
QUORUM

Information Technologies Inc.

ANNUAL
REPORT

2020



Our Product Vision

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

Our Mission

- Be the very best at building, implementing and supporting the most advanced automotive dealership systems in the North American marketplace.
- Enable dealerships to streamline their operations, enhance their business and better serve their customers - to realize a true return on their technology investment by maximizing utilization of Quorum's products.
- Provide outstanding and personal customer support.
- Be an exceptional place to work that is engaging and rewarding to employees.
- Maximize shareholder value through profitable Software as a Service ("SaaS") and Business Development Centre ("BDC") growth.

Our Values

Integrity

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

Respect

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

Excellence

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

Knowledge

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

Empowerment

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

Teamwork

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

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

April 21, 2021

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, 2020 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 including the effect of the Autovance, DealerMine and Oasis acquisitions; the effect of the BDC Capital facility; the effect of the Corporation's private placement financing; 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 and 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 our 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.

Growth	- Software as a Service (“SaaS”) revenue, year-over-year growth rate and % of revenue - SaaS revenue includes all recurring subscription and support fees from dealership customers. Each month every active dealership rooftop that utilizes XSellerator, Advantage, Autovance Desk and Menu, or DealerMine CRM receives an invoice that covers charges for support services. - 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. <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> - Annual recurring revenue (non-GAAP) – current reported quarter revenue multiplied by four for both SaaS and BDC revenue. - Monthly recurring revenue per unit (non-GAAP) – current reported quarter SaaS revenue, divided by three and divided by the number of dealership rooftops at the end of the quarter. <i>Management believes annual recurring revenue and monthly recurring revenue per unit provide a good measure of determining performance of the corporation.</i> - Dealer count (“rooftops”) – period end rooftops for both Canada and the United States. <i>Management believes this metric provides a good measure of the growth of the Corporation.</i>
Profitability	- Gross margin – revenue less cost of revenue, which includes costs directly related to the activities from which the Corporation generates revenue. <i>Management believes this metric provides a good measure of profitability with respect to SaaS and BDC revenue.</i> - 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. <i>Management believes 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 sections 4.4 and 5.5 of the present document.</i>
Liquidity and Financial Resources	- Net debt (non-GAAP) – total debt less cash. - Net debt/Adjusted EBITDA (non-GAAP) – net debt divided by Adjusted EBITDA. <i>Management uses the net debt and net debt/adjusted EBITDA metric to monitor the Corporation’s financial leverage and believes that this metric is useful to investors as it provides insight into its financial strength.</i>

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")
2. Highlights and Key Performance Indicators	(i) 2020 Financial Highlights (ii) 2020 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 EBITDA, Net Loss per Share and Adjusted Cash Income
5. Financial Review for the year ended December 31, 2020	(i) Operating Results (ii) Revenue and Gross Margin (iii) Operating Expenses (iv) Foreign Exchange (v) 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 unaudited condensed 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 solution 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 11 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.

Quorum currently serves 1,021 rooftops, at an average SaaS revenue per month of \$1,971 per rooftop in Q4 2020. Of the 1,021 rooftops serviced by Quorum, 893 are in Canada and 128 are in the United States. Of the Total Available Market, Quorum has a 28% penetration in Canada and 0.7% 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 and CRM systems, drives approximately \$60,000 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



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

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 Center (“BDC”) or call centre services to help dealerships drive business into their service departments. An example BDC 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. As a result, BDC revenues must have associated SaaS revenue which have historically averaged 37%.

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”⁶) 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 Quorum to sell its ERP system, and in some cases its CRM products, Quorum must certify with the OEM (i.e. Honda, Mazda, Mercedes). 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 ³	1,097	34 %	3,945	20%
DM CRM ⁴	2,013	62%	9,988	51%
AV DR ⁵	2,929	91%	19,574	100%

Adding Honda and Mazda increases Quorum’s XSellerator ERP available Canadian TAM to 1,802 dealerships which equates to an increase of 64% from 1,097, opening up 22% more of the market. Additionally, the percentage of Canadian TAM increases to 56% from the current 34%.

³ XSellerator Enterprise Resource Planning System

⁴ DealerMine Customer Relationship Management System

⁵ Autovance Digital Retailing

⁶ Monthly recurring revenue per unit (non-GAAP) – current reported quarter SaaS revenue, divided by three and divided by the number of dealership rooftops at the end of the quarter.

Increasing Monthly Recurring Revenue Per Customer (“MRRPU”⁶) by cross-selling Quorum’s products in the product suite to existing customers

Quorum’s MRRPU⁶ is currently \$1,971 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 cannot be sold to all DealerMine customers due to OEM certifications currently not in place. As well, DealerMine’s CRM software cannot be sold to all Autovance or XSellerator customers because is not a fit for some smaller franchised dealerships.

Quorum is currently focused on cross-selling the following solutions to XSellerator customers:

- Autovance Suite of Products – currently there is 35% penetration of Desk, 6% of Menu and 3% of MyDeal. 100% penetration would equate to a MRRPU⁶ increase of \$370 for Quorum.
- DealerMine Service CRM and Online Scheduling – currently there is 14% penetration. 100% penetration would equate to a MRRPU⁶ increase of \$378 for Quorum.

The following table shows Quorum’s customer counts and MRRPU⁶ for Q4 2019 through to Q4 2020.

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Dealer Rooftop Count - Canada	895	884	886	882	893
Dealer Rooftop Count - US	132	130	126	129	128
Dealer Rooftop Count - Total ⁷	1,027	1,014	1,012	1,011	1,021
MRRPU ⁶	\$1,893	\$1,946	\$1,404	\$1,950	\$1,971

Quorum was able to increase MRRPU⁶ to \$1,971 in Q4 2020 compared to \$1,893 in Q4 2019. This was great progress because it occurred during a challenging year as dealerships were focused on reducing their cost structure due to COVID-19.

Developing, partnering or acquiring new and innovative products

Quorum will continue to innovate, partner or acquire to increase the total product suite MRRPU⁶ 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 available customer spend TAM by \$1,000 per month to reach a cross-selling available 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 are seeing increased market adoption in 2021.

⁷ Dealer Rooftop Count – Total for Q4 2019, Q1 2020, Q2 2020 and Q3 2020 have been adjusted to correct prior period Dealer Rooftop Count – Canada. Dealer Rooftop Count – Total and MRRPU were previously reported as: Q4 2019 total rooftop count of 1,022 and MRRPU of \$1,819; Q1 2020 total rooftop count of 1,027 and MRRPU of \$1,922; Q2 2020 total rooftop count of 1,035 and MRRPU of \$1,898; and Q3 2020 total rooftop count of 1,045 and MRRPU of \$1,886.

- Acquire - Quorum has a strong acquisition track record, having completed one acquisition per year from 2017 to 2019. 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

In January 2020, Quorum completed a funding agreement with the National Research Council of Canada Industrial Research Assistance Program ("NRC-IRAP"). NRC-IRAP will provide advisory services and a contribution of up to \$340,306 to assist Quorum in undertaking a research and development project to enhance its Vehicle Inspection Process ("VIP" or "Power Lane") application to remove dependencies on the XSellerator Dealership Management System and offer a fully cloud-based inspection tool that can be licensed to, and integrated for use by, DealerMine customers and other industry partners. This will expand DealerMine's industry-leading Service CRM suite of products to include the full-service lane process in a dealership.

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 is required to meet each quarter shall not be 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 shall be in effect until July 1, 2021.

On October 6, 2020, Quorum completed a funding agreement with the Government of Canada, through the Atlantic Canada Opportunities Agency ("ACOA"). ACOA will provide a \$500,000 interest-free and unsecured loan to assist Quorum in adding significant enhancements to DealerMine's Online Scheduling application. Once the project is complete, Quorum will license the Online Scheduling application as a stand-alone web booking application to dealers and industry partners.

On January 6, 2021, Quorum completed a funding agreement with ACOA to finance Quorum's Partnership and Mergers and Acquisitions project. ACOA will provide a \$500,000 interest-free and unsecured loan to assist Quorum in its efforts to develop expertise within the Company that will be dedicated to analyzing and executing on partnership and acquisition opportunities.

On March 1, 2021 Quorum completed a funding agreement with Opportunities New Brunswick ("ONB") for a payroll rebate. The rebate will provide a contribution up to a maximum of \$820,000 over four years to assist Quorum in expanding the number of full-time positions at its Saint John, NB location.

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.

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.

Quorum has long-term relationships with its customers, in the form of recurring SaaS and BDC contracts. Approximately 96% of revenue for the year ended December 31, 2020 is recurring SaaS and BDC revenue.

At December 31, 2020, Quorum has a strong balance sheet and sufficient liquidity to support its business objectives in the coming fiscal year.

Highlights and Key Performance Indicators

2020 Financial Highlights

- Revenue decreased by 6% to \$30.9 million in 2020 compared to \$32.9 million in 2019. The decrease in total revenue was a result of the COVID-19 pandemic and COVID-19 related discounts provided to dealership customers.
- SaaS revenue decreased marginally by 1% to \$22.1 million in 2020 compared to \$22.3 million in 2019. The decrease in SaaS revenue is directly attributable to the \$1.5 million in COVID-19 related one-time discounts provided to dealership customers during Q2 2020.
- BDC revenue increased to \$7.5 million in 2020 compared to \$6.8 million in 2019, an increase of 9%. During Q2 2020, Quorum provided \$0.2 million in COVID-19 related one-time discounts.
- Total annual recurring SaaS revenue⁸ was \$24 million in the fourth quarter of 2020 compared to \$23 million in Q4 2019.
- 2020 Adjusted EBITDA¹ was the highest in the Corporation's history at \$4.9 million, an increase of \$0.3 million over 2019.
- Adjusted cash income⁹ was \$2.5 million in 2020 compared to \$1.8 million in 2019, an increase of \$0.7 million.
- Received Canadian Emergency Wage Subsidy ("CEWS") funding of \$2.4 million in 2020 and Paycheck Protection Program (PPP) funding of \$0.1 million.

2020 Business Highlights

- In February 2020, Autovance released its next generation Finance and Insurance ("F&I") Menu functionality.
- In February 2020, XSellerator released its enhanced automotive dealerships service lane technology, PowerLane.
- In February 2020, Quorum released its new advanced reporting and analysis tool for dealerships customers called Q Analytics. Strategically this tool integrates the complete product suite under one enterprise reporting tool for dealerships.
- In April 2020, Autovance announced its MyDeal Digital Retailing System to allow dealers and customers to interact online for vehicle sales.
- In September 2020, Mr. Mike Herenberg joined the Corporation as Chief Operating Officer.
- In September 2020, DealerMine expanded its BDC to a second location utilizing Quorum's existing leased space in St. John's, NL to allow for accelerated growth and improved customer satisfaction.
- In Q3 2020, Quorum launched the process of providing remote installation and training services for most of the Corporation's products to both new and existing dealership customers.
- In October 2020, DealerMine expanded its strategic partnerships with AutoCanada to provide expanded electronic messaging handling through a separate BDC team.

⁸ Annual recurring revenue (non-GAAP) – current reported quarter revenue multiplied by four for both SaaS and BDC revenue.

⁹ Adjusted Cash Income ("ACI") (non-GAAP) – Adjusted EBITDA less capitalized salaries and overhead.

Selected Annual Information and Key Performance Indicators

As at and for the years ended December 31	2020	2019	2018	Change 2020/2019	Change 2019/2018
(\$000's except % changes, per share amounts and dealer counts)					
Growth					
SaaS revenue	\$22,136	\$22,303	\$12,736	\$(167)	\$9,567
Year-over-year SaaS revenue growth	(1%)	75%	24%	(76%)	51%
SaaS revenue as a % of revenue	72%	68%	77%	4%	(9%)
BDC revenue	7,487	6,849	805	638	6,044
Year-over-year BDC revenue growth	9%	751%	-	(742%)	751%
BDC revenue as a % of revenue	24%	21%	5%	3%	16%
Services and one-time revenue	1,234	3,690	2,900	(2,456)	790
Revenue - total	30,856	32,841	16,441	(1,985)	16,401
Year-over-year revenue growth	(6%)	100%	29%	(106%)	71%
Annual recurring revenue – SaaS ⁸	24,153	23,329	17,319	824	6,010
Annual recurring revenue - BDC ⁸	7,738	7,007	3,219	731	3,788
Dealer count/rooftops					
Dealer count - Canada	893	895	738	(2)	157
Dealer count - US	128	132	138	(4)	(6)
Dealer count - total	1,021	1,027 ¹⁰	876	(6)	151
Profitability					
SaaS gross margin	\$14,049	\$14,712	\$8,654	\$(663)	\$6,058
Gross margin as a % of SaaS revenue	63%	66%	68%	(3%)	(2%)
BDC gross margin	827	666	102	161	564
Gross margin as a % of BDC revenue	11%	10%	13%	1%	(3%)
Services and one-time revenue gross margin	(1,222)	(155)	(372)	(1,067)	217
Gross margin as a % of services and one-time revenue	(99%)	(4%)	(13%)	(95%)	9%
Gross margin - total	13,654	15,223	8,384	(1,569)	6,839
Gross margin as a % of revenue	44%	46%	51%	(2%)	(5%)
Adjusted EBITDA ¹	4,904	4,568	2,032	336	2,536
Adjusted cash income (loss) ⁹	2,477	1,754	(118)	723	1,872

¹⁰ 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.

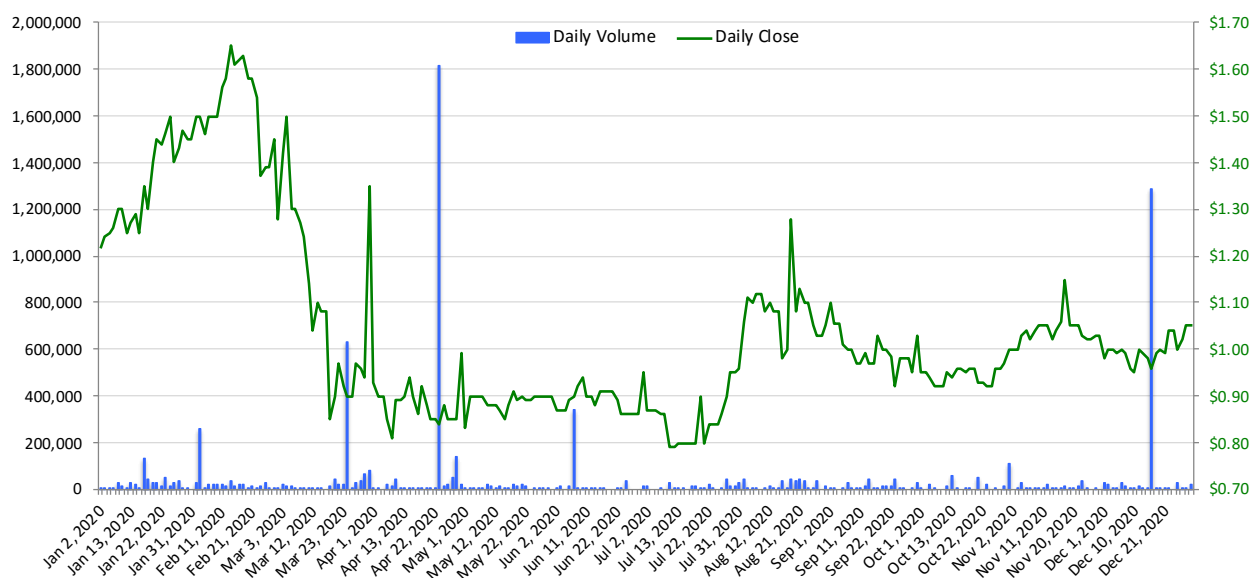
As at and for the years ended December 31	2020	2019	2018	Change 2020/2019	Change 2019/2018
<i>(\$000's except % changes, per share amounts and dealer counts)</i>					
Net loss	(1,859)	(1,106)	(711)	(753)	(395)
Net loss per share (basic)	(0.026)	(0.018)	(0.013)	(0.008)	(0.005)
Net loss per share (diluted)	(0.026)	(0.018)	(0.013)	(0.008)	(0.005)
Liquidity and Financial Resources					
Net working capital ¹¹	\$9,139	\$9,546	\$2,623	\$(407)	\$6,923
Cash flow from operating activities	4,556	3,495	867	1,229	2,628
Cash and cash equivalents	9,326	8,554	1,427	772	7,127
Total assets	49,558	49,924	36,767	(366)	13,157
Non-current financial liabilities	12,733	12,359	8,159	374	4,200
Total debt (unsecured)	966	698	503	268	195
Total debt (secured)	8,626	8,339	7,656	287	683
Total debt	9,592	9,037	8,159	555	878
Net debt ¹²	266	483	6,732	(217)	(6,249)
Net debt/Adjusted EBITDA ¹³	5%	11%	331%	(6%)	(321%)

¹¹ Net working capital is defined as total current assets minus total current liabilities.

¹² Net debt (non-GAAP) – total debt less cash.

¹³ Net debt/Adjusted EBITDA (non-GAAP) – net debt divided by Adjusted EBITDA.

Stock Performance



Fiscal 2020 Trading Summary

Quorum's shares trade on the TSX Venture Exchange under the symbol QIS. The following table is the trading history for 2020.

Open:	\$ 1.29
High:	\$ 1.65
Low:	\$ 0.65
Close:	\$ 1.05
Average daily trading volume:	30,449

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)								
	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Growth								
SaaS revenue	\$6,038	\$5,914	\$4,262	\$5,921	\$ 5,832	\$ 5,643	\$ 5,539	\$ 5,289
BDC revenue	1,953	1,865	1,541	2,128	1,752	1,884	1,882	1,331
Services and one-time revenue	326	306	136	466	1,119	1,047	795	728
	8,317	8,085	5,939	8,515	8,703	8,574	8,216	7,348
Year-over year revenue growth	(4%)	(6%)	(28%)	16%	47%	151%	130%	109%
Profitability								
SaaS gross margin	3,965	3,674	2,524	3,886	3,869	3,783	3,645	3,415
BDC gross margin	167	262	166	232	(30)	259	280	156
Services and one-time gross margin	(452)	(276)	(244)	(250)	(80)	140	(94)	(120)
Gross margin	3,680	3,660	2,446	3,868	3,759	4,182	3,831	3,451
SaaS gross margin %	66%	62%	59%	66%	66%	67%	66%	65%
BDC gross margin %	9%	14%	11%	11%	(2%)	14%	15%	12%
Services and one-time gross margin %	(138%)	(90%)	(178%)	(54%)	(7%)	13%	(12%)	(16%)
Gross margin %	44%	45%	41%	45%	43%	49%	47%	47%
Research and development expense	270	248	163	217	194	176	173	169
Sales and marketing expense	709	730	350	1,106	716	727	668	1,058
General and administrative	1,576	1,267	933	1,697	2,048	1,857	1,638	1,466
R&D as a percentage of revenue	3%	3%	3%	3%	2%	2%	2%	2%
S&M as a percentage of revenue	9%	9%	6%	13%	8%	8%	8%	14%
G&A as a percentage of revenue	19%	16%	16%	20%	24%	22%	20%	20%
Adjusted EBITDA ¹	1,493	1,465	1,063	883	1,035	1,422	1,353	759
Adjusted cash income ⁹	815	962	645	52	294	655	768	38
Net income (loss)	(476)	(358)	(65)	(960)	(1,479)	620	309	(556)
Net income (loss) per share – basic	(0.007)	(0.005)	(0.001)	(0.013)	(0.024)	0.010	0.005	(0.009)
Net income (loss) per share – diluted	(0.007)	(0.005)	(0.001)	(0.013)	(0.024)	0.010	0.005	(0.009)
Liquidity and Financial Resources								
Net working capital ¹¹	9,139	9,303	8,968	8,817	9,546	1,354	1,538	1,371
Cash provided by operating activities	379	2,354	921	902	324	1,316	667	1,188
Cash and cash equivalents	9,326	10,215	8,822	8,466	8,554	622	981	1,507
Total assets	49,558	50,305	49,921	50,255	49,924	41,277	40,802	40,254
Non-current financial liabilities	12,733	12,643	12,516	12,832	12,359	11,326	11,479	11,087
Total debt	9,592	9,500	9,320	9,133	9,037	8,964	8,780	8,645
Net debt ¹²	266	(714)	498	667	483	8,342	7,799	7,138
Net debt/Adjusted EBITDA ¹³	18%	(49%)	47%	75%	47%	587%	576%	940%

Operating results

Q4 2020 was the highest SaaS revenue quarter in the Corporation's history. SaaS revenue and BDC revenue increased by 2% and 4% respectively over Q3 2020. SaaS revenue and BDC revenue increased by 4% and 10% respectively over Q4 2019.

Gross margin increased slightly to \$3.7 million or 44% of revenue in Q4 2020 as compared to \$3.7 million or 45% of revenue in Q3 2020 and as compared to \$3.8 million or 43% of revenue in Q4 2019. SaaS gross margin increased to 66% as compared to 62% in Q3 2020 and remained consistent with 66% in Q4 2019. BDC gross margin decreased to 8% in Q4 2020 compared to 14% in Q3 2020 and as compared to negative 2% in Q4 2019.

Corporate acquisitions

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

Capital transactions

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

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

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

Fourth Quarter Results

Operating Results

Quarter ended	December 31, 2020	December 31, 2019
Revenue	\$8,316,891	\$8,703,247
Cost of revenue	4,636,553	4,944,187
Gross margin	3,680,338	3,759,060
Operating expenses	4,327,031	4,592,639
Interest income	6,076	6,351
Loss before deferred income tax expense	(640,617)	(827,228)
Deferred income tax (expense) recovery	165,011	(652,300)
Net loss	(475,606)	(1,479,528)
Other comprehensive loss:		
Foreign exchange loss	(48,852)	(8,874)
Comprehensive loss	\$(524,458)	\$(1,488,402)

Revenue and Gross Margin

Quarter ended	December 31, 2020	December 31, 2019
Revenue		
SaaS revenue	\$6,038,340	\$5,832,338
BDC revenue	1,952,443	1,751,627
Services and one-time revenue	326,108	1,119,282
	8,316,891	8,703,247
Cost of revenue		
SaaS costs	2,073,115	1,962,700
BDC costs	1,785,789	1,781,754
Services and one-time costs	777,649	1,199,733
	4,636,553	4,944,187
Gross margin	\$3,680,338	\$3,759,060

Revenue

Q4 2020 was the highest SaaS revenue quarter in the Corporation's history with an increase from Q4 2019 of \$0.2 million or 4%. The increase in SaaS revenue is a result of organic growth of XSellerator, DealerMine and Autovance. BDC revenue also increased compared to Q4 2019, with an increase of \$0.2 million or 10%. The increase in BDC revenue is primarily attributable to a continued growth of the core BDC offering and the AutoCanada partnership. Total revenue decreased by 4% over Q4 2019. The decrease in revenue is directly attributed to a decline in services and one-time revenue, stemming from the inability to complete new installations and customer training as a result of COVID-19 restrictions and lockdowns.

Quorum's Q4 2020 SaaS revenue of \$6.0 million translates into an annualized run rate of \$24.2 million. SaaS revenue was 73% of revenue for Q4 2020 as compared to 67% for Q4 2019.

BDC revenue of \$1.9 million in Q4 2020 translates into an annualized run rate of \$7.8 million. BDC revenue was 23% of revenue for Q4 2020, as compared to 20% of revenue for Q4 2019.

Gross margin

Quarter ended	December 31, 2020	December 31, 2019
SaaS gross margin	\$3,965,225	\$3,869,638
BDC gross margin	166,654	(30,127)
Services and one-time revenue gross margin	(451,541)	(80,451)
Gross margin	\$3,680,338	\$3,759,060

Gross margin decreased to \$3.7 million or 44% of revenue in Q4 2020 compared to \$3.8 million or 43% of revenue for Q4 2019. The decrease in gross margin is driven by a decrease in services and one-time revenue as a result of COVID-19. Cost of revenue related to services and one-time revenue did not decrease proportionately to the decrease in revenue because management's focus was to preserve the Corporation's ability to scale-up once dealership business returned following COVID-19.

During Q4 2020, the Corporation received \$271,286 (Q4 2019 - \$29,794) 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, 2020	December 31, 2019
Operating expenses		
Research and development	\$ 270,118	\$ 193,565
Sales and marketing	709,374	715,517
General and administrative	1,576,397	2,047,973
Stock-based compensation	247,467	325,725
Financing costs	468,093	297,917
Amortization and depreciation	1,055,582	1,024,303
Total operating expenses	\$4,327,031	\$4,605,000

All development costs are expensed as incurred unless they satisfy the IFRS criteria for deferral and subsequent amortization. Research and development expenses for Q4 2020 were 3% of revenue compared to 2% of revenue for Q4 2019. 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 2020 were 9% of revenue compared to 8% of revenue in Q4 2019. 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 2020 were 19% of revenue as compared to 24% for Q4 2019. The decrease in general and administrative expense in Q4 2020 is due to a reduction in salaries and benefits expense due to the COVID-19 pandemic.

During Q4 2020, the Corporation received \$11,882 (Q4 2019 - \$nil) from various government sources and applied as a reduction of operating expenses.

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

Quarter ended	December 31, 2020	December 31, 2019
Net loss	\$(475,606)	\$(1,491,889)
Financing costs	468,093	297,917
Interest income	(6,076)	(6,351)
Deferred income tax expense (recovery)	(165,011)	652,300
Amortization and depreciation	1,055,582	1,024,303
Stock-based compensation	247,467	325,725
Acquisition and related expense	4,158	106,723
One-time restructuring fees	364,261	127,000
Adjusted EBITDA¹	\$1,492,868	\$1,035,728
Capitalized salaries and overhead	(677,515)	(740,903)
Adjusted cash income⁹	\$ 815,353	\$ 294,825
Net loss per share		
- basic	(0.007)	(0.024)
- diluted	(0.007)	(0.024)
Weighted-average number of common shares		
- basic	72,366,647	62,530,707
- diluted	72,366,647	62,530,707

Adjusted EBITDA¹ for Q4 2020 increased by \$0.5 million or 44% as compared to Q4 2019. The increase in adjusted EBITDA¹ is primarily attributable to the decrease in general and administrative expense. Adjusted EBITDA¹ per share for Q4 2020 was \$0.068 compared to \$0.073 for Q4 2019.

Net loss for Q4 2020 decreased by \$1 million or 68% as compared to Q4 2019. The decrease in net loss is primarily attributable to the \$0.8 million decrease in deferred income tax expense. Deferred income tax expense decreased in Q4 2020 as compared to Q4 2019 due to an increase in non-capital losses.

Adjusted cash income⁹ for Q4 2020 increased by \$0.5 million as compared to Q4 2019. Capitalized salaries and overhead decreased by \$0.1 million during Q4 2020.

Financial Review for the year ended December 31, 2020

Operating Results

Year ended	December 31, 2020	December 31, 2019
Revenue	\$30,856,471	\$32,841,336
Cost of revenue	17,202,172	17,617,893
Gross margin	13,654,299	15,223,443
Operating expenses	15,604,670	16,507,100
Interest income	63,941	6,351
Loss before deferred income taxes	(1,886,430)	(1,277,306)
Deferred income tax recovery	27,256	171,464
Net loss	(1,859,174)	(1,105,842)
Foreign exchange loss	(1,990)	(67,085)
Comprehensive loss	\$(1,861,164)	\$(1,172,927)

Revenue and Gross Margin

Year ended	December 31, 2020	December 31, 2019
Revenue		
SaaS revenue	\$22,135,511	\$22,302,910
BDC revenue	7,486,963	6,848,598
Services and one-time revenue	1,233,997	3,689,828
	30,856,471	32,841,336
Cost of revenue		
SaaS costs	8,086,186	7,590,558
BDC costs	6,659,536	6,182,209
Services and one-time costs	2,456,450	3,845,126
	17,202,172	17,617,893
Gross margin	\$13,654,299	\$15,223,443

Revenue

Total revenue for 2020 decreased by \$2.0 million, or 6%, as compared to 2019. The decrease in revenue is primarily due to:

- A decrease of \$0.2 million in SaaS revenue, or 1%, entirely attributable to 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 \$0.6 million in BDC revenue, or 9%, 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 \$2.5 million in services and one-time revenue, or 67%, primarily due to fewer new installations, transitions and training revenue as a result of COVID-19. The decrease is also due to the Corporation lowering the cost of upfront fees for new installations in order to secure future SaaS revenue.

SaaS revenue was 72% of revenue for 2020 as compared to 68% for 2019. BDC revenue was 24% of revenue for 2020 as compared to 21% for 2019.

Gross margin

Year ended	December 31,2020	December 31,2019
SaaS gross margin	\$14,049,325	\$14,712,352
BDC gross margin	827,427	666,389
Services and one-time revenue gross margin	(1,222,453)	(155,298)
Gross margin	\$13,654,299	\$15,223,443

Total gross margin decreased to \$13.7 million or 44% of revenue in 2020 compared to \$15.2 million or 46% for 2019. Cost of revenue did not decrease proportionately to the decrease in revenue, due to additional spend on staffing and third-party costs.

SaaS gross margin was 63% for 2020 as compared to 66% for 2019. The decrease in SaaS gross margin percentage is due to customer discounts related to COVID-19. In 2020, BDC gross margin improved to 11%, compared to 10% in 2019.

During 2020, the Corporation received \$1.5 million (2019 - \$0.4 million) from various Government sources (predominantly CEWS) that were applied as a reduction of salaries and benefits (direct) and third-party costs.

Operating Expenses

Year ended	December 31, 2020	December 31, 2019
Operating expenses		
Research and development	\$ 897,703	\$ 710,928
Sales and marketing	2,895,939	3,169,043
General and administrative	5,473,331	7,008,914
Stock-based compensation	896,899	540,624
Financing costs	1,495,806	1,335,042
Amortization and depreciation	3,944,992	3,742,549
Total operating expenses	\$15,604,670	\$16,507,100

Research and development expenses for 2020 were 3% of revenue compared to 2% of revenue for 2019. 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 2020 were 9% of revenue compared to 10% of revenue for 2019. The decrease in sales and marketing expenses as a percentage of revenue is due to decreased travel and convention costs due to restrictions in place as a result of COVID-19. 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 2020 were 18% of revenue compared to 21% of revenue in 2019. The decrease in general and administrative expense in 2020 is due to a reduction in salaries and benefits expense due the COVID-19 pandemic, as well as proceeds received and accrued as a result of CEWS.

During 2020, eligible employees and directors were granted 540,000 Restricted Stock Units (“RSUs”) as prescribed by the RSU Plan. 755,900 RSUs at an average price of \$1.05 per RSU vested during 2020 (2019 - 642,900 at an average price of \$0.82 per RSU). For 2020, stock-based compensation related to RSUs was \$0.7 million (2019 - \$0.5 million). In the second half of 2020, 1,037,900 stock options were issued to employees and senior management of the Corporation, corresponding to \$0.2 million of stock-based compensation expense (2019 - \$nil).

During 2020, the Corporation received \$1.4 million (2019 - \$0.2 million) from various government sources and was applied as a reduction of operating expenses.

Foreign Exchange

The Corporation incurs unrealized gains and losses on the conversion of the U.S. entity’s net assets during consolidation for financial reporting. Over the last two fiscal years, the Canadian/U.S. exchange rate has fluctuated from 1.3642 at December 31, 2018, to 1.2988 at December 31, 2019 and to 1.2732 at December 31, 2020. This change has had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized loss on the net assets held was \$27,333 in 2020 (2019 – \$69,649). The realized loss in 2020 was \$1,990 (2019 – \$67,085).

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

Year ended	December 31, 2020	December 31, 2019
Net income (loss)	\$(1,859,174)	\$(1,105,842)
Financing costs	1,495,806	1,335,042
Interest income	(63,941)	(6,351)
Deferred income tax expense (recovery)	(27,256)	(171,464)
Amortization and depreciation	3,944,992	3,742,549
Stock-based compensation	896,899	540,624
Acquisition and related expense	152,104	106,723
One-time restructuring fees	364,261	127,000
Adjusted EBITDA¹	\$4,903,691	\$4,568,281
Capitalized salaries and overhead	(2,427,023)	(2,813,914)
Adjusted cash income⁹	\$2,476,668	\$1,754,368

Net income (loss) per share

- basic	(0.026)	(0.018)
- diluted	(0.026)	(0.018)

Weighted-average number of common shares

- basic	72,366,647	62,530,707
- diluted	72,366,647	62,530,707

Adjusted EBITDA¹ for 2020 was \$4.9 million or \$0.068 per share compared to \$4.6 million or \$0.073 for 2019. This is an increase of \$0.3 million from 2019.

Adjusted EBITDA¹ for 2020 includes \$0.4 million in one-time restructuring fees related to One Quorum reorganization changes as compared to \$0.1 million in 2019 related to the retirement of Robert Quirion, former President of DealerMine.

Adjusted cash income⁹ for 2020 increased by \$0.7 million as compared to 2019. Capitalized salaries and overhead decreased by \$0.4 million during 2020 due to an increase in government financing.

Liquidity and Financial Resources**Cash Flows**

Year ended December 31	2020	2019
Cash flow from (used in) operating activities	\$4,556,220	\$3,495,181
Cash flow from (used in) investing activities	(3,390,064)	(4,529,212)
Cash flow from (used in) financing activities	(385,603)	7,861,323
Effect of foreign currency on cash	(7,844)	49,663
Increase in cash	772,689	6,876,955
Cash, beginning of period	8,553,683	1,676,728
Cash, end of period	\$9,326,372	\$8,553,683

Cash flows from operating activities for 2020 increased by \$1.1 million as compared to 2019. The increase in cash flows from operating activities is primarily attributable to a decrease in accounts receivable and prepaid expenses.

Cash flows used in investing activities decreased by \$1.1 million in 2020 relative to 2019 due to a \$0.4 million reduction in property and equipment purchases and a \$0.3 million reduction in software development costs. In addition, there was \$0.5 million of cash outflows related to the purchase of Oasis during 2019.

The Corporation has a strong commitment to continually enhance and improve XSellerator, Autovance Desk and Menu, DealerMine Service and Sales CRM and Advantage Complete and invested \$2.7 million in 2020 (2019 - \$3.1 million) in product development. The Corporation invested a further \$0.4 million (2019 - \$0.8 million) for computer software, computer hardware, leasehold improvements and other capital assets.

The \$8.2 million decrease in cash inflows from financing activities for 2020 is primarily due to the \$8.6 million in cash proceeds from an oversubscribed private placement during 2019. The corporation received

\$0.1 million in SR&ED proceeds in 2020 (2019 - \$0.1 million), demonstrating continued success in funding the buildout of Quorum's product suite.

Net Working Capital

As at	December 31, 2020	December 31, 2019
Current assets:		
Cash	\$9,326,372	\$8,553,683
Accounts receivable	3,051,560	3,593,619
Loan receivable	412,977	262,574
Inventory	26,900	18,912
Prepaid expenses	378,566	571,970
Contract assets - current	99,366	282,104
	13,295,741	13,282,862
Current liabilities:		
Accounts payable and accrued liabilities	3,146,889	2,794,250
Contract liability - current	372,036	428,861
Current portion of long-term debt	152,291	207,229
Current portion of lease liability	485,733	67,209
Current portion of contingent consideration	-	239,265
	4,156,949	3,736,814
Net working capital	\$9,138,792	\$9,546,048

Including cash of \$9.3 million, total net working capital as of December 31, 2020 decreased to \$9.1 million from \$9.5 million as of December 31, 2019, a decrease of \$0.4 million.

Net working capital decreased due to the following:

- A \$0.2 million decrease in prepaid expenses as a result of the 2021 NADA conference going virtual.
- A \$0.4 million increase in accounts payable and accrued liabilities as a result of increased spend in Q4 2020 to fuel growth initiatives.
- A \$0.2 million decrease in contingent consideration payable, as a result of the full payout of contingent consideration related to the 2019 Oasis acquisition.

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.

On October 18, 2018, the Corporation entered into a demand operating line of \$750,000 with HSBC Bank. As of December 31, 2020, the HSBC Bank operating line remained fully available.

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

of December 31, 2020, \$200,000 remained available, after issuance of a \$200,000 letter of credit detailed below.

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

Capitalization and Amortization

During 2020, the Corporation continued to invest significantly in the further development of its software products, XSellerator, Autovance Desk and Menu, DealerMine Sales and Service CRM and Advantage.

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

Year ended	December 31, 2020	December 31, 2019
Software development costs capitalized	\$2,599,411	\$2,953,391
Software development costs: business combinations	-	365,000
SR&ED investment tax credit	(141,011)	(75,221)
Provincial portion of SR&ED refund	(107,967)	(139,478)
Amortization of software development costs	\$2,360,783	\$2,474,862

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 costs of \$2.1 million, net of funding from ACOA of \$0.3 million and direct overheads of \$0.2 million, for a total of \$2.6 million in 2020, compared to capitalized payroll costs \$2.7 million, net of funding from ACOA of \$0.1 million, and direct overheads of \$0.2 million, for a total of \$3.0 million in 2019.

Investment tax credits of \$0.1 million from the 2019 and 2018 Scientific Research and Experimental Development (SR&ED) claims were reallocated from software development costs to the investment tax credit asset during the year (2019 - \$0.1 million for the FY2018 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 \$0.1 million for 2019 and \$0.1 million for 2018. Refunds were recognized as a reduction of capitalized software during 2020 and 2019 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. As of December 31, 2020 it was determined that the recoverable amounts of all CGUs exceeded their carrying amounts and as such, no impairment exists.

XSellerator, Autovance Desk and Menu, DealerMine Service and Sales CRM and Advantage are leading-edge products in the automotive DMS field and the Corporation intends to maintain this lead through continued investment in the product. The Corporation has continued its development efforts as it prepares to

roll out additional features and functionality, as well as more and improved integration points with existing and new manufacturers.

Amortization of software development costs for 2020 decreased by \$0.1 million from 2019, driven by lower overall software development costs as a result of increased government funding in 2020. The amortization policy of the corporation is ten-year straight line.

The Corporation also invested \$0.4 million in computer software, leasehold improvements and other capital assets during 2020 (2019 - \$0.8 million).

Long-term Debt and Loan Receivable

Long-term debt includes the following financial liabilities:

As at	December 31, 2020		December 31, 2019	
	Loan Receivable	Debt	Loan Receivable	Debt
ACOA financing 2016	\$ -	\$ 338,161	\$ -	\$ 420,438
ACOA financing 2018	-	70,742	-	75,134
ONB financing 2014	-	34,962	-	104,887
ACOA financing 2019 - XSellerator	412,977	440,576	262,574	139,110
ACOA financing 2019 - DealerMine	-	46,985	-	63,589
BDC Capital Inc. facility 2019	-	8,590,788	-	8,234,084
CEBA financing 2020 - Advantage	-	40,000	-	-
CEBA financing 2020 - Autovance	-	30,000	-	-
	412,977	9,592,214	262,574	9,037,242
Due within on year	-	152,291	-	207,229
Total	\$412,977	\$9,439,923	\$262,574	\$8,830,013

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 \$1.1 million and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2020, the Corporation has incurred certain costs eligible under this agreement and is entitled to the full amount of \$1.1 million. The fair value of the loan is \$0.3 million, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan and the cash received of \$1.1 million has been accounted for as a government grant. The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues for the fiscal year immediately preceding the due date of the respective payment. Annual repayments commenced on September 1, 2019. The maturity date is estimated to be September 2023, as the loan is provisionally repayable.

ACOA financing 2018

On March 26, 2018, the Corporation entered into a loan agreement with ACOA to finance the St. John’s, NL office expansion project, which includes new furniture, hardware and leasehold improvements required for the new office in St. John’s, NL. The maximum amount of loan is \$175,000 and the amount will be released

by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2020, \$145,932 was received. The fair value of the loan is \$70,742, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan and the cash received has been accounted for as a government grant. The loan, which is unsecured and interest-free, matures on September 30, 2024 and is repayable in equal monthly installments. Payments commenced on October 1, 2019.

ONB financing 2014

On April 11, 2014, DealerMine Inc. entered into a forgivable loan agreement with the New Brunswick Government (“ONB Financing 2014”) to finance new hires required for the Business Development Centre (“BDC”) expansion. The maximum amount of the forgivable loan was \$250,000 based on creating 135 new full-time positions. The hiring threshold was not achieved and DealerMine is required to pay back the forgivable loan. As of December 31, 2020, the fair value of the loan is \$34,962. The loan will mature on March 1, 2021.

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 \$1.5 million and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2020, \$0.7 million was received and \$0.4 million is receivable. The carrying value of the loan is \$0.4 million 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.

ACOA financing – 2019 - DealerMine

On July 8, 2019, DealerMine Inc. entered into a forgivable loan agreement with ACOA to finance the DealerMine BDC expansion project, which includes new furniture, hardware and leasehold improvements required for a partnership agreement with AutoCanada. The maximum amount of the loan is \$117,500 and the amount will be released by ACOA when DealerMine incurs the costs eligible for reimbursement under the agreement. As of December 31, 2020, \$79,690 was received. The carrying value of the loan is \$46,985, which has been computed using a 15% rate of interest over 4 years. The difference between the fair value of the loan on inception and the cash to be received has been accounted for as a government grant. The loan, which is unsecured and interest-free, matures on December 31, 2024 and is repayable in equal monthly installments. The first payment is due 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 \$15.0 million and \$8.1 million has been drawn on to date. The carrying value of the loan is \$8.6 million using an 11.7% rate of interest over six years. The loan is secured by a General Security Agreement on all of Quorum’s present and after acquired personal property and on all present and future assets of Quorum related to intellectual property. The security interest ranks in first position with respect to intellectual property but subordinated in rank to any other security granted. The 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% from the third quarter of fiscal year 2021 and maintained thereafter, and a minimum debt service coverage ratio of 1:25:1. BDC Capital waived the revenue growth covenant for 2020 due to COVID-19. The loan will mature on January 15, 2025.

Canada Emergency Business Account (“CEBA”) – Advantage and Autovance

On June 8, 2020, the Corporation’s Autovance division was successful in the application for the Canada Emergency Business Account (“CEBA”) loan. 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 Canada Emergency Business Account (“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, 2022 will result in partial loan forgiveness. As of December 31, 2020, \$100,000 was received, of which \$30,000 has been accounted for as government assistance.

ACOA financing – 2020 - DealerMine

On October 6, 2020, DealerMine Inc. entered into a forgivable loan agreement with ACOA to assist Quorum in adding significant enhancements to DealerMine’s Online Scheduling application. Once the project is complete, Quorum will license the Online Scheduling application as a stand-alone web booking application to dealers and industry partners. 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, 2020, \$nil was received and \$nil was receivable. The loan, which is unsecured and interest-free, matures on June 30, 2037 and is repayable in equal monthly installments. The first payment is due on July 1, 2023.

Government Grants and Assistance

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

- ACOA financing 2016
- ACOA financing 2018
- ONB financing 2014
- ACOA financing 2019 – XSellerator
- ACOA financing 2019 – DealerMine
- ACOA financing 2020 – DealerMine
- CEBA financing 2020 – Advantage
- CEBA financing 2020 – Autovance

In addition to the above, the Corporation has received approval for additional government grants and other assistance totaling from CEWS, PPP, NRC IRAP, and ACOA totaling \$2.9 million, which has been included in net income for the year ended December 31, 2020 (December 31, 2019 - \$0.5 million).

Subsequent to December 31, 2020, the Company has received \$53,672 in additional government grants and incentives.

Share Capital

	Number of Common Shares	Number of Restricted Shares Units
Balance January 1, 2019	60,471,798	746,200
Issued pursuant to acquisition, Oasis	156,250	-
Issued pursuant to private placement	10,574,825	-
Issued pursuant to acquisition, Autovance	149,334	-
RSU's granted in the year	-	720,000
RSU's vested in the year	642,900	(649,200)
RSU's forfeited in the year	-	(30,200)
Balance December 31, 2019	71,995,107	793,100
Issued pursuant to acquisition, Autovance	149,334	-
RSU's granted in year	-	540,000
RSU's vested in year	665,900	(755,900)
RSU's forfeited in year	-	(37,200)
Balance December 31, 2020	72,810,341	540,000

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 7,281,034 combined RSU's and stock options.

As at December 31, 2020, the outstanding RSU's vest as follows:

2021	360,000
2022	180,000
	540,000

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:

Year ended	December 31, 2020		December 31, 2019	
	Number of Stock Options	Average Exercise Price	Number of Stock Options	Average Exercise Price
Balance, beginning of year	-	-	-	-
Granted during the year	1,037,900	\$ 0.91	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Balance, end of year	1,037,900	\$ 0.91	-	-

As of December 31, 2020, there were 72,366,647 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.

Risk Environment

Risks and Uncertainties

Business Risks

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

Liquidity Risk

The Corporation currently has access to three credit facilities that provide liquidity to Quorum for its business, operations, and potential acquisitions. On October 18, 2018, the Corporation entered into a demand operating line of \$750,000 with HSBC Bank, which contains certain restrictive covenants and requirements to maintain certain financial ratios. As of April 21, 2020 the HSBC operating line has not been drawn upon. On May 10, 2012, DealerMine entered into a demand operating line of \$250,000 with RBC Bank, which contains restrictive covenants and requirements to maintain certain financial ratios. On April 15, 2020, DealerMine increased the demand operating line with RBC Bank by \$150,000 to \$400,000. As of April 21, 2021, \$200,000 has been drawn and \$200,000 remains available. In addition, in March 2019, Quorum successfully closed a \$15 million debt financing facility with BDC Capital Inc. Quorum drew \$8.125 million immediately to retire a bridge financing facility that was used to acquire DealerMine Inc. The balance of the BDC Capital facility remains available for potential future acquisitions.

The Corporation has traditionally not needed to rely significantly on operating lines such as the HSBC and RBC facilities. However, there is no guarantee that the Corporation will not need to rely on such facilities in the future, and that such facilities will be available. The HSBC facility, RBC 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 COVID-19 risk below for further discussion on the current economic climate.

Trends and Changes in the Automotive Industry

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

Dependence on Partners

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

In addition, the Corporation's XSellerator, DealerMine and Autovance products requires 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 our products, and the introduction of new products and services that have not been commercially tested to accelerate its future growth. The Corporation has a proven track record of success in innovative product design and enhancements and has the expertise and the capital backing in place to continue it.

Information Security and Disaster Recovery

The efficient operation of the Corporation's business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyberterrorists. In addition, an unforeseen natural or manmade disaster could result in key information technology systems being compromised, damaged or destroyed. Quorum has implemented security measures to maintain confidential and proprietary information stored on the Corporation's information systems. However, these measures and technology may not be adequate due to the increasing volume and sophistication of these cyber attacks.

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

Reliance on Key Personnel

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

Failure to Achieve Benefits of Acquisitions

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

Unpredictability and Volatility of Share Price

The prices at which the Corporation's common shares trade cannot be predicted. The market price of Quorum's common shares could be subject to significant fluctuations in response to variations in quarterly financial and operating results and other factors. In addition, the securities markets have experienced significant market-wide and sectoral price and volume fluctuations from time to time that often have been

unrelated or disproportionate to the operating performance of particular issuers. Such fluctuations may adversely affect the market price of Quorum's common shares.

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 has 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 are also taking 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 are likely to have 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 can increase. 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 our 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

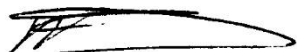
The accompanying consolidated financial statements for the years ended December 31, 2020 and December 31, 2019 and all other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These consolidated 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
Chief Financial Officer

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 balance sheets as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

- the information included in Management's Discussion and Analysis for the year ended December 31, 2020; and
- the information, other than the consolidated financial statements and our auditor's report thereon, in the 2020 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

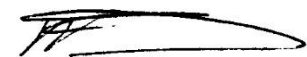
April 21, 2021

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

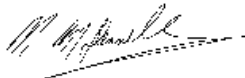
As at	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current:			
Cash		\$9,326,372	\$8,553,683
Accounts receivable		3,051,560	3,593,619
Loan receivable	9	412,977	262,574
Inventory		26,900	18,912
Prepaid expenses		378,566	571,970
Contract assets	5	99,366	282,104
		13,295,741	13,282,862
Contract assets	5	23,636	78,508
Property and equipment	6	1,040,497	1,028,542
Lease assets	23	3,165,619	3,138,202
Intangible assets	7	19,307,346	19,696,787
Goodwill	7	6,434,760	6,435,573
Deferred income tax asset	11	2,553,433	2,669,196
Investment tax credits	12	3,737,298	3,594,488
		\$49,558,330	\$49,924,158
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		\$3,146,889	\$2,794,250
Contract liability		372,036	428,861
Current portion of long-term debt	9	152,291	207,229
Current portion of lease liability	23	485,733	67,209
Contingent consideration	4	-	239,265
		4,156,949	3,736,814
Long-term accounts payable		77,560	77,560
Contract liability		46,088	31,653
Lease liability	23	3,169,439	3,419,799
Long-term debt	9	9,439,923	8,830,013
Deferred income tax liability	11	2,611,951	2,730,974
		19,501,910	18,826,813
SHAREHOLDERS' EQUITY			
Share capital	13	31,218,954	30,557,608
Contributed surplus		2,539,692	2,380,799
Deficit		(3,702,226)	(1,841,062)
		30,056,420	31,097,345
		\$49,558,330	\$49,924,158

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director
Maury Marks
President & CEO



Director
Neil McDonnell
Chairman of the Board of Directors

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

Year ended	Notes	December 31, 2020	December 31, 2019
Revenue	15	\$30,856,471	\$32,841,336
Cost of revenue	16, 10	17,202,172	17,617,893
Gross margin		13,654,299	15,223,443
Operating expenses			
Research and development	10	897,703	710,928
Sales and marketing	10	2,895,939	3,169,043
General and administrative	10	5,473,331	7,008,914
Stock-based compensation	14	896,899	540,624
Financing costs		1,495,806	1,335,042
Amortization and depreciation	17	3,944,992	3,742,549
Total operating expenses		15,604,670	16,507,100
Interest income		63,941	6,351
Loss before deferred income tax expense		(1,886,430)	(1,277,306)
Deferred income tax (expense) recovery	11	27,256	171,464
Net loss		(1,859,174)	(1,105,842)
Other comprehensive gain (loss)			
Foreign exchange gain (loss)		(1,990)	(67,085)
Comprehensive loss		\$ (1,861,164)	\$ (1,172,927)
Net loss per share	13		
- Basic		\$ (0.026)	\$ (0.018)
- Diluted		\$ (0.026)	\$ (0.018)

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	Deficit	Total
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 ¹⁴		86,614	(86,614)	-	-
Balance December 31, 2020		\$31,218,954	\$2,539,692	\$(3,702,226)	\$30,056,420
Balance January 1, 2019		\$21,254,051	\$2,462,961	\$(526,406)	\$23,190,606
Impact of adoption of IFRS 16		-	-	(141,729)	(141,729)
Net loss for the year		-	-	(1,105,842)	(1,105,842)
Accumulated other comprehensive loss		-	-	(67,085)	(67,085)
Issued pursuant to private placement		9,200,097	-	-	9,200,097
Share issue costs		(619,326)	-	-	(619,326)
Stock-based compensation granted	13, 14	-	540,624	-	540,624
Issued pursuant to stock-based compensation	13, 14	536,172	(536,172)	-	-
Issued pursuant to share purchase agreement, Oasis	4	100,000	-	-	100,000
Issued pursuant to share purchase agreement, Autovance		86,614	(86,614)	-	-
Balance December 31, 2019		\$30,557,608	\$2,380,799	\$(1,841,062)	\$31,097,345

See accompanying notes to consolidated financial statements.

¹⁴ 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, 2020	December 31, 2019
Cash provided by (used in):			
Operating activities			
Net loss for the year		\$ (1,859,174)	\$ (1,105,842)
Adjustments for:			
Amortization and depreciation		3,944,992	3,742,549
Stock-based compensation		896,899	540,624
Deferred income tax expense (recovery)		(27,256)	(171,464)
Interest expense		493,470	450,313
Change in non-cash operating working capital	18	1,107,269	39,001
		4,556,200	3,495,181
Financing activities			
Proceeds from equity issuance net of transaction costs		-	8,577,406
Proceeds from long-term debt		631,510	8,126,397
Proceeds from SR&ED		107,967	101,472
RSUs settled in cash		(76,660)	-
Repayment of line of credit		-	(250,000)
Repayment of long-term debt		(293,340)	(257,683)
Decrease (increase) in loan receivable ¹⁵		-	(262,574)
Repayment of lease liability		(755,080)	(673,695)
Retirement of bridge loan		-	(7,500,000)
		(385,603)	7,861,323
Investing activities			
Purchase of property and equipment		(430,385)	(800,443)
Software development costs		(2,735,319)	(3,054,792)
Contingent acquisition payments		(224,360)	(196,705)
Business combination net of cash acquired		-	(477,272)
		(3,390,064)	(4,529,212)
Effect of foreign currency on cash		(7,844)	49,663
Increase in cash		772,689	6,876,955
Cash, beginning of year		8,553,683	1,676,728
Cash, end of year		\$9,326,372	\$8,553,683

See accompanying notes to consolidated financial statements.

¹⁵ For the period ended December 31, 2020, loans receivable have been captured in 'Proceeds from long-term debt'. 2019 has not been re-classified.

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 desking, menuing and digital retailing system; DealerMine Service and Sales Customer Relationship Management ("CRM") system and Business Development Centre ("BDC"); and Quorum Advantage showroom system.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Corporation to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Corporation's business or ability to raise funds. These consolidated financial statements do not include any adjustments which could be significant to the amounts and classification of assets and liabilities that may be necessary should the Corporation be unable to obtain equity or debt financings or generate profitable operations in the future. Failure to continue as a going concern would require the restatement of assets, liabilities and shareholders' deficiency on a liquidation basis, which could differ materially from the going concern basis.

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 21, 2021.

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.

3. Significant Accounting Policies

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

Consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries: Quorum Information Systems Inc.; Quorum Information Technologies (US) Inc.; Autovance Technologies Inc. ("Autovance"); 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.

Inventory

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

Property and Equipment

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

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

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

Leases

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

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

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

Identifiable Intangible Assets

Identifiable intangible assets include internally developed software, vendor distribution rights, and customer relationships and are recorded at cost, less accumulated amortization. One-half the normal amortization is taken in the year of acquisition. Residual values and useful lives are reviewed at each reporting date.

3. Significant Accounting Policies *(continued)*

In addition, they are subject to impairment testing as described in note 7. Amortization is provided using the following methods and rates:

Software development costs	10 yrs	straight-line
Vendor distribution rights	7%	declining balance
Customer relationships	10-12 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 five years. Amortization is recorded in sales and marketing expenses on the consolidated statements of comprehensive income (loss).

Contract fulfilment costs

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

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

The Corporation reviews contract assets for impairment at the end of each reporting period, separately for each contract. The Corporation recognizes an impairment loss for the excess of the carrying amount of the contract asset over the remaining amount of contract consideration it expects to receive in exchange for the goods and services to which the asset relates less the costs that directly relate to providing those goods

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.

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.

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

3. Significant Accounting Policies *(continued)*

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 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

3. Significant Accounting Policies *(continued)*

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.

Recent 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.

4. Business Combination

Oasis Auto Complete Systems Limited

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

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

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

Allocation of purchase price	
Current assets ¹⁶	\$ 59,666
Property and equipment	702
Intangible assets	705,000
Goodwill	625,644
Total assets	1,391,012
Current liabilities	91,187
Deferred income tax liability	186,825
Total liabilities	278,012
Net assets acquired	\$1,113,000
Consideration given	
Cash	\$ 485,000
Contingent consideration	528,000
Common shares	100,000
Total consideration	\$1,113,000

As of December 31, 2020, there is \$nil (2019 – \$239,265) of contingent consideration due to the previous owners of Advantage.

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

¹⁶ Includes cash acquired on acquisition of \$7,725

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, 2020	December 31, 2019
Balance – beginning of year	\$ 360,612	\$ 259,420
Additions	78,655	252,216
Adjustments	(69,545)	-
Amortization	(246,720)	(151,024)
Balance – end of year	123,002	360,612
Current portion of contract assets – end of year	\$ 99,366	\$ 282,104
Long-term portion of contract assets – end of year	\$ 23,636	\$ 78,508

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 Improve- ments	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
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

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

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 ¹⁷
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

	Software Development Costs	Vendor Distribution Rights	Customer Relationships	Total Intangible Assets	Goodwill
Gross Carrying Amount					
Balance - January 1, 2019	\$ 29,752,491	\$ 42,646	\$ 2,900,000	\$ 32,695,137	\$ 5,592,369
Additions through business combinations (Note 4)	365,000	863	340,000	705,863	843,204 ¹⁸
ACOA loan proceeds	(201,504)	-	-	(201,504)	-
Additions	2,938,895	-	-	2,938,895	-
Balance - December 31, 2019	32,854,882	43,509	3,240,000	36,138,391	6,435,573
Amortization					
Balance - January 1, 2019	13,604,316	33,599	24,167	13,662,082	-
Amortization	2,474,862	493	304,167	2,779,522	-
Balance - December 31, 2019	16,079,178	34,092	328,334	16,441,604	-
Carrying amount December 31, 2019	\$ 16,775,704	\$ 9,417	\$ 2,911,666	\$ 19,696,787	\$ 6,435,573

¹⁷ \$813 reclassification to opening balance. Prior year figures are not adjusted.

¹⁸ Calculated as \$625,644 Goodwill related to Oasis acquisition plus \$217,560 related to the DealerMine purchase price adjustment

7. Intangible Assets and Goodwill (continued)

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 March 31, 2020 and as of December 31, 2020 indicated that the carrying of the net assets for all of the CGUs did not exceed their respective recoverable values and, therefore, no indication of impairment exists.

The recoverable amount of the CGUs was based on their value in use. The key assumptions for the value in use calculations are the discount rates and expected growth rates in future cash flows. Management estimates discount rates for the purpose of the impairment analysis using pre-tax rates that reflect the estimated weighted average cost of capital of the Corporation. This discount rate has been calculated using an estimated risk-free rate of return adjusted for the Corporation's estimated equity market risk premium and the Corporation's estimated cost of debt. An estimated pre-tax discount rate of 12% was used as at December 31, 2020 (2019 – 14%). The growth rates represent management's current assessment of future trends in the industry and are based on both external and internal sources, as well as historical data.

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

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

Year ended	December 31, 2020	December 31, 2019
DealerMine Inc.	\$5,323,351	\$5,324,164
Autovance Technologies Inc.	485,765	485,765
Quorum Advantage Ltd.	625,644	625,644
Goodwill	\$6,434,760	\$6,435,573

8. Bank Indebtedness

On October 18, 2018, the Corporation entered into a credit facility agreement with HSBC Bank that allows Quorum to borrow up to \$750,000 to meet working capital requirements, subject to the value of certain accounts receivable ("the Facility"). The Facility is secured by a first priority security interest in all of the Corporation's present and after-acquired property. As of December 31, 2020, based on eligible accounts receivable, the maximum draw on the Facility was \$750,000. Amounts drawn on the Facility incur interest at a rate of prime plus 1.25%. The balance drawn as of December 31, 2020 was \$nil (December 31, 2019 - \$nil).

On May 10, 2012, DealerMine Inc. entered into a credit facility agreement with Royal Bank of Canada that allows DealerMine to borrow up to \$250,000 to meet working capital requirements, subject to the value of certain accounts receivable less potential prior-ranking claims. On April 15, 2020, the demand operating line was increased by \$150,000 for a total available operating line of \$400,000. The Facility is secured by

8. Bank Indebtedness (continued)

a first priority interest in all of DealerMine's property. As of December 31, 2020, based on eligible accounts receivable, the maximum draw available on the Facility was \$400,000. Amounts drawn on the Facility incur interest at a rate of prime plus 2.25%. As required under an amended lease agreement, the Corporation has secured a \$200,000 letter of credit for the period covering March 2020 to March 2021, decreasing by \$25,000 each year for the remainder of the amended lease term.

9. Long-term Debt

As at	December 31, 2020		December 31, 2019	
	Loan Receivable	Debt	Loan Receivable	Debt
ACOA financing 2016	\$ -	\$ 338,161	\$ -	\$ 420,438
ACOA financing 2018	-	70,742	-	75,134
ONB financing 2014	-	34,962	-	104,887
ACOA financing 2019 - XSellerator	412,977	440,576	262,574	139,110
ACOA financing 2019 - DealerMine	-	46,985	-	63,589
BDC Capital Inc. facility 2019	-	8,590,788	-	8,234,084
CEBA financing 2020 - Advantage	-	40,000	-	-
CEBA financing 2020 - Autovance	-	30,000	-	-
	412,977	9,592,214	262,574	9,037,242
Due within one year	-	152,291	-	207,229
Total	\$412,977	\$9,439,923	\$262,574	\$8,830,013

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. The maximum amount of loan is \$1,076,067 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2020, the Corporation has incurred certain costs eligible under this agreement and is entitled to the full amount of \$1,076,067. The carrying value of the loan is \$338,161, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan and the cash received of \$1,076,067 (2019 - \$1,076,067) has been accounted for as a government grant (refer to Note 10). The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues for the fiscal year immediately preceding the due date of the respective payment. Annual repayments commenced on September 1, 2019. The maturity date is estimated to be September 2023, as the loan is provisionally repayable.

ACOA financing 2018

On March 26, 2018, the Corporation entered into a loan agreement with ACOA to finance the St. John's, NL office expansion project, which includes new furniture, hardware and leasehold improvements required for the new office in St. John's, NL. The maximum amount of loan is \$175,000 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2020, \$145,932 was received (2019 - \$145,932). The carrying value of the loan is \$70,742, which has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan and the cash received has been accounted for as a government grant (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.

9. Long-term Debt *(continued)*

ONB financing 2014

On April 11, 2014, DealerMine Inc. entered into a forgivable loan agreement with the New Brunswick Government ("ONB Financing 2014") to finance new hires required for the Business Development Centre ("BDC") expansion. The maximum amount of the forgivable loan was \$250,000 based on creating 135 new full-time positions. The hiring threshold was not achieved and DealerMine is required to pay back the forgivable loan. As of December 31, 2020, the carrying value of the loan is \$34,962. The loan will mature on March 1, 2021.

ACOA financing 2019 - XSellerator

On June 25, 2019, the Corporation entered into a loan agreement with ACOA to finance the XSellerator lead generation data hub project. The maximum amount of loan is \$1,542,245 and the amount will be released by ACOA when the Corporation incurs the costs eligible for reimbursement under this agreement. As of December 31, 2020, \$674,684 was received (2019 - \$281,561) and \$412,977 is receivable (2019 - \$262,574). The carrying value of the loan is \$440,576 and has been computed using a 15% rate of interest over 5 years. The difference between the fair value of the loan on inception and the cash received has been accounted for as a government grant (refer to Note 10). The loan is unsecured and interest-free and is repayable in annual installments calculated as 1.5% of gross revenues from the resulting products for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2022.

ACOA financing 2019 - DealerMine

On July 8, 2019, DealerMine Inc. entered into a forgivable loan agreement with ACOA to finance the DealerMine BDC expansion project, which includes new furniture, hardware and leasehold improvements required for a partnership agreement with AutoCanada. The maximum amount of the loan is \$117,500 and the amount will be released by ACOA when DealerMine incurs the costs eligible for reimbursement under the agreement. As of December 31, 2020, \$79,690 was received (2019 - \$79,690) and \$nil was receivable (2019 - \$nil). The carrying value of the loan is \$46,985, which has been computed using a 15% rate of interest over 4 years. The difference between the fair value of the loan on inception and the cash to be received has been accounted for as a government grant (refer to Note 10). The loan, which is unsecured and interest-free, matures on December 31, 2024 and is repayable in equal monthly installments. The first payment is due 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 (2019 - \$15,000,000) and \$8,125,000 has been drawn on to date (2019 - \$8,125,000). The carrying value of the loan is \$8,590,788 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 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. The Corporation received a waiver of the covenant terms on July 14, 2020 due to COVID-19, effective through to December 31, 2020. The Corporation amended the covenants in an executed agreement dated March 25, 2021, and retroactively effective December 30, 2020, which supersedes the covenant waiver dated July 14, 2020. The amended covenant terms are as follows: 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% from the third quarter of fiscal year 2021 and maintained thereafter, and a minimum debt service coverage ratio of 1:25:1. The loan will mature on January 15, 2025.

9. Long-term Debt *(continued)*

Canada Emergency Business Account (“CEBA”) – Advantage and Autovance

On June 8, 2020, the Corporation’s Autovance division was successful in the application for the Canada Emergency Business Account (“CEBA”) loan. 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 Canada Emergency Business Account (“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, 2022 will result in partial loan forgiveness. As of December 31, 2020, \$100,000 was received, of which \$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 forgivable 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, 2020, \$nil was received and \$nil was receivable. The loan, which is unsecured and interest-free, matures on June 30, 2037 and is repayable in equal monthly installments. The first payment is due on July 1, 2023.

Scheduled principal repayments

Scheduled principal repayments at December 31, 2020 are as follows:

2021	\$ 152,291
2022	280,125
2023	233,320
2024	82,656
2025	8,644,997
2026 & later	198,825
	\$9,592,214

10. Government Grants and Assistance

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

- ACOA financing 2016
- ACOA financing 2018
- ONB financing 2014
- ACOA financing 2019 – XSellerator
- ACOA financing 2019 – DealerMine
- CEBA financing 2020 – Advantage
- CEBA financing 2020 – Autovance

10. Government Grants and Assistance (continued)

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

Grantor	Maximum funding	Received to December 31, 2020	Purpose and terms	Net income inclusion	
				2020	2019
Newfoundland and Labrador Innovation Council (March 28, 2018)	\$249,329	\$249,329	- To develop a Customer Direct Vehicle Sales tool for dealerships and their customers - Non-repayable	\$ -	\$53,489
Government of Newfoundland and Labrador, Department of Tourism, Culture, Industry and Innovation (May 15, 2018)	\$500,000	\$500,000	- The achievement of specific employment targets under the Investment Attraction Fund - Non-repayable as long as the Corporation is successful in achieving employment targets	\$ -	\$162,404
National Research Council of Canada – Industrial Research Assistance Program ("NRC-IRAP") (June 15, 2018)	\$225,063	\$225,063	- To develop load balance cloud services for dealerships and their customers - Non-repayable	\$ -	\$112,336
Alberta Innovates Technology Futures ("AITF") (R&D Associates Grant) (January 13, 2017)	\$79,250	\$79,250	- To conduct work on Autovance's F&I Menu platform - Non-repayable	\$ -	\$14,000
AITF (Commercialization Associates Grant) (August 1, 2017)	\$95,000	\$95,000	- To assist with the commercialization of Autovance's Desking and Menu platforms - Non-repayable	\$ -	\$54,500
NRC-IRAP (October 22, 2018)	\$150,000	\$150,000	- To assist with the R&D work on Autovance's F&I Menu platform - Non-repayable	\$14,945	\$112,695
CanExport Program (November 15, 2018)	\$37,500	\$37,500	- To assist Autovance with their expansion into the US Market - Non-repayable	\$ -	\$37,500
ACOA (January 7, 2020)	\$50,000	\$50,000	- To assist Quorum with financial reporting requirements - Non-repayable	\$50,000	\$ -
NRC-IRAP (January 7, 2020)	\$340,306	\$271,146	- To assist XSELLATOR with VIP refactoring project - Non-repayable	\$271,146	\$ -
Canadian Emergency Wage Subsidy (April 2020)	\$2,419,195	\$2,419,195	- To assist Quorum in keeping employees on payroll during COVID-19 - Non-repayable	\$2,419,195	\$ -
Canadian Emergency Business Account (April 2020)	\$30,000	\$30,000	- To assist Quorum in keeping employees on payroll during COVID-19 - Forgiven if conditions met	\$30,000	\$ -
Canadian Emergency Rent Subsidy (October 2020)	\$19,445	\$19,445	- To assist Quorum in lowering rent expense during COVID-19 - Non-repayable	\$19,445	\$ -
US Paycheck Protection Program (April 2020)	\$116,987	\$116,987	- To assist Quorum in keeping employees on payroll during COVID-19 - Non-repayable	\$116,987	\$ -
				\$ 2,921,718	\$ 546,924

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, 2020	December 31, 2019
Loss before deferred income tax expense	\$(1,886,430)	\$(1,277,306)
Estimated combined corporate tax rate	26.65%	26.65%
Calculated income tax expense (recovery)	(502,734)	(340,402)
Nondeductible items for tax purposes	479,937	241,516
Change in future income tax rates	-	(13,055)
Difference in rates in other jurisdictions- US	-	2,625
Adjustments and assessments	(4,459)	(62,148)
Net deferred income tax expense (recovery)	\$ (27,256)	\$ (171,464)

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, 2020	December 31, 2019
Property and equipment	\$ 206,843	\$ 539,277
Loss carry forwards	2,039,095	1,906,572
Investment tax credits	101,404	89,573
Leases	85,784	-
Share issue costs	120,307	133,774
Deferred tax asset	\$ 2,553,433	\$ 2,669,196
Property and equipment	\$ 25,206	\$ 24,251
Intangible assets	(2,747,380)	(2,766,389)
Loss carry forwards	110,223	11,164
Deferred tax liability	\$ (2,611,951)	\$ (2,730,974)

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, 2020	December 31, 2019
Undepreciated capital cost	\$ 2,917,683	\$ 5,401,669
SR&ED expenditures	12,097,496	11,646,687
Cumulative capital expenditures	11,950	11,950
Non-capital losses	8,495,768	7,008,401
Share issue costs	371,595	495,461
Tax pools available for carry forward	\$ 23,894,492	\$ 24,564,168

11. Income Taxes (continued)

The Corporation has \$8,495,768 of non-capital losses available for income tax purposes to reduce taxable income of future years. Of this, \$806,292 of losses in the US are available to carryforward indefinitely and \$7,689,476 expire as follows:

	Canada	United States
2026	\$ -	\$ 760,419
2027	-	1,602,415
2028	-	909,477
2029	23,594	-
2030	95,538	-
2032	88,994	688,154
2033	86,709	-
2034	118,061	-
2035	105,185	-
2036	155,685	-
2037	194,538	18,784
2038	563,000	-
2039	1,805,661	-
2040	473,262	-
	\$3,710,227	\$3,979,249

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, 2020	December 31, 2019
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	75,221
2019	97,472	-
	\$3,737,298	\$3,594,488

12. Investment Tax Credits *(continued)*

The Corporation is preparing the application for government research and development tax credits pertaining to the 2020 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 \$152,889.

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, 2020		December 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, beginning of year	71,995,107	\$30,557,608	60,471,798	\$21,254,051
Issued pursuant to stock-based compensation	665,900	574,732	642,900	536,172
Issued pursuant to acquisition, Oasis	-	-	156,250	100,000
Issued pursuant to acquisition, Autovance	149,334	86,614	149,334	86,614
Issued pursuant to private placement	-	-	10,574,825	8,580,771
Balance, end of year	72,810,341	\$31,218,954	71,995,107	\$30,557,608

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

Net income per share

In calculating the basic and diluted net income per share for the years ended December 31, 2020 and 2019, the weighted average number of shares used in the calculation is shown in the table below.

13. Share Capital *(continued)*

Year ended	December 31, 2020	December 31, 2019
Net income (loss)	\$ (1,859,174)	\$ (1,105,842)
Weighted Average Common Shares		
Weighted average	72,366,647	62,530,707
Effect of dilutive shares	-	-
Weighted average diluted shares outstanding	72,366,647	62,530,707
Net income (loss) per share – basic	\$ (0.026)	\$ (0.018)
Net income (loss) per share – diluted	\$ (0.026)	\$ (0.018)

14. Stock-Based Compensation

As at December 31, 2020, a total of 7,281,034 common shares were reserved for issuance under the Corporation's Stock Option Plan and Restricted Stock Unit Plan (2019 - 7,199,511) of which 5,703,134 common shares remain available for grant (2019 - 6,406,411). 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:

Year ended	December 31, 2020		December 31, 2019	
	Number of Stock Options	Average Exercise Price	Number of Stock Options	Average Exercise Price
Balance, beginning of year	-	-	-	-
Granted during the year	1,037,900	\$ 0.91	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Balance, end of year	1,037,900	\$ 0.91	-	-

As of December 31, 2020, a total of 1,037,900 stock options were granted (2019 – nil). For the year ended December 31, 2020 stock-based compensation expense of \$203,527 (2019 - \$nil) was recorded related to the stock option plan. The following table summarizes information about stock options outstanding at December 31, 2020:

14. Stock-Based Compensation *(continued)*

Exercise price	Number outstanding	Number vested	Number unvested	Weighted average remaining contractual life in years
\$ 0.87	537,900	179,272	358,628	1.5
\$ 0.95	500,000	166,670	333,330	1.75
	1,037,900	345,942	691,958	1.62

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:

	2020
Volatility rate range	61%-70%
Stock option holding period range (years)	2.5-3.5
Risk free interest rate range	0.24%-0.32%
Dividend yield	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, 2020, a total of 4,074,000 Restricted Stock Units at an average price of \$0.65 (2019 – 3,318,100 RSUs at \$0.56), since plan inception, have vested. During 2020, 540,000 RSU's were granted and 755,900 RSU's vested over the year (2019 - 720,000 and 642,900 respectively). For the year ended December 31, 2020, 90,000 RSU's were settled in cash for withholding taxes (2019 – nil).

For the year ended December 31, 2020 stock-based compensation expense of \$693,372 (2019 - \$540,624) 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, 2020		December 31, 2019	
	Number of RSU's	Weighted average price	Number of RSU's	Weighted average price
Balance, beginning of year	793,100	\$ 0.87	746,200	\$ 0.68
Granted during the year	540,000	1.11	720,000	1.01
Vested during the year	(755,900)	1.05	(642,900)	0.82
Forfeited during the year	(37,200)	1.22	(30,200)	0.68
Balance, end of year	540,000	\$1.00	793,100	\$ 0.87

15. Revenue

Year ended	December 31, 2020	December 31, 2019
SaaS revenue	\$ 22,135,511	\$ 22,302,910
BDC revenue	7,486,963	6,848,598
Services and one-time revenue	1,233,997	3,689,828
	\$ 30,856,471	\$ 32,841,336

16. Cost of Revenue

Year ended	December 31, 2020	December 31, 2019
SaaS costs	\$ 8,086,186	\$ 7,590,558
BDC costs	6,659,536	6,182,209
Services and one-time revenue costs	2,456,450	3,845,126
	\$ 17,202,172	\$ 17,617,893

Cost of revenue is net of government grants and assistance of \$1,481,477 (2019 - \$366,617).

17. Amortization and Depreciation

Year ended	Notes	December 31, 2020	December 31, 2019
Amortization of intangible assets	7	\$ 2,678,395	\$ 2,779,522
Amortization of contract assets	5	246,720	151,024
Depreciation of property and equipment	6	418,430	270,714
Depreciation of lease assets	23	601,447	541,289
		\$ 3,944,992	\$ 3,742,549

18. Supplementary Cash Flow Information

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

Year ended	December 31, 2020	December 31, 2019
Decrease (increase) in accounts receivable	\$ 542,059	\$ (722,582)
Increase in inventory	(7,988)	(1,200)
Decrease in prepaid expenses	193,404	80,532
Decrease (increase) in contract assets	69,545	(54,719)
Increase in accounts payable and accrued liabilities	352,639	596,784
Increase (decrease) in contract liability	(42,390)	140,186
Net change in non-cash operating working capital	\$1,107,269	\$ 39,001

19. Financial Instruments and Risk Management

Financial instrument measurement and classification

The classification of financial instruments remains consistent at December 31, 2020 with that as at December 31, 2019 with all financial assets and liabilities, other than contingent consideration payable carried at amortized cost. The carrying value of cash, accounts receivable, loan receivable, bank indebtedness, 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, 2020	December 31, 2019
Past due 61 – 90 days	\$44,075	\$289,478
Past 90 days	35,904	174,925
Total past due	\$79,979	\$464,403

The Corporation reduces an account receivable to its estimated recoverable amount. At December 31, 2020, the Corporation had recorded a provision of \$3,081 (2019 – \$33,094) 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, 2020, 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 \$150,112 (2019 – \$13,193), and from realized gains/losses approximately \$2,790 (2019 – \$2,820). At December 31, 2020, 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, 2020:

	Less than 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	\$3,146,889	\$ 77,560	\$ -	\$ -	\$3,224,449
Leases ¹⁹	702,643	621,645	1,696,869	2,028,188	5,049,345
Long-term debt ²⁰	294,941	448,531	8,788,385	628,229	10,160,086
	\$4,144,473	\$1,147,736	\$10,485,254	\$2,656,417	\$18,433,080

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, 2020	December 31, 2019
Canada	\$ 26,148,931	\$ 27,155,288
United States	4,707,540	5,686,048
Total revenue	\$ 30,856,471	\$ 32,841,336

Long-term assets

Year ended	December 31, 2020	December 31, 2019
Canada	\$ 29,957,728	\$ 30,364,943
United States	14,130	12,669
Total long-term assets²¹	\$ 29,971,858	\$ 30,377,612

¹⁹ Undiscounted amount.

²⁰ Undiscounted amount

²¹ 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, 2020, remuneration of \$2,339,053 included \$1,541,385 of salaries and cash-based compensation and \$797,668 of stock-based compensation costs (2019 - \$1,343,034 and \$360,200 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

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

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

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

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

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

The Corporation may include purchase, extension or termination options in its leases to accommodate potential changes in the business. Lease terms range from 1 to 6 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.

23. Leases (continued)

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

Lease assets

	Buildings	Vehicles	Office Furniture ²²	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

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

Lease liability

At December 31, 2020, lease liabilities reflected the Corporation's weighted-average incremental borrowing rate of 8.18% (2019 – 8.27%).

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

²² Office furniture is included in property and equipment in the statement of financial position.

23. Leases (continued)

Balance, January 1, 2019	\$2,188,780
Additions	1,652,835
Interest	185,738
Lease payments	(541,289)
Effect of movement in exchange rates	944
Balance, December 31, 2019	\$3,487,008
Current portion of lease liability	\$67,209
Long-term portion of lease liability	\$3,419,799

24. Subsequent Event

On January 6, 2021, Quorum entered into a loan agreement with ACOA to finance the Quorum Partnership and M&A project. The maximum amount of the loan is \$500,000. The loan is unsecured and interest-free and matures on September 1, 2027. Monthly payments are to commence on October 1, 2022.

On March 1, 2021 Quorum completed a funding agreement with Opportunities New Brunswick ("ONB") for a payroll rebate. The rebate will provide a contribution up to a maximum of \$820,000 over four years to assist Quorum in expanding the number of full-time positions at its Saint John, NB location.



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
Endeavor Business Media



Jon Hook
Senior Analyst
Voss Capital, LLC



Scot Eisenfelder
President and General Manager
Amplify

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

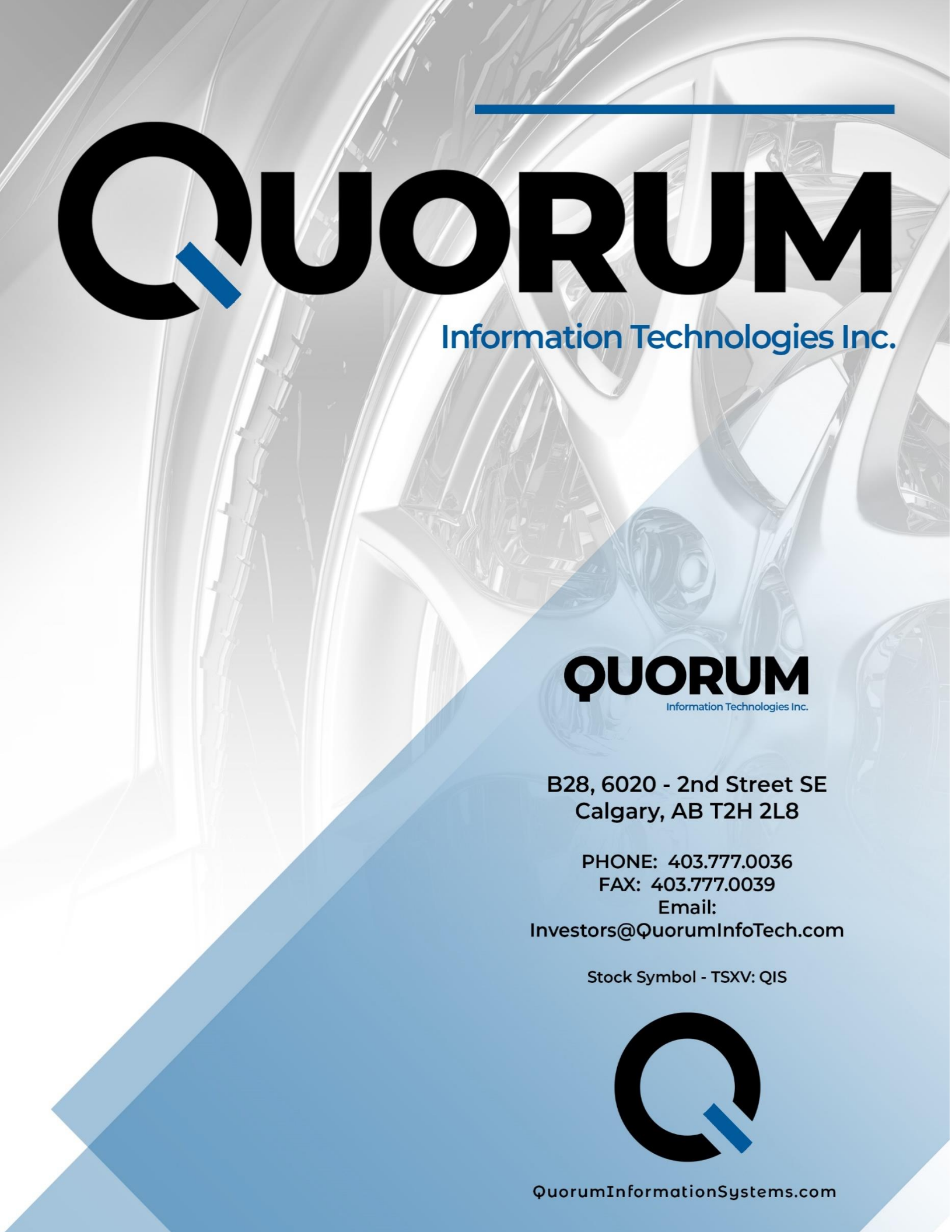
Stock Exchange Listing
TSX Venture Exchange
Trading Symbol: QIS

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

QUORUM INFORMATION TECHNOLOGIES INC.

Head Office

B28, 6020 – 2nd Street SE Calgary, AB T2H 2L8
Email: Investors@QuorumInfoTech.com
Website: QuorumInformationSystems.com



QUORUM

Information Technologies Inc.

QUORUM
Information Technologies Inc.

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Stock Symbol - TSXV: QIS



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