
QUORUM

Information Technologies Inc.

ANNUAL
REPORT

2021



Our Product Vision

To modernize how the automotive industry delivers an exceptional consumer experience through innovative technology and services that drives our customers' profitability.

Our Mission

By providing a complete suite of seamlessly integrated products and services to our customers, we deliver innovative solutions that close the gap between consumer and industry needs.

Our Values

Integrity & Transparency

Operating with integrity, accountability & transparency in everything we do.

Wellbeing & Success

Promoting employee health and wellbeing and fostering growth.

Quality & Efficiency

Executing with a balance of quality and speed to continually deliver value for our stakeholders.

Innovation & Improvement

Focusing on continuous improvement and innovation.

Support & Teamwork

Consistently nurturing and encouraging collaborative relationships and providing support where needed.

Caring & Commitment

Maintaining an unwavering commitment to customer success and providing an exceptional customer experience.

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

April 20, 2022

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, 2021 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 EBITDA¹; 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 statements; the effect of acquisitions on the Corporation; the effect of the BDC Capital facility; the 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.

¹ Adjusted EBITDA (non-GAAP) – Net income (loss) before interest and financing costs, taxes, depreciation, amortization, stock-based compensation, foreign exchange gains and losses, one-time acquisition-related expenses and restructuring fees.

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 new 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 in this MD&A do not have any standardized meaning as prescribed by IFRS and are therefore considered non-GAAP measures. These measures, which are derived from information reported in the Corporation’s financial statements, may not be comparable to similar measures presented by other companies and are provided 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>Growth</p>	<ul style="list-style-type: none"> • 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, Menu and MyDeal, or DealerMine CRM receives an invoice that covers charges for support services. • 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 service departments in a dealership. <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"> • Annual recurring revenue (non-GAAP) – current reported quarter revenue multiplied by four for both SaaS and BDC revenue. • Monthly recurring revenue per unit (“MRRPU”) (non-GAAP) – current reported quarter SaaS revenue, divided by three and divided by the number of dealership rooftops at the end of the quarter. <p><i>Management believes annual recurring revenue and monthly recurring revenue per unit provide a good measure of determining performance of the Corporation.</i></p> <ul style="list-style-type: none"> • Dealer count (“rooftops”) – period end rooftops for both Canada and the United States. <p><i>Management believes this metric provides a good measure of the growth of the Corporation.</i></p>
<p>Profitability</p>	<ul style="list-style-type: none"> • Gross margin – revenue less cost of revenue, which includes costs directly related to the activities from which the Corporation generates revenue. <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"> • Adjusted Net Loss (“ANL”) (non-GAAP) – Net income (loss) before impairment. • Adjusted EBITDA (non-GAAP) – Net income (loss) before interest and financing costs, taxes, depreciation, amortization, stock-based compensation, foreign exchange gains and losses, one-time acquisition-related expenses and restructuring fees. • Adjusted Cash Income (“ACI”) (non-GAAP) – Adjusted EBITDA less capitalized salaries and overhead. <p><i>Management believes ANL, Adjusted EBITDA and ACI are useful to investors as they best reflect the performance of the Corporation’s activities and allow for better comparability from period to period. A reconciliation of Adjusted EBITDA and ACI to its closest IFRS measure can be found in section 4 (iv) and 5 (iv) of the present document.</i></p>
<p>Liquidity and Financial Resources</p>	<ul style="list-style-type: none"> • Net debt (non-GAAP) – total debt less cash. • Net debt/Adjusted EBITDA (non-GAAP) – net debt divided by Adjusted EBITDA. <p><i>Management uses the net debt and net debt/adjusted EBITDA metrics 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	(i) About Quorum and Total Available Market (ii) Growth Opportunities (iii) Financing (iv) Novel Coronavirus (“COVID-19”) (v) Subsequent Events
2. Highlights and Key Performance Indicators	(i) 2021 Financial Highlights (ii) 2021 Business Highlights (iii) Selected Annual Information and Key Performance Indicators (iv) Stock Performance
3. Summary of Quarterly Results	A summary of the past eight quarters’ results and key performance indicators
4. Fourth Quarter Results	(i) Operating Results (ii) Revenue and Gross Margin (iii) Operating Expenses (iv) Net Loss, Adjusted Net Loss, Adjusted EBITDA, Net Loss per Share and Adjusted Cash Income
5. Financial Review for the year ended December 31, 2021	(i) Operating Results (ii) Revenue and Gross Margin (iii) Operating Expenses (iv) Net Loss, Adjusted Net Loss, Adjusted EBITDA, Net Loss per Share and Adjusted Cash Income
6. Liquidity and Financial Resources	(i) Cash Flows (ii) Net Working Capital (iii) Capitalization and Amortization (iv) Long-term Debt and Loan Receivable (v) Government Grants and Assistance (vi) Share Capital (vii) Material Contracts & Commitments
7. Significant Accounting Estimates and Judgments	A discussion of critical accounting estimates made in the preparation of the audited consolidated financial statements
8. Future Accounting Pronouncements	A summary of proposed accounting standard changes which may affect Quorum
9. Risk Environment	(i) Risks and Uncertainties (ii) Legal proceedings

Corporate Overview

About Quorum and Total Available Market

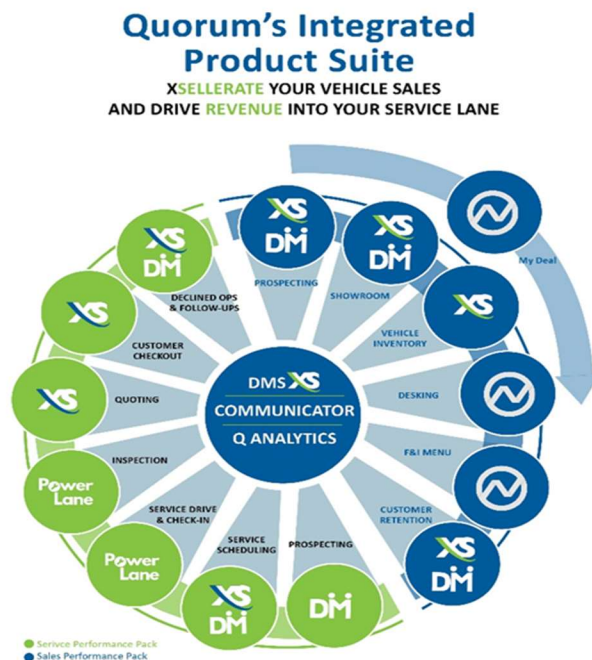
Quorum offers innovative and robust technology solutions and services to traditional and electric vehicle dealerships and Original Equipment Manufacturers (“OEM”) across North America. The total North American franchised dealership market value for software solutions is \$6.0 billion annually². A key problem for dealerships is that they typically use many disparate solutions across 25 categories of software solutions and 700 vendors’ software² within those categories to run their business. Quorum’s solutions help solve this major problem. Quorum’s integrated product suite drives efficiencies into the dealership, leverages a single enterprise reporting solution, and provides measurable Return on Investment (“ROI”) with the cost of Quorum’s solutions typically 50% less than competing disparate products. Dealerships typically start with a single product from Quorum’s product suite and experience increased synergy and value as additional solutions are deployed to their dealerships. Quorum’s product suite currently covers 12 of the 25 most common categories and Quorum has the opportunity to develop, partner or acquire products for the remaining categories.

The Total Available Market (“TAM”) for Quorum’s products is 3,235 franchised dealers in Canada and 19,575 franchised dealerships in the United States (“US”). Dealerships pay \$21,800² per month on average for the solutions they utilize. Quorum’s product suite covers \$14,500 of that \$21,800 spend, but for only \$7,000 per month. This is less than one half the price that a dealership would pay to multiple software vendors for disparate systems, where each system needs to be separately managed, and reporting must be patched together by dealership management. There remains \$7,300 of dealership wallet per month for which Quorum does not currently have software solutions.

On April 1, 2022, Quorum acquired Accessible Accessories Ltd. (“Accessible”), which resulted in an additional 688 rooftops with 423 of those being new or unique rooftops to Quorum. For more information regarding rooftop count, please refer to the table located on page 8 of this MD&A. Of the Total Available Market, Quorum now has a 41% penetration in Canada and 0.6% in the United States.

Quorum sells its solutions to both dealer groups (single ownership of multiple dealerships) and single dealership customers. Initially, dealerships do not typically install Quorum’s complete suite of products and tend to purchase the Enterprise Resource Planning system (“ERP”, often referred to as a DMS in the automotive industry), Customer Relationship Management (“CRM”) or Digital Retailing (“DR”) as a starting point. Quorum utilizes a beachhead strategy to capture new customers, and then expands the product suite into the dealership.

Each of Quorum’s solutions has a measurable ROI for the dealership. As an illustration, Quorum’s service lane inspection and quoting solution, which is part of the ERP



² Based on research from Empiritas Solutions dated Sept 15, 2020.

and CRM systems, drives approximately \$60,000³ of customer revenue per dealership per month. As dealerships utilize more of Quorum’s product suite, both the ROI and the stickiness of Quorum’s solution increase. Additionally, Quorum’s Enterprise Reporting (“ER” or “Q Analytics”) solution provides one reporting tool for the entire product suite. This allows dealership management to use a single reporting tool that provides dealership-critical metrics and provides the ROI calculations for individual products and the full suite.

Quorum also provides Business Development Centre (“BDC”) or call centre services to help dealerships drive business into their service departments. One such customer is the AutoCanada BDC that is operated by Quorum under a long-standing strategic partnership between the companies. Dealerships that are Service CRM software customers also have the option of outsourcing their BDC needs to Quorum. Such BDC revenues have associated SaaS revenue which have historically averaged 37% of total BDC revenue.

Growth Opportunities

Quorum is critical to current clients and has a large available market to allow for future growth. Quorum has the opportunity to:

1. Grow Quorum’s customer base by capturing new customers in both Canada and the US;
2. Increase Monthly Recurring Revenue Per Customer (“MRRPU”) by cross-selling Quorum’s products in the product suite to existing customers; and
3. Develop, partner or acquire new and innovative products

Growing Quorum’s customer base by capturing new customers in both Canada and the US

In order for the Corporation to sell its ERP system, and in some cases its CRM products, Quorum must certify with the OEM (i.e. Honda, Mazda, BMW). Completing additional OEM certifications enables Quorum to increase the available TAM by expanding both the number of single dealerships and dealer groups. Quorum’s ERP is integrated with OEMs representing 18 different brands in Canada and 13 different brands in the US. To complete Quorum’s all-makes certification strategy, the XSellerator division needs to complete integration with the following significant Canadian OEM manufacturers: Honda/Acura, Mazda, BMW, Mercedes and Volvo. Quorum also needs to complete additional integration with the following US OEM manufacturers: Toyota/Lexus, Hyundai, Kia and Subaru.

Quorum’s current TAM, by division, is as follows:

Solution	Canadian TAM	% of Canadian TAM	US TAM	% of US TAM
XS ERP ⁴	1,089	34%	3,953	20%
DM CRM ⁵	1,936	60%	9,981	51%
AV DR ⁶	2,917	90%	19,575	100%

³ Based on the last twelve months of results for the over 220 dealerships that utilize the Service Lane inspection and quoting solution within Quorum’s ERP solution

⁴ XSellerator Enterprise Resource Planning System

⁵ DealerMine Customer Relationship Management System

⁶ Autovance Digital Retailing

Adding Honda and Mazda increases Quorum’s XSellerator ERP available Canadian TAM to 1,802 dealerships which equates to an increase of 65% from 1,089, opening up 22% more of the market. Additionally, the percentage of Canadian TAM increases to 56% from the current 34%.

Increasing Monthly Recurring Revenue Per Customer (“MRRPU”) by cross-selling Quorum’s products in the product suite to existing customers

Quorum’s MRRPU is currently \$2,105 per month; its cross-selling customer spend TAM is \$7,000 while its cross-selling available customer spend TAM is \$5,000 per month per store, a 2.5x growth opportunity.

The cross-selling available customer spend TAM is lower than the larger cross-selling customer spend TAM primarily because XSellerator ERP cannot be sold to all DealerMine CRM customers due to OEM certifications currently not in place. As well, DealerMine’s CRM software cannot be sold to all Autovance DR or XSellerator ERP customers because is not a fit for some smaller franchised dealerships.

The following table represents Quorum’s customer counts and MRRPU for Q4 2020 through to Q4 2021 and Q4 2021 including rooftops acquired as part of the April 1, 2022 Accessible acquisition.

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Proforma Q4 2021 (including Accessible)
Dealer Rooftop Count - Canada	893	882	898	904	920	1,343
Dealer Rooftop Count - US	128	128	127	128	125	125
Dealer Rooftop Count - Total	1,021	1,010	1,025	1,032	1,045	1,468
MRRPU	\$1,971	\$2,013	\$2,091	\$2,116	\$2,105	\$1,584

Quorum was able to increase MRRPU to \$2,105 in Q4 2021 compared to \$1,971 in Q4 2020. This was great progress because it occurred during a challenging year as dealerships continued to struggle with low vehicle inventories due to the ongoing global shortage of semiconductor chips.

Developing, partnering or acquiring new and innovative products

Quorum will continue to innovate, partner or acquire to increase the total product suite MRRPU beyond \$7,000 per month and access the remaining \$7,300 per month of the dealership’s wallet.

- Innovate - in late Q3 2020, Quorum increased its cross-selling customer spend TAM by \$1,000 per month to reach a cross-selling customer spend TAM of \$7,000 per month by releasing the following new products:
 - MyDeal, Quorum’s Digital Retailing solution.
 - PowerLane, Quorum’s service lane inspection tool.

Both of these products had increased market adoption in 2021.

- Acquire - Quorum has a strong acquisition track record, having completed one acquisition per year from 2017 to 2019 and most recently, the acquisition of Accessible Accessories Ltd., effective April 1, 2022. Those acquisitions and historic mid-teen organic growth rate have been drivers behind Quorum’s strong growth over the last four years. Additionally:

- The product solution vendor market is extremely diverse and offers multiple innovative but disparate solutions, some of which may be attractive and synergistic additions to Quorum's current product suite.
- Internally, Quorum has created a long-term product vision for both Sales and Service Digital Retailing solution sets and, from this vision, has determined which solutions to develop internally, and which ones to either partner with or acquire.
- Quorum continues to monitor for additional partnering or acquisition opportunities by remaining actively connected to the automotive software market, comprised of over 700 vendors, ensuring that Quorum is on top of all potential opportunities.

Financing

During 2021, Quorum completed three funding agreements with various Government agencies for a total of \$2.0 million which consists of a combination of nonrepayable financing and interest-free, unsecured loans. As well, during 2021, Quorum made a prepayment of \$1.5 million in principal and interest on its BDC Capital Loan Facility.

Novel Coronavirus (“COVID-19”)

When the World Health Organization (“WHO”) characterized the novel coronavirus disease (“COVID-19”) as a pandemic in March 2020, Quorum responded quickly to ensure the safety of its employees and to support its customers and partners. Quorum organized resources and implemented protocols that allowed the Corporation to adapt to the new environment. This included:

- Transitioning all staff to work from home;
- Placing all onsite training and installation activities on hold;
- Focusing on identifying operational efficiencies and actively managing short and long-term expenses; and
- Helping our customers by providing a support discount for April and May, 2020.

Quorum continues to actively manage and evolve our preparedness plans and response activities to align with recommendations of the health and government authorities in both Canada and the US. Despite these challenging times, the Corporation continues to serve its customers with valuable and necessary support.

As of the date of this MD&A, the Corporation believes the underlying fundamentals of the business remain sound, notwithstanding the challenges presented by the current economic, political, and social environment. At December 31, 2021, Quorum has a strong balance sheet and sufficient liquidity to support its business objectives in the coming fiscal year.

Subsequent events

On February 8, 2022, Quorum restructured its credit facility with BDC Capital Inc. The new facilities significantly reduce interest rates from 11.7% to 8.05% for the Mezzanine loan and 5.05% for the Cash Flow Loan and extends the maturity date from January 15, 2025 to March 15, 2027. The original loan was replaced by a Mezzanine loan and a Cash Flow loan, with the Mezzanine loan replacing the disbursed funds of the original BDC Capital loan and a new Cash Flow loan that can be utilized for acquisitions and working capital requirements.

On April 1, 2022, Quorum completed the arm’s-length acquisition of Accessible Accessories Ltd. (“Accessible”) pursuant to a share purchase agreement (the “Agreement”) between Quorum and Accessible. Under the terms of the Agreement, the Corporation will acquire all of the issued and outstanding shares of Accessible for consideration comprised of \$4,500,000 in cash with a 10% holdback to be released September 30, 2022, pursuant to the terms of an earn-out structure. The Corporation will finance the \$4,500,000 with current cash reserves and its BDC Capital facility.

Highlights and Key Performance Indicators

2021 Financial Highlights

- Revenue was the highest in the Corporation's history.
- Revenue increased by 17% to \$36.1 million in 2021 compared to \$30.9 million in 2020.
- SaaS revenue increased by 16% to \$25.7 million in 2021 compared to \$22.1 million in 2020.
- BDC revenue increased by 26% to \$9.4 million in 2021 compared to \$7.5 million in 2020.
- Total annual recurring SaaS revenue was \$26.4 million based on the fourth quarter of 2021 compared to \$24.1 million in Q4 2020.
- 2021 Adjusted EBITDA was the highest in the Corporation's history at \$5.0 million.
- Adjusted cash income was \$2.4 million in 2021 compared to \$2.5 million in 2020.
- In April 2021, the Corporation made a prepayment of \$1.5 million in principal and interest on its BDC Capital loan facility.
- In December 2021, the Corporation made the decision to wind down its Advantage division that focused on the independent (or used vehicle) market. While the Advantage acquisition was considered successful due to the conversion of 85% of Advantage's franchised dealership customers to Quorum's XSellerator DMS, management decided that Quorum's continued future focus needs to be on the franchised dealership market. The wind down resulted in an impairment loss of \$1.7 million during Q4 2021. SaaS revenue generated by the Advantage division was 1% of total SaaS revenue in Q4 2021 and 2% of total SaaS revenue in Q4 2020.

2021 Business Highlights

- In January 2021, Quorum announced that the company launched a Windows Virtual Desktop pilot built on Microsoft Azure. This will allow Quorum to deploy its XSellerator DMS to automotive dealerships customers leveraging the Microsoft Azure cloud platform, thereby eliminating the requirement for an on premise server or a Quorum hosted solution.
- In January 2021, Quorum announced that the company was working with Microsoft on a replatforming and data consolidation project utilizing Microsoft Azure Synapse analytics.
- In March 2021, Quorum introduced new enhancements to its PowerLane product which includes Mobile check-in capability and new enhancements to its MyDeal product which includes the ability for customers to complete online payments for a vehicle deposit.
- In March 2021, Quorum introduced new enhancements to its Autovance MyDeal product and Autovance retailing platform as part of its Digital Retailing strategy to allow customers to complete online payments for a vehicle deposit.
- In April 2021, Quorum entered into a partnership agreement with EDealer, Canada's largest supplier of franchised dealership web sites, which will allow EDealer to resell Quorum's Autovance Desk and MyDeal Products to their customers.
- In June 2021, Quorum announced that the O'Regan's Automotive Group in Nova Scotia had selected Quorum's XSellerator DMS and related product suite as their main DMS software provider.
- In August 2021, Quorum expanded its BDC services to include collision centres, providing valuable lead generation services that will help book more service appointments.
- In August 2021, Quorum announced that its Communicator electronic messaging platform delivers new Digital Marketing capabilities designed to help a dealership Make More Money (M3).
- In September 2021, Quorum was named a certified product under the GM Retail Excellence Program by General Motors of Canada.

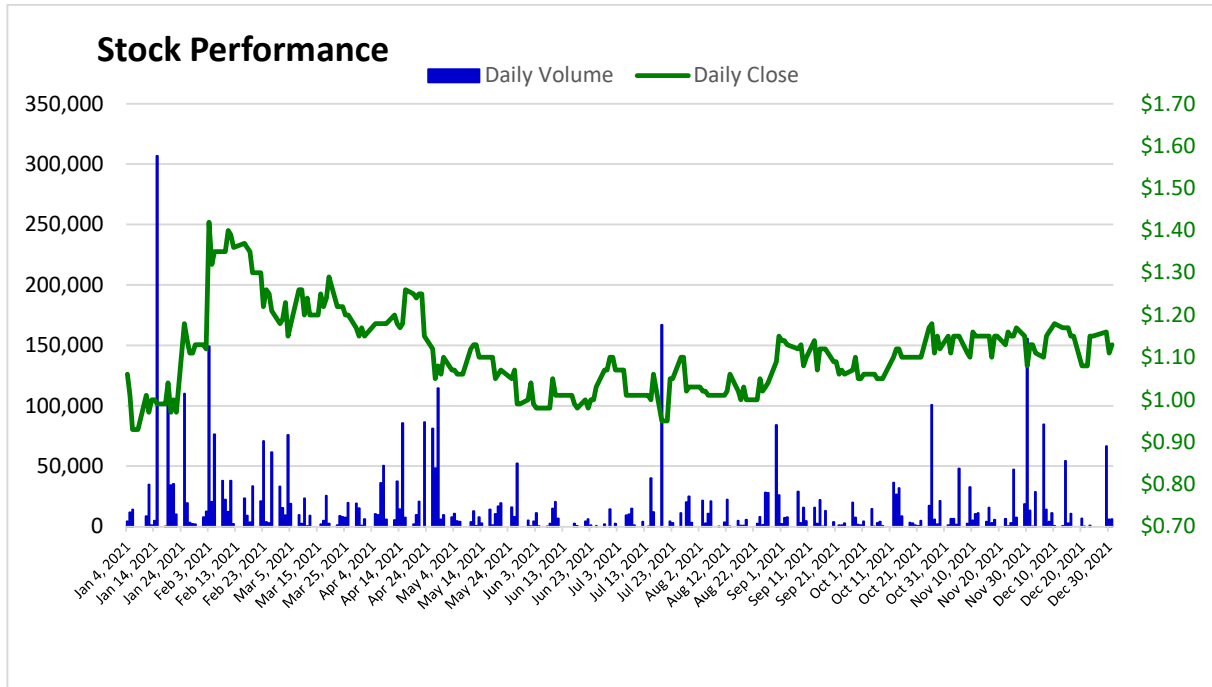
Selected Annual Information and Key Performance Indicators

As at and for the years ended December 31	2021	2020	2019	Change 2021/2020	Change 2020/2019
<i>(\$000's except % changes, per share amounts and dealer counts)</i>					
Growth					
SaaS revenue	\$25,681	\$22,136	\$22,303	\$3,545	\$(167)
Year-over-year SaaS revenue growth	16%	(1%)	75%	17%	(76%)
SaaS revenue as a % of revenue	71%	72%	68%	(1%)	4%
BDC revenue	9,442	7,487	6,849	1,955	638
Year-over-year BDC revenue growth	26%	9%	751%	17%	(742%)
BDC revenue as a % of revenue	26%	24%	21%	2%	3%
Services and one-time revenue	929	1,234	3,690	(305)	(2,456)
Revenue - total	36,051	30,856	32,841	5,195	(1,985)
Year-over-year revenue growth	17%	(6%)	100%	23%	(106%)
Annual recurring revenue – SaaS	26,402	24,153	23,329	2,249	824
Annual recurring revenue - BDC	9,770	7,738	7,007	2,032	731
Dealer count/rooftops					
Dealer count - Canada	920	893	895	27	(2)
Dealer count - US	125	128	132	(3)	(4)
Dealer count - total	1,045	1,021	1,027 ⁷	24	(6)
Profitability					
SaaS gross margin	\$16,810	\$14,049	\$14,712	\$2,761	\$(663)
Gross margin as a % of SaaS revenue	65%	63%	66%	2%	(3%)
BDC gross margin	1,151	827	666	324	161
Gross margin as a % of BDC revenue	12%	11%	10%	1%	1%
Services and one-time revenue gross margin	(1,552)	(1,222)	(155)	(330)	(1,067)
Gross margin as a % of services and one-time revenue	(167%)	(99%)	(4%)	(68%)	(95%)
Gross margin - total	16,409	13,654	15,223	2,755	(1,569)
Gross margin as a % of revenue	46%	44%	46%	2%	(2%)
Adjusted EBITDA	4,988	4,904	4,568	84	336
Adjusted cash income	2,349	2,477	1,754	(128)	723

⁷ Dealer Rooftop Count – Total for 2019 has been adjusted to correct prior year Dealer Rooftop Count – Canada. Dealer Rooftop Count – Total was previously reported as 1,022.

As at and for the years ended December 31	2021	2020	2019	Change 2021/2020	Change 2020/2019
<i>(\$000's except % changes, per share amounts and dealer counts)</i>					
Net loss	(2,711)	(1,859)	(1,106)	(852)	(753)
Adjusted net loss	(1,043)	(1,859)	(1,106)	816	(753)
Net loss per share (basic)	(0.037)	(0.026)	(0.018)	(0.011)	(0.008)
Net loss per share (diluted)	(0.037)	(0.026)	(0.018)	(0.011)	(0.008)
Liquidity and Financial Resources					
Net working capital	\$7,614	\$9,139	\$9,546	\$(1,525)	\$(407)
Cash and cash equivalents	6,478	9,326	8,554	(2,848)	772
Total assets	45,173	49,558	49,924	(4,385)	(366)
Non-current financial liabilities	11,571	12,733	12,359	(1,162)	374
Total debt (unsecured)	1,472	966	698	506	268
Total debt (secured)	7,465	8,626	8,339	(1,161)	287
Total debt	8,936	9,592	9,037	(656)	555
Net debt	2,458	266	483	2,192	(217)
Net debt/Adjusted EBITDA	49%	5%	11%	44%	(6%)

Stock Performance



Fiscal 2021 Trading Summary

Quorum’s shares trade on the TSX Venture Exchange under the symbol QIS. The following table is the trading history for 2021.

Open:	\$ 1.10
High:	\$ 1.50
Low:	\$ 0.93
Close:	\$ 1.13
Average daily trading volume:	17,151

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)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Growth								
SaaS revenue	\$6,600	\$6,550	\$6,429	\$6,101	\$6,038	\$5,914	\$4,262	\$5,921
BDC revenue	2,443	2,426	2,386	2,187	1,953	1,865	1,541	2,128
Services and one-time revenue	178	225	258	268	326	306	136	466
	9,221	9,202	9,073	8,556	8,317	8,085	5,939	8,515
Year-over year revenue growth	11%	14%	53%	0.5%	(4%)	(6%)	(28%)	16%
Profitability								
SaaS gross margin	4,386	4,290	4,174	3,961	3,965	3,674	2,524	3,886
BDC gross margin	311	321	304	215	167	262	166	232
Services and one-time gross margin	(381)	(303)	(462)	(406)	(452)	(276)	(244)	(250)
Gross margin	4,316	4,308	4,016	3,770	3,680	3,660	2,446	3,868
SaaS gross margin %	66%	65%	65%	65%	66%	62%	59%	66%
BDC gross margin %	13%	13%	13%	10%	9%	14%	11%	11%
Services and one-time gross margin %	(215%)	(135%)	(179%)	(152%)	(138%)	(90%)	(179%)	(54%)
Gross margin %	47%	47%	44%	44%	44%	45%	41%	45%
Research and development expense	376	339	370	329	270	248	163	217
Sales and marketing expense	890	834	868	884	709	730	350	1,106
General and administrative	2,091	1,862	1,764	1,335	1,576	1,267	933	1,697
R&D as a percentage of revenue	4%	4%	4%	4%	3%	3%	3%	3%
S&M as a percentage of revenue	10%	9%	10%	10%	9%	9%	6%	13%
G&A as a percentage of revenue	23%	20%	19%	16%	19%	16%	16%	20%
Adjusted EBITDA	1,142	1,452	1,103	1,291	1,493	1,465	1,063	883
Adjusted cash income	583	726	446	594	815	962	645	52
Net loss	(2,015)	(144)	(243)	(309)	(476)	(358)	(65)	(960)
Adjusted net loss	(347)	(144)	(243)	(309)	(476)	(358)	(65)	(960)
Net loss per share – basic	(0.028)	(0.002)	(0.003)	(0.004)	(0.007)	(0.005)	(0.001)	(0.013)
Net loss per share – diluted	(0.028)	(0.002)	(0.003)	(0.004)	(0.007)	(0.005)	(0.001)	(0.013)
Liquidity and Financial Resources								
Net working capital	7,614	7,615	7,764	9,222	9,139	9,303	8,968	8,817
Cash and cash equivalents	6,478	7,529	7,204	9,222	9,326	10,215	8,822	8,466
Total assets	45,173	48,090	47,892	49,776	49,558	50,305	49,921	50,255
Non-current financial liabilities	11,571	11,536	11,681	12,995	12,733	12,643	12,516	12,832
Total debt	8,936	8,890	8,717	9,923	9,592	9,500	9,320	9,133
Net debt	2,458	1,362	1,513	700	266	(714)	498	667
Net debt/Adjusted EBITDA	215%	94%	137%	54%	18%	(49%)	47%	75%

Operating results

Q4 2021 was the highest SaaS and BDC revenue quarter in the Corporation's history. Both SaaS and BDC revenue increased by 9% and 25% respectively over Q4 2020. SaaS annual run rate based on Q4 2021 is \$26.4 million, an increase over the Q4 2020 SaaS annual run rate of \$24.1 million. BDC annual run rate based on Q4 2021 is \$9.8 million compared to \$7.8 million annual run rate based on Q4 2020. Recurring SaaS and BDC revenue equates to an annual run rate of \$36.2 million and represents 98% of Quorum's revenue. Q4 2021 and Q4 2020 SaaS revenue includes SaaS revenue generated by the Advantage division. Excluding Advantage SaaS revenue, Quorum's results are a 10% increase in SaaS revenue in Q4 2021 as compared to Q4 2020.

Gross margin increased to \$4.3 million or 47% of revenue in Q4 2021 as compared to \$3.7 million or 44% of revenue in Q4 2020. SaaS gross margin remained consistent at 66% as compared to Q4 2020. BDC gross margin increased to 13% in Q4 2021 as compared to 9% in Q4 2020.

Adjusted EBITDA and ACI decreased by 23% and 28% respectively over Q4 2020. The year-over-year decreases in Q4 2021 as compared to Q4 2020, for both Adjusted EBITDA and ACI, are due to additional growth-related investments in Q4 2021. Throughout 2021, Quorum added new hires as part of its One Quorum strategy to improve efficiency, consistency and scalability of the company. Resources were added to focus on key initiatives which included increasing qualified sales leads, consolidating operations, improving BDC profitability and process improvement. As well, in Q4 2021, additional investments were made in the technology required to support the above-mentioned initiatives.

At the end of 2021, the Corporation made the decision to wind down the Advantage division. When Quorum purchased Oasis Auto Complete Systems in 2019, later renamed Advantage, there were two strategic initiatives:

1. Convert Advantage's franchised customers from its existing Advantage product to Quorum's XSellerator DMS. Quorum was successful in converting 85% of Advantage's 36 franchised customers to XSellerator DMS during 2019 and 2020, which was above Quorum's initial target of 80%.
2. Grow the Advantage Showroom sales and accounting product for the independent dealership market. Quorum was not able to devote the resources necessary to grow the Advantage brand and sales in the market.

Quorum purchased Advantage for \$0.6 million cash and Quorum shares and \$0.6 million, undiscounted, in earn out based on Advantage franchised dealerships converting to XSellerator DMS. The \$1.2 million total consideration was a 1.2 multiple of Advantage's SaaS revenue at the time of acquisition. The valuation multiple for Advantage was based on Quorum accomplishing the strategic initiative of converting 80% of Advantage's franchised dealership customers to XSellerator DMS, resulting in additional annual SaaS revenue of \$0.7 million. Any growth of the Advantage Showroom sales product under the second strategic initiative would have been further accretive to the deal.

Due to the forecast amount of continued investment in taking the Advantage product to market and in order to continue to stay completely focused on the franchised dealership market, the decision was made to discontinue the development and implementation of the Showroom sales and accounting product. Despite the positive contribution of Advantage under the first strategic initiative noted above, a write down of the goodwill and intangible assets related to the Advantage division was required under IFRS, resulting in an impairment loss of \$1.7 million in 2021.

Capital transactions

During 2021, Quorum completed three funding agreements with various Government agencies for a total of \$2.0 million which consists of a combination of nonrepayable financing and interest-free, unsecured loans.

On April 26, 2021, Quorum made a prepayment of \$1.5 million in principal and interest on its BDC Capital Loan Facility. The BDC Capital Loan Facility has a fixed cash interest rate of 7.7% per annum and an additional accrued interest rate of 4%; interest is due and payable on January 15, 2025, the date of maturity.

Fourth Quarter Results

Operating Results

Quarter ended	December 31, 2021	December 31, 2020
Revenue	\$9,220,623	\$8,316,891
Cost of revenue	4,904,958	4,636,553
Gross margin	4,315,665	3,680,338
Operating expenses	6,664,861	4,327,031
Interest income	2,293	6,076
Loss before deferred income tax expense	(2,346,903)	(640,617)
Deferred income tax (expense) recovery	331,741	165,011
Net loss ⁸	(2,015,162)	(475,606)
Other comprehensive loss:		
Foreign exchange gain (loss)	174,414	(48,852)
Comprehensive loss	(1,840,748)	\$(524,458)

Revenue and Gross Margin

Quarter ended	December 31, 2021	December 31, 2020
Revenue		
SaaS revenue	\$6,600,497	\$6,038,340
BDC revenue	2,442,502	1,952,443
Services and one-time revenue	177,624	326,108
	9,220,623	8,316,891
Cost of revenue		
SaaS costs	2,214,289	2,073,115
BDC costs	2,131,779	1,785,789
Services and one-time costs	558,890	777,649
	4,904,958	4,636,553
Gross margin	\$4,315,665	\$3,680,338

⁸ Net loss includes an impairment loss of \$1.7M due to the write down of the goodwill and intangible assets related to the Advantage division wind down; adjusted net loss is \$0.3 million.

Revenue

Q4 2021 was the highest SaaS revenue quarter in the Corporation's history with an increase from Q4 2020 of \$0.6 million or 9%. The increase in SaaS revenue is a result of organic growth of XSellerator, DealerMine and Autovance. BDC revenue also increased compared to Q4 2020, with an increase of \$0.5 million or 25%. The increase in BDC revenue is primarily attributable to a continued growth of the core BDC offering and the AutoCanada partnership. Total revenue increased by 11% over Q4 2020.

Quorum's Q4 2021 SaaS revenue of \$6.6 million translates into an annualized run rate of \$26.4 million. SaaS revenue was 72% of revenue for Q4 2021 as compared to 73% for Q4 2020.

BDC revenue of \$2.4 million in Q4 2021 translates into an annualized run rate of \$9.8 million. BDC revenue was 26% of revenue for Q4 2021, as compared to 23% of revenue for Q4 2020.

Gross margin

Quarter ended	December 31, 2021	December 31, 2020
SaaS gross margin	\$4,386,208	\$3,965,225
BDC gross margin	310,723	166,654
Services and one-time revenue gross margin	(381,266)	(451,541)
Gross margin	\$4,315,665	\$3,680,338

Gross margin increased to \$4.3 million or 47% of revenue in Q4 2021 compared to \$3.7 million or 44% of revenue for Q4 2020. The increase in gross margin and gross margin percentage in Q4 2021 is primarily due to an increase in SaaS revenue and BDC revenue as well as an increase in operational efficiencies for both SaaS and BDC cost structures, as compared to Q4 2020.

During Q4 2021, the Corporation received \$28,249 (Q4 2020 - \$271,286) 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, 2021	December 31, 2020
Operating expenses		
Research and development	\$ 375,521	\$270,118
Sales and marketing	889,559	709,374
General and administrative	2,090,884	1,576,397
Stock-based compensation	79,582	247,467
Financing costs	472,265	468,093
Amortization and depreciation	1,088,956	1,055,582
Impairment	1,668,094	-
Total operating expenses	\$6,664,861	\$4,327,031

All development costs are expensed as incurred unless they satisfy the IFRS criteria for deferral and subsequent amortization. Research and development expenses for Q4 2021 were 4% of revenue compared to 3% of revenue for Q4 2020. The increase in research and development costs is primarily attributable to the addition of research and development employees required to meet the Corporation's future growth objectives.

Sales and marketing expenses for Q4 2021 were 10% of revenue compared to 9% of revenue in Q4 2020. The increase in total sales and marketing expenses as a percentage of revenues is primarily attributable to the addition of sales and marketing employees required to meet the Corporation's future growth objectives.

General and administrative expenses for Q4 2021 were 23% of revenue as compared to 19% for Q4 2020. The increase in general and administrative expense in Q4 2021 is due to a significant increase in the annual audit fee, one-time restructuring and acquisition expenses as well as additional hires to support the scalability of the business, as compared to Q4 2020.

At the end of 2021, the Corporation made the decision to wind down the Advantage division which resulted in a write down of goodwill and intangible assets of \$1.7 million in Q4 2021 related to the Advantage division, as the cost of the Advantage CGU exceeded its recoverable amount.

During Q4 2021, the Corporation received \$186,291 (Q4 2020 - \$11,882) from various government sources and applied as a reduction of operating expenses.

Net Loss, Adjusted Net Loss, Adjusted EBITDA, Adjusted Cash Income and Net Loss per Share

Quarter ended	December 31, 2021	December 31, 2020
Net loss	\$(2,015,162)	\$(475,606)
Impairment	1,668,094	-
Adjusted net loss	(347,068)	(475,606)
Financing costs	472,265	468,093
Interest income	(2,293)	(6,076)
Deferred income tax recovery	(331,741)	(165,011)
Amortization and depreciation	1,088,956	1,055,582
Stock-based compensation	79,582	247,467
Acquisition and related expense	113,723	4,158
One-time restructuring fees	69,000	364,261
Adjusted EBITDA	\$1,142,424	\$1,492,868
Capitalized salaries and overhead	(559,397)	(677,515)
Adjusted cash income	\$583,027	\$815,353
Net loss per share		
- basic	\$(0.028)	\$(0.007)
- diluted	\$(0.028)	\$(0.007)
Weighted-average number of common shares		
- basic	72,995,760	72,366,647
- diluted	72,995,760	72,366,647

Adjusted EBITDA for Q4 2021 decreased by 23% to \$1.1 million as compared to Q4 2020. The decrease in adjusted EBITDA is primarily attributable to the increase in research and development, sales and marketing and general and administrative expenses. Adjusted EBITDA per share for Q4 2021 was \$0.016 compared to \$0.068 for Q4 2020.

Net loss for Q4 2021 increased by \$1.5 million as compared to Q4 2020. The increase in net loss is primarily attributable to the \$1.7 million impairment expense. At the end of 2021, the Corporation made the decision to wind down the Advantage division which resulted in a write down of goodwill and intangible assets related to the Advantage division, as the cost of the Advantage CGU exceeded its recoverable amount.

Adjusted cash income for Q4 2021 decreased by \$0.2 million as compared to Q4 2020. Capitalized salaries and overhead decreased by \$0.1 million during Q4 2021.

Financial Review for the year ended December 31, 2021

Operating Results

Year ended	December 31, 2021	December 31, 2020
Revenue	\$36,051,217	\$30,856,471
Cost of revenue	19,642,119	17,202,172
Gross margin	16,409,098	13,654,299
Operating expenses	19,630,938	15,604,670
Interest income	12,180	63,941
Loss before deferred income taxes	(3,209,660)	(1,886,430)
Deferred income tax recovery	498,395	27,256
Net loss ⁹	(2,711,265)	(1,859,174)
Foreign exchange gain (loss)	114,036	(1,990)
Comprehensive loss	\$(2,597,229)	\$(1,861,164)

Revenue and Gross Margin

Year ended	December 31, 2021	December 31, 2020
Revenue		
SaaS revenue	\$25,680,564	\$22,135,511
BDC revenue	9,441,602	7,486,963
Services and one-time revenue	929,051	1,233,997
	36,051,217	30,856,471
Cost of revenue		
SaaS costs	8,870,349	8,086,186
BDC costs	8,290,287	6,659,536
Services and one-time costs	2,481,483	2,456,450
	19,642,119	17,202,172
Gross margin	\$16,409,098	\$13,654,299

⁹ Net loss includes an impairment loss of \$1.7M due to the write down of the goodwill and intangible assets related to the Advantage division wind down; adjusted net loss is \$1.0 million

Revenue

Total revenue for 2021 increased by \$5.2 million, or 17%, as compared to 2020. The increase in revenue is primarily due to:

- An increase of \$3.5 million in SaaS revenue, or 16%, which is primarily attributable to organic growth. 2020 SaaS revenue included the \$1.5 million discount that the Corporation provided its dealership customers on their monthly support invoices for April and May 2020 in response to COVID-19;
- An increase of \$2.0 million in BDC revenue, or 26%, primarily attributable to continued growth of the core BDC offering and the AutoCanada partnership. During 2020, the Corporation provided \$0.2 million in customer discounts in response to COVID-19; and
- A decrease of \$0.3 million in services and one-time revenue, or 25%, primarily due the Corporation lowering the cost of upfront fees for new installations in order to secure future SaaS revenue.

SaaS revenue was 71% of revenue for 2021 as compared to 72% for 2020. BDC revenue was 26% of revenue for 2021 as compared to 24% for 2020.

Gross margin

Year ended	December 31, 2021	December 31, 2020
SaaS gross margin	\$16,810,215	\$14,049,325
BDC gross margin	1,151,315	827,427
Services and one-time revenue gross margin	(1,552,432)	(1,222,453)
Gross margin	\$16,409,098	\$13,654,299

Total gross margin increased to \$16.4 million or 46% of revenue in 2021 compared to \$13.7 million or 44% for 2020. The increase in gross margin and gross margin percentage is due to an increase in SaaS revenue and BDC revenue, as well as SaaS gross margin expansion through One Quorum initiatives and improved cost controllership in the BDC, as compared to 2020.

SaaS gross margin was 65% for 2021 as compared to 63% for 2020. In 2020, SaaS gross included customer discounts related to COVID-19. In 2021, BDC gross margin improved to 12%, compared to 11% in 2020.

During 2021, the Corporation received \$0.2 million (2020 - \$1.5 million) 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, 2021	December 31, 2020
Operating expenses		
Research and development	\$ 1,412,902	\$ 897,703
Sales and marketing	3,475,523	2,895,939
General and administrative	7,051,091	5,473,331
Stock-based compensation	388,043	896,899
Financing costs	1,544,199	1,495,806
Amortization and depreciation	4,091,086	3,944,992
Impairment	1,668,094	-
Total operating expenses	\$19,630,938	\$15,604,670

Research and development expenses for 2021 were 4% of revenue compared to 3% of revenue for 2020. The increase in research and development expenses is primarily due to CEWS proceeds that were applied as a reduction in research and development expense in 2020. 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 expenses for 2021 were 10% of revenue compared to 9% of revenue for 2020. The increase in sales and marketing expenses is primarily due to CEWS and PPP proceeds that were applied as a reduction in sales and marketing expense in 2020. Overall, the Corporation remains committed to expanding sales and marketing activities to meet future growth objectives. Sales and marketing costs include salaries and benefits of personnel employed in sales and marketing, costs of trade shows and other marketing-related activities.

General and administrative expenses for 2021 were 20% of revenue compared to 18% of revenue in 2020. The increase in general and administrative expense in 2021 is primarily attributable to CEWS proceeds that were applied as a reduction in general and administrative expense in 2020 and is further driven by additional hires to support the scalability of the business, as compared to 2020.

During 2021, there were no Restricted Stock Units (“RSUs”) granted to eligible employees and directors as prescribed by the RSU Plan. 360,000 RSUs at an average price of \$1.10 per RSU vested during 2021 (2020 - 755,900 at an average price of \$1.05 per RSU). For 2021, stock-based compensation related to RSUs was \$0.3 million (2020 - \$0.7 million), while stock-based compensation related to stock options was \$0.1 million in 2021 (2020 - \$0.2 million).

At the end of 2021, the Corporation made the decision to wind down the Advantage division which resulted in a \$1.7 million write down of goodwill and intangible assets related to the Advantage division, as the cost of the Advantage CGU exceeded its recoverable amount.

During 2021, the Corporation received \$0.6 million (2020 - \$1.4 million) from various government sources and was applied as a reduction of operating expenses.

Net Loss, Adjusted Net Loss, Adjusted EBITDA, Adjusted Cash Income and Net Loss per Share

Year ended	December 31, 2021	December 31, 2020
Net loss	\$(2,711,265)	\$(1,859,174)
Impairment	1,668,094	-
Adjusted net loss	(1,043,171)	(1,859,174)
Financing costs	1,544,199	1,495,806
Interest income	(12,180)	(63,941)
Deferred income tax recovery	(498,395)	(27,256)
Amortization and depreciation	4,091,086	3,944,992
Stock-based compensation	388,043	896,899
Acquisition and related expense	278,286	152,104
One-time restructuring fees	240,521	364,261
Adjusted EBITDA	\$4,988,389	\$4,903,691
Capitalized salaries and overhead	(2,639,461)	(2,427,023)
Adjusted cash income	\$2,348,928	\$2,476,668
 Net loss per share		
- basic	\$(0.037)	\$(0.026)
- diluted	\$(0.037)	\$(0.026)
 Weighted-average number of common shares		
- basic	72,840,494	72,366,647
- diluted	72,840,494	72,366,647

Adjusted EBITDA for 2021 was \$5.0 million or \$0.068 per share compared to \$4.9 million or \$0.068 for 2020. This is an increase of \$0.1 million from 2020.

Adjusted EBITDA for 2021 includes \$0.5 million in one-time restructuring fees related to One Quorum reorganization changes and acquisition and related expense as compared to \$0.5 million in 2020.

Adjusted cash income for 2021 decreased by \$0.1 million as compared to 2020. Capitalized salaries and overhead increased by \$0.2 million during 2021 due to an increase in software development staff and a decrease in government financing.

Liquidity and Financial Resources

Cash Flows

Year ended December 31	2021	2020
Cash flow from operating activities	\$1,640,176	\$4,556,220
Cash flow used in investing activities	(3,256,670)	(3,390,064)
Cash flow used in financing activities	(1,161,476)	(385,603)
Effect of foreign currency on cash	(73,209)	(7,844)
Increase (decrease) in cash	(2,848,163)	772,689
Cash, beginning of period	9,326,372	8,553,683
Cash, end of period	\$6,478,209	\$9,326,372

Cash flows from operating activities for 2021 decreased by \$2.9 million as compared to 2020. The decrease in cash flows from operating activities is primarily attributable to an increase in accounts receivable, prepaid expenses, and deferred income tax recovery, further driven by a decrease in accounts payable, accrued liabilities, stock based compensation, and deferred revenues.

Cash flows used in investing activities increased by \$0.1 million in 2021 relative to 2020 due to \$0.2 million of cash outflows related to the purchase of Oasis during 2020 offset by an increase in property and equipment of \$0.1 million during 2021.

The Corporation has a strong commitment to continually enhance and improve XSellerator, Autovance Desk and Menu, DealerMine Service and Sales CRM and invested \$2.7 million in 2021 (2020 - \$2.7 million) in product development. The Corporation invested a further \$0.5 million (2020 - \$0.4 million) for computer software, computer hardware, leasehold improvements and other capital assets.

The \$0.8 million decrease in cash inflows from financing activities for 2021 is primarily due to the \$1.5 million prepayment of principal and interest on its BDC Capital Loan Facility offset by an increase in ACOA loan proceeds.

Net Working Capital

As at	December 31, 2021	December 31, 2020
Current assets:		
Cash	\$6,478,209	\$9,326,372
Accounts receivable	3,575,597	3,051,560
Loan receivable	145,729	412,977
Inventory	14,086	26,900
Prepaid expenses	721,619	378,566
Contract assets	75,519	99,366
	11,010,759	13,295,741
Current liabilities:		
Accounts payable and accrued liabilities	2,681,944	3,146,889
Contract liability	-	372,036
Current portion of long-term debt	303,744	152,291
Current portion of lease liability	411,421	485,733
	3,397,109	4,156,949
Net working capital	\$7,613,650	\$9,138,792

Including cash of \$6.5 million, total net working capital as of December 31, 2021 decreased to \$7.6 million from \$9.1 million as of December 31, 2020, a decrease of \$1.5 million. The decrease in net working capital is primarily attributable to the \$1.5 million prepayment of principal and interest on its BDC Capital Loan.

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 to ensure future expansion plans can be sufficiently financed. Quorum continues to place emphasis on evaluating credit capacity, credit counterparties, and liquidity to ensure its ability to meet its ongoing commitments and obligations.

Effective April 22, 2021, the Corporation entered into a credit facility agreement with HSBC Bank that allows Quorum to borrow up to \$950,000 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, 2021, based on eligible accounts receivable, the maximum draw on the Facility was \$950,000. Amounts drawn on the Facility incur interest at a rate of prime plus 1.25%. The balance drawn as of December 31, 2021 was \$nil (December 31, 2020 - \$nil). As required under an amended office lease agreement, the Corporation has provided a \$175,000 letter of credit for the period covering March 2021 to March 2023, decreasing by \$25,000 in March 2023. The Corporation also has a \$200,000 letter of credit for the aforementioned lease with RBC which is to be released in April, 2022.

Capitalization and Amortization

During 2021, the Corporation continued to invest significantly in the further development of its software products: XSellerator, Autovance Desk, Menu and MyDeal and DealerMine Sales and Service CRM.

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

Year ended	December 31, 2021	December 31, 2020
Software development costs capitalized	\$2,841,147	\$2,599,411
SR&ED investment tax credit	(204,924)	(141,011)
Provincial portion of SR&ED refund	(199,509)	(107,967)
Amortization of software development costs	\$2,525,530	\$2,360,783

All 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 and overhead costs, net of funding from ACOA, for a total of \$2.8 million in 2021, compared to \$2.6 million in 2020.

Investment tax credits of \$0.2 million from the 2020 Scientific Research and Experimental Development (SR&ED) claims were reallocated from software development costs to the investment tax credit asset during the year (2020 - \$0.1 million for the FY2019 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 \$0.2 million for 2020 and \$0.1 million for 2019. Refunds were recognized as a reduction of capitalized software during 2021 and 2020 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 and Menu (“AV Desk and Menu”), DealerMine and Advantage.

The Corporation's impairment analysis as of December 31, 2021 indicated that the carrying of the net assets for the Advantage CGU exceeded the recoverable value, and therefore, there is an impairment of the intangible assets and the goodwill of this CGU. The impairment is a result of the wind down of the Advantage business unit, which is expected to be completed by Q3 2022. The impairment charges of \$1.7 million in 2021 related to software development costs, customer relationships, and goodwill for \$0.8 million, \$0.3 million, and \$0.6 million, respectively.

For all other CGUs, the Corporation's impairment analysis as of December 31, 2021 indicated that the carrying of the net assets for these CGUs did not exceed their respective recoverable values and, therefore, no indication of impairment exists.

XSellerator, Autovance Desk, Menu and MyDeal and DealerMine Service and Sales CRM 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 2021 increased by \$0.2 million from 2020, driven by higher overall software development costs as a result of increased investment in the CGUs. The amortization policy of the corporation is ten-year straight line.

The Corporation also invested \$0.5 million in computer software, leasehold improvements and other capital assets during 2021 (2020 - \$0.4 million).

Long-term Debt and Loan Receivable

Long-term debt includes the following financial liabilities:

As at	December 31, 2021		December 31, 2020	
	Loan Receivable	Debt	Loan Receivable	Debt
ACOA financing 2016 – XSellerator	\$ -	\$ 304,835	\$ -	\$ 338,161
ACOA financing 2018 – XSellerator	-	55,682	-	70,742
ONB financing 2014 - DealerMine	-	-	-	34,962
ACOA financing 2019 - XSellerator	-	669,797	412,977	440,576
ACOA financing 2019 - DealerMine	-	38,003	-	46,985
BDC Capital Inc. facility 2019	-	7,464,605	-	8,590,788
CEBA financing 2020 - Advantage	-	40,000	-	40,000
CEBA financing 2020 - Autovance	-	30,000	-	30,000
ACOA financing 2020 - DealerMine	54,018	66,402	-	-
ACOA financing 2021	91,711	266,905	-	-
	145,729	8,936,229	412,977	9,592,214
Due within one year	-	303,744	-	152,291
Total	\$145,729	\$8,632,485	\$412,977	\$9,439,923

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 was released by ACOA when the Corporation incurred the costs eligible for reimbursement under this agreement. The carrying value of the loan is \$304,835, 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. 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 – 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 was released by ACOA when the Corporation incurred the costs eligible for reimbursement under this agreement. The carrying value of the loan is \$669,797 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. 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.

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 was \$15,000,000 and \$8,125,000 has been drawn on to date. On April 26, 2021, Quorum made a prepayment of \$1,500,000 in principal and interest on the loan and \$6,875,000 remains available to draw. The carrying value of the loan as of December 31, 2021 is \$7,464,605 using an 11.7% rate of interest over six years. The carrying value of the loan includes accrued interest. The loan was 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 ranked 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.

The Corporation must meet a working capital ratio of at least 1:25:1, a minimum quarter over quarter recurring revenue growth rate of 2% increasing to 4% in 2020 and maintained thereafter, and a minimum debt service coverage ratio of 1:25:1.

On July 14, 2020, in response to COVID-19, BDC Capital amended the Corporation's financing agreement such that the financial ratios that the Corporation was required to meet each quarter were not required to be met until December 31, 2020. On March 25, 2021, in response to the second wave of COVID-19, BDC Capital amended the Corporation's financing agreement such that the requirement for a minimum quarter over quarter recurring revenue growth rate of 4% was decreased to 2% effective December 31, 2020. The amendment to the minimum recurring revenue growth covenant was to be in effect until July 1, 2021. On October 22, 2021, in response to the fourth wave of COVID-19, BDC Capital amended the Corporation's financing agreement such that the requirement for a minimum quarter over quarter recurring revenue growth rate of 4% was decreased to 2% effective September 30, 2021. On December 15, 2021, in response to the fourth wave of COVID-19, BDC Capital amended the Corporation's financing agreement such that the requirement for a minimum quarter over quarter recurring revenue growth rate of 4% was waived for the quarter ended December 31, 2021.

On February 8, 2022, Quorum restructured its credit facility with BDC Capital Inc. The original loan was replaced by two new loans, a Mezzanine loan replacing the disbursed funds of the original BDC Capital loan and a new Cash Flow loan that can be utilized for acquisitions and working capital requirements.

ACOA financing 2021

On January 6, 2021, the Corporation entered into a loan agreement with ACOA to assist Quorum in developing expertise to capitalize on partnership and merger and acquisition opportunities. The maximum amount of the loan is \$500,000 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under the agreement. As of December 31, 2021, \$333,066 was received and \$91,711 is receivable. The carrying value of the loan is \$266,905 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 and receivable has been accounted for as a government grant. The loan, which is unsecured and interest-free, matures on September 1, 2027 and is repayable in equal monthly installments. The first payment is due on October 1, 2022.

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 – XSellerator
- ACOA financing 2018 – XSellerator
- ACOA financing 2019 – XSellerator
- ACOA financing 2019 – DealerMine
- ACOA financing 2020 – DealerMine
- CEBA financing 2020 – Advantage
- CEBA financing 2020 – Autovance
- ACOA financing 2021

In addition to the above, the Corporation has received approval for additional government grants and other assistance from CEWS, CERS, NRC-IRAP, Government of Newfoundland and Labrador - TCII, ONB, ACOA, CanExport, and CICAN totaling \$0.8 million, which has been included in net income for the year ended December 31, 2021 (December 31, 2020 - \$2.9 million).

Subsequent to December 31, 2021, the Company has received \$216,588 in additional government grants and incentives.

Share Capital

	Number of Common Shares	Number of Restricted Shares Units
Balance January 1, 2020	71,995,107	793,100
Issued pursuant to acquisition, Autovance	149,334	-
RSU's granted in the year	-	540,000
RSU's vested in the year	665,900	(755,900)
RSU's forfeited in the year	-	(37,200)
Balance December 31, 2020	72,810,341	540,000
Issued pursuant to stock-option plan	4,138	-
Issued pursuant to acquisition, Autovance	59,334	-
RSU's vested in the year	254,907	(360,000)
Balance December 31, 2021	73,128,720	180,000

Effective June 27, 2014, the Corporation implemented the Restricted Stock Unit (RSU) Plan, which provides incentives to eligible employees, officers, and directors of the Corporation through the issuance of Restricted Stock Units. The RSU's generally vest as follows, subject to the absolute discretion of the Board of Directors: one-third on the date of grant, and one-third on each of the one and two-year anniversaries from the date of grant. The Company, at the discretion of the board of directors, may issue up to a maximum of 7,312,872 combined RSU's and stock options.

As at December 31, 2021, the Corporation has 180,000 outstanding RSU's due to vest in Q4 2022.

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.

There are two stock option plans with grant dates of July 6, 2020 and October 2, 2020, respectively. Both plans vest over three-year terms, at one-third vesting rights each year. The maximum term of the plans are five years from the date of grant.

Stock option transactions for the respective years and the number of stock options outstanding are summarized as follows:

As at	December 31, 2021		December 31, 2020	
	Number of Stock Options	Average Exercise Price	Number of Stock Options	Average Exercise Price
Balance, beginning of period	1,037,900	\$ 0.91	-	-
Granted during the period	5,000	0.91	1,037,900	\$ 0.91
Exercised during the period	(7,000)	0.87	-	-
Forfeited during the period	(124,132)	0.92	-	-
Balance, end of period	911,768	\$ 0.91	1,037,900	\$ 0.91

As of December 31, 2021, there were 74,220,488 fully diluted shares outstanding.

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 opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in Quorum’s consolidated financial statements are the impairment of intangible assets and goodwill, depreciation of property and equipment, amortization of intangible assets, deferred income taxes and stock-based compensation.

Future Accounting Pronouncements

In January 2020, the International Accounting Standards Board issued amendments to IAS 1 “Presentation of Financial Statements” to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective January 1, 2022

with early adoption permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

In February 2021, the IASB issued amendments to IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 “Making Material Judgements”. The amendments are effective January 1, 2023 with earlier adoption permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

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 a credit facility with HSBC that provides liquidity to Quorum for its business, operations, and potential acquisitions. Effective April 22, 2021, the Corporation entered into a credit facility agreement with HSBC Bank that allowed Quorum to borrow up to \$950,000 to meet working capital requirements, subject to the value of certain accounts receivable (“the “Facility”). The Facility was secured by a first priority security interest in all of the Corporation’s present and after-acquired property. As of December 31, 2021, based on eligible accounts receivable, the maximum draw on the Facility was \$950,000. Amounts drawn on the Facility incur interest at a rate of prime plus 1.25%. The balance drawn as of December 31, 2021 was \$nil. As required under an amended office lease agreement, the Corporation has provided a \$175,000 letter of credit for the period covering March 2021 to March 2023, decreasing by \$25,000 in March 2023. The Corporation also has a \$200,000 letter of credit for the aforementioned lease with RBC which is to be released in April, 2022.

On February 8, 2022, Quorum restructured its credit facility with BDC Capital Inc. The new facilities significantly reduce interest rates from 11.7% to 8.05% for the Mezzanine loan and 5.05% for the Cash Flow loan and extends the maturity date from January 15, 2025 to March 15, 2027. The original loan was replaced by a Mezzanine loan and a Cash Flow loan, with the Mezzanine loan replacing the disbursed funds of the original BDC Capital loan and a new Cash Flow loan that can be utilized for acquisitions and working capital requirements.

The Corporation has traditionally not needed to rely significantly on operating lines. 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 facility and BDC Capital facility 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 on 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 Pandemic Risks 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, DealerMine and Autovance products require certification by OEM automotive manufacturers in order to continue to operate with each respective brand's dealer network. Quorum maintains a positive relationship with the various OEM's which have certified Quorum's products, however there is no guarantee that Quorum can maintain each certification in the future. The de-certification by an OEM of the products 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 depend 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 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 its 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.

Pandemic Risks

A pandemic, including the COVID-19 pandemic, can create significant volatility and uncertainty and economic disruption. A pandemic poses the risk that Quorum's customers and business partners may be prevented from conducting business activities for an indefinite period, including the transmission of the disease or due to emergency measures or restrictions that may be requested or mandated by governmental authorities.

The COVID-19 pandemic resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the implementation of travel bans, self-imposed quarantine periods and social distancing. Companies also took precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. These emergency measures and restrictions, and future measures and restrictions taken in response to the COVID-19 pandemic or other pandemics, have and may cause, material disruptions to businesses globally and have had an adverse impact on global economic conditions and consumer confidence and spending, which could materially adversely affect Quorum's business.

As a result of increased remote working arrangements due to a pandemic, the exposure to, and reliance on, networked systems and the internet has increased. This can lead to increased risk and frequency of cybersecurity incidents. Cybersecurity incidents can result from unintentional events or deliberate attacks by insiders or third parties, including cybercriminals, competitors, nation-states, and hacktivists. Any of these events could cause or contribute to risk and uncertainty and could adversely affect our business, results of operations and financial condition.

As a result of the COVID-19 pandemic, global equity and capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic are unknown at this time, as is the efficacy of the government and central bank interventions.

The extent to which the COVID-19 pandemic impacts future business will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the COVID-19 pandemic. It is not possible to reliably estimate the length and severity of these developments or the negative impact on the Corporation's financial results, share price and financial condition in future periods. Many of the risks, uncertainties and other risk factors identified are, and will be, amplified by the COVID-19 pandemic.

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

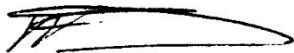
The accompanying consolidated financial statements for the years ended December 31, 2021 and December 31, 2020 and all other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the consolidated 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 consolidated financial statements are presented fairly, in all material respects. In the opinion of management, the consolidated 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 consolidated 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 the consolidated financial statements.

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

BDO Canada LLP has audited the consolidated 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 consolidated financial statements including notes thereto, with management and the external auditors. The consolidated 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
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Independent Auditor's Report

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 statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years 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, 2021; and
- the information, other than the consolidated financial statements and our auditor's report thereon, in the 2021 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 the 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 20, 2022

2021 Audited Consolidated Financial Statements

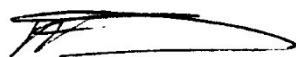
Quorum Information Technologies Inc.
Consolidated Statements of Financial Position

(stated in Canadian dollars)

As at	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current:			
Cash		\$6,478,209	\$9,326,372
Accounts receivable		3,575,597	3,051,560
Loan receivable	9	145,729	412,977
Inventory		14,086	26,900
Prepaid expenses		721,619	378,566
Contract assets	5	75,519	99,366
		11,010,759	13,295,741
Contract assets	5	21,171	23,636
Property and equipment	6	1,014,952	1,040,497
Lease assets	23	2,672,232	3,165,619
Intangible assets	7	17,867,174	19,307,346
Goodwill	7	5,809,116	6,434,760
Deferred income tax asset	11	2,801,100	2,553,433
Investment tax credits	12	3,976,933	3,737,298
		\$45,173,437	\$49,558,330
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		\$2,681,944	\$3,146,889
Contract liability		-	372,036
Current portion of long-term debt	9	303,744	152,291
Current portion of lease liability	23	411,421	485,733
		3,397,109	4,156,949
Long-term accounts payable		-	77,560
Contract liability		46,088	46,088
Lease liability	23	2,892,205	3,169,439
Long-term debt	9	8,632,485	9,439,923
Deferred income tax liability	11	2,438,653	2,611,951
		17,406,540	19,501,910
SHAREHOLDERS' EQUITY			
Share capital	13	31,526,484	31,218,954
Contributed surplus		2,539,868	2,539,692
Deficit		(6,299,455)	(3,702,226)
		27,766,897	30,056,420
		\$45,173,437	\$49,558,330

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Maury Marks
 Director
 President & CEO



Neil McDonnell
 Director
 Chairman of the Board of Directors

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

Year ended	Notes	December 31, 2021	December 31, 2020
Revenue	15	\$36,051,217	\$30,856,471
Cost of revenue	16, 10	19,642,119	17,202,172
Gross margin		16,409,098	13,654,299
Operating expenses			
Research and development	10	1,412,902	897,703
Sales and marketing	10	3,475,523	2,895,939
General and administrative	10	7,051,091	5,473,331
Stock-based compensation	14	388,043	896,899
Financing costs		1,544,199	1,495,806
Amortization and depreciation	17	4,091,086	3,944,992
Impairment	7	1,668,094	-
Total operating expenses		19,630,938	15,604,670
Interest income		12,180	63,941
Loss before deferred income tax expense		(3,209,660)	(1,886,430)
Deferred income tax recovery	11	498,395	27,256
Net loss		(2,711,265)	(1,859,174)
Other comprehensive gain (loss)			
Foreign exchange gain (loss)		114,036	(1,990)
Comprehensive loss		\$(2,597,229)	\$(1,861,164)
Net loss per share	13		
- Basic		\$ (0.037)	\$ (0.026)
- Diluted		\$ (0.037)	\$ (0.026)

See accompanying notes to consolidated financial statements.

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

	Notes	Common shares	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance January 1, 2021		\$31,218,954	\$2,539,692	\$ -	\$(3,702,226)	\$30,056,420
Net loss for the year		-	-	-	(2,711,265)	(2,711,265)
Accumulated other comprehensive income		-	-	114,036	-	114,036
Stock-based compensation granted	14	-	299,818	-	-	299,818
Issued pursuant to stock-based compensation	13, 14	273,112	(265,224)	-	-	7,888
Issued pursuant to share purchase agreement, Autovance ¹⁰		34,418	(34,418)	-	-	-
Balance December 31, 2021		\$31,526,484	\$2,539,868	\$114,036	\$(6,413,491)	\$27,766,897
Balance January 1, 2020		\$30,557,608	\$2,380,799	\$ --	\$(1,841,062)	\$31,097,345
Net loss for the year		-	-	-	(1,859,174)	(1,859,174)
Accumulated other comprehensive loss		-	-	(1,990)	-	(1,990)
Stock-based compensation granted	13, 14	-	820,239	-	-	820,239
Issued pursuant to stock-based compensation	13, 14	574,732	(574,732)	-	-	-
Issued pursuant to share purchase agreement, Autovance		86,614	(86,614)	-	-	-
Balance December 31, 2020		\$31,218,954	\$2,539,692	\$(1,990)	\$(3,700,236)	\$30,056,420

See accompanying notes to consolidated financial statements.

¹⁰ Restricted Stock Units issued pursuant to the Autovance Technologies Inc. Share Purchase of Agreement dated August 18, 2017.

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

Year ended	Notes	December 31, 2021	December 31, 2020
Cash provided by (used in):			
Operating activities			
Net loss for the year		\$ (2,711,265)	\$ (1,859,174)
Adjustments for:			
Impairment	7	1,668,094	-
Amortization and depreciation		4,091,086	3,944,992
Stock-based compensation		388,043	896,899
Deferred income tax recovery		(498,395)	(27,256)
Interest expense		471,430	493,470
Change in non-cash operating working capital	18	(1,768,817)	1,107,269
		1,640,176	4,556,200
Financing activities			
Proceeds from long-term debt		1,324,505	631,510
Proceeds from SR&ED		22,209	107,967
RSUs settled in cash		-	(76,660)
Repayment of long-term debt		(1,778,226)	(293,340)
Repayment of lease liability		(729,964)	(755,080)
		(1,161,476)	(385,603)
Investing activities			
Purchase of property and equipment		(511,048)	(430,385)
Software development costs		(2,742,606)	(2,735,319)
Contingent acquisition payments		-	(224,360)
		(3,253,654)	(3,390,064)
Effect of foreign currency on cash		(73,209)	(7,844)
Increase (decrease) in cash		(2,848,163)	772,689
Cash, beginning of year		9,326,372	8,553,683
Cash, end of year		\$ 6,478,209	\$ 9,326,372

See accompanying notes to consolidated financial statements.

1. Nature of Operations

Quorum Information Technologies Inc. (“Quorum” or the “Corporation”) is an information technology company that focuses on the automotive retail business in Canada and the U.S. and is incorporated under the Business Corporations Act of Alberta. The address of Quorum’s registered office is B28, 6020 2nd Street SE, Calgary AB, Canada.

Quorum develops, markets, implements and supports its own software products for the automotive market: XSellerator™, a Dealership Management System (“DMS”); Autovance Desk, Menu and MyDeal, a sales desk, menuing and digital retailing system; DealerMine Service and Sales Customer Relationship Management (“CRM”) system and Business Development Centre (“BDC”); and Quorum 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 20, 2022.

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.

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”); Quorum Advantage Limited (“Advantage”); 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.

3. Significant Accounting Policies

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. 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.

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.

Identifiable Intangible Assets

Identifiable intangible assets include internally developed software, vendor distribution rights, and customer relationships and are recorded at cost, less accumulated amortization. Residual values and useful lives are reviewed at each reporting date.

3. Significant Accounting Policies (continued)

In addition, identifiable intangible assets 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	10-12 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. The assets are subject to impairment testing only as described 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.

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

3. Significant Accounting Policies *(continued)*

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 or a cloud-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 a distinct performance obligation and the initial upfront fee received from such customers does not represent 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 contract liability.

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. Net new customers purchase both SaaS and installation services. Consideration is allocated to both performance obligations by which SaaS amounts are reflective of the standalone selling price and the residual is allocated to installation revenues. 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 three 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

3. Significant Accounting Policies *(continued)*

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.

Contract Liability

Amounts received in advance of the performance of services or delivery of products are recorded and presented as deferred contract liability.

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 Restricted Stock Units ("RSUs") granted to employees, officers, and directors of the Corporation for grants under the Corporation's Incentive Award Plan. Compensation expense for RSUs 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 Contributed Surplus, with a corresponding increase to stock-based compensation expense, based on the number of awards expected to vest. RSUs which are fully vested are reclassified from Contributed Surplus to Share Capital.

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

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

3. Significant Accounting Policies *(continued)*

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.

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 19.

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.

4. 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.

4. Significant Accounting Judgments and Estimates *(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 19.

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.

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

4. Significant Accounting Judgments and Estimates *(continued)*

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.

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.

Impacts of COVID-19

For the twelve months ended December 31, 2021, the novel coronavirus ("COVID-19") had an impact on the global economy, including the automotive information technology industry. The Corporation has taken into account the impacts of COVID-19 and the unique circumstances it has created in making estimates, assumptions and judgments in the preparation of these consolidated financial statements. Actual results may differ from estimated amounts, and those differences may be material.

4. Significant Accounting Judgments and Estimates *(continued)*

Recent Accounting Pronouncements

In January 2020, the International Accounting Standards Board (“IASB”) issued amendments to IAS 1 “Presentation of Financial Statements” to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective January 1, 2022 with early adoption permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

In February 2021, the IASB issued amendments to IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 “Making Material Judgements”. The amendments are effective January 1, 2023 with earlier adoption permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

5. Contract Assets

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.

Year ended	December 31, 2021	December 31, 2020
Balance – beginning of year	\$123,002	\$360,612
Additions	84,770	78,655
Adjustments	-	(69,545)
Amortization	(111,082)	(246,720)
Balance – end of year	96,690	123,002
Current portion of contract assets – end of year	\$75,519	\$99,366
Long-term portion of contract assets – end of year	\$21,171	\$23,636

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 follow:

	Computer Hardware	Computer Software	Office Equipment	Leased Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount						
Balance - January 1, 2021	\$1,440,650	\$1,009,243	\$672,089	\$185,408	\$317,199	\$3,624,589
Additions	264,545	234,432	11,323	-	748	511,048
Balance - December 31, 2021	1,705,195	1,243,675	683,412	185,408	317,947	4,135,637
Accumulated Depreciation						
Balance - January 1, 2021	1,143,976	903,200	374,260	37,082	125,574	2,584,092
Depreciation	126,840	221,225	109,339	12,360	66,829	536,593
Balance - December 31, 2021	1,270,816	1,124,425	483,599	49,442	192,403	3,120,685
Carrying amount December 31, 2021	\$434,379	\$119,250	\$199,813	\$135,966	\$125,544	\$1,014,952

	Computer Hardware	Computer Software	Office Equipment	Leased Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount						
Balance - January 1, 2020	\$1,293,115	\$803,333	\$631,813	\$185,408	\$280,535	\$3,194,204
Additions	147,535	205,910	40,276	-	36,664	430,385
Balance - December 31, 2020	1,440,650	1,009,243	672,089	185,408	317,199	3,624,589
Accumulated Depreciation						
Balance - January 1, 2020	1,050,842	757,399	275,577	24,722	57,122	2,165,662
Depreciation	93,134	145,801	98,683	12,360	68,452	418,430
Balance - December 31, 2020	1,143,976	903,200	374,260	37,082	125,574	2,584,092
Carrying amount December 31, 2020	\$296,674	\$106,043	\$297,829	\$148,326	\$191,625	\$1,040,497

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
Gross Carrying Amount					
Balance - January 1, 2021	\$35,143,836	\$43,509	\$3,240,000	\$38,427,345	\$6,434,760
Other	65,735	-	-	65,735	-
ACOA loan proceeds	(361,953)	-	-	(361,953)	-
Impairment	(772,103)	-	(270,347)	(1,042,450)	(625,644)
Additions	2,742,606	-	-	2,742,606	-
Balance - December 31, 2021	36,818,121	43,509	2,969,653	39,831,283	5,809,116
Amortization					
Balance - January 1, 2021	18,439,961	34,552	645,486	19,119,999	-
Amortization	2,525,350	428	318,332	2,844,110	-
Balance - December 31, 2021	20,965,311	34,980	963,818	21,964,109	-
Carrying amount December 31, 2021	\$15,852,810	\$8,529	\$2,005,835	\$17,867,174	\$5,809,116

	Software Development Costs	Vendor Distribution Rights	Customer Relationships	Total Intangible Assets	Goodwill
Gross Carrying Amount					
Balance - January 1, 2020	\$32,854,882	\$43,509	\$3,240,000	\$36,138,391	\$6,434,760
ACOA loan proceeds	(338,388)	-	-	(338,388)	-
Additions	2,627,342	-	-	2,627,342	-
Balance - December 31, 2020	35,143,836	43,509	3,240,000	38,427,345	6,434,760
Amortization					
Balance - January 1, 2020	16,079,178	34,092	328,334	16,441,604	-
Amortization	2,360,783	460	317,152	2,678,395	-
Balance - December 31, 2020	18,439,961	34,552	645,486	19,119,999	-
Carrying amount December 31, 2020	\$16,703,875	\$8,957	\$2,594,514	\$19,307,346	\$6,434,760

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 and Menu ("AV Desk and Menu"), DealerMine and Advantage.

The Corporation tests the CGUs annually for impairment. The Corporation's impairment analysis as of December 31, 2021 indicated that the carrying value of the net assets for the Advantage CGU exceeded the recoverable value, and therefore, there is an impairment of the intangible assets and the goodwill of

7. Intangible Assets and Goodwill (continued)

this CGU. The impairment is a result of the wind down of the Advantage business unit, which is expected to be completed by Q3 2022. The impairment charges of \$1,668,094 in 2021 related to software development costs, customer relationships, and goodwill for \$772,103, \$270,347, and \$625,644, respectively.

For all other CGUs, the Corporation's impairment analysis as of December 31, 2021 indicated that the carrying value of the net assets for these 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 12% was used as at December 31, 2021 (2020 – 12%). 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 18% 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.

The carrying value of goodwill for each corporate division is as follows:

Year ended	December 31, 2021	December 31, 2020
DealerMine Inc.	\$5,323,351	\$5,323,351
Autovance Technologies Inc.	485,765	485,765
Quorum Advantage Ltd.	-	625,644
Goodwill	\$5,809,116	\$6,434,760

8. Bank Indebtedness

Effective April 22, 2021, the Corporation entered into a credit facility agreement with HSBC Bank that allows Quorum to borrow up to \$950,000 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, 2021, based on eligible accounts receivable, the maximum draw on the Facility was \$950,000. Amounts drawn on the Facility incur interest at a rate of prime plus 1.25%. The balance drawn as of December 31, 2021 was \$nil (December 31, 2020 - \$nil). As required under an amended office lease agreement, the Corporation has provided a \$175,000 letter of credit with HSBC for the period covering March 2021 to March 2023, decreasing by \$25,000 in March 2023. The Corporation also has a \$200,000 letter of credit for the aforementioned lease with RBC which is to be released in April, 2022.

9. Long-term Debt and Loan Receivable

As at	December 31, 2021		December 31, 2020	
	Loan Receivable	Debt	Loan Receivable	Debt
ACOA financing 2016 - XSellerator	\$ -	\$304,835	\$ -	\$338,161
ACOA financing 2018 - XSellerator	-	55,682	-	70,742
ONB financing 2014 - DealerMine	-	-	-	34,962
ACOA financing 2019 - XSellerator	-	669,797	412,977	440,576
ACOA financing 2019 - DealerMine	-	38,003	-	46,985
BDC Capital Inc. facility 2019	-	7,464,605	-	8,590,788
CEBA financing 2020 - Advantage	-	40,000	-	40,000
CEBA financing 2020 - Advovance	-	30,000	-	30,000
ACOA financing 2020 - DealerMine	54,018	66,402	-	-
ACOA financing 2021	91,711	266,905	-	-
	145,729	8,936,229	412,977	9,592,214
Due within one year	-	303,744	-	152,291
Total	\$145,729	\$8,632,485	\$412,977	\$9,439,923

ACOA financing 2016 - XSellerator

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 was released by ACOA when the Corporation incurred the costs eligible for reimbursement under this agreement. The carrying value of the loan is \$304,835, 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 (2020 - \$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 - XSellerator

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, 2021, \$145,932 was received (2020 - \$145,932). The carrying value of the loan is \$55,682, 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 September 30, 2024 and is repayable in equal monthly installments. Payments commenced on October 1, 2019.

ONB financing 2014 - DealerMine

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

9. Long-term Debt and Loan Receivable *(continued)*

new full-time positions. The loan matured on March 1, 2021. The hiring threshold was not achieved and DealerMine was required to pay back the forgivable loan. As of December 31, 2021, the carrying value of the loan is \$nil.

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 was released by ACOA when the Corporation incurred the costs eligible for reimbursement under this agreement. As of December 31, 2021, \$1,542,245 was received (2020 - \$674,684) and \$nil was receivable (2020 - \$412,977). The carrying value of the loan is \$669,797 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 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 was released by ACOA when DealerMine incurred the costs eligible for reimbursement under the agreement. As of December 31, 2021, \$79,690 was received (2020 - \$79,690). The carrying value of the loan is \$38,003 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 received has been accounted for as a government grant (refer to Note 10). The loan, which is unsecured and interest-free, matures on December 31, 2024 and is repayable in equal monthly installments. Payments commenced on July 1, 2021.

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 (2020 - \$15,000,000) and \$8,125,000 (2020 - \$8,125,000) has been drawn on to date. On April 26, 2021, Quorum made a prepayment of \$1,500,000 in principal and interest on the loan and \$6,875,000 remains available to draw. The carrying value of the loan as of December 31, 2021 is \$7,464,605 using an 11.7% rate of interest over six years. The carrying value of the loan includes accrued interest. 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.

The Corporation must meet a working capital ratio of at least 1:25:1, a minimum quarter over quarter recurring revenue growth rate of 2% increasing to 4% in 2020 and maintained thereafter, and a minimum debt service coverage ratio of 1:25:1.

On July 14, 2020, in response to COVID-19, BDC Capital amended the Corporation's financing agreement such that the financial ratios that the Corporation was required to meet each quarter were not required to be met until December 31, 2020. On March 25, 2021, in response to the second wave of COVID-19, BDC Capital amended the Corporation's financing agreement such that the requirement for a minimum quarter over quarter recurring revenue growth rate of 4% was decreased to 2% effective December 31, 2020. The amendment to the minimum recurring revenue growth covenant was to be in effect until July 1, 2021. On October 22, 2021, in response to the fourth wave of COVID-19, BDC Capital amended the Corporation's

9. Long-term Debt and Loan Receivable *(continued)*

financing agreement such that the requirement for a minimum quarter over quarter recurring revenue growth rate of 4% was decreased to 2% effective September 30, 2021. On December 15, 2021, in response to the fourth wave of COVID-19, BDC Capital amended the Corporation's financing agreement such that the requirement for a minimum quarter over quarter recurring revenue growth rate of 4% was waived for the quarter ended December 31, 2021.

Canada Emergency Business Account ("CEBA") – Advantage and Autovance

On May 1, 2020 and December 18, 2020, the Corporation's Advantage division was successful in the applications for round 1 and round 2 of the CEBA loan program. On June 8, 2020, the Corporation's Autovance division was successful in the application for a CEBA loan. CEBA provides interest free loans of up to \$60,000 per division to help cover operating costs during a period where revenue has been temporarily reduced due to the economic impacts of COVID-19. Repayment of the balance of the loan on or before December 31, 2023 will result in partial loan forgiveness. As of December 31, 2021, \$100,000 (2020 - \$100,000) was received, of which \$30,000 (2020 - \$30,000) has been accounted for as government assistance (refer to Note 10).

ACOA financing 2020 - DealerMine

On October 6, 2020, DealerMine Inc. entered into a loan agreement with ACOA to assist Quorum in adding significant enhancements to DealerMine's Online Scheduling application. The maximum amount of the loan is \$500,000 and the amount will be released by ACOA when DealerMine incurs the costs eligible for reimbursement under the agreement. As of December 31, 2021, \$135,436 was received (2020 - \$nil) and \$54,018 was receivable (2020 - \$nil). The carrying value of the loan is \$66,402 and has been computed using a 15% rate of interest over 15 years. The difference between the fair value of the loan on inception and the cash received and receivable 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 15% of gross revenues from the resulting products for the fiscal year immediately preceding the due date of the respective payment. On December 7, 2021, the project was extended by 1 year, with an anticipated completion date of June 30, 2023. The loan is repayable in equal monthly installments and matures when the full contribution has been repaid in full or on June 30, 2038, whichever occurs first. The first payment is due on July 1, 2024.

ACOA financing 2021

On January 6, 2021, the Corporation entered into a loan agreement with ACOA to assist Quorum in developing expertise to capitalize on partnership and merger and acquisition opportunities. The maximum amount of the loan is \$500,000 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under the agreement. As of December 31, 2021, \$333,066 was received and \$91,711 is receivable. The carrying value of the loan is \$266,905 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 and receivable has been accounted for as a government grant (refer to Note 10). The loan, which is unsecured and interest-free, matures on September 1, 2027 and is repayable in equal monthly installments. The first payment is due on October 1, 2022.

9. Long-term Debt and Loan Receivable *(continued)*

Scheduled principal repayments

Scheduled principal repayments at December 31, 2021 are as follows:

2022	\$ 303,744
2023	448,027
2024	178,148
2025	7,595,675
2026	114,521
2027 & later	296,114
	<hr/>
	\$8,936,229

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 – XSellerator
- ACOA financing 2018 – XSellerator
- ACOA financing 2019 – XSellerator
- ACOA financing 2019 – DealerMine
- ACOA financing 2020 – DealerMine
- CEBA financing 2020 – Advantage
- CEBA financing 2020 – Autovance
- ACOA financing 2021

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

Quorum Information Technologies Inc.
Notes to the Consolidated Financial Statements
(stated in Canadian dollars)

10. Government Grants and Assistance (continued)

Grantor	Maximum funding	Received to December 31, 2021	Purpose and terms	Net income inclusion	
				2021	2020
National Research Council of Canada – Industrial Research Assistance Program (“NRC-IRAP”), (October 22, 2018)	\$150,000	\$150,000	<ul style="list-style-type: none"> To assist with the R&D work on Autovance’s F&I Menu platform Non-repayable 	\$ -	\$14,945
ACOA (January 7, 2020)	\$50,000	\$50,000	<ul style="list-style-type: none"> To assist Quorum with financial reporting requirements Non-repayable 	\$ -	\$50,000
NRC-IRAP (January 7, 2020)	\$335,566	\$335,566	<ul style="list-style-type: none"> To assist XSellerator with VIP refactoring project Non-repayable 	\$64,420	\$271,146
Canadian Emergency Wage Subsidy (April 2020 to June 2021)	\$2,523,835	\$2,523,835	<ul style="list-style-type: none"> To assist Quorum in keeping employees on payroll during COVID-19 Non-repayable 	\$104,640	\$2,419,195
Canadian Emergency Business Account (April 2020 and December 2020)	\$30,000	\$30,000	<ul style="list-style-type: none"> To assist Quorum in keeping employees on payroll during COVID-19 Forgiven if conditions met 	\$ -	\$30,000
Canadian Emergency Rent Subsidy (October 2020 to September 2021)	\$42,440	\$42,440	<ul style="list-style-type: none"> To assist Quorum in lowering rent expense during COVID-19 Non-repayable 	\$22,995	\$19,445
US Paycheck Protection Program (April 2020)	\$116,987	\$116,987	<ul style="list-style-type: none"> To assist Quorum in keeping employees on payroll during COVID-19 Non-repayable 	\$ -	\$116,987
Government of Newfoundland and Labrador, Department of Tourism, Culture, Industry and Innovation (“TCII”) (July, 2020)	\$100,000	\$97,801	<ul style="list-style-type: none"> To assist the Quorum group of companies in moving to an integrated business environment. Non-repayable 	\$97,801	\$ -
Colleges and Institutes Canada (“CICAN”) (October 2020)	\$20,328	\$20,328	<ul style="list-style-type: none"> To assist with placement and internship of software developers. Non-repayable 	\$20,328	\$ -
CanExport SMEs Program (“CanExport”) (January 11, 2021)	\$21,000	\$18,414	<ul style="list-style-type: none"> To assist DealerMine in the creation and execution of a digital marketing strategy in the US. Non-repayable 	\$18,414	\$ -
Opportunities New Brunswick (“ONB”) (March 3, 2021)	\$820,000	\$ -	<ul style="list-style-type: none"> To assist the Quorum group of companies in creating new roles in the province of New Brunswick Non-repayable 	\$15,750	\$ -
ACOA (April 19, 2021)	\$50,000	\$22,790	<ul style="list-style-type: none"> To assist Quorum with recruiting and staffing requirements Non-repayable 	\$26,024	\$ -
NRC-IRAP (April 27, 2021)	\$170,000	\$104,032	<ul style="list-style-type: none"> To assist DealerMine with cloud application machine learning capabilities Non-repayable 	\$119,052	\$ -
NRC-IRAP (June 3, 2021)	\$724,746	\$175,157	<ul style="list-style-type: none"> To assist XSellerator with cloud application machine learning capabilities Non-repayable 	\$203,322	\$ -
NRC-IRAP (June 30, 2021)	\$30,000	\$20,624	<ul style="list-style-type: none"> To assist XSellerator with software enhancements and OEM integration. Non-repayable 	\$24,374	\$ -
NRC-IRAP (July 8, 2021)	\$30,000	\$15,866	<ul style="list-style-type: none"> To assist XSellerator with adding multi-language support. Non-repayable 	\$15,866	\$ -
ACOA (July 21, 2021)	\$50,000	\$21,409	<ul style="list-style-type: none"> To assist DealerMine with BDC instructional design and training program improvement. Non-repayable 	\$25,576	\$ -
				\$758,562	\$2,921,718

11. 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:

Year ended	December 31, 2021	December 31, 2020
Loss before deferred income tax expense	\$(3,209,660)	\$(1,886,430)
Estimated combined corporate tax rate	26.65%	26.65%
Calculated income tax expense (recovery)	(855,374)	(502,734)
Nondeductible items for tax purposes	342,724	479,937
Difference in rates in other jurisdictions - US	(10,453)	-
Adjustments and assessments	24,708	(4,459)
Net deferred income tax expense (recovery)	\$ (498,395)	\$ (27,256)

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 assets will be realized but their expectations could change materially in the near term based on future taxable income during the carry forward period. The principal components of these differences are as follows:

As at	December 31, 2021	December 31, 2020
Property and equipment	\$318,758	\$206,843
Loss carry forwards	2,163,502	2,039,095
Intangible assets	18,692	-
Investment tax credits	35,165	101,404
Leases	149,592	85,784
Share issue costs	115,391	120,307
Deferred tax asset	\$2,801,100	\$2,553,433
Property and equipment	\$58,209	\$25,206
Intangible assets	(2,638,061)	(2,747,380)
Loss carry forwards	141,199	110,223
Deferred tax liability	\$(2,438,653)	\$(2,611,951)

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

As at	December 31, 2021	December 31, 2020
Undepreciated capital cost	\$3,194,578	\$2,917,683
SR&ED expenditures	12,071,734	12,097,496
Cumulative capital expenditures	11,950	11,950
Non-capital losses	8,661,289	8,495,768
Share issue costs	247,730	371,595
Tax pools available for carry forward	\$ 24,187,281	\$ 23,894,492

11. Income Taxes (continued)

The Corporation has \$8,661,289 of non-capital losses available for income tax purposes to reduce taxable income of future years. Of this, \$602,720 of losses in the US are available to carryforward indefinitely and \$8,058,569 expire as follows:

	Canada	United States
2027	\$ -	\$ 1,405,977
2028	-	849,817
2029	23,594	-
2030	95,538	-
2032	88,994	-
2033	86,709	638,032
2034	118,061	-
2035	105,185	-
2036	155,685	-
2037	194,538	17,552
2038	521,029	302,804
2039	1,661,302	299,916
2040	1,302,978	-
2041	793,578	-
	\$5,147,191	\$3,514,098

12. 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.

As at	December 31, 2021	December 31, 2020
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	120,559	120,559
2019	172,640	97,472
2020	164,467	-
	\$3,976,933	\$3,737,298

12. Investment Tax Credits (continued)

The Corporation is preparing the application for government research and development tax credits pertaining to the 2021 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 \$197,646.

13. 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:

As at	December 31, 2021		December 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, beginning of period	72,810,341	\$31,218,954	71,995,107	\$30,557,608
Issued pursuant to stock-based compensation	259,045	273,112	665,900	574,732
Issued pursuant to acquisition, Autovance	59,334	34,418	149,334	86,614
Balance, end of period	73,128,720	\$31,526,484	72,810,341	\$31,218,954

Net loss per share

In calculating the basic and diluted net loss per share for the years ended December 31, 2021 and 2020, the weighted average number of shares used in the calculation is shown in the table below.

Year ended	December 31, 2021	December 31, 2020
Net loss	\$(2,711,265)	\$(1,859,174)
Weighted Average Common Shares		
Weighted average	72,840,494	72,366,647
Effect of dilutive shares	-	-
Weighted average diluted shares outstanding	72,840,494	72,366,647
Net loss per share – basic	\$(0.037)	\$(0.026)
Net loss per share – diluted	\$(0.037)	\$(0.026)

14. Stock-Based Compensation

As at December 31, 2021, a total of 7,312,872 common shares were reserved for issuance under the Corporation's Stock Option Plan and Restricted Stock Unit Plan (2020 - 7,281,034) of which 6,221,104 common shares remain available for grant (2020 - 5,703,134). 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.

There are two stock option plans with grant dates of July 6, 2020 and October 2, 2020, respectively. Both plans vest over three-year terms, at one-third vesting rights each year. The maximum term of the plans are five years from the date of grant.

Stock option transactions for the respective years and the number of stock options outstanding are summarized as follows:

As at	December 31, 2021		December 31, 2020	
	Number of Stock Options	Average Exercise Price	Number of Stock Options	Average Exercise Price
Balance, beginning of period	1,037,900	\$0.91	-	-
Granted during the period	5,000	0.91	1,037,900	\$0.91
Exercised during the period	(7,000)	0.87	-	-
Forfeited during the period	(124,132)	0.92	-	-
Balance, end of period	911,768	\$0.91	1,037,900	\$0.91

As of December 31, 2021, there were a total of 911,768 stock options outstanding (2020 - 1,037,900). For the year ended December 31, 2021 stock-based compensation expense of \$129,887 (2020 - \$203,527) was recorded related to the stock option plan. The following table summarizes information about stock options outstanding at December 31, 2021:

Exercise price	Number outstanding	Number vested	Number unvested	Weighted average remaining contractual life in years
\$0.87	486,768	324,514	162,254	0.51
\$0.95	425,000	283,335	141,665	0.75
	911,768	607,849	303,919	0.63

14. Stock-Based Compensation (continued)

The Corporation accounts for its stock-based compensation plan using the fair value method, under which compensation expense for each tranche of an award is measured at the grant date and recognized over the vesting period. Assumptions utilized in the calculation thereof using the Black-Scholes model for option valuation are as follows:

	2021	2020
Volatility rate range	61%-70%	61%-70%
Stock option holding period range (years)	2.5-3.5	2.5-3.5
Risk free interest rate range	0.25%-0.33%	0.24%-0.32%
Dividend yield	0%	0%

Restricted Stock Unit Plan

Effective June 27, 2014, the Corporation implemented the Restricted Stock Unit (RSU) Plan which provides incentives to eligible employees, officers and directors of the Corporation through the issuance of RSU's. The RSU's generally vest as follows, subject to the absolute discretion of the Board of Directors: one-third on the date of grant, and one-third on each of the one and two-year anniversaries from the date of grant. As of December 31, 2021, a total of 4,434,000 Restricted Stock Units at an average price of \$0.69 (2020 – 4,074,000 RSUs at \$0.65), since plan inception, have vested. During 2021, nil RSU's were granted and 360,000 RSU's vested over the year (2020 – 540,000 and 755,900 respectively). For the year ended December 31, 2021, 78,691 RSU's were settled in cash for withholding taxes (2020 – 90,000).

For the year ended December 31, 2021 stock-based compensation expense of \$258,156 (2020 - \$693,372) 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, 2021		December 31, 2020	
	Number of RSU's	Weighted average price	Number of RSU's	Weighted average price
Balance, beginning of year	540,000	\$ 1.00	793,100	\$ 0.87
Granted during the year	-	-	540,000	1.11
Vested during the year	(360,000)	1.10	(755,900)	1.05
Forfeited during the year	-	-	(37,200)	1.22
Balance, end of year	180,000	\$1.04	540,000	\$1.00

15. Revenue

Year ended	December 31, 2021	December 31, 2020
SaaS revenue	\$25,680,564	\$22,135,511
BDC revenue	9,441,602	7,486,963
Services and one-time revenue	929,051	1,233,997
	\$36,051,217	\$30,856,471

16. Cost of Revenue

Year ended	December 31, 2021	December 31, 2020
SaaS costs	\$8,870,349	\$8,086,186
BDC costs	8,290,287	6,659,536
Services and one-time revenue costs	2,481,483	2,456,450
	\$19,642,119	\$17,202,172

Cost of revenue is net of government grants and assistance of \$185,082 (2020 - \$1,481,477).

17. Amortization and Depreciation

Year ended	Notes	December 31, 2021	December 31, 2020
Amortization of intangible assets	7	\$2,844,110	\$2,678,395
Amortization of contract assets	5	111,082	246,720
Depreciation of property and equipment	6	536,593	418,430
Depreciation of lease assets	23	599,301	601,447
		\$4,091,086	\$3,944,992

18. Supplementary Cash Flow Information

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

Year ended	December 31, 2021	December 31, 2020
Decrease (increase) in accounts receivable	\$ (524,037)	\$ 542,059
Decrease (increase) in inventory	12,814	(7,988)
Decrease (increase) in prepaid expenses	(343,053)	193,404
Decrease in contract assets ¹¹	-	69,545
Increase (decrease) in accounts payable and accrued liabilities	(542,505)	352,639
Decrease in contract liability	(372,036)	(42,390)
Net change in non-cash operating working capital	\$(1,768,817)	\$1,107,269

¹¹ For 2021, changes in contract assets are captured in amortization. Amounts related to contract assets for 2020 are contract asset adjustments.

19. Financial Instruments and Risk Management

Financial instrument measurement and classification

The classification of financial instruments remains consistent at December 31, 2021 with that as at December 31, 2020 with all financial assets and liabilities, other than contingent consideration payable carried at amortized cost. The carrying value of cash, accounts receivable, loan receivable, and accounts payable and accrued liabilities 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 reported at carrying value in subsequent reporting periods. Long-term debt is measured at fair value upon initial recognition, and 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:

Year ended	December 31, 2021	December 31, 2020
Past due 61 – 90 days	\$9,085	\$44,075
Past 90 days	122,477	35,904
Total past due	\$131,562	\$79,979

The Corporation reduces an account receivable to its estimated recoverable amount. At December 31, 2021, the Corporation had recorded a provision of \$4,970 (2020 – \$3,081) 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, 2021, 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 \$240,030 (2020 – \$150,112), and from realized gains/losses approximately \$3,953 (2020 – \$2,790). At December 31, 2021, 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.

19. 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, 2021:

	Less than 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	\$2,681,944	\$ -	\$ -	\$ -	\$2,681,944
Leases ¹²	621,645	604,126	1,453,226	1,667,704	4,346,701
Long-term debt ¹³	455,776	613,335	8,548,622	980,066	10,597,799
	\$3,759,365	\$1,217,461	\$10,001,848	\$2,647,770	\$17,626,444

20. 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

Year ended	December 31, 2021	December 31, 2020
Canada	\$31,729,494	\$26,148,931
United States	4,321,723	4,707,540
Total revenue	\$36,051,217	\$30,856,471

Long-term assets

Year ended	December 31, 2021	December 31, 2020
Canada	\$27,367,699	\$29,957,728
United States	16,946	14,130
Total long-term assets¹⁴	\$27,384,645	\$29,971,858

¹² Undiscounted amount.

¹³ Undiscounted amount

¹⁴ Includes: Property and equipment, lease assets, intangible assets, goodwill and contract asset.

21. Related Parties

Included in salaries and benefits expense and sales and marketing expense is remuneration of the key management personnel of the Corporation, which includes directors and officers of the Company. For the year ended December 31, 2021, remuneration of \$1,969,811 included \$1,637,512 of salaries and cash-based compensation and \$332,299 of stock-based compensation costs (2020 - \$1,541,385 and \$797,668, respectively).

22. 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.

23. Leases

The Corporation may include purchase, extension or termination options in its leases to accommodate potential changes in the business. Lease terms range from 1 to 5 years. 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

	Buildings	Vehicles	Office Furniture ¹⁵	Total
Balance, January 1, 2021	\$3,154,236	\$ 11,383	\$148,326	\$3,313,945
Additions	105,344	-	-	105,344
Modifications	570	-	-	570
Depreciation	(587,918)	(11,383)	(12,360)	(611,661)
Balance - December 31, 2021	\$2,672,232	\$ -	\$135,966	\$2,808,198

	Buildings	Vehicles	Office Furniture ¹⁶	Total
Balance, January 1, 2020	\$3,119,990	\$18,212	\$160,686	\$3,298,888
Additions	1,012,821	-	-	1,012,821
Modifications	(383,957)	-	-	(383,957)
Depreciation	(594,618)	(6,829)	(12,360)	(613,807)
Balance - December 31, 2020	\$3,154,236	\$11,383	\$148,326	\$3,313,945

¹⁵ Office furniture is included in property and equipment in the statement of financial position.

23. Leases (continued)

Lease liability

At December 31, 2021, lease liabilities reflected the Corporation's weighted-average incremental borrowing rate of 7.84% (2020 – 8.18%).

Balance, January 1, 2021	\$3,655,172
Additions	105,344
Modifications	(9,036)
Interest	282,815
Lease payments	(729,964)
Effect of movement in exchange rates	(705)
Balance, December 31, 2021	\$3,303,626
Current portion of lease liability	\$411,421
Long-term portion of lease liability	\$2,892,205

Balance, January 1, 2020	\$3,487,008
Additions	1,012,821
Modifications	(383,957)
Interest	291,679
Lease payments	(755,080)
Effect of movement in exchange rates	2,701
Balance, December 31, 2020	\$3,655,172
Current portion of lease liability	\$485,733
Long-term portion of lease liability	\$3,169,439

24. Subsequent Events

On February 8, 2022, Quorum restructured its credit facility with BDC Capital Inc. The new facilities significantly reduce interest rates from 11.7% to 8.05% for the Mezzanine loan and 5.05% for the Cash Flow Loan and extends the maturity date from January 15, 2025 to March 15, 2027. The original loan was replaced by two new loans, a Mezzanine loan and a Cash Flow loan with the Mezzanine loan replacing the disbursed funds of the original BDC Capital loan and a new Cash Flow loan that can be utilized for acquisitions and working capital requirements.

On April 1, 2022, Quorum completed the arm's-length acquisition of Accessible Accessories Ltd. ("Accessible") pursuant to a share purchase agreement (the "Agreement") between Quorum and Accessible. Under the terms of the Agreement, the Corporation will acquire all of the issued and outstanding shares of Accessible for consideration comprised of \$4,500,000 in cash with a 10% holdback to be released September 30, 2022, pursuant to the terms of an earn-out structure. The Corporation will finance the \$4,500,000 with current cash reserves and its BDC Capital facility.



Corporate Information

BOARD OF DIRECTORS



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



Neil McDonnell
Corporate Director



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



Greg Pollard
Corporate Director



William Nurthen
Chief Financial Officer
Research Solutions, Inc.



Jon Hook
Senior Analyst
Voss Capital, LLC



Scot Eisenfelder
Chief Executive Officer
EasyCare

OFFICERS

Neil McDonnell
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 Inc.

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QUORUM

Information Technologies Inc.

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Stock Symbol - TSXV: QIS



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