of the Board of Director

**Quorum Information Technologies Inc.**  
**Consolidated Statements of Comprehensive Loss**  
(stated in Canadian dollars)

Year ended	Notes	December 31, 2019	December 31, 2018*
<b>Revenue</b>	17	<b>\$32,841,336</b>	\$ 16,440,676
<b>Cost of revenue</b>	18	<b>17,617,893</b>	8,056,684
<b>Gross margin</b>		<b>15,223,443</b>	8,383,992
<b>Operating expenses</b>			
Research and development	2	<b>710,928</b>	363,273
Sales and marketing		<b>3,169,043</b>	1,963,721
General and administrative		<b>7,008,914</b>	4,137,990
Stock-based compensation	15	<b>540,624</b>	503,656
Financing costs		<b>1,335,042</b>	36,119
Amortization and depreciation	19	<b>3,742,549</b>	1,828,653
Loss on disposal of property and equipment		<b>-</b>	77,647
<b>Total operating expenses</b>		<b>16,507,100</b>	8,911,059
<b>Interest income</b>		<b>6,351</b>	21,879
<b>Loss before deferred income tax expense</b>		<b>(1,277,306)</b>	(505,188)
<b>Deferred income tax expense (recovery)</b>	12	<b>(171,464)</b>	205,748
<b>Net loss</b>		<b>(1,105,842)</b>	(710,936)
<b>Other comprehensive gain (loss)</b>			
Foreign exchange gain (loss)		<b>(67,085)</b>	26,403
<b>Comprehensive loss</b>		<b>\$ (1,172,927)</b>	\$ (684,533)
<b>Net loss per share</b>	14		
- Basic		<b>\$ (0.018)</b>	\$ (0.013)
- Diluted		<b>\$ (0.018)</b>	\$ (0.013)

See accompanying notes to consolidated financial statements.

\* The Corporation initially applied IFRS 16 using the cumulative effect method. Under this method, the comparative information is not restated. See note 25.

**Quorum Information Technologies Inc.**  
**Consolidated Statements of Changes in Equity**  
(stated in Canadian dollars)

	Notes	Common shares	Contributed surplus	Deficit	Total
<b>Balance January 1, 2019</b>		\$ 21,254,051	\$ 2,462,961	\$ (526,406)	\$ 23,190,606
Impact of adoption of IFRS 16	25	-	-	(141,729)	(141,729)
Net loss for the period		-	-	(1,105,842)	(1,105,842)
Other comprehensive gain (loss)		-	-	(67,085)	(67,085)
Issued pursuant to private placement		9,200,097	-	-	9,200,097
Share issue costs		(619,326)	-	-	(619,326)
Stock-based compensation granted	15	-	540,624	-	540,624
Issued pursuant to stock-based compensation	15	536,172	(536,172)	-	-
Issued pursuant to share purchase agreement, Oasis	4	100,000	-	-	100,000
Issued pursuant to share purchase agreement, Autovance		86,614	(86,614)	-	-
<b>Balance December 31, 2019</b>		<b>\$ 30,557,608</b>	<b>\$ 2,380,799</b>	<b>\$ (1,841,062)</b>	<b>\$ 31,097,345</b>
<b>Balance January 1, 2018</b>		\$ 16,531,143	\$ 2,307,213	\$ 158,127	\$ 18,996,483
Net loss for the period		-	-	(710,936)	(710,936)
Other comprehensive gain (loss)		-	-	26,403	26,403
Stock-based compensation granted	15	-	503,656	-	503,656
Issued pursuant to stock-based compensation	15	295,708	(295,708)	-	-
Issued pursuant to share purchase Agreement, Autovance	4	52,200	(52,200)	-	-
Issued pursuant to share purchase Agreement, DealerMine	4	4,375,000	-	-	4,375,000
Balance December 31, 2018		\$ 21,254,051	\$ 2,462,961	\$ (526,406)	\$ 23,190,606

See accompanying notes to consolidated financial statements.

**Quorum Information Technologies Inc.**  
**Consolidated Statements of Cash Flows**  
(stated in Canadian dollars)

Year ended	Notes	December 31, 2019	December 31, 2018*
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net income (loss) for the period		\$ (1,105,842)	\$ (710,936)
Adjustments for:			
Amortization and depreciation		3,742,549	1,828,653
Stock-based compensation		540,624	503,656
Deferred income tax expense (recovery)		(171,464)	205,748
Loss on disposal of property and equipment		-	77,647
Interest expense		450,313	25,136
Change in non-cash operating working capital	20	39,001	(1,062,473)
		<b>3,495,181</b>	<b>867,431</b>
<b>Financing activities</b>			
Proceeds from equity issuance net of transaction costs		8,577,406	-
Proceeds from long-term debt		8,126,397	305,969
Proceeds from SR&ED		101,472	161,330
Repayment of line of credit		(250,000)	-
Repayment of long-term debt		(257,683)	(99,996)
Decrease (increase) in loan receivable		(262,574)	102,949
Repayment of lease liability		(673,695)	(31,663)
Retirement of bridge loan		(7,500,000)	-
		<b>7,861,323</b>	<b>438,589</b>
<b>Investing activities</b>			
Purchase of property and equipment		(800,443)	(214,379)
Software development costs		(3,054,792)	(2,509,036)
Contingent acquisition payments		(196,705)	-
Business combination net of cash acquired		(477,272)	(1,670,836)
		<b>(4,529,212)</b>	<b>(4,394,251)</b>
<b>Effect of foreign currency on cash</b>		<b>49,663</b>	<b>(80,186)</b>
<b>Increase (decrease) in cash</b>		<b>6,876,955</b>	<b>(3,168,417)</b>
<b>Cash, beginning of period</b>		<b>1,676,728</b>	<b>4,595,145</b>
<b>Cash, end of period</b>		<b>\$ 8,553,683</b>	<b>\$ 1,676,728</b>

See accompanying notes to consolidated financial statements.

\* The Corporation initially applied IFRS 16 using the cumulative effect method. Under this method, the comparative information is not restated. See note 25.

## 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 products: XSellerator™, a Dealership Management System (“DMS”) for the automotive market; Autovance Desk, a sales deskings system; the DealerMine Service and Sales Customer Relationship Management (“CRM”) system and Business Development Centre (“BDC”); and the Oasis Advantage showroom system.

## 2. Basis of Presentation

### Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and were authorized for issue by the Board of Directors on April 22, 2020.

### 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.

### Functional and presentation currency

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

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

### Reclassification of prior year presentation

Certain prior year amounts have been reclassified to conform with the current year’s presentation. These classifications had no material effect on the Corporation’s reported results of operations.

In 2019, the Corporation concluded that it was appropriate to reclassify the salaries and benefits of its research and development employees from cost of revenue to research and development expense. For the year ended December 31, 2019, \$710,928 (2018 - \$363,273) of such salaries and benefits are now included in research and development expense.

### 3. Significant Accounting Policies

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

#### Consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries: Quorum Information Systems Inc.; Quorum Information Technologies (US) Inc.; Autovance Technologies Inc. ("Autovance"); Oasis Auto Complete Systems Limited ("Oasis"); and DealerMine Inc., DealerMine USA Inc., and DealerMine USA Holdings Inc. (collectively "DealerMine"), all of which are wholly-owned. All inter-company balances and transactions are eliminated on consolidation.

#### Inventory

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

#### Property and Equipment

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

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

Estimates of useful lives are updated as required, but at least annually, whether or not the asset is revalued. The gain or loss arising on the disposal of property and equipment is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in net income.

#### Leases

Right of use lease assets and lease liabilities are recognized at the lease commencement date. The lease asset is recognized at the present value of the liability at the commencement date of the lease, plus initial direct costs. Also included in the lease asset are payments made before the commencement date, incentives received from the lessor, and estimated restoration costs if applicable. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments. It is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation estimates the incremental borrowing rate based on the lease term, collateral, and the applicable economic environment. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of certain modifications, changes in payments based on an index or rate, or due to changes in lease term.

The Corporation has elected not to recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. Fixed lease payments on such leases are recognized in general and administrative expenses on a straight-line basis over the lease term.

#### Identifiable Intangible Assets

Identifiable intangible assets include internally developed software, vendor distribution rights, and customer relationships and are recorded at cost, less accumulated amortization. One-half the normal amortization is

### 3. Significant Accounting Policies *(continued)*

taken in the year of acquisition. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 7. Amortization is provided using the following methods and rates:

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

Costs associated with maintaining computer software are expensed as incurred.

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

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

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

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

Directly attributable costs include employee costs incurred on software development along with any relevant and appropriate overheads. Internally generated software developments recognized as intangible assets are subject to the same subsequent measurement method as externally acquired software licenses. However, until completion of the development project, the assets are subject to impairment testing only as described below in note 7.

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

#### **Business Combinations and Goodwill**

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

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

### 3. Significant Accounting Policies *(continued)*

The Corporation uses its best estimates and assumptions to reasonably value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Corporation may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to profit or loss. For a given acquisition, the Corporation may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

#### **Impairment**

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

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of the fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of the cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

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

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

#### **Provisions**

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

#### **Revenue Recognition**

##### *Revenue from contracts with customers*

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 three revenue categories being, Software as a Service ("SaaS") revenue, BDC revenue, and services and one-time revenue. In these categories, the Corporation earns revenue by integrating and installing a server-based computing environment for its customers, providing technical support and maintenance services, upgrading customers to newer servers, and providing additional goods and services such as hardware or training.

### 3. Significant Accounting Policies *(continued)*

The Corporation recognizes revenue within each category as follows:

SaaS revenue is recognized ratably over the enforceable term of individual contracts, which is typically of a short duration. The Corporation satisfies its performance obligations as these services are made available over time. Usage-based revenue is recorded as the usage is incurred or service is consumed by the customer, based on a fixed agreed-upon amount per unit consumed.

DealerMine provides a BDC, cloud-based solution on a subscription basis. The Corporation has determined that installation services with respect to BDC services are not a distinct performance obligation and the initial upfront fee received from such customers represents a material right. The Corporation obtains prepayments for installation services. Payments for monthly services are received in advance in the month when the service is provided. Payments received in advance of satisfaction of the Corporation's revenue recognition policies are recorded as deferred revenue.

Services revenue includes goods and services not integral to system functionality (such as laptops, tablets or training revenue) and is recognized as control over the goods is transferred or as services are delivered and consumed. One-time revenue includes new installation revenue which is recognized over time as installation services are completed. As the installation period is normally less than two months, management has determined that this method reasonably approximates the transfer of the related goods and services. One-time revenue also includes transitions revenue. Transitions revenue is similar to new installations except it is recognized as the replacement system is installed.

#### **Contract Assets**

##### *Costs to obtain a contract*

Under IFRS 15, the Corporation allocates incremental commission costs to the various performance obligations to which they relate in proportion to the revenue expected to be generated from the transfer of the goods and services to which the commissions relate. The Corporation records such commissions as costs to obtain a contract (contract assets) when such costs are incremental and expected to be recovered. The Corporation amortizes the costs to obtain a contract in proportion to the contract revenue recorded versus total commissionable revenue. The Corporation believes that this is a systematic method that most closely reflects the expected timing of transfer to the customer of the goods and services to which the commissions relate. The current amortization period is based on the known or estimated life of the contract, which ranges from two to five years. Amortization is recorded in sales and marketing expenses on the consolidated statements of comprehensive income (loss).

##### *Contract fulfilment costs*

The Corporation recognizes contract fulfilment costs incurred at contract inception as a contract asset when such costs are incremental to an actual or anticipated contract and are expected to be recovered. The Corporation's contract fulfilment costs are the initial costs incurred to set up monthly services for customers. These costs are amortized as the associated material rights are fulfilled (i.e., as customers renew their contracts).

Contract assets are presented separately on the consolidated statement of financial position. The current portion of contract assets is presented in current assets. It represents the amount expected to be amortized over the next 12 months.

The Corporation reviews contract assets for impairment at the end of each reporting period, separately for each contract. The Corporation recognizes an impairment loss for the excess of the carrying amount of the contract asset over the remaining amount of contract consideration it expects to receive in exchange for the goods and services to which the asset relates less the costs that directly relate to providing those goods and services and that have not yet been recognized as an expense. Impairment losses are subject to reversals in future periods if conditions are met.

### **3. Significant Accounting Policies** *(continued)*

#### **Common Shares**

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

#### **Government Grants**

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

#### **Stock-based Compensation**

The Corporation uses the fair value method to account for stock-based compensation granted to employees, officers, and directors of the Corporation for grants under the Corporation's Incentive Award Plan. Compensation expense for stock-based compensation granted is based on the estimated fair value at the time of grant and the expense is recognized over the tranche's vesting period by increasing Share Capital, with a corresponding increase to stock-based compensation expense, based on the number of awards expected to vest.

#### **Income Taxes**

Income tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current and deferred taxes are recognized in earnings except to the extent that it relates to a business combination, or items are recognized directly in equity or in other comprehensive income. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

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

### **3. Significant Accounting Policies** *(continued)*

#### **Financial Instruments**

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

- measured at amortized cost;
- measured at fair value through profit & loss; or
- measured at fair value through other comprehensive income

The classification of financial assets is based on their context in the Corporation's business model and their contractual cash flow characteristics.

Financial liabilities are classified into one of the following categories on initial recognition:

- measured at amortized cost; or
- measured at fair value through profit & loss;

Financial assets and liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Gains and losses on re-measurement of financial assets and liabilities measured at fair value through profit and loss are recognized in profit or loss. For financial assets measured at fair value through other comprehensive income, gains and losses are recognized in other comprehensive income net of tax.

Expected credit losses associated with accounts receivable require management to assess certain forward looking and macroeconomic factors to determine whether there is a significant increase in credit risk as well as expected provisions on the balance outstanding at year-end as further described in Note 21.

#### **Net Income Per Share**

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

#### **Investment Tax Credits**

The Corporation is entitled to both non-refundable and refundable investment tax credits for qualifying research and development activities. Investment tax credits are a reduction of intangible assets when the amount is reliably estimable and the Corporation has reasonable assurance regarding compliance with the relevant objective conditions and that the credit will be realized.

#### **Significant Accounting Judgments and Estimates**

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

### 3. Significant Accounting Policies *(continued)*

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

#### *Accounts receivable*

Accounts receivable are recorded at the estimated recoverable amount which requires management to estimate uncollectable accounts. Expected credit losses associated with accounts receivable requires management to assess certain forward looking and macroeconomic factors to determine whether there is a significant increase in credit risk as well as expected provisions on the balance outstanding at year-end as further described in Note 21.

#### *Property and equipment*

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

#### *Internally generated software development costs*

Significant judgment is required in distinguishing research from the development phase. Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred. The Corporation's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

#### *Recoverability of asset carrying values and identification of cash-generating units*

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

### 3. Significant Accounting Policies *(continued)*

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

#### *Revenue*

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 Stand Alone Selling Price ("SSP") for each distinct performance obligation in order to allocate revenue where multiple performance obligations exist in a contract. Estimation is also needed in assessing the ability to collect the corresponding receivables. Management uses judgment to determine the appropriate amortization period for contract assets, evaluate whether costs incurred to obtain and fulfill a contract are incremental and expected to be recoverable, and to determine the appropriate method for over-time recognition of new installation revenue.

#### *Purchase Price Allocations*

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

#### *Stock-based compensation*

The fair value of stock options granted is measured using a Black-Scholes model. Measurement inputs include share price on measure date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. The Corporation estimates volatility based on historical trading history excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Corporation's normal share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest. Consequently, the actual stock-based compensation expense will vary from the amount estimated.

#### *Contingent consideration*

Where there is a contingent consideration in relation to a business acquisition, management determines the value of contingent consideration taking into account:

- The likelihood of occurrence of those events;
- Expected settlement period and amounts; and
- Discount rate, if contingent events are to occur over longer period of time.

### 3. Significant Accounting Policies *(continued)*

#### *Income Taxes*

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

#### *Commitments and contingencies*

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

### **Recent Accounting Pronouncements**

#### **Leases**

Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach. The new standard requires a lessee to recognize in the statement of financial position: a liability for future lease payments (the lease liabilities) and an asset for the right to use the underlying leased asset during the lease term (the lease assets).

The Corporation recognized the initial effect of applying IFRS 16 as an adjustment to deficit at January 1, 2019 (the date of initial application). Comparative information has not been restated and continues to be reported in accordance with the standards and accounting policies in effect prior to January 1, 2019.

The Corporation has applied the following practical expedients as permitted by IFRS 16:

- At the date of initial application, did not reassess whether a contract contained a lease, instead applying IFRS 16 only to contracts that were previously identified as leases;
- Did not recognize in the statement of financial position operating leases where the underlying asset was of low value or the lease term was 12 months or less (including the remaining lease term as at January 1, 2019);
- Used a single discount rate for portfolios of leases with similar characteristics;
- Relied on the Corporation's assessment of whether leases were onerous as at January 1, 2019 and did not test lease assets for impairment at the date of initial application;
- Excluded initial direct costs when measuring lease assets at January 1, 2019;
- Did not separate the non-lease components from the lease components; and
- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

Refer to Note 25 for further details on the transition to IFRS 16.

#### 4. Business Combinations

##### Oasis Auto Complete Systems Limited

On January 2, 2019, Quorum completed the acquisition of all of the issued and outstanding shares of Oasis Auto Complete Systems Limited (the "Oasis Acquisition"). Oasis was an Ontario-based private company that develops, implements and supports its Auto Complete dealership management system and Advantage Showroom system for the Canadian automotive industry. The acquisition of Oasis will support Quorum's strategic integrated end-to-end business process direction.

The aggregate purchase price was \$1,113,000 consisting of \$485,000 in cash paid on the date of acquisition, \$100,000 in Quorum shares which equates to 156,250 Quorum shares based on the closing share price and contingent consideration at a fair value of \$528,000. The undiscounted value of the contingent consideration is \$600,000. In conjunction with the Oasis Acquisition, the Corporation recorded \$1,600 in transaction costs to general and administrative expenses during the year ended December 31, 2019 and \$16,000 in transactions costs to general and administrative during the year ended December 31, 2018.

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

<b><i>Allocation of purchase price</i></b>	
Current assets <sup>6</sup>	\$ 59,666
Property and equipment	702
Intangible assets	705,000
Goodwill	625,644
<b>Total assets</b>	<b>1,391,012</b>
Current liabilities	91,187
Deferred income tax liability	186,825
Total liabilities	278,012
<b>Net assets acquired</b>	<b>\$ 1,113,000</b>
<b><i>Consideration given</i></b>	
Cash	\$ 485,000
Contingent consideration	528,000
Common shares	100,000
<b>Total consideration</b>	<b>\$ 1,113,000</b>

As of December 31, 2019, there is \$239,265 of contingent consideration due to the previous owners of Oasis.

From the date of this acquisition to December 31, 2019, Oasis contributed \$852,825 of revenue to the Corporation. The goodwill recognized on the Oasis Acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Corporation. The goodwill will be examined annually for impairment.

<sup>6</sup> Includes cash acquired on acquisition of \$7,725

**4. Business Combinations** *(continued)*

**DealerMine Inc.**

On October 31, 2018, Quorum completed the acquisition of all of the issued and outstanding shares of DealerMine Inc. and its wholly owned subsidiaries DealerMine USA Inc., and DealerMine USA Holdings Inc. (the "DealerMine Acquisition"). DealerMine was a New Brunswick-based private company that provides service and sales customer relationship management software and business development centre services to the Canadian and US automotive industry. The acquisition of DealerMine will support Quorum's strategic integrated end-to-end business process direction. The aggregate purchase price was \$14,000,000 consisting of \$2,125,000 in cash paid on the date of acquisition, a \$7,500,000 Bridge Loan and \$4,375,000 in Quorum shares which equates to 7,543,104 Quorum shares based on a 30-day volume-weighted average trading price. In conjunction with the DealerMine Acquisition, the Corporation recorded \$97,000 in transaction costs to general and administrative expenses during the year ended December 31, 2018.

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

***Allocation of purchase price***

Current assets <sup>7</sup>	\$ 1,520,509
Property and equipment	135,102
Intangible assets	10,700,000
Goodwill	5,106,604
<b>Total assets</b>	<b>17,462,215</b>

Current liabilities	1,376,006
Deferred income tax liability	2,086,209
Total liabilities	3,462,215
<b>Net assets acquired</b>	<b>14,000,000</b>

***Consideration given***

Cash	\$ 2,125,000
Bridge loan	7,500,000
Common shares	4,375,000
<b>Total consideration</b>	<b>\$14,000,000</b>

From the date of this acquisition to December 31, 2018, DealerMine contributed \$2,184,240 of revenue to the Corporation. The goodwill recognized on the DealerMine Acquisition is primarily attributed to the assembled workforce, the synergies existing within the acquired businesses, and the synergies which will contribute to operational efficiencies within the rest of the Corporation. The goodwill will be examined annually for impairment.

<sup>7</sup> Includes cash acquired on acquisition of \$454,164

## 5. Contract Assets

Year ended	December 31, 2019	December 31, 2018
Balance – beginning of year	\$ 259,420	\$ -
Additions	252,216	403,146
Amortization	(151,024)	(143,726)
Balance – end of year	360,612	259,420
<b>Current portion of contract assets – end of year</b>	<b>\$ 282,104</b>	<b>\$ 227,385</b>
<b>Long-term portion of contract assets – end of year</b>	<b>\$ 78,508</b>	<b>\$ 32,035</b>

## 6. 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	Leased Office Equipment	Leasehold Improve- ments	Total
<b>Gross Carrying Amount</b>						
Balance - January 1, 2019	\$1,127,863	\$712,122	\$323,032	\$185,408	\$142,284	\$2,490,709
Additions	204,881	117,656	334,493	-	172,520	829,550
Net book value adjustments	(2,455)	-	(5,194)	-	(22,008)	(29,657)
Additions through business combinations (Note 4)	143	-	559	-	-	702
ACOA loan proceeds	(38,156)	(26,445)	(22,636)	-	(12,261)	(99,498)
Net exchange differences	839	-	1,559	-	-	2,398
Balance - December 31, 2019	1,293,115	803,333	631,813	185,408	280,535	3,194,204
<b>Depreciation</b>						
Balance - January 1, 2019	984,775	680,250	194,840	12,361	10,361	1,882,587
Depreciation	66,067	77,149	80,737	12,361	46,761	283,075
Balance - December 31, 2019	1,050,842	757,399	275,577	24,722	57,122	2,165,662
<b>Carrying amount December 31, 2019</b>	<b>\$ 242,273</b>	<b>\$ 45,934</b>	<b>\$ 356,236</b>	<b>\$ 160,686</b>	<b>\$ 223,413</b>	<b>\$ 1,028,542</b>

	Computer Hardware	Computer Software	Office Equipment	Leased Office Equipment	Leasehold Improve- ments	Total
<b>Gross Carrying Amount</b>						
Balance - January 1, 2018	\$1,086,441	\$ 648,371	\$ 372,841	\$ -	\$ 47,898	\$2,155,551
Additions	44,047	65,360	69,125	185,408	35,847	399,787
Disposals	-	-	(136,276)	-	(40,848)	(177,124)
Additions through business combinations (Note 4)	6,693	-	22,209	-	106,199	135,101
ACOA loan proceeds	(9,318)	(1,609)	(4,867)	-	(6,812)	(22,606)
Balance - December 31, 2018	1,127,863	712,122	323,032	185,408	142,284	2,490,709
<b>Depreciation</b>						
Balance at January 1, 2018	934,127	634,269	238,250	-	28,628	1,835,274
Disposals	-	-	(86,278)	-	(26,675)	(112,953)
Depreciation	50,648	45,981	42,868	12,361	8,408	160,266
Balance - December 31, 2018	984,775	680,250	194,840	12,361	10,361	1,882,587
<b>Carrying amount December 31, 2018</b>	<b>\$ 143,088</b>	<b>\$ 31,872</b>	<b>\$ 128,192</b>	<b>\$ 173,047</b>	<b>\$ 131,923</b>	<b>\$ 608,122</b>

## 7. Intangible Assets and Goodwill

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

	Software Development Costs	Vendor Distribution Rights	Customer Relationships	Total Intangible Assets	Goodwill
<b>Gross Carrying Amount</b>					
Balance - January 1, 2019	\$ 29,752,491	\$ 42,646	\$ 2,900,000	\$ 32,695,137	\$ 5,592,369
Additions through business combinations (Note 4)	365,000	863	340,000	705,863	843,204
ACOA loan proceeds	(201,504)	-	-	(201,504)	-
Additions	2,938,895	-	-	2,938,895	-
Balance - December 31, 2019	32,854,882	43,509	3,240,000	36,138,391	6,435,573
<b>Amortization</b>					
Balance - January 1, 2019	13,604,316	33,599	24,167	13,662,082	-
Amortization	2,474,862	493	304,167	2,779,522	-
Balance - December 31, 2019	16,079,178	34,092	328,334	16,441,604	-
<b>Carrying amount December 31, 2019</b>	<b>\$ 16,775,704</b>	<b>\$ 9,417</b>	<b>\$ 2,911,666</b>	<b>\$ 19,696,787</b>	<b>\$ 6,435,573</b>

	Software Development Costs	Vendor Distribution Rights	Customer Relationships	Total Intangible Assets	Goodwill
<b>Gross Carrying Amount</b>					
Balance - January 1, 2018	\$ 19,803,155	\$ 42,646	\$ -	\$ 19,845,801	\$ 485,765
Additions through business combinations (Note 4)	7,800,000	-	2,900,000	10,700,000	5,106,604
ACOA loan proceeds	(116,827)	-	-	(116,827)	-
Additions	2,266,163	-	-	2,266,163	-
Balance - December 31, 2018	29,752,491	42,646	2,900,000	32,695,137	5,592,369
<b>Amortization</b>					
Balance - January 1, 2018	12,104,352	33,069	-	12,137,421	-
Amortization	1,499,964	530	24,167	1,524,661	-
Balance - December 31, 2018	13,604,316	33,599	24,167	13,662,082	-
<b>Carrying amount December 31, 2018</b>	<b>\$ 16,148,175</b>	<b>\$ 9,047</b>	<b>\$ 2,875,833</b>	<b>\$ 19,033,055</b>	<b>\$ 5,592,369</b>

### Impairment testing for cash-generating units

For the purpose of impairment testing, software development costs, vendor distribution rights, customer relationships and goodwill are allocated to the Corporation's cash generating units ("CGUs") which represent the lowest level within the Corporation at which these assets are monitored for internal management purposes. The Corporation recognizes six CGUs: GM Canadian Dealerships ("GM CDN"), GM United States Dealerships ("GM US"), Other Original Equipment Manufacturer Dealerships ("Other OEM"), Autovance Desk ("AV Desk"), DealerMine and Advantage.

**7. Intangible Assets and Goodwill** *(continued)*

The Corporation tests the CGUs annually for impairment. The Corporation's impairment analysis as of December 31, 2019 indicated that the carrying of the net assets for all of the CGUs did not exceed their respective recoverable values and, therefore, no indication of impairment exists.

The recoverable amount of the CGUs was based on their value in use. The key assumptions for the value in use calculations are the discount rates and expected growth rates in future cash flows. Management estimates discount rates for the purpose of the impairment analysis using pre-tax rates that reflect the estimated weighted average cost of capital of the Corporation. This discount rate has been calculated using an estimated risk-free rate of return adjusted for the Corporation's estimated equity market risk premium and the Corporation's estimated cost of debt. An estimated pre-tax discount rate of 14% was used as at December 31, 2019 (2018 – 16%). The growth rates represent management's current assessment of future trends in the industry and are based on both external and internal sources, as well as historical data.

The Corporation prepares cash flow forecasts for the purpose of the impairment analysis for the upcoming year and subsequent ten-year period based on estimated support revenue growth rates of 0% to 15% depending on the CGU. Future cash flows are based on various assumptions and judgments including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels.

**8. Bank Indebtedness**

On October 18, 2018, the Corporation entered into a credit facility agreement with HSBC Bank that allows Quorum to borrow up to \$750,000 to meet working capital requirements, subject to the value of certain accounts receivable ("the "Facility"). The Facility is secured by a first priority security interest in all of the Corporation's present and after-acquired property. As of December 31, 2019, based on eligible accounts receivable, the maximum draw on the Facility was \$750,000. Amounts drawn on the Facility incur interest at a rate of prime plus 1.25%. The balance drawn as of December 31, 2019 was \$nil (2018 - \$nil).

On May 10, 2012, DealerMine Inc. entered into a credit facility agreement with Royal Bank of Canada that allows DealerMine to borrow up to \$250,000 to meet working capital requirements, subject to the value of certain accounts receivable less potential prior-ranking claims. The Facility is secured by a first priority interest in all of DealerMine's property. As of December 31, 2019, based on eligible accounts receivable, the maximum draw on the Facility was \$250,000. Amounts drawn on the Facility incur interest at a rate of prime plus 2.25%. The balance drawn as of December 31, 2019 was \$nil (2018 - \$250,000).

**9. Long-term Debt and Loan Receivable**

As at	December 31, 2019		December 31, 2018	
	Loan Receivable	Debt	Loan Receivable	Debt
ACOA financing 2016	\$ -	\$ 420,438	\$ -	\$ 474,351
ACOA financing 2018	-	75,134	-	28,568
ONB financing 2014	-	104,887	-	155,946
ACOA financing 2019 - XSellerator	262,574	139,110	-	-
ACOA financing 2019 - DealerMine	-	63,589	-	-
BDC Capital Inc. facility 2019	-	8,234,084	-	-
	<b>262,574</b>	<b>9,037,242</b>	-	658,865
Installments due within one year	-	207,229	-	122,932
<b>Total</b>	<b>\$ 262,574</b>	<b>\$8,830,013</b>	<b>\$ -</b>	<b>\$ 535,933</b>

**ACOA financing 2016**

On July 5, 2016, the Corporation entered into a loan agreement with the Atlantic Canada Opportunities Agency (“ACOA”) to finance the XSellerator refactoring project, which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The maximum amount of loan is \$1,076,067 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2019, the Corporation has incurred certain costs eligible under this agreement and is entitled to, and has received, the full amount of \$1,076,067. The carrying value of the loan is \$420,438, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan on inception and the cash received of \$1,076,067 has been accounted for as a government grant (refer to Note 10). 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. Annual repayments commenced on September 1, 2019. The maturity date is estimated to be September, 2023, as the loan is provisionally repayable.

**ACOA financing 2018**

On March 26, 2018, the Corporation entered into a 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 this agreement. As of December 31, 2019, \$145,932 was received. The carrying value of the loan is \$75,134, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan on inception and the cash received has been accounted for as a government grant (refer to Note 10). The loan, which is unsecured and interest-free, matures on June 30, 2024 and is repayable in equal monthly installments. Payments commenced on October 1, 2019.

**ONB financing 2014**

On April 11, 2014, DealerMine Inc. entered into a forgivable loan agreement with the New Brunswick Government (“ONB Financing 2014”) to finance new hires required for the Business Development Centre (“BDC”) expansion. The maximum amount of the forgivable loan was \$250,000 based on creating 135 new full-time positions. The hiring threshold was not achieved and DealerMine is required to pay back the forgivable loan. As of December 31, 2019, the carrying value of the loan is \$104,887. \$Nil was received in December 31, 2019 and December 31, 2018. The loan will mature on September 1, 2020.

**9. Long-term Debt (continued)**

**ACOA financing – 2019 - XSellerator**

On June 25, 2019, the Corporation entered into a loan agreement with ACOA to finance the XSellerator lead generation data hub project. The maximum amount of loan is \$1,542,245 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2019, \$281,561 was received and \$262,574 is receivable. The carrying value of the loan is \$139,110, and has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan on inception and the cash received has been accounted for as a government grant (refer to Note 10). The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues from the resulting products for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2022.

**ACOA financing – 2019 - DealerMine**

On July 8, 2019, DealerMine Inc. entered into a forgivable loan agreement with ACOA to finance the DealerMine BDC expansion project, which includes new furniture, hardware and leasehold improvements required for a partnership agreement with AutoCanada. The maximum amount of the loan is \$117,500 and the amount will be released by ACOA when DealerMine incurs the costs eligible for reimbursement under the agreement. As of December 31, 2019, \$117,500 was received. The carrying value of the loan is \$63,589, which has been computed using a 15% rate of interest over 4 years. The difference between the fair value of the loan on inception and the cash to be received has been accounted for as a government grant (refer to Note 10). The loan, which is unsecured and interest-free, matures on October 31, 2023 and is repayable in equal monthly installments. The first payment is due on May 1, 2020.

**BDC Capital Inc. facility 2019**

On March 4, 2019, the Corporation closed a loan agreement with BDC Capital Inc. to finance the DealerMine acquisition and to provide additional working capital. The maximum loan amount is \$15,000,000 and \$8,125,000 has been drawn on to date. The carrying value of the loan is \$8,234,084 using an 11.7% rate of interest over six years. The loan is secured by a General Security Agreement on all of Quorum's present and after acquired personal property and on all present and future assets of Quorum related to intellectual property. The security interest ranks in first position with respect to intellectual property but subordinated in rank to any other security granted. The loan will mature on January 15, 2025.

**Scheduled principal repayments**

Scheduled principal repayments at December 31, 2019 are as follows:

2020	\$	207,229
2021		144,389
2022		169,995
2023		172,012
2024		27,106
2025 & later		8,316,511
		\$ 9,037,242

## 10. Government Grants and Assistance

As noted in Note 9 above the Corporation has recorded as long-term debt, government grants and other assistance with respect to the following:

- ACOA financing 2016
- ACOA financing 2018
- ONB financing 2014
- ACOA financing 2019 – XSellerator
- ACOA financing 2019 - DealerMine

In addition to the above, the Corporation has received approval for the following government grants and other assistance:

Grantor	Maximum funding	Received to December 31, 2019	Purpose and terms	Net income inclusion	
				2019	2018
National Research Council of Canada Industrial Research Assistance Program ("NRC-IRAP") (May 2, 2016)	\$ 272,801	\$ 272,801	<ul style="list-style-type: none"> <li>• To develop an improved communication system for dealerships and their customers</li> <li>• Non-repayable</li> </ul>	\$ -	\$ 37,029
Newfoundland and Labrador Innovation Council (March 28, 2018)	\$249,329	\$249,329	<ul style="list-style-type: none"> <li>• To develop a Customer Direct Vehicle Sales tool for dealerships and their customers</li> <li>• Non-repayable</li> </ul>	\$53,489	\$195,840
Government of Newfoundland and Labrador, Department of Tourism, Culture, Industry and Innovation (May 15, 2018)	\$500,000	\$500,000	<ul style="list-style-type: none"> <li>• The achievement of specific employment targets under the Investment Attraction Fund</li> <li>• Non-repayable as long as the Corporation is successful in achieving employment targets</li> </ul>	\$162,404	\$337,596
NRC-IRAP (June 15, 2018)	\$225,063	\$225,063	<ul style="list-style-type: none"> <li>• To develop load balance cloud services for dealerships and their customers</li> <li>• Non-repayable</li> </ul>	\$112,336	\$112,727
Alberta Innovates Technology Futures ("AITF") (R&D Associates Grant) (January 13, 2017)	\$79,250	\$79,250	<ul style="list-style-type: none"> <li>• To conduct work on Autovance's F&amp;I Menu platform</li> <li>• Non-repayable</li> </ul>	\$14,000	\$65,250
AITF (Commercialization Associates Grant) (August 1, 2017)	\$95,000	\$95,000	<ul style="list-style-type: none"> <li>• To assist with the commercialization of Autovance's Desking and Menu platforms</li> <li>• Non-repayable</li> </ul>	\$54,500	\$40,500
NRC-IRAP (October 22, 2018)	\$150,000	\$139,450	<ul style="list-style-type: none"> <li>• To assist with the R&amp;D work on Autovance's F&amp;I Menu platform</li> <li>• Non-repayable</li> </ul>	\$112,695	\$26,755
CanExport Program (November 15, 2018)	\$37,500	\$37,500	<ul style="list-style-type: none"> <li>• To assist Autovance with their expansion into the US Market</li> <li>• Non-repayable</li> </ul>	\$37,500	\$ -
				<b>\$ 546,924</b>	<b>\$ 815,697</b>

## 11. Bridge Loan

On October 31, 2018, the Corporation entered into a \$7,500,000 promissory note (the "Bridge Loan") with Powerband Global Inc. for the purchase of DealerMine Inc. The Corporation was required to pay interest at a rate of 0% for the first two months and 12% for the remaining ten months. The loan was secured by a general security agreement in favour of Powerband Global Inc. and undertaking of the Corporation. On March 8, 2019, the Bridge Loan was retired and replaced with the BDC Capital Facility (Note 9).

## 12. Income Taxes

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

<b>Year ended</b>	<b>December 31, 2019</b>	December 31, 2018
Income (loss) before deferred income tax expense	<b>(1,277,306)</b>	\$ (505,188)
Estimated combined corporate tax rate	<b>26.65%</b>	28.5%
Calculated income tax expense (recovery)	<b>(340,402)</b>	(143,979)
Nondeductible items for tax purposes	<b>241,516</b>	184,584
Change in future income tax rates	<b>(13,055)</b>	-
Difference in rates in other jurisdictions- US	<b>2,625</b>	10,083
Adjustments and assessments	<b>(62,148)</b>	155,060
<b>Net deferred income tax expense (recovery)</b>	<b>\$ (171,464)</b>	\$ 205,748

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

<b>As at</b>	<b>December 31, 2019</b>	December 31, 2018
Property and equipment	<b>\$ 539,277</b>	\$ 683,650
Loss carry forwards	<b>1,906,572</b>	1,611,677
Investment tax credits	<b>89,573</b>	133,676
Share issue costs	<b>133,774</b>	6,660
Deferred tax asset	<b>\$ 2,669,196</b>	\$ 2,435,663
Property and equipment	<b>\$ 24,251</b>	\$ 51,683
Intangible assets	<b>(2,766,389)</b>	(3,232,833)
Loss carry forwards	<b>11,164</b>	687,280
Deferred tax liability	<b>\$ (2,730,974)</b>	\$ (2,493,870)

**12. Income Taxes** *(continued)*

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

<b>As at</b>	<b>December 31, 2019</b>	December 31, 2018
Undepreciated capital cost	<b>\$ 5,401,669</b>	\$ 3,448,909
SR&ED expenditures	<b>11,646,687</b>	11,454,957
Cumulative capital expenditures	<b>11,950</b>	11,950
Non-capital losses	<b>7,008,401</b>	8,359,207
Share issue costs	<b>495,461</b>	24,665
<b>Tax pools available for carry forward</b>	<b>\$ 24,564,168</b>	\$ 23,299,688

The Corporation has \$7,008,401 of non-capital losses available for income tax purposes to reduce taxable income of future years that expire as follows:

	<b>Canada</b>	<b>United States</b>
2026	\$ -	\$ 1,163,289
2027	-	1,584,975
2028	-	899,578
2029	23,594	-
2030	95,538	-
2032	88,994	688,790
2033	86,709	-
2034	118,061	-
2035	105,185	-
2036	155,685	-
2037	194,538	18,579
2038	492,469	400,669
2039	891,748	-
	<b>\$ 2,252,521</b>	<b>\$ 4,755,880</b>

### 13. Investment Tax Credits

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

<b>As at</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
2002	\$ 192,988	\$ 192,988
2003	279,845	279,845
2004	463,146	463,146
2005	573,125	573,125
2006	580,940	580,940
2007	387,520	387,520
2008	218,944	218,944
2009	125,134	125,134
2010	147,903	147,903
2011	147,078	147,078
2012	161,871	161,871
2013	44,363	44,363
2014	22,844	22,844
2015	43,508	43,508
2016	31,852	31,852
2017	98,206	98,206
2018	75,221	-
	<b>\$ 3,594,488</b>	<b>\$ 3,519,267</b>

The Corporation is preparing the application for government research and development tax credits pertaining to the 2019 taxation year. These credits have not yet been recognized by the Corporation nor approved by the authorities. The actual amount realized may vary from the estimate of \$140,142.

### 14. Share Capital

#### Authorized

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

#### Issued and Outstanding

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

<b>As at</b>	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
<b>Common Shares</b>				
Balance, beginning of year	60,471,798	\$21,254,051	52,395,594	\$16,531,143
Issued pursuant to stock-based compensation	642,900	536,172	443,100	295,708
Contingent consideration	149,334	86,614	90,000	52,200
Issued pursuant to acquisition, Autovance (Note 4)	156,250	100,000	7,543,104	4,375,000
Issued pursuant to private placement	10,574,825	8,580,771	-	-
<b>Balance, end of year</b>	<b>71,995,107</b>	<b>30,557,608</b>	<b>60,471,798</b>	<b>\$21,254,051</b>

**14. Share Capital** *(continued)*

On November 7, 2019, Quorum successfully closed its bought deal private placement offering of common shares. The offering was completed through a syndicate of underwriters. Pursuant to the offering, Quorum issued 10,574,825 shares, which included 1,379,325 shares issued pursuant to an overallotment option that was exercised in full by the Underwriters, at a price of \$0.87 per share for aggregate gross proceeds of \$9,200,098. The net proceeds of the offering will be used for growth initiatives, working capital, general corporate purposes and future potential acquisition opportunities.

**Net income per share**

In calculating the basic and diluted net income per share for the years ended December 31, 2019 and 2018, 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 \$0.83 for the fiscal year 2019 and \$0.61 for the fiscal year 2018. As of December 31, 2019, and 2018, all stock options have expired and there are no dilutive shares.

Year ended	December 31, 2019	December 31, 2018
<b>Net Income (loss)</b>	<b>\$ (1,105,842)</b>	<b>\$ (710,936)</b>
<b>Common Shares</b>		
Balance	62,530,707	54,029,760
Effect of dilutive shares	-	-
<b>Diluted shares outstanding</b>	<b>62,530,707</b>	<b>54,029,760</b>
<b>Net income (loss) per share – basic</b>	<b>\$ (0.018)</b>	<b>\$ (0.013)</b>
<b>Net income (loss) per share – diluted</b>	<b>\$ (0.018)</b>	<b>\$ (0.013)</b>

**15. Stock-Based Compensation**

As at December 31, 2019, a total of 7,199,511 common shares were reserved for issuance under the Corporation's Stock Option Plan and Restricted Stock Unit Plan (2018 - 6,047,180) of which 6,406,411 common shares remain available for grant (2018 - 5,300,980). 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.

**Stock Option Plan**

Quorum may provide 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 at December 31, 2019 and 2018, there were no stock options outstanding.

**15. Stock-Based Compensation (continued)**

**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 in the year of grant, and one-third in each of the subsequent two years. As of December 31, 2019, a total of 3,318,100 Restricted Stock Units at an average price of \$0.56 (2018 – 2,655,200 RSUs at \$0.50), since plan inception, have vested. During 2019, 720,000 RSU's were granted and 642,900 RSU's vested over the year (2018 - 1,119,300 and 443,100 respectively).

For the year ended December 31, 2019 stock-based compensation expense of \$540,624 (2018 - \$503,656) was recorded related to the RSU compensation plan. Restricted Stock Units for the respective periods and the number of RSU's outstanding are summarized as follows:

Year ended	December 31, 2019		December 31, 2018	
	Number of RSU's	Average price	Number of RSU's	Average price
Balance, beginning of year	746,200	\$ 0.68	70,000	\$ 0.56
Granted during the year	720,000	1.01	1,119,300	0.68
Vested during the year	(642,900)	0.82	(443,100)	0.65
Forfeited during the year	(30,200)	0.68	-	-
<b>Balance, end of year</b>	<b>793,100</b>	<b>\$ 0.87</b>	746,200	\$ 0.68

**16. Contributed Surplus**

Year ended	December 31, 2019	December 31, 2018
Contributed surplus, beginning of year	\$ 2,462,961	\$ 2,307,213
Contingent acquisition consideration	(86,614)	(52,200)
Stock based compensation granted	540,624	503,656
Issued pursuant to stock-based compensation	(536,172)	(295,708)
<b>Contributed surplus, end of year</b>	<b>\$ 2,380,799</b>	<b>\$ 2,462,961</b>

**17. Revenue**

Year ended	December 31, 2019	December 31, 2018
SaaS revenue	\$ 22,302,910	\$ 12,736,266
BDC revenue	6,848,598	804,843
Services and one-time revenue	3,689,828	2,899,567
	<b>\$ 32,841,336</b>	<b>\$ 16,440,676</b>

## 18. Cost of Revenue

Year ended	December 31, 2019	December 31, 2018
SaaS costs	\$ 7,590,558	\$ 4,081,956
BDC costs	6,182,209	703,303
Services and one-time revenue costs	3,845,126	3,271,425
	<b>\$ 17,617,893</b>	<b>\$ 8,056,684</b>

Cost of revenue is net of government grants and assistance of \$366,617 (2018 - \$469,619).

## 19. Amortization and Depreciation

Year ended	Notes	December 31, 2019	December 31, 2018
Amortization of intangible assets	7	\$ 2,779,522	\$ 1,524,661
Amortization of contract assets	5	151,024	143,726
Depreciation of property and equipment	6	270,714	160,266
Depreciation of lease assets	25	541,289	-
		<b>\$3,742,549</b>	<b>\$ 1,828,653</b>

## 20. Supplementary Cash Flow Information

The following table presents the net change in non-cash operating working capital.

Year ended	December 31, 2019	December 31, 2018
Increase in accounts receivable	\$ (722,582)	\$ (675,550)
Decrease (increase) in inventory	(1,200)	(1,340)
Decrease (increase) in prepaid expenses	80,532	(136,563)
Increase in contract assets	(54,719)	(307,284)
Increase in accounts payable and accrued liabilities	596,784	81,477
Increase (decrease) in contract liability	140,186	(23,213)
<b>Net change in non-cash operating working capital</b>	<b>\$ 39,001</b>	<b>\$ (1,062,473)</b>

## 21. Financial Instruments and Risk Management

### Financial instrument measurement and classification

The classification of financial instruments remains consistent at December 31, 2019 with that as at December 31, 2018 with all financial assets and liabilities, other than contingent consideration payable carried at amortized cost. The carrying value of cash, accounts receivable, loan receivable, bank indebtedness, accounts payable and accrued liabilities, contingent consideration, and bridge loan approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Corporation's current credit premium. Government loans are measured at fair value upon recognition, and the carried at carrying value in subsequent reporting periods. Long-term debt is measured at fair value upon initial recognition, and then carried at amortized cost in subsequent reporting periods. The fair value of long-term debt where interest is charged at a fixed rate will fluctuate with market rate fluctuations. Contingent consideration payable is a level 3 fair value in the fair value hierarchy.

### Credit risk

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

<b>Year ended</b>	<b>December 31, 2019</b>	December 31, 2018
Past due 61 – 90 days	<b>\$ 289,478</b>	\$ 197,051
Past 90 days	<b>174,925</b>	194,530
<b>Total past due</b>	<b>\$ 464,403</b>	<b>\$ 391,581</b>

The Corporation reduces an account receivable to its estimated recoverable amount. At December 31, 2019, the Corporation had recorded a provision of \$33,094 (2018 – \$14,467) relating to accounts receivable which may not be collectible.

### Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its working capital balances denominated in foreign currencies and on the translation of its foreign operations. The Corporation uses the U.S. dollar as its functional currency for the operations of Quorum Information Technologies (US) Inc. The Corporation manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions. A 10% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates.

For the year ended December 31, 2019, a 10% increase/decrease in the Canadian dollar vis-à-vis the U.S. dollar is estimated to decrease/increase net income of the Corporation from unrealized gains/losses by approximately \$13,193 (2018 – \$143,287), and from realized gains/losses approximately \$2,820 (2018 – \$70,326). At December 31, 2019, the Corporation has not entered into any foreign exchange U.S. dollar forward purchase contracts to manage its exposure to upcoming U.S. dollar denominated purchases pursuant to its Canadian operations.

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

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due and describes the Corporation's ability to access cash. The Corporation requires sufficient cash resources to finance operations, fund capital expenditures, repay debt, and settle other liabilities of the Corporation as they come due. The Corporation manages liquidity risk through management of its operational cash flows. The following table details the remaining contractual maturities of the Corporation's financial liabilities as of December 31, 2019:

	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>5+ years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$2,794,250	\$ -	\$ 77,560	\$ -	\$ 2,871,810
Long-term debt <sup>8</sup>	207,229	144,389	369,113	8,316,511	9,037,242
Leases	453,056	448,448	1,114,947	1,470,557	3,487,008
	<b>\$3,454,535</b>	<b>\$592,837</b>	<b>\$1,561,620</b>	<b>\$9,787,068</b>	<b>\$15,396,060</b>

**22. Segmented Information**

The Corporation operates in one segment, the computer network and business software industry. Revenue and long-term assets by geographic area are summarized as follows:

**Revenue**

<b>Year ended</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Canada	<b>\$ 27,155,288</b>	\$ 13,042,756
United States	<b>5,686,048</b>	3,397,920
<b>Total revenue</b>	<b>\$ 32,841,336</b>	<b>\$ 16,440,676</b>

**Long-Term Assets<sup>9</sup>**

<b>Year ended</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Canada	<b>\$ 30,364,943</b>	\$ 25,483,087
United States	<b>12,669</b>	9,879
<b>Total long-term assets</b>	<b>\$ 30,377,612</b>	<b>\$ 25,492,966</b>

**23. Related Parties**

Included in general and administrative expense and sales and marketing expense is remuneration of the key management personnel of the Corporation, which includes directors and officers of the Company. For the year ended December 31, 2019, remuneration of \$1,703,234 included \$1,343,034 of salaries and cash-based compensation and \$360,200 of stock-based compensation costs (2018 - \$1,100,892 and \$98,300, respectively).

<sup>8</sup> Undiscounted amount

<sup>9</sup> Includes: Property and equipment, lease assets, intangible assets, goodwill and contract assets.

## 24. Capital Structure

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

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

## 25. Transition to IFRS 16

The impact on the Corporation's consolidated statement of financial position at January 1, 2019 as a result of applying IFRS 16 was as follows:

	<b>Increase / (Decrease)</b>
<b>Assets</b>	
Lease assets	\$ 2,047,051
<b>Liabilities</b>	
Lease liabilities	2,188,780
<b>Net impact on deficit, January 1, 2019</b>	<b>\$ (141,729)</b>

In addition to the amounts above, the Corporation also reclassified \$153,745 in finance lease liabilities for leased furniture at January 1, 2019 to lease liabilities. The leased furniture continues to be presented in property, plant and equipment.

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's weighted-average incremental borrowing rate at January 1, 2019 of 8.32%. All lease assets were measured based on the amount that would be recognized at January 1, 2019 as if IFRS 16 had been applied from inception of the lease agreement. There were no deferred balances or onerous lease provisions that required adjustments to lease assets at January 1, 2019.

Differences between the amount of lease liabilities above and \$6,509,306 that related to the minimum lease payments disclosed in Note 17 of the Corporation's December 31, 2018 annual consolidated financial statements, are due to the following:

Operating minimum lease payments disclosed as at December 31, 2018	\$ 6,509,306
Less: Short-term leases exemption	(11,553)
Less: Variable lease payments not included in lease liabilities	(3,691,169)
Undiscounted lease payments	2,806,584
Discount effect at January 1, 2019	(617,714)
<b>Lease liabilities recognized at January 1, 2019</b>	<b>\$ 2,188,780</b>

## Changes in Significant Accounting Policies due to the adoption of IFRS 16

These policies apply to contracts entered into or modified on or after January 1, 2019.

**25. Transition to IFRS 16 (continued)**

A contract contains a lease if it conveys the right to control the use of a specified asset for a time period in exchange for consideration. To identify a lease, the Corporation determines whether it has the right to direct the use of the specified underlying asset and also obtains substantially all the economic benefits from its use. The Corporation does not apply the provisions of IFRS 16 to intangible assets.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, significance of other assets (such as leasehold improvements), termination and relocation costs, location characteristics, and any sublease term.

The Corporation has elected not to recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. Fixed lease payments on such leases are recognized in general and administrative expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the remaining lease payments. It is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation estimates the incremental borrowing rate based on the lease term, collateral, and the applicable economic environment. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of certain modifications, changes in payments based on an index or rate, or due to changes in lease term.

The lease asset is recognized at the present value of the liability at the commencement date of the lease, plus initial direct costs. Also included in the lease asset are payments made before the commencement date, incentives received from the lessor, and estimated restoration costs if applicable. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Corporation has leases for buildings, office furniture, vehicles and office equipment. Leases of office equipment qualify as low-value assets and are therefore not recognized in the statement of financial position as lease assets. Lease terms range from 3.5 to 7.5 years. The Corporation may include purchase, extension or termination options in its leases to accommodate potential changes in the business. After inception of the lease, the Corporation reassesses expectations about the exercise of renewal or termination options only when a significant event or change in circumstances occurs that is within the Corporation's control.

The Corporation's low-value and short-term leases are not material.

Information about the leases for which the Corporation is a lessee is presented below:

**Lease assets**

	<b>Buildings</b>	<b>Vehicles</b>	<b>Office Furniture<sup>10</sup></b>	<b>Total</b>
Carrying Amount - January 1, 2019	\$ 2,022,009	\$ 25,042	\$ 173,047	\$ 2,220,098
Additions	1,632,440	-	-	1,632,440
Depreciation	(534,459)	(6,830)	(12,361)	(553,650)
<b>Carrying Amount - December 31, 2019</b>	<b>\$ 3,119,990</b>	<b>\$ 18,212</b>	<b>\$ 160,686</b>	<b>\$ 3,298,888</b>

<sup>10</sup> Office furniture is included in property and equipment in the statement of financial position

**25. Transition to IFRS 16 (continued)**

At December 31, 2019, lease liabilities reflected the Corporation's weighted-average incremental borrowing rate of 8.27%.

**Amounts recognized in the consolidated statement of comprehensive loss**

<b>Year ended</b>	<b>December 31, 2019</b>
Variable lease payments not included in the measurement of lease liabilities	<b>\$ 696,448</b>
Operating lease expense – short-term leases	<b>34,659</b>
<b>Total amounts recognized in general and administrative expense</b>	<b>731,107</b>
Depreciation of lease assets	<b>553,650</b>
Interest expense (included in financing costs)	<b>185,738</b>
<b>Total amounts recognized in comprehensive loss</b>	<b>\$ (8,281)</b>

**26. Subsequent Events**

Novel Coronavirus ("COVID-19")

First quarter 2020 global events have significantly impacted the global economy and downgraded the Corporation's near-term expectations with respect to the demand for its services. The spread of the COVID-19 virus, in combination with the Organization of the Petroleum Exporting Countries ("OPEC") inability to maintain global oil prices beginning in early March 2020, has significantly undermined commodity prices, customer cash flows and investor confidence. The Corporation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019, have not been adjusted to reflect their impact.

Further, the influence of these recent developments impacts customers' operating and capital spending budgets and their potential ability to pay on a timely basis for work completed by Quorum. Management is actively working with its customers and suppliers to limit the disruption to the Corporation's business, however, at this time it is not possible to estimate the impact that COVID-19 and significantly lower oil prices could have on the Company's business, as the impact will depend on future developments, which are highly uncertain and cannot be currently predicted. The Corporation has provided dealership customers a 50% discount on monthly support for April and May 2020.

Amended Lease Agreement

In April, 2020, DealerMine Inc. signed an amended lease agreement for the Place 400 building in Saint John, New Brunswick, which extends the lease term through to 2026 for a substantial portion of the leased space. The lease requires a \$200,000 letter of credit for the period covering March 2020 to March 2021, decreasing by \$25,000 from March 2021 to March 2023 and decreasing a further \$25,000 to \$150,000 for the remainder of the amended lease term.



## Corporate Information

### Board of Directors



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



**Scot Eisenfelder**  
*Director*  
President and General Manager  
Amplify



**Craig Nieboer**  
*Director*  
Chief Financial Officer  
Pipestone Energy Corp



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



**Jon Hook**  
*Director*  
Senior Analyst  
Voss Capital, LLC



**Greg Pollard**  
*Director*  
Chair of the Audit and Finance  
Committee of the Balancing Pool's  
Board of Directors



**Neil McDonnell**  
*Director*  
Chair of Photon Control Inc

### Officers

**Scot Eisenfelder**  
Chairman of Board of Directors

**Maury Marks**  
President & Chief Executive Officer

**Marilyn Bown**  
Chief Financial Officer

**Corporate Counsel**  
McLeod Law LLP  
Calgary, Alberta

**Bankers**  
HSBC Bank Canada  
Calgary, Alberta

**Auditors**  
BDO Canada LLP  
Professional Accountants  
Calgary, Alberta

**Stock Exchange Listing**  
TSX Venture Exchange  
Trading Symbol: QIS

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

### QUORUM INFORMATION TECHNOLOGIES

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Stock Symbol – TSXV: QIS