QUORUM
DEALER MANAGEMENT SYSTEMS

2nd Quarter Report 2014

Our Mission

Changing the face of automotive retail through technology.

At Quorum, our mission is to be the very best at building and supporting the most advanced automotive Dealership & Customer Relationship Management System, and technology infrastructure, in the automotive industry to enable dealerships to streamline their operations and better serve their customers.

Our Values

Integrity
While our abilities are considerable, we will be realistic, honest and fair in our commitments, and above all, we will follow through.

Respect
Our customers and our people are our greatest resources; 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 empower our people with the resources needed to promote innovation and fresh thinking.

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

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President's Message

Quorum is a leader in technology for automotive dealerships focused on providing innovation that helps dealerships increase their customer satisfaction and revenue. The Company is driven to provide exceptional customer support and assist dealerships to capitalize on their technology investment by maximizing utilization of the Quorum DMS, XSELLERATOR™ to enhance their business

Quorum supplies its product to GM, Chrysler, Hyundai, Kia, Nissan, Subaru, NAPA and Bumper to Bumper franchised dealership customers as well as independent and other non-automotive dealerships.

Some of our most significant measurable sales and operational results in Q2 FY2014 are as follows:

- During the quarter we started building integration to new manufacturers and due to the strong demand from three new manufacturer's we plan to continue to build new manufacturer integration for at least the next twelve months.
- Customer Satisfaction Index (CSI) - our monthly Support Center CSI survey reported an average of over 95% "very satisfied" with the service received from our support team.
- Product - during Q2 FY2014 we general released V4.7.7. This version has new Make More Money ("M3") initiatives that will help drive additional incremental revenue into our dealership customers' operations. The version also has a number of enhancements to Communicator, our 2-way text, email and instant messaging solution that is embedded into XSELLERATOR. Our Dealership customers sent 286,975 messages in Q2 FY2014 compared to 183,652 in Q1 FY2014 through Communicator.

Financial Results highlights for Q2 FY2014 are as follows:

- Sales increased by 23% to $2,396K in Q2 FY2014 from $1,941K in Q2 FY2013. The increase in sales is due to:
  - An increase of $111K in recurring support revenue as a result of having more active dealership rooftops at the end of Q2 FY2014 as compared to the end of Q2 FY2013;
  - A decrease in integration revenue of $26K;
  - An increase of $81K in net new revenue which was a result of completing more installations in Q2 FY2014 as compared to Q2 FY2013; and
  - An increase of $288K in transitions (hardware and software platform upgrades) revenue as compared to Q2 FY2013.

- Margin after direct costs increased to $1,431K in Q2 FY2014, as compared to $1,031K in Q2 FY2013, a 39% increase. The 39% increase was larger than our 23% sales increase because a higher percentage of our revenue comes from higher margin recurring support revenue and due to some Corporate initiatives focused on continually reducing our directs costs.
- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) increased by $197K to $431K in Q2 FY2014 from $234K in Q2 FY2013.
- Income before deferred income tax expense increased by $174K to $214K in Q2 FY2014 from $40K in Q2 FY2013
- Quorum had a comprehensive loss of $60K in Q2 FY2014 compared to a comprehensive loss of $22K in Q2 FY2013. The loss is due to deferred income tax expense of $210K and foreign exchange loss of $64K, both of which are non-cash expenses.

- Working capital increased to $1,743K at June 30, 2014 compared with $1,526K at March 31, 2014 and $1,454K at December 31, 2013. Cash increased to $1,251K at June 30, 2014, compared with $942K at March 31, 2014 and $812K at December 31, 2013.

Conclusion
The Company had a strong Q2 FY2014 compared to Q2 FY2013. The highlights for Q2 FY2014 were a 23% increase in revenue to $2,396K, an 84% increase in EBITDA to $431K and an increase in income before deferred income tax expense of $174K to $214K. In Q2 FY2014 Quorum generated a 60% gross margin percentage and EBITDA as a percentage of revenue was 18%. Additionally both of Quorum's Q2 FY2014 working capital and cash increased by $217K and $309K respectively over Q1 FY2014

Maury Marks
President & Chief Executive Officer

Financial Highlights

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Q2 Ended June 30, 2014	Q2 Ended June 30, 2013	Q1 Ended March 31, 2014	Q1 Ended March 31, 2013
Gross revenue	**$4,597,773**	$3,900,649	**$2,395,446**	$1,941,358	**$2,202,327**	$1,959,291
Direct costs	**1,879,206**	1,837,658	**964,610**	910,460	**914,596**	927,198
Margin after direct costs	**2,718,567**	2,062,991	**1,430,836**	1,030,898	**1,287,731**	1,032,093
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**808,687**	392,061	**430,570**	234,503	**378,117**	157,558
Income (loss) before deferred income tax expense	**382,187**	2,093	**213,723**	39,756	**168,464**	(37,663)
Net income (loss)	**85,699**	(132,618)	**3,478**	(84,452)	**82,221**	(48,166)
Comprehensive income (loss)	**76,083**	(34,582)	**(60,496)**	(22,167)	**136,579**	(12,415)
Basic income (loss) per share	**$ 0.0021**	$ (0.0034)	**$ 0.0001**	$ (0.0021)	**$ 0.0021**	$ (0.0012)
Fully diluted income (loss) per share	**$ 0.0020**	$ (0.0034)	**$ 0.0001**	$ (0.0021)	**$ 0.0021**	$ (0.0012)
Weighted average number of common shares						
Basic	**40,137,138**	39,298,438	**40,137,138**	39,298,438	**39,298,438**	39,298,438
Diluted	**42,232,997**	39,298,438	**42,292,997**	39,298,438	**39,298,438**	39,298,438

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

August 18, 2014

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Corporation's interim consolidated results of operations and financial condition. This Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2014 and the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2013 and the notes thereto. Comparisons made to prior periods are to the corresponding period in the preceding year unless otherwise indicated.

Background and Description of Business

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

Quorum develops, markets, implements and supports its software product, XSELLERATOR™, a Dealership Management System (DMS) for the automotive market. The product is delivered to General Motors Corporation (GM), Chrysler, Hyundai, Kia, Nissan, Subaru, NAPA and Bumper to Bumper dealerships throughout North America. The Corporation is a Dealer Technical Assistance Program (DTAP) strategic partner with GM and both a silver-certified and a Managed Independent Software Vendor (ISV) partner with Microsoft. Quorum has a large opportunity with a market of approximately 4,000 dealerships across North America; to capitalize on this market Quorum has invested significant funds and resources.

Non-IFRS Measures

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

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

Cash flow from operations – means cash flow from operations before changes in non-cash operating working capital. This measure is not intended to be an alternative to cash provided by operating activities as provided in the consolidated statements of cash flows, comprehensive income or other measures of financial performance calculated in accordance with IFRS. Cash flow from operations assists management and investors in analyzing operating performance and leverage.

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

Q2 FY2014 Overview

Quorum's key to growing profits is having a critical mass of installed dealerships that supply a recurring revenue stream, along with a well-managed fixed and variable cost structure. Sales increased by 23% to $2,396K in Q2 FY2014 from $1,941K in Q2 FY2013. The increase in sales is due to:

- An increase of $111K in recurring support revenue as a result of having more active dealership rooftops at the end of Q2 FY2014 as compared to the end of Q2 FY2013;
- A decrease in integration revenue of $26K;
- An increase of $81K in net new revenue which was a result of completing more installations in Q2 FY2014 as compared to Q2 FY2013; and
- An increase of $288K in transitions revenue as compared to Q2 FY2013.

Margin after direct costs increased to $1,431K in Q2 FY2014, as compared to $1,031K in Q2 FY2013, a 39% increase. The 39% increase was larger than our 23% sales increase because a higher percentage of our revenue comes from higher margin recurring support revenue and due to some Corporate initiatives focused on continually reducing our directs costs.

Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) increased by $197K to $431K in Q2 FY2014 from $234K in Q2 FY2013. Income before deferred income tax expense increased by $174K to $214K in Q2 FY2014 from $40K in Q2 FY2013

The Corporation continues to invest significantly in the further development of its proprietary software product, XSELLERATOR. During Q2 FY2014, the Corporation invested $262K, compared to $208K, net of ACOA funding Q2 FY2013. XSELLERATOR represents the "next generation" of Dealership Management Systems for the automotive market. New investment is now more focused on development that will grow market share, improve customer satisfaction, reduce support calls (and our cost of support), other Original Equipment Manufacturing (OEM) integration work and third party company integration.

Q2 FY2014 Financial Highlights

- **23% increase in sales revenue from Q2 FY2013.**
- **39% increase in margin after direct costs from Q2 FY2013.**
- **6% increase in on-going annuity XSELLERATOR software support and dealer services revenue over Q2 FY2013.**
- **$81K increase in net new revenue from Q2 FY2013.**
- **$288K increase in transitions revenue from Q2 FY2013.**
- **$26K decrease in integration revenue from Q2 FY2013.**
- **Positive EBITDA in Q2 FY2014 of $431K versus a positive EBITDA in Q2 FY2013 of $234K.**
- **Income before deferred income tax expense of $214K in Q2 FY2014 compared to $40K in Q2 FY2013.**
- **Comprehensive loss of $60K in Q2 FY2014 compared to a loss of $22K in Q2 FY2013.**
- **Positive quarterly cash flow from operating activities of $502K in Q2 FY2014 versus $220K in Q2 FY2013.**

Results of Operations

($000's except per share amounts)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Q2 Ended June 30, 2014	Q2 Ended June 30, 2013	Q1 Ended March 31, 2014	Q1 Ended March 31, 2013
Gross revenue	**$ 4,598**	$ 3,901	**$ 2,396**	$ 1,942	**$ 2,202**	$ 1,959
Margin after direct costs	**2,719**	2,063	**1,431**	1,031	**1,288**	1,032
Gross margin percentage	**59%**	53%	**60%**	53%	**58%**	53%
EBITDA expenses[1]	**1,910**	1,671	**1,000**	797	**910**	874
Operating income before interest, taxes, depreciation and amortization (EBITDA)	**809**	392	**431**	234	**378**	158
EBITDA percentage of revenue	**18%**	10%	**18%**	12%	**17%**	8%
Income (loss) before deferred income tax expense	**382**	2	**214**	40	**168**	(38)
Net income (loss)	**86**	(132)	**3**	(84)	**82**	(48)
Other comprehensive income (loss)[2]	**(10)**	98	**(64)**	62	**54**	36
Comprehensive income (loss)	**76**	(34)	**(60)**	(22)	**136**	(12)
Net income (loss) per share	**0.0021**	(0.003)	**0.0001**	(0.002)	**0.0021**	(0.001)
Cash flow from operating activities	**900**	380	**502**	219	**397**	161
Cash expenditures (cash payments for operating and investing activities)	**$ 4,216**	$ 3,915	**$ 2,102**	$ 1,802	**$ 2,114**	$ 2,113

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

Detailed Discussion on Operating Results for the Periods Ended June 30, 2014 and June 30, 2013

Revenue and Margin After Direct Costs Analysis

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Q2 Ended June 30, 2014	Q2 Ended June 30, 2013	Q1 Ended March 31, 2014	Q1 Ended March 31, 2013
Gross revenue	**$4,597,773**	$3,900,649	**$2,395,446**	$1,941,358	**$2,202,327**	$1,959,291
Third party costs (direct)	**672,144**	572,769	**333,429**	277,649	**338,715**	295,120
Salaries and benefits (direct)	**1,207,062**	1,264,889	**631,181**	632,811	**575,881**	632,078
Margin after direct costs	**$2,718,567**	$2,062,991	**$1,430,836**	$1,030,898	**$1,287,731**	$1,032,093
Margin after direct costs %	**59%**	53%	**60%**	53%	**58%**	53%
Support and other revenue	**$3,742,054**	$3,534,806	**$1,897,247**	$1,785,888	**$1,844,807**	$1,748,918
Net new and transitions	**847,555**	303,221	**498,199**	129,069	**349,356**	174,152
Integration	**8,164**	62,622	**-**	26,401	**8,164**	36,221
Gross revenue	**$4,597,773**	$3,900,649	**$2,395,446**	$1,941,358	**$2,202,327**	$1,959,291

Revenue

For Q2 FY2014, revenues from operations were $2,395,446 compared to $1,941,358 for Q2 FY2013, an increase of $454,088 or 23%. Quorum revenue results were as follows:

Recurring support and other revenue increased to $1,897,247 in Q2 FY2014, compared to $1,785,888 in Q2 FY2013, an increase of $111,359 or 6%. The Corporation completed new installations during Q2 FY2014 with each now paying recurring monthly support and service fees. As our customer base grows, support and other revenue should continue to grow proportionately.

Integration revenue for Q2 FY2014 was $nil compared to $26,401 for Q2 FY2013. Under the new GM DTAP program Quorum will not receive paid integration work.

Net new revenue was $149,534 in Q2 FY2014 compared to $68,207 in Q2 FY2013, an increase of $81,327. Net new revenue increased because the Corporation completed more rooftop installations in Q2 FY2014 compared to Q2 FY2013. Through process and cost efficiencies, Quorum continues to reduce the up-front price of our solution to new customers.

Transitions revenue was $348,665 in Q2 FY2014 compared to $60,862 for Q2 FY2013, an increase of $287,803.

Direct Costs and Margin After Direct Costs

Direct costs include all costs related to implementations and support including third party costs and all the implementation, transitions and support staff. Direct costs for Q2 FY2014 were $964,610 compared to $910,460 in Q2 FY2013. During Q2 FY2014, $10,563 ($32,336 – Q2 FY2013) from ACOA was received and applied as a reduction of salaries and benefits (direct).

During Q2 FY2014, margin after direct costs increased to $1,430,836 or 60% compared to $1,030,898 or 53% for Q2 FY2013. Margin after direct costs is affected by the semi-fixed cost of our sales, support and implementations department salaries and by the variable, direct costs required for each net new implementation. Through our business transformation process we have made multiple process improvements to allow our system to be implemented and supported with less direct costs and with reduced staffing levels per implementation. Additionally our support revenues are higher margin revenues than our net new installation and transitions revenue.

Expenses

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Q2 Ended June 30, 2014	Q2 Ended June 30, 2013	Q1 Ended March 31, 2014	Q1 Ended March 31, 2013
Salaries and benefits[3]	**$ 1,229,454**	$ 993,540	**$ 656,168**	$ 477,610	**$ 573,286**	$ 515,930
Employee stock option benefits	**-**	1,802	**-**	906	**-**	896
General and administrative	**564,858**	541,311	**293,658**	266,027	**271,200**	275,284
Sales and marketing	**115,568**	136,079	**50,440**	52,758	**65,128**	83,321
Total expenses	**$ 1,909,880**	$ 1,672,732	**$ 1,000,266**	$ 797,301	**$ 909,614**	$ 875,431

Total expenses before interest, taxes, depreciation, amortization and foreign exchange for Q2 FY2014 were $1,000,266 or 42% of sales compared to $797,301 or 41% of sales for Q2 FY2013.

Salaries and benefits expenses for Q2 FY2014 were $656,168 compared to $477,610 in Q2 FY2013, an increase of $178,558 or 37%. The increase in Q2 FY2014 is due to additional variable compensation and the addition of employees required to meet the Corporation's future business plan. During Q2 FY2014, $nil ($12,667 – Q2 FY2013) from the ACOA grant was received and applied as a reduction of salaries and benefits expense.

Employee stock option benefits expense for Q2 FY2014 was $nil compared to $906 in Q2 FY2013. No options have been issued to-date in FY2014. The most recent issuance of stock options occurred in FY2010, at which time 396,381 options were issued. The employee stock option expense is a non-cash expense.

General and administrative expenses for Q2 FY2014 were $293,658 compared to $266,027 for Q2 FY2013, an increase of $27,631 or 10%. The increase is due to higher than expected tax preparation and consulting fees.

Sales and marketing expenses for Q2 FY2014 were $50,440 or 2% of sales compared to $52,758 or 3% of sales for Q2 FY2013.

Foreign Exchange

The Corporation has a low exposure risk to realized foreign exchange gains and losses since a majority of its U.S. operations are performed through Quorum Information Technologies (US) Inc, Quorum's wholly-owned U.S. subsidiary. All transactions for this entity are performed in U.S. dollars. The Corporation does incur unrealized gains and losses on the conversion of the U.S. entity's net assets during consolidation for financial reporting. During the period, the Canadian/US exchange rate increased from 1.0636 at December 31, 2013 to 1.1055 at March 31, 2014 and decreased to 1.0670 at June 30, 2014. This decrease had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S.

[3] Salaries and benefits are net of ACOA grant.

The unrealized loss on the assets held was $63,408 during Q2 FY2014 compared to a $63,389 unrealized gain during Q2 FY2013. There was a realized foreign exchange loss of $566 during Q2 FY2014 compared to a realized loss of $1,104 during Q2 FY2013.

Capitalization & Amortization

During Q2 FY2014, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR represents the "next generation" of Dealership Management Systems (DMS) in the automotive market, and is one of the most advanced, fully-integrated Windows-based products in the marketplace.

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

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Q2 Ended June 30, 2014	Q2 Ended June 30, 2013
Total software development costs capitalized	**$ 501,647**	$ 420,943	**$ 262,090**	$ 208,383
Amortization of software development costs	**$ 338,573**	$ 302,503	**$ 173,223**	$ 150,985

All research and development costs are expensed as incurred unless they satisfy the IFRS accounting criteria for deferral and subsequent amortization. As noted above, the Corporation continues to conduct ongoing research and development towards the improvement of XSELLERATOR and has capitalized payroll costs of $224,996 and direct overheads of $37,094, for a total of $262,090 in Q2 FY2014 compared to capitalized payroll costs of $207,698, less ACOA funding of $35,067, and direct overheads of $35,752, for a total of $208,383 in Q2 FY2013.

XSELLERATOR is a leading-edge product in the automotive DMS field and the Corporation intends to maintain this lead through continued investment in the product. The Corporation has continued its development efforts as it prepares to roll out additional features and functionality and more and improved integration points with the manufacturers. The outlook is to maintain the level of investment for FY2014, with a continued focus on the development of XSELLERATOR as the premier DMS software that is scalable across all sizes of dealerships in the North American market and is available for all manufacturers and integrated to all key strategic third party companies in the marketplace.

Amortization of software development costs for Q2 FY2014 increased to $173,223 as compared to $150,985 for Q2 FY2013, a $22,238 increase. The amortization policy of the Corporation is ten-year straight line.

Net Income, EBITDA and Net Income per Share

	FY 2014 June 30 Q2	FY 2013 June 30 Q2
EBITDA	**$ 430,570**	$ 234,503
Net income (loss)	**$ 3,478**	$ (84,452)
Net income (loss) per share		
- Basic	**$ 0.0001**	$ (0.0021)
- Diluted	**$ 0.0001**	$ (0.0021)
Weighted average number of common shares		
- Basic	**40,137,138**	39,298,438
- Diluted	**42,292,997**	39,298,438

EBITDA for Q2 FY2014 was $430,570 or $0.0107 per share compared to $234,503 or $0.0060 per share for Q2 FY2013. This is an increase of $196,067 from Q2 FY2013.

Net income for Q2 FY2014 was $3,478 or $0.0001 per share, compared to a net loss of $84,452 or $0.0021 per share for Q2 FY2013. This is an $87,930 increase from Q2 FY2013.

Liquidity and Financial Resources

	June 30, 2014	December 31, 2013
Current Assets		
Cash	**$ 1,250,820**	$ 812,257
Accounts receivable	**1,227,878**	1,214,788
Inventory	**1,727**	1,421
Prepaid expenses	**154,996**	132,425
	2,635,421	2,160,891
Current Liabilities		
Accounts payable and accrued liabilities	**558,985**	395,260
Deferred revenue	**202,723**	196,390
Current portion of long-term debt	**124,585**	108,747
Current portion of long-term payable	**6,075**	6,075
	892,368	706,472
Net working capital	**$ 1,743,053**	$ 1,454,419

Net working capital at June 30, 2014 was $1,743,053 with a current ratio of 2.95, compared to $1,454,419 at December 31, 2013, with a current ratio of 3.06, an increase of $288,634. The increase is mainly due to the increase in cash during Q2 FY2014.

At the time of the release of this MD&A, management is satisfied that Quorum has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans. Quorum assesses its requirements for capital on an ongoing basis and there can be no guarantee that Quorum will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. The volatility in the financial markets since mid-2008 has impacted the availability of both credit and equity in the marketplace. Although financial markets have improved over the last six years, in the event that it is required, it may be difficult to issue additional equity or increase credit capacity and the cost of any new capital may exceed historical norms and/or impose more stringent covenants and/or restrictions on the Corporation. As a result, there has been a greater emphasis on evaluating credit capacity, credit counterparties, and liquidity by Quorum to ensure its ability to meet its ongoing commitments and obligations.

Cash Flows

The Corporation's cash balance increased by $309,257 in Q2 FY2014 compared to an increase of $73,649 in Q2 FY2013.

Cash flows from operating activities were $502,080 in Q2 FY2014 compared to $219,708 in Q2 FY2013. The positive result is due to the continued focus on cash management in all areas of the business, along with increased recurring cash being generated from the support fees on new installations.

Cash flows relating to financing activities were $89,355 in Q2 FY2014 compared to $99,351 in Q2 FY2013. During Q2 FY2014, $114,715 was received from the exercise of stock options and $25,360 of loan repayments were made pursuant to the 2009 and 2012 ACOA loan agreements. During Q2 FY2013, $115,218 was received from ACOA pursuant to the ACOA loan agreement entered into in 2012 and $15,867 of loan repayments were made pursuant to the ACOA loan agreement entered into in 2009.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested $262,090 in product development in Q2 FY2014. The Corporation invested a further $20,088 for computer software, computer hardware and other capital assets for net outflow of cash related to investing activities of $282,178.

Current Liabilities

Accounts payable and accrued liabilities were $558,985 at June 30, 2014 compared to $395,260 at December 31, 2013 and $505,975 at June 30, 2013. The increase from December 31, 2013 is due to the cost of hardware and software associated with the transition project and the increase in new rooftop installations.

Deferred revenue was $202,723 at June 30, 2014 compared to $196,390 at December 31, 2013. Under the DTAP contract, the Corporation's support billings are billed in advance. As of June 30, 2014, there was $202,723 of support fees billed that relate to July 1-19th, 2014.

Long-Term Liabilities

On March 31, 2009, the Corporation completed an agreement with the Atlantic Canada Opportunities Agency (ACOA) to provide a $500,000 interest-free, unsecured loan to provide funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland and Labrador. As of April 20, 2010, $500,000 was received. The ACOA loan is recognized as $92,707 of which the entire amount is current principal due within the next 12 months. On a cash basis, $99,996 is remaining on the loan and $99,996 is required to be repaid within the next 12 months. Repayment of the ACOA loan commenced on July 2, 2010 at $8,333 per month, including imputed interest, over five years.

On September 21, 2012, the Corporation entered into a $500,000 loan agreement with ACOA to finance the transition project which includes an upgrade to Windows 2008 R2, SQL Server 2012 and Office 2010, deployment of Lync and Exchange server and upgrade to PB12.Net and ASP model. The loan, which is unsecured and interest-free, matures on December 31, 2018. As of October 23, 2013, $500,000 was received. The ACOA loan is recognized as $275,441 of which $31,878 is current principal due within the next 12 months. On a cash basis, $450,002 is remaining on the loan and $99,996 is required to be repaid within the next 12 months. Repayment of the ACOA loan commenced on January 2, 2014 at $8,333 per month, including imputed interest, over five years.

During FY2009, Quorum entered into an agreement with Central Consulting Services Inc. to prepare the Scientific Research and Experimental Development (SR&ED) claim for the years ending December 31, 2007 up to and including December 31, 2010. The amount of $87,917, which was previously recorded at a fair value of $45,062, was not payable until the Corporation was in a position to utilize the SR&ED Investment Tax Credits (ITCs). On May 14, 2012, the Corporation renegotiated the above-mentioned contract and entered into a new agreement with Central Consulting Services Inc. The new agreement extinguished the amount due of $87,917, and that amount was replaced by $32,000 interest-free loan payable over four years with the first payment of $8,000 due at the end of FY2012. The $32,000 interest-free loan will be applied against fees on outstanding accrued Federal ITC's. The loan has been recorded at a fair value of $6,075 of which the entire amount is due within the next 12 months. Central Consulting Services Inc. will prepare the SR&ED claim for the years ending December 31, 2011 through to December 31, 2014.

Share Capital

Note 8 of the June 30, 2014 unaudited condensed consolidated financial statements of the Corporation provides further details on share capital.

During Q2 FY2014, the share price ranged from a high of $0.28 and a low of $0.12. The average share price over the period was $0.20. In calculating the Earnings per share (EPS) and Fully diluted EPS, the options with an exercise price below the $0.20 are considered. As of June 30, there were 2,155,859 options with an exercise price less than $0.20. As of the date of this report, 1,555,659 options are outstanding.

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 shall vest immediately on the date of grant, subject to the absolute discretion of the Board of Directors. No grants have been made under the RSU plan for the six months ended June 30, 2014.

Material Contracts & Commitments

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

On March 31, 2009, the Corporation completed an agreement with ACOA to provide $500,000 of funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of April 20, 2010, the full amount had been received by the Corporation. The ACOA loan is to be repaid with equal installments of $8,333 over a five-year period. The first repayment amount was made in July 2010.

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

Off Balance Sheet Arrangements

Other than the lease commitments noted in Note 10 of the June 30, 2014 unaudited condensed consolidated financial statements, the Corporation has not entered into any off balance sheet arrangements.

Recent Accounting Pronouncements

On May 28, 2014, the IASB issued International Financial Reporting Standard ("IFRS") 15, "Revenue from Contracts with Customers". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on its financial statements. Refer to the Corporation's December 31, 2013 annual report for recent accounting pronouncements for which the Corporation is continuing to evaluate the impact of adopting these standards.

Outlook

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

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

- Financial health of the automotive industry including dealerships and manufacturers.
- Sales, installations and support of the Corporation's XSELLERATOR product.
- Continued enhancements and upgrades contained in the new version releases of the Corporation's proprietary software product, XSELLERATOR.
- The ability of the Corporation to attract and retain top quality people.
- The ability of the Corporation to attract and leverage quality business partners to help accelerate the Corporation's growth and penetration into the expanding marketplace.
- Development of business processes and standardization of those processes, to facilitate the implementation and support of XSELLERATOR on a global scale.
- Building and maintaining positive relationships with the automotive manufacturers, and in particular GM Canada and GM U.S.
- Continued financial support from ACOA and the Newfoundland and Labrador provincial government.

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

Forward-Looking Statements

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and the Corporation's actual results may differ materially from those anticipated in these forward-looking statements. Factors which may cause such differences include, but are not limited to those set forth under "Business Risks". The Corporation does not take any obligation to release any public information of the results of any revision to these forward-looking statements, which may be made to reflect events or circumstances occurring in the future, except as required by securities regulations.

Business Risks

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

Liquidity Risk

The Corporation has achieved 20 consecutive quarters of positive cash flow from operations. As of June 30, 2014, the Corporation cancelled its $525,000 HSBC secured operating line of credit, as the line of credit had not been drawn upon since September 2012.

Customer Concentration Risk

Although the Corporation has been expanding its coverage of various dealership brands, a significant portion of its business is conducted with General Motors dealerships in both Canada and the U.S. Prior to GM entering bankruptcy protection on June 1, 2009, over 90% of Quorum's 225 deployed dealership rooftops were GM dealerships. At the end of 2013 approximately 72% of Quorum's customers were GM dealerships. Quorum's product strategy has moved to a much stronger focus on new OEM business partners, with the intention of expanding the system to support other makes. Over time, this strategy will continue to diversify our customer base; however, GM franchises will remain a key focus for the organization. It is important to Quorum's success for GM to continue to make progress on its North American and International business plan.

Server Reliability Risk

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

- Rigorous installation and migration procedures to ensure server consistency.
- Strong change control, including automated tools to manage many of our changes, on all dealership servers to maintain server consistency.
- Approved application lists and related controls, to ensure that applications follow a testing process before they are installed on dealership servers.
- Servers with both redundant hard drives and power supplies.
- Support agreements with our hardware providers to supply 24 hour support – 7 days a week. Typically the service agreements also have four hour response times.
- Web-based backup services that are monitored by a Server View application built by Quorum.
- Anti-virus protection that is monitored by Server View.
- A disaster recovery environment located at Quorum's Calgary office. This is an optional service that dealerships can subscribe to.

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

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

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

2014 2nd Quarter

Condensed Consolidated Financial Statements (unaudited)

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Financial Position (unaudited)

As at		**June 30, 2014**	**December 31, 2013**
ASSETS			
Current:			
Cash		**$ 1,250,820**	$ 812,257
Accounts receivable		**1,227,878**	1,214,788
Inventory		**1,727**	1,421
Prepaid expenses		**154,996**	132,425
		2,635,421	2,160,891
Property and equipment	**Note 3**	**156,502**	164,829
Intangible assets	**Note 4**	**4,467,495**	4,382,074
Deferred income tax asset		**3,513,600**	3,805,527
Investment tax credits		**3,322,857**	3,278,494
		$ 14,095,875	$ 13,791,815
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		**$ 558,985**	$ 395,260
Deferred revenue		**202,723**	196,390
Current portion of long-term debt	**Note 6**	**124,585**	108,747
Current portion of long-term payable		**6,075**	6,075
		892,368	706,472
Long-term debt	**Note 6**	**243,563**	310,122
Provisions and long-term payable		**-**	6,075
		1,135,931	1,022,669
SHAREHOLDERS' EQUITY			
Share capital	**Note 8**	**23,602,613**	23,399,937
Contributed surplus		**2,059,720**	2,147,681
Deficit		**(12,702,389)**	(12,778,472)
		12,959,944	12,769,146
		$ 14,095,875	$ 13,791,815

See accompanying notes to interim consolidated financial statements.

Approved on behalf of the Board:

_________________________ **Director**
Maury Marks
President & CEO

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

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Comprehensive Loss (unaudited)

		Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Gross revenue		**$ 2,395,446**	$ 1,941,358	**$ 4,597,773**	$ 3,900,649
Direct costs					
Third party costs		**333,429**	277,649	**672,144**	572,769
Salaries and benefits		**641,744**	665,147	**1,217,625**	1,328,995
Government assistance		**(10,563)**	(32,336)	**(10,563)**	(64,106)
Margin after direct costs		**1,430,836**	1,030,898	**2,718,567**	2,062,991
Expenses					
Salaries and benefits		**656,168**	490,277	**1,236,498**	1,018,826
Government assistance		**-**	(12,667)	**(7,044)**	(25,286)
Employee stock option benefits	Note 9	**-**	906	**-**	1,802
General and administrative		**293,658**	266,027	**564,858**	541,311
Sales and marketing		**50,440**	52,758	**115,568**	136,079
Interest expense on long-term debt		**24,638**	24,026	**49,275**	48,053
Bank charges and other interest expense		**2,708**	3,465	**6,745**	6,939
Amortization of intangible assets		**173,400**	151,175	**338,927**	302,884
Depreciation of property and equipment		**16,101**	15,175	**31,553**	30,290
Total expenses		**1,217,113**	991,142	**2,336,380**	2,060,898
Income before deferred income tax expense		**213,723**	39,756	**382,187**	2,093
Deferred income tax expense		**210,245**	124,208	**296,488**	134,711
Net income (loss)		**3,478**	(84,452)	**85,699**	(132,618)
Other comprehensive income (loss)					
Foreign exchange gain (loss)		**(63,974)**	62,285	**(9,616)**	98,036
Comprehensive income (loss)		**(60,496)**	(22,167)	**76,083**	(34,582)
Net income (loss) per share	Note 8				
- Basic		**$ 0.0001**	$ (0.0021)	**$ 0.0021**	$ (0.0034)
- Diluted		**$ 0.0001**	$ (0.0021)	**$ 0.0020**	$ (0.0034)

See accompanying notes to interim consolidated financial statements.

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Changes in Equity (unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	**Six Months Ended June 30, 2014**	Six Months Ended June 30, 2013
Common shares				
Balance, beginning of period	**$ 23,399,937**	$ 23,399,937	**$ 23,399,937**	$ 23,399,937
Stock options exercised	**202,676**	-	**202,676**	-
Balance, end of period	**$ 23,602,613**	23,399,937	**$ 23,602,613**	23,399,937
Contributed surplus				
Balance, beginning of period	**2,147,681**	2,146,556	**2,147,681**	2,145,660
Stock options exercised	**(87,961)**	-	**(87,961)**	-
Stock-based compensation	**-**	906	**-**	1,802
Balance, end of period	**2,059,720**	2,147,462	**2,059,720**	2,147,462
Deficit				
Balance, beginning of period	**(12,641,893)**	(13,200,289)	**(12,778,472)**	(13,187,874)
Net income (loss)	**3,478**	(84,452)	**85,699**	(132,618)
Other comprehensive income (loss)	**(63,974)**	62,285	**(9,616)**	98,036
Balance, end of period	**(12,702,389)**	(13,222,456)	**(12,702,389)**	(13,222,456)
Total shareholders' equity	**$ 12,959,944**	$ 12,324,943	**$ 12,959,944**	$ 12,324,943

See accompanying notes to interim consolidated financial statements.

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flow from operating activities				
Cash receipts from customers	**$ 2,321,972**	$ 1,776,440	**$ 4,591,017**	$ 3,799,462
Cash paid to suppliers and employees	**(1,792,547)**	(1,544,136)	**(3,635,492)**	(3,393,775)
Interest paid	**(27,345)**	(12,596)	**(56,020)**	(25,202)
	502,080	219,708	**899,505**	380,485
Cash flow from financing activities				
Issuance of shares net of share issue costs	**114,715**	-	**114,715**	-
Proceeds from long-term debt	**-**	115,218	**-**	286,008
Repayment of long-term debt	**(25,360)**	(15,867)	**(50,721)**	(31,735)
	89,355	99,351	**63,994**	254,273
Cash flow from investing activities				
Purchase of property and equipment	**(20,088)**	(1,957)	**(23,289)**	(5,299)
Software development costs	**(262,090)**	(243,453)	**(501,647)**	(490,934)
	(282,178)	(245,410)	**(524,936)**	(496,233)
Increase in cash	**309,257**	73,649	**438,563**	138,525
Cash, beginning of period	**941,563**	489,783	**812,257**	424,907
Cash, end of period	**$ 1,250,820**	$ 563,432	**$ 1,250,820**	$ 563,432

See accompanying notes to interim consolidated financial statements.

1. Nature of Operations

Quorum Information Technologies Inc. ("Quorum" or the "Corporation") is an information technology company that focuses on the automotive retail business in Canada and the U.S. and is incorporated under the Business Corporations Act of Alberta. Quorum develops, markets, implements and supports its own software product, XSELLERATOR™, a Dealership Management System, for the automotive market.

2. Basis of Presentation

a) Statement of compliance
These unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), following the same accounting principles and methods of computation as outlined in the Corporation's consolidated financial statements for the year ended December 31, 2013. These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2013. These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 18, 2014.

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

c) Significant accounting judgments and estimates
The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes will differ from these estimates. The critical accounting estimates and judgments have been set out in Note 3 to the Corporation's consolidated financial statements for the year ended December 31, 2013.

d) Recent accounting pronouncements
On May 28, 2014, the IASB issued International Financial Reporting Standard ("IFRS") 15, "Revenue from Contracts with Customers". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on its financial statements.

3. Property and Equipment

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

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount					
Balance at January 1, 2014	$ 997,179	$ 563,815	$ 418,879	$ 86,776	$2,066,649
Additions	13,176	-	10,113	-	23,289
Disposals	-	-	-	-	-
Revaluation increase	-	-	-	-	-
Net exchange differences	-	-	-	-	-
Balance at June 30, 2014	1,010,355	563,815	428,992	86,776	2,089,938
Depreciation and Impairment					
Balance at January 1, 2014	919,490	550,951	354,538	76,841	1,901,820
Disposals	-	-	-	-	-
Net exchange differences	63				63
Depreciation	12,190	6,433	6,732	6,198	31,553
Balance at June 30, 2014	931,743	557,384	361,270	83,039	1,933,436
Carrying amount June 30, 2014	$ 78,612	$ 6,431	$ 67,722	$ 3,737	$ 156,502

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount					
Balance at January 1, 2013	$ 992,589	$ 538,084	$ 416,309	$ 86,776	$2,033,758
Additions	4,590	25,731	2,570	-	32,891
Disposals	-	-	-	-	-
Revaluation increase	-	-	-	-	-
Net exchange differences	-	-	-	-	-
Balance at December 31, 2013	997,179	563,815	418,879	86,776	2,066,649
Depreciation and Impairment					
Balance at January 1, 2013	887,598	537,266	338,732	64,444	1,828,040
Disposal	-	-	-	-	-
Net exchange differences	(24)	-	-	-	(24)
Depreciation	31,916	13,685	15,806	12,397	73,804
Balance at December 31, 2013	919,490	550,951	354,538	76,841	1,901,820
Carrying amount December 31, 2013	$ 77,689	$ 12,864	$ 64,341	$ 9,935	$ 164,289

4. Intangible Assets

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

	Software Development Costs	Vendor Distribution Rights	Total
Gross Carrying Amount			
Balance at January 1, 2014	$ 12,923,845	$ 42,646	$ 12,966,491
Additions	424,348	-	424,348
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at June 30, 2014	13,348,193	42,646	13,390,839
Amortization and impairment			
Balance at January 1, 2014	8,553,900	30,517	8,584,417
Amortization	338,573	354	338,927
Impairment losses	-	-	-
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at June 30, 2014	8,892,473	30,871	8,923,344
Carrying amount June 30, 2014	$ 4,455,720	$ 11,775	$ 4,467,495
Gross Carrying Amount			
Balance at January 1, 2013	$ 12,335,671	$ 42,646	$ 12,378,317
Additions	588,174	-	588,174
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at December 31, 2013	12,923,845	42,646	12,966,491
Amortization and impairment			
Balance at January 1, 2013	7,951,249	29,755	7,981,004
Amortization	602,651	762	603,413
Impairment losses	-	-	-
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at December 31, 2013	8,553,900	30,517	8,584,417
Carrying amount December 31, 2013	$ 4,369,945	$ 12,129	$ 4,382,074

5. Operating Line of Credit

On December 15, 2010, the Corporation entered into a credit facility agreement with HSBC Bank that allowed Quorum to borrow up to $525,000 to meet working capital requirements, subject to the value of certain accounts receivable. As of June 30, 2014, the Corporation cancelled the credit facility agreement with HSBC.

6. Long-Term Debt

Long-term debt includes the following financial liabilities:

	June 30, 2014	December 31, 2013
ACOA financing (a)	**$ 92,707**	$ 131,747
ACOA financing 2012 (b)	**275,441**	287,122
	368,148	418,869
Installments due within one year	**124,585**	108,747
Total long-term debt	**$ 243,563**	$ 310,122

a) On March 31, 2009, the Corporation entered into a $500,000 loan agreement with the Atlantic Canada Opportunities Agency (ACOA) to finance the expansion of the St. John's office and the release of XSELLERATOR, version 4.7. The loan, which is unsecured and interest-free, matures on July 1, 2015. Monthly repayments commenced on July 2, 2010. As of April 20, 2010, the loan has been received in full and recorded at a fair value of $249,218, based on a 20% rate of interest over 5 years. The difference between the fair value of the loan and the cash received has been accounted for as a government grant (refer to note 7). On a cash basis, $99,996 is outstanding on the loan at June 30, 2014 and $99,996 is required to be repaid within the next 12 months.

b) On September 21, 2012, the Corporation entered into a $500,000 loan agreement with ACOA to finance the transition project which includes an upgrade to Windows 2008 R2, SQL Server 2012 and Office 2010, deployment of Lync and Exchange server and upgrade to PB12.Net and ASP model. The loan, which is unsecured and interest-free, matures on December 31, 2018. Monthly repayments commenced on January 2, 2014. As of October 23, 2013, the loan has been received in full and recorded at a fair value of $207,681, based on a 20% rate of interest over 5 years. The difference between the fair value of the loan and the cash received has been accounted for as government grant (refer to Note 7). On a cash basis, $450,002 is outstanding on the loan at June 30, 2014 and $99,996 is required to be repaid within the next 12 months.

6. Long-Term Debt *(continued)*

Scheduled principal repayments at June 30, 2014 are as follows:

2014 – 6 months	$ 58,026
2015	86,759
2016	57,420
2017	74,449
2018	91,494
Total	$ 368,148

7. Government Grants and Assistance

On March 31, 2009, the Corporation entered into an unsecured, interest-free loan agreement with the Atlantic Canada Opportunities Agency (ACOA) to finance a project for the expansion of the St. John's office and the release of XSELLERATOR, version 4.7. The completion date of the project was March 31, 2010. The $250,782 difference between the fair value of the loan and the cash received has been accounted for as a government grant, as prescribed by IAS 20 under IFRS. The amount relates to expenses and capital expenditures to be incurred over the term of the project. Any amounts allocated to capital expenditures have been deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset.

On March 11, 2011, the Corporation entered into an agreement with the Newfoundland and Labrador Department of Business (now called the Newfoundland and Labrador Department of Innovation, Business and Rural Development) to provide funding, up to a maximum of $500,000, to increase staffing levels in Newfoundland and Labrador and expand the office in St. John's. A portion of the loan, $172,000, was to be forgivable to the Corporation dependent on the Corporation meeting certain requirements. As of December 31, 2012, $212,467 was received and the Corporation repaid $40,467. As of October 7, 2013, the balance of $172,000 was forgiven and the Corporation was totally discharged from the General Security Agreement.

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

8. Share Capital

(a) Authorized

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

(b) Issued and Outstanding

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

	Number of Shares	Amount
Common Shares		
Balance, January 1, 2014	**39,298,438**	**$ 23,399,937**
Prior year adjustment	**2,199**	**-**
Issued, January 1 – June 30, 2014	**836,501**	**202,676**
Total share capital at June 30, 2014	**40,137,138**	**$ 23,602,613**

(c) Net income (loss) per share

In calculating the basic and diluted net income per share for the six months ended June 30, 2014 and 2013, the weighted average number of shares used in the calculation is shown in the table below. The diluted shares are based on an average stock price of $0.16 for the second quarter of 2014 and $0.06 for the second quarter of 2013.

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income (loss)	**$ 85,699**	$ (132,618)
Weighted average number of shares outstanding:		
Basic shares outstanding	**40,137,138**	39,298,438
Effect of dilutive shares:		
Options issued at $ 0.12	**295,659**	-
Options issued at $ 0.15	**1,800,200**	-
Options issued at $ 0.16	**-**	-
Diluted shares outstanding	**42,232,997**	39,298,438
Net income (loss) per share – basic	**$ 0.0021**	$ (0.0034)
Net income (loss) per share – diluted	**$ 0.0020**	$ (0.0034)

9. Stock-Based Compensation

As at June 30, 2014, a total of 3,929,844 stock options were reserved for issuance under the Corporation's Stock Option Plan of which 1,773,985 stock options remain available for grant. Pursuant to the Stock Plan, options may be granted to purchase common shares of the Corporation up to a maximum of 10% of common shares currently issued and outstanding.

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

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

	As at June 30, 2014		As at December 31, 2013	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Balance, beginning of period	**2,984,361**	**$0.15**	3,023,565	$ 0.15
Prior year adjustment	**7,999**	**$0.15**	-	-
Exercised during the period	**(836,501)**	**$0.15**	-	-
Forfeited during the period	**-**	**-**	(39,204)	$ 0.13
Balance, end of period	**2,155,859**	**$0.15**	2,984,361	$ 0.15
Exercisable options, end of period	**2,155,859**	**$0.15**	2,984,361	$ 0.15

For the six months ended June 30, 2014, stock based compensation expense of $nil (2013 - $1,802) was recorded related to the Corporation's stock based compensation plan. The following table summarizes information about stock options outstanding at June 30, 2014:

Exercise prices	**Number outstanding**	**Weighted average remaining contractual life in years**	**Weighted average exercise price**
$ 0.12	295,659	1.1	$ 0.12
$ 0.15	1,800,200	0.1	$ 0.15
$ 0.16	60,000	0.4	$ 0.16
	2,155,859	0.2	$ 0.15

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:

	2014	**2013**
Volatility rate	108%	108%
Stock option holding period (years)	5	5
Risk free interest rate	1.8%	1.8%

9. Stock-Based Compensation (*continued*)

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 shall vest immediately on the date of grant, subject to the absolute discretion of the Board of Directors. No grants have been made under the RSU plan for the six months ended June 30, 2014.

10. Operating Leases

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

2014 – 6 months	$ 214,301
2015	239,803
2016	239,803
2017	239,803
2018	133,557
Total	**$ 1,067,267**

Lease payments recognized as an expense during the six month period ending June 30, 2014 amount to $408,386 (2013: $404,963). This amount consists of minimum lease payments. Sublease payments of $98,809 (2013: $98,809) were received.

The rental contract for the office rented since October 1, 2007 at 10655 Southport Road, Calgary, Alberta has a non-cancellable term of seven years. This agreement will expire on August 31, 2014. A new rental contract has been signed for an office at 7500 Macleod Trail, Calgary, Alberta and has a non-cancellable term of five years, commencing September 1, 2014. The rental contract for the office rented since June 1, 2008 at 136 Crosbie Road, St. John’s, Newfoundland and Labrador has a non-cancellable term of five years. This agreement expired on April 30, 2013. A new rental contract for the office rented at 136 Crosbie Road, St. John’s, Newfoundland and Labrador has been signed and has a non-cancellable term of five years.

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

11. Segmented Information

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

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

Revenue	**Three months ended June 30, 2014**	**Three months ended June 30, 2013**	**Six months ended June 30, 2014**	**Six months ended June 30, 2013**
Canada	**$ 1,775,238**	$ 1,445,554	**$ 3,444,767**	$ 2,913,136
United States	**620,208**	495,804	**1,153,006**	987,513
Total	**$ 2,395,446**	$ 1,941,358	**$ 4,597,773**	$ 3,900,649

Long-Term Assets[4]	**June 30, 2014**	**December 31, 2013**
Canada	**$ 4,612,054**	$ 4,533,998
United States	**11,943**	12,905
Total	**$ 4,623,997**	$ 4,546,903

[4] Includes property and equipment and intangible assets

Corporate Information

Board of Directors

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

Michael Podovilnikoff
Chairman of Board of Directors
Business Consultant

John Carmichael
Director
Chairman
City Buick Pontiac Cadillac

Scot Eisenfelder
Director
President
Empiritas Inc.

Craig Nieboer
Director
Chief Financial Officer
Canadian Energy Services &
Technology Corp.

Officers

Michael Podovilnikoff
Chairman of Board of Directors

Maury Marks
President & Chief Executive Officer

Marilyn Bown
Chief Financial Officer

Corporate Counsel
Burnet Duckworth & Palmer
Calgary, Alberta

Bankers
HSBC Bank Canada
Calgary, Alberta

Auditors
Calvista LLP
Professional Accountants
Calgary, Alberta

Stock Exchange Listing
TSX Venture Exchange
Trading Symbol: QIS

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

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