QUORUM
DEALER MANAGEMENT SYSTEMS

2nd Quarter Report

2016

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 realize a true return on their technology investment by maximizing utilization of the Quorum DMS, XSELLERATOR™, to enhance their business.

Quorum delivers its product to General Motors Corporation (GM), Chrysler, Ford, Toyota, Hyundai, Kia, Nissan, Subaru, NAPA and Bumper to Bumper dealerships throughout North America.

Some of our most significant measurable sales and operational results in Q2 FY2016 are as follows:

- Quorum continues to enhance three important areas of our software and we track key dealership utilization metrics related to these areas in a Dealership Success Scorecard:
  - *Communicator* features text, email and instant message functionality that is integrated into the XSELLERATOR workflow. Aggregate data on Communicator’s recent usage is shown below.
  - *Make More Money (“M3”)* is an initiative that focuses on ten XSELLERATOR processes that drive incremental revenue into our dealership customers’ operations. Aggregate data from the Vehicle Inspection Process (“VIP”), one of the ten M3 processes, is shown below.
  - *Sales CRM* - Quorum continues to make significant enhancements to sales focused Customer Relationship Management (CRM) features within XSELLERATOR. Additional usage statistics will be included to the Dealership Success Scorecard later in 2016.

Dealership Success Scorecard[1]

Communicator – Dealerships utilizing Communicator: 210
Messages in Q2 FY2016: 1,069,907
Year over year message growth: 25%

M3 (VIP only) – Dealerships utilizing VIP: 95
Total Q2 FY2016 incremental Customer Pay revenue: $17,049,635
Year over year revenue growth: 34%

Sales CRM – Dealerships trained: 35
Total # of dealerships that have moved away from 3rd party CRM systems: 11

- Key metrics are as follows:
  - The National Automotive Dealers Association (NADA) convention was in Las Vegas, Nevada in Q2 FY2016. Quorum had a booth at the convention, which historically has taken place in Q1. This year’s convention was a success and generated a 106% increase in leads and a 126% increase in prospect demos as compared to the Q1 FY2015 convention.
  - Customer Satisfaction Index (“CSI”) semi-annual survey in Q1 FY2016 showed 100% of dealer principals as “satisfied” or “very satisfied” and of 88% of end users as “satisfied” or “very satisfied” overall. An additional 11% of end users reported “somewhat

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

satisfied". Our survey in Q1 FY2015 reported 81% of dealer principals as "satisfied" or "very satisfied" and 94% of end users as "satisfied" or "very satisfied" overall.
    - Our monthly Support Center CSI survey continues to report approximately 95% "very satisfied" with the service received from our support team.

Financial Results highlights for Q2 FY2016 are as follows:

- Sales increased by 13% to $3,044K in Q2 FY2016 from $2,706K in Q2 FY2015. The increase in sales is due to:
    - An increase of $212K in recurring support revenue as a result of having more active dealership rooftops at the end of Q2 FY2016 as compared to the end of Q2 FY2015;
    - An increase of $231K in revenue as a result of completing more on-site training for our dealerships;
    - An increase of $219K in new implementation revenue which was a result of completing more installations in Q2 FY2016 as compared to Q2 FY2015; and
    - A decrease of $323K in transitions revenue (server and operating system upgrades) as compared to Q2 FY2015 from converting our customers to the new Microsoft Windows and SQL Server 2012 Products.

- During Q2 FY2016, margin after direct costs increased by $68K to $1,607K or 53% compared to $1,540K or 57% for Q2 FY2015. The 4% decrease in gross margin percentage is due to an increase in direct salaries and benefits expense as Quorum prepares to increase its future delivery capacity.

- Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) decreased by $169K to $436K in Q2 FY2016 from $605K in Q2 FY2015. Increased margin after direct costs was offset by:
    - An increase in salaries and benefits expense due to increased staffing levels;
    - An increase in general & administrative expense due to an increase in consulting fees and rental expense; and
    - An increase in sales and marketing expense due to the National Automobile Dealers Association ("NADA") convention, that was scheduled in Q2 this year versus Q1 last year.

- Income before deferred income tax expense decreased by $190K to $180K in Q2 FY2016 from $370K in Q2 FY2015.

- Quorum had comprehensive income of $179K in Q2 FY2016 compared to $282K in Q2 FY2015. The reduction is largely due to the above-mentioned EBITDA decrease of $169K as well as a $30K increase in deferred income tax expense, offset by a $116K increase in foreign exchange gain.

- Net working capital at June 30, 2016 was $5,369K with a current ratio of 5.29, compared to $5,129K at December 31, 2015, with a current ratio of 5.05, an increase of $240K.

Conclusion

At over $3.0 million, Q2 FY2016 represented a 13% growth in revenue and was the first quarter in the Company's history with over $3.0 million in revenue. Sales growth came from new installations, increased recurring support revenues and higher training revenue. Quorum has seen eleven consecutive quarters of significant revenue growth (over the prior year quarters) and we continue to increase our staffing levels in anticipation of future growth. Our strategy to focus on product innovations, improving product utilization and superior levels of customer service has increased the market demand for our product and services.

My sincere appreciation is extended to Quorum's Board of Directors and to our employees and consultants who have been diligent and dedicated in their support of the Corporation's goals and objectives. My thanks also extend to our investors for their long-term and continued support of Quorum.

Maury Marks
President & Chief Executive Officer

Financial Highlights

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Q2 Ended June 30, 2016	Q2 Ended June 30, 2015	Q1 Ended March 31, 2016	Q1 Ended March 31, 2015
Gross revenue	**$5,991,602**	$5,136,234	**$3,044,403**	$2,705,927	**$2,947,199**	$2,430,307
Direct costs	**2,870,002**	2,188,305	**1,436,926**	1,116,235	**1,433,076**	1,022,070
Margin after direct costs	**3,121,600**	2,947,929	**1,607,477**	1,539,692	**1,514,123**	1,408,237
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**945,793**	980,322	**435,999**	605,362	**509,794**	374,960
Income before deferred income tax expense	**431,056**	512,683	**179,963**	369,582	**251,093**	143,101
Net income (loss)	**302,929**	387,876	**174,234**	393,524	**128,695**	(5,648)
Comprehensive income	**186,471**	495,956	**178,649**	282,286	**7,822**	213,670
Basic income (loss) per share	**$ 0.0059**	$ 0.0093	**$ 0.0034**	$ 0.0095	**$ 0.0025**	$ (0.0001)
Fully diluted income (loss) per share	**$ 0.0059**	$ 0.0093	**$ 0.0034**	$ 0.0094	**$ 0.0025**	$ (0.0001)
Weighted average number of common shares						
Basic	**51,296,294**	41,614,361	**51,296,294**	41,614,361	**51,296,294**	41,532,538
Diluted	**51,296,294**	41,818,297	**51,296,294**	41,818,297	**51,296,294**	41,818,297

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

August 23, 2016

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, 2016 and the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2015 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, Ford, Toyota, 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 a silver-certified partner with Microsoft. Quorum has a large opportunity with an available 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.

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 FY2016 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 13% to $3,044K in Q2 FY2016 from $2,706K in Q2 FY2015. The increase in sales is due to:

- An increase of $212K in recurring support revenue as a result of having more active dealership rooftops at the end of Q2 FY2016 as compared to the end of Q2 FY2015;
- An increase of $231K in revenue from existing customers as a result of completing more on-site training for our dealerships;
- An increase of $219K in new implementation revenue which was a result of completing more installations in Q2 FY2016 as compared to Q2 FY2015; and
- A decrease of $323K in transitions (server and operating system upgrades) revenue as compared to Q2 FY2015 from converting our customers to the new Microsoft Windows and SQL Server 2012 Products.

During Q2 FY2016, margin after direct costs increased by $68K to $1,607K or 53% compared to $1,540K or 57% for Q2 FY2015. The 4% decrease in gross margin percentage is due to an increase in direct salaries and benefits expense as Quorum prepares to increase its future delivery capacity.

Earnings before interest, taxes, depreciation, amortization, stock-based compensation and foreign exchange (EBITDA) decreased by $169K to $436K in Q2 FY2016 from $605K in Q2 FY2015. Increased margin after direct costs was offset by:

- An increase in salaries and benefits expense due to increased staffing levels;
- An increase in general & administrative expense due to an increase in consulting fees and rental expense; and
- An increase in sales and marketing expense due to the NADA convention that was scheduled in Q2 this year versus Q1 last year.

Income before deferred income tax expense decreased by $190K to $180K in Q2 FY2016 from $370K in Q2 FY2015.

Quorum had comprehensive income of $179K in Q2 FY2016 compared to $282K in Q2 FY2015. The reduction is largely due to the above-mentioned EBITDA decrease of $169K as well as a $30K increase in deferred income tax expense, offset by a $116K increase in foreign exchange gain.

Net working capital at June 30, 2016 was $5,369K with a current ratio of 5.29, compared to $5,129K at December 31, 2015, with a current ratio of 5.05, an increase of $240K.

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

Q2 FY2016 Financial Highlights

- **13% increase in sales revenue.**
- **4% increase in margin after direct costs.**
- **11% increase in on-going annuity XSELLERATOR software support revenue.**
- **79% increase in revenue from existing customers.**
- **$219K increase in new implementation revenue.**
- **$323K decrease in transitions (server and operating system upgrades) revenue.**

- **EBITDA in Q2 FY2016 of $436K versus $605K in Q2 FY2015.**
- **Income before deferred income tax expense of $180K in Q2 FY2016 compared to $370K in Q2 FY2015.**
- **Positive quarterly cash flow from operating activities of $334K in Q2 FY2016 versus $485K in Q2 FY2015.**

Results of Operations

($000's except per share amounts)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Q2 Ended June 30, 2016	Q2 Ended June 30, 2015	Q1 Ended March 31, 2016	Q1 Ended March 31, 2015
Gross revenue	**$ 5,992**	$ 5,136	**$ 3,045**	$ 2,706	**$ 2,947**	$ 2,430
Margin after direct costs	**3,122**	2,948	**1,608**	1,540	**1,514**	1,408
Gross margin percentage	**52%**	57%	**53%**	57%	**51%**	58%
EBITDA expenses[2]	**2,176**	1,968	**1,172**	935	**1,004**	1,033
Operating income before interest, taxes, depreciation and amortization (EBITDA)	**946**	980	**436**	605	**510**	375
EBITDA percentage of revenue	**16%**	19%	**14%**	22%	**17%**	15%
Income before deferred income tax expense	**431**	513	**180**	370	**251**	143
Net income (loss)	**303**	388	**174**	394	**129**	(6)
Other comprehensive income (loss)[3]	**(116)**	108	**5**	(111)	**(121)**	219
Comprehensive income	**186**	496	**178**	282	**8**	214
Net income (loss) per share	**0.0059**	0.0093	**0.0034**	0.0095	**0.0025**	(0.0001)
Cash flow from operating activities	**742**	917	**333**	485	**409**	432
Cash expenditures (cash payments for operating and investing activities)	**$ 5,887**	$ 4,797	**$ 2,979**	$ 2,592	**$ 2,908**	$ 2,205

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

Detailed Discussion on Operating Results for the Periods Ended June 30, 2016 and June 30, 2015

Revenue and Margin After Direct Costs Analysis

	Six Months Ended June 30, 2016	**Six Months Ended June 30, 2015**	**Q2 Ended June 30, 2016**	**Q2 Ended June 30, 2015**	**Q1 Ended March 31, 2016**	**Q1 Ended March 31, 2015**
Gross revenue	**$5,991,602**	$5,136,234	**$3,044,403**	$2,705,927	**$2,947,199**	$2,430,307
Third party costs (direct)	**1,252,910**	893,499	**586,000**	500,163	**666,910**	393,336
Salaries and benefits (direct)	**1,617,092**	1,294,806	**850,926**	666,072	**766,166**	628,734
Margin after direct costs	**$3,121,600**	$2,947,929	**$1,607,477**	$1,539,692	**$1,514,123**	$1,408,237
Margin after direct costs %	**52%**	57%	**53%**	57%	**51%**	58%
Support revenue	**$4,237,016**	$3,800,220	**$2,140,660**	$1,929,024	**$2,096,356**	$1,871,196
Add-on revenue	**804,936**	489,780	**524,847**	294,013	**280,089**	195,767
New implementation revenue	**765,389**	347,937	**342,176**	123,653	**423,213**	224,284
Transitions	**184,261**	498,297	**36,720**	359,237	**147,541**	139,060
Gross revenue	**$5,991,602**	$5,136,234	**$3,044,403**	$2,705,927	**$2,947,199**	$2,430,307

Revenue

For Q2 FY2016, revenues from operations were $3,044,403 compared to $2,705,927 for Q2 FY2015, an increase of $338,476 or 13%. Quorum revenue results were as follows:

Recurring support revenue increased to $2,140,660 in Q2 FY2016, compared to $1,929,024 in Q2 FY2015, an increase of $211,636 or 11%. The Corporation completed new installations during Q2 FY2016 with each now paying recurring monthly support and service fees. As our customer base grows, support and other revenue should continue to grow proportionately.

Add-on sales to existing customers increased to $524,847 in Q2 FY2016, compared to $294,013 in Q2 FY2015, an increase of $230,834 or 79%. This increase is mostly due to an increase in training services.

New implementations revenue was $342,176 in Q2 FY2016 compared to $123,653 in Q2 FY2015, an increase of $218,523. New implementations revenue increased because the Corporation completed more rooftop installations in Q2 FY2016 compared to Q2 FY2015.

Transitions revenue (server and operating system upgrades) was $36,720 in Q2 FY2016 compared to $359,237 for Q2 FY2015, a decrease of $322,517. The decrease was expected and is a result of the diminishing number of dealers that remain to be upgraded to the new Microsoft Windows and SQL Server 2012 platform. A large percentage of dealership customers were converted in 2014 and 2015.

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 FY2016 were $1,436,926 compared to $1,166,235 in Q2 FY2015. During Q2 FY2016, $10,461 ($nil – Q2 FY2015) from the National Research Council of Canada ("NRC") was received and applied as a reduction of salaries and benefits (direct).

During Q2 FY2016, margin after direct costs increased to $1,607,477 or 53% compared to $1,539,692 or 57% for Q2 FY2015. The 4% decrease in margin after direct cost percentage is due to the increase in direct salaries and benefits expense.

Expenses

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Q2 Ended June 30, 2016	Q2 Ended June 30, 2015	Q1 Ended March 31, 2016	Q1 Ended March 31, 2015
Salaries and benefits	**$ 1,510,596**	$ 1,394,997	**$ 753,737**	$ 704,138	**$ 756,859**	$ 690,859
General and administrative[4]	**434,178**	370,185	**227,302**	193,068	**206,876**	177,117
Sales and marketing	**231,033**	202,425	**190,439**	37,124	**40,594**	165,301
Total expenses	**$ 2,175,807**	$ 1,967,607	**$ 1,171,478**	$ 934,330	**$ 1,004,329**	$ 1,033,277

Total expenses before interest, taxes, depreciation, amortization and foreign exchange for Q2 FY2016 were $1,171,478 or 38% of sales compared to $934,330 or 35% of sales for Q2 FY2015.

Salaries and benefits expenses for Q2 FY2016 were $753,737 compared to $704,138 in Q2 FY2015 an increase of $49,599 or 7%. The increase in Q2 FY2016 is due to the addition of employees required to meet the Corporation's future business plan.

General and administrative expenses for Q2 FY2016 were $227,302 compared to $193,068 for Q2 FY2015, an increase of $34,234 or 18%. This increase is due to increases in consulting fees and rental expense. During Q4 FY2015, the Corporation amended its rental contracts for the offices in Calgary, Alberta and St. John's, Newfoundland to include extra space required by the Corporation.

Sales and marketing expenses for Q2 FY2016 were $190,439 or 6% of sales compared to $37,124 or 1% of sales for Q2 FY2015, an increase of $153,315. The increase from the prior year is due to expenses associated with the 2016 National Automobile Dealers Association ("NADA") convention which was held from April 1-3, 2016. The 2015 NADA convention was held from January 22-25, 2015.

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 decreased from 1.3840 at December 31, 2015 to 1.2987 at March 31, 2016 and decreased to 1.2917 at June 30, 2016. This decrease had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized loss on the assets held was $6,896 during Q2 FY2016 compared to a $109,625 unrealized loss during Q2 FY2015. There was a realized foreign exchange gain of $11,311 during Q2 FY2016 compared to a realized loss of $1,613 during Q2 FY2015.

Capitalization & Amortization

During Q2 FY2016, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR represents the "next generation" of

[4] General and administrative expenses are net of ACOA loan.

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, 2016	Six Months Ended June 30, 2015	Q2 Ended June 30, 2016	Q2 Ended June 30, 2015
Total software development costs capitalized	**$ 689,580**	$ 618,992	**$ 311,525**	$ 309,765
Amortization of software development costs	**$ 467,946**	$ 400,112	**$ 233,933**	$ 201,373

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 $285,386, net of ACOA funding of $82,975, and direct overheads of $26,139, for a total of $311,525 in Q2 FY2016 compared to capitalized payroll costs of $288,763 and direct overheads of $21,002, for a total of $309,765 in Q2 FY2015.

During Q2 FY2016, investment tax credits of $43,507 from the FY2015 Scientific Research and Experimental Development (SR&ED) claim were reallocated from software development costs to the investment tax credit asset during the year (Q2 FY2015-$22,844 for the FY2014 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 entitles the Corporation to a cash refund. During Q2 FY2016, a SR&ED refund $41,686 was accrued as compared to $22,320 accrued during Q2 FY2015.

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 FY2016, 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 FY2016 increased to $233,933 as compared to $201,373 for Q2 FY2015, a $32,560 increase. The amortization policy of the Corporation is ten-year straight line.

The Corporation invested $32,086, net of ACOA funding of $30,550, in computer hardware and software and other capital assets during Q2 FY2016 compared to $41,222 in Q2 FY2015.

Depreciation on the capital assets was $19,827 for Q2 FY2016 compared to $13,073 for Q2 FY2015.

Net Income, EBITDA and Net Income per Share

	FY 2016 June 30 Q2	FY 2015 June 30 Q2
EBITDA	**$ 435,999**	$ 605,362
Net income	**$ 174,234**	$ 393,524
Net income per share		
- Basic	**$ 0.0034**	$ 0.0095
- Diluted	**$ 0.0034**	$ 0.0094
Weighted average number of common shares		
- Basic	**51,296,294**	41,614,361
- Diluted	**51,296,294**	41,818,297

EBITDA for Q2 FY2016 was $435,999 or $0.0085 per share compared to $605,362 or $0.0145 per share for Q2 FY2015. This is a decrease of $169,363 from Q2 FY2015.

Net income for Q2 FY2016 was $174,234 or $0.0034 per share, compared to $393,524 or $0.0095 per share for Q2 FY2015. This is a $219,290 decrease from Q2 FY2015.

Liquidity and Financial Resources

	June 30, 2016	December 31, 2015
Current Assets		
Cash	**$ 4,827,125**	$ 5,014,178
Accounts receivable	**1,401,102**	1,165,090
Loan receivable	**226,149**	-
Inventory	**9,586**	12,040
Prepaid expenses	**157,078**	204,817
	6,621,040	6,396,125
Current Liabilities		
Accounts payable and accrued liabilities	**869,901**	866,943
Deferred revenue	**315,953**	342,921
Current portion of long-term debt	**65,934**	57,420
	1,251,788	1,267,284
Net working capital	**$ 5,369,252**	$ 5,128,841

Net working capital at June 30, 2016 was $5,369,252 with a current ratio of 5.29, compared to $5,128,841 at December 31, 2015, with a current ratio of 5.05, an increase of $240,411. The increase is mainly due to the increase in accounts receivable and loan receivable during the first six months of 2016. The increase in accounts receivable and loan receivable is offset by a decrease in cash and prepaid expenses during the first six months of 2016.

At the time of the release of this MD&A, management is satisfied that Quorum has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans. Quorum assesses its requirements for capital on an ongoing basis and there can be no guarantee that Quorum will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. Quorum continues to place emphasis on evaluating credit capacity, credit counterparties, and liquidity by Quorum to ensure its ability to meet its ongoing commitments and obligations.

Cash Flows

The Corporation's cash balance decreased by $137,719 in Q2 FY2016 compared to an increase of $110,593 in Q2 FY2015.

Cash flows from operating activities were $333,772 in Q2 FY2016 compared to $485,050 in Q2 FY2015. During the quarter, cash receipts from customers increased by $129,520 due to an increase in revenue, as previously discussed. Cash paid to suppliers and employees increased during the quarter by $299,844 as compared to Q2 FY2015 as a result of an increase in the number of employees.

Cash outflows relating to financing activities were $14,355 in Q2 FY2016 compared to $23,470 in Q2 FY2015. During Q2 FY2016, $14,355 of loan repayments were made pursuant to the 2012 ACOA loan agreement. During Q2 FY2015, $9,819 was received from the exercise of stock options and $33,289 of loan repayments were made pursuant to the 2009 and 2012 ACOA loan agreements.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested $394,500 in product development in Q2 FY2016. The Corporation invested a further $62,636 for computer software, computer hardware and other capital assets for net outflow of cash related to investing activities of $457,136.

Current Liabilities

Accounts payable and accrued liabilities were $869,901 at June 30, 2016 compared to $866,943 at December 31, 2015 and $930,603 at June 30, 2015. The decrease from June 30, 2015 is due to the emphasis the Corporation has put on managing cash flow with a stronger purchasing process and better approval controls.

Deferred revenue was $315,953 at June 30, 2016 compared to $342,921 at December 31, 2015. Under the DTAP contract, the Corporation's support billings are billed in advance. As of June 30, 2016, $205,830 of support fees were billed that relate to July 1-19th, 2016. The balance of $110,123 is for training services for new and existing customers to be delivered in Q3 and Q4 FY2016.

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 was repaid in full as of June 30, 2015.

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 $194,657 of which $65,934 is current principal due within the next 12 months. On a cash basis, $250,010 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.

On July 5, 2016, the Corporation entered into a $1,076,067 loan agreement with ACOA to finance the XSELLERATOR Refactoring project which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The loan, which is unsecured and interest-free, is repayable in annual installments calculated as 1.5% of the gross revenues for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2019. As of June 30, 2016, $226,149 of the loan is receivable and recorded at a fair value of $99,691, based on 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 government grant.

Share Capital

Note 7 of the June 30, 2016 unaudited condensed consolidated financial statements of the Corporation provides further details on share capital.

During Q2 FY2016, the share price ranged from a high of $0.55 and a low of $0.37. The average share price over the period was $0.47. As of June 30, 2016 there were no fully diluted shares outstanding as all options have been exercised and/or expired.

Effective June 27, 2014, the Corporation implemented the Restricted Stock Unit (RSU) Plan which provides incentives to eligible employees, officers and directors of the Corporation through the issuance of Restricted Stock Units. The RSU's generally vest as follows, subject to the absolute discretion of the Board of Directors: one-third on the date of grant, and one-third on each of the one and two-year anniversaries from the date of grant. As of June 30, 2016, a total of 2,116,500 RSU's have been granted and 1,112,800 RSU's at an average price of $0.32 were vested.

Material Contracts & Commitments

On March 31, 2009 the Corporation completed an agreement with 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. As of April 20, 2010 the full amount of the loan was received. This loan was repaid in full as of June 30, 2015.

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

On May 2, 2016, the Corporation signed an agreement with the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), to provide funding, up to a maximum of $272,801, to develop an improved communication system for the dealership and their customers. The contribution from NRC-IRAP is non-repayable.

On July 5, 2016, the Corporation completed an agreement with ACOA to provide a $1,076,067 interest-free, unsecured loan to provide funding to refactor several key functional areas within its DMS. As of August 23, 2016, the first claim was submitted to ACOA for $226,149. Repayment of the loan will commence on September 1, 2019.

Off Balance Sheet Arrangements

Other than the lease commitments noted in Note 9 of the June 30, 2016 unaudited condensed consolidated financial statements, the Corporation has not entered into any off balance sheet arrangements.

Recent Accounting Pronouncements

During the six months ended June 30, 2016, there were no revised standards or amendments to IFRS issued that are applicable to the Corporation in future periods. Refer to the Corporation's December 31, 2015 annual report for the 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.
- Retention of existing customers.
- 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

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 seven years of positive cash flow from operating activities. On 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 2015 approximately 59% 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 St. John's office. This is an optional service that dealerships can subscribe to.

Server downtime and lost data cost our customers in terms of lost productivity and 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.

2016 2nd Quarter

Condensed Consolidated Financial Statements (unaudited)

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Financial Position (unaudited)

As at		June 30, 2016	December 31, 2015
ASSETS			
Current:			
Cash		**$ 4,827,125**	$ 5,014,178
Accounts receivable		**1,401,102**	1,165,090
Loan receivable	**Note 5**	**226,149**	-
Inventory		**9,586**	12,040
Prepaid expenses		**157,078**	204,817
		6,621,040	6,396,125
Property and equipment	**Note 3**	**271,293**	210,650
Intangible assets	**Note 4**	**5,261,756**	5,125,622
Deferred income tax asset		**3,524,496**	3,756,253
Investment tax credits		**3,389,208**	3,345,701
		$ 19,067,793	18,834,351
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		**$ 869,901**	866,943
Deferred revenue		**315,953**	342,921
Current portion of long-term debt	**Note 5**	**65,934**	57,420
		1,251,788	1,267,284
Long-term debt	**Note 5**	**228,414**	165,947
		1,480,202	1,433,231
SHAREHOLDERS' EQUITY			
Share capital	**Note 7**	**16,221,091**	16,221,091
Contributed surplus		**1,940,013**	1,940,013
Deficit		**(573,513)**	(759,984)
		17,587,591	17,401,120
		$ 19,067,793	$ 18,834,351

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 Income (unaudited)

		Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Gross revenue		**$ 3,044,403**	$ 2,705,927	**$ 5,991,602**	$ 5,136,234
Direct costs					
Third party costs		**586,000**	500,163	**1,252,910**	893,499
Salaries and benefits		**861,387**	666,072	**1,627,553**	1,305,553
Government assistance		**(10,461)**	-	**(10,461)**	(10,747)
Margin after direct costs		**1,607,477**	1,539,692	**3,121,600**	2,947,929
Expenses					
Salaries and benefits		**753,737**	704,138	**1,510,596**	1,394,997
General and administrative		**240,235**	193,068	**447,111**	370,185
Government assistance		**(12,933)**	-	**(12,933)**	-
Sales and marketing		**190,439**	37,124	**231,033**	202,425
Interest expense on long-term debt		**10,644**	16,729	**21,288**	33,457
Bank charges and other interest expense		**3,711**	4,440	**8,831**	9,021
Amortization of intangible assets		**234,087**	201,538	**468,253**	400,442
Depreciation of property and equipment		**19,827**	13,073	**36,844**	24,719
Total expenses		**1,439,747**	1,170,110	**2,711,023**	2,435,246
Interest income		**12,233**	-	**20,479**	-
Income before deferred income tax expense		**179,963**	369,582	**431,056**	512,683
Deferred income tax expense (recovery)		**5,729**	(23,942)	**128,127**	124,807
Net income		**174,234**	393,524	**302,929**	387,876
Other comprehensive income (loss)					
Foreign exchange gain (loss)		**4,415**	(111,238)	**(116,458)**	108,080
Comprehensive income		**178,649**	282,286	**186,471**	495,956
Net income per share	**Note 7**				
- Basic		**$ 0.0034**	$ 0.0095	**$ 0.0059**	$ 0.0093
- Diluted		**$ 0.0034**	$ 0.0094	**$ 0.0059**	$ 0.0093

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, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Common shares				
Balance, beginning of period	**$ 16,221,091**	$ 23,970,180	**$ 16,221,091**	$ 23,969,628
Stock options exercised	**-**	16,724	**-**	17,276
Balance, end of period	**16,221,091**	23,986,904	**16,221,091**	23,986,904
Contributed surplus				
Balance, beginning of period	**1,940,013**	1,957,191	**1,940,013**	1,957,419
Stock options exercised	**-**	(6,905)	**-**	(7,133)
Balance, end of period	**1,940,013**	1,950,286	**1,940,013**	1,950,286
Deficit				
Balance, beginning of period	**(752,162)**	(12,256,041)	**(759,984)**	(12,469,711)
Net income	**174,234**	393,524	**302,929**	387,876
Other comprehensive income (loss)	**4,415**	(111,238)	**(116,458)**	108,080
Balance, end of period	**(573,513)**	(11,973,755)	**(573,513)**	(11,973,755)
Total shareholders' equity	**$ 17,587,591**	$ 13,963,435	**$ 17,587,591**	$ 13,963,435

See accompanying notes to interim consolidated financial statements.

Quorum Information Technologies Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flow from operating activities				
Cash receipts from customers	**$ 2,855,135**	$ 2,725,615	**$ 5,728,622**	$ 5,025,402
Cash paid to suppliers and employees	**(2,519,241)**	(2,219,397)	**(4,976,506)**	(4,066,176)
Interest paid	**(2,122)**	(21,168)	**(9,640)**	(42,477)
	333,772	485,050	**742,476**	916,749
Cash flow from financing activities				
Issuance of shares net of share issue costs	**-**	9,819	**-**	10,143
Proceeds from SRED	**-**	-	**-**	10,555
Repayment of long-term debt	**(14,355)**	(33,289)	**(28,710)**	(66,559)
	(14,355)	(23,470)	**(28,710)**	(45,861)
Cash flow from investing activities				
Purchase of property and equipment	**(62,636)**	(41,222)	**(128,264)**	(69,089)
Software development costs	**(394,500)**	(309,765)	**(772,555)**	(618,992)
	(457,136)	(350,987)	**(900,819)**	(688,081)
Increase (decrease) in cash	**(137,719)**	110,593	**(187,053)**	182,807
Cash, beginning of period	**4,964,844**	1,795,665	**5,014,178**	1,723,451
Cash, end of period	**$ 4,827,125**	$ 1,906,258	**$ 4,827,125**	$ 1,906,258

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 International Accounting Standards ("IAS") 34, "Interim Financial Reporting" 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, 2015.

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, 2015. These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 23, 2016.

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, 2015.

d) Recent accounting pronouncements
There were no new or amended accounting standards or interpretations issued during the six months ended June 30, 2016 that are applicable to the Corporation in future periods. A description of accounting standards and interpretations that will be adopted by the Corporation in future periods can be found in Note 3 to the annual consolidated financial statements for the year ended December 31, 2015.

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, 2016	$ 949,451	$ 573,393	$ 279,279	$ 22,387	$1,824,510
Additions	60,054	29,576	15,675	22,959	128,264
ACOA loan proceeds	(14,316)	(6,915)	(3,141)	(6,178)	(30,550)
Balance at June 30, 2016	995,189	596,054	291,813	39,168	1,922,224
Depreciation and Impairment					
Balance at January 1, 2016	834,187	569,905	193,002	16,766	1,613,860
Net exchange differences	227	-	-	-	227
Depreciation	20,154	5,072	9,333	2,285	36,844
Balance at June 30, 2016	854,568	574,977	202,335	19,051	1,650,931
Carrying amount June 30, 2016	$ 140,621	$ 21,077	$ 89,478	$ 20,117	$ 271,293

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
Gross Carrying Amount					
Balance at January 1, 2015	$ 895,812	$ 566,413	$ 255,872	$ 21,083	$1,739,180
Additions	73,369	6,980	37,057	1,304	118,710
Disposals	(19,730)	-	(13,650)	-	(33,380)
Balance at December 31, 2015	949,451	573,393	279,279	22,387	1,824,510
Depreciation and Impairment					
Balance at January 1, 2015	820,423	565,116	189,430	13,661	1,588,630
Disposal	(19,730)	-	(13,650)	-	(33,380)
Net exchange differences	(223)	-	-	-	(223)
Depreciation	33,717	4,789	17,222	3,105	58,833
Balance at December 31, 2015	834,187	569,905	193,002	16,766	1,613,860
Carrying amount December 31, 2015	$ 115,264	$ 3,488	$ 86,277	$ 5,621	$ 210,650

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, 2016	$ 15,173,698	$ 42,646	$ 15,216,344
Additions	687,362	-	687,362
ACOA loan proceeds	(82,975)	-	(82,975)
Balance at June 30, 2016	15,778,085	42,646	15,820,731
Amortization and impairment			
Balance at January 1, 2016	10,058,836	31,886	10,090,722
Amortization	467,946	307	468,253
Balance at June 30, 2016	10,526,782	32,193	10,558,975
Carrying amount June 30, 2016	$ 5,251,303	$ 10,453	$ 5,261,756
Gross Carrying Amount			
Balance at January 1, 2015	$ 13,900,397	$ 42,646	$ 13,943,043
Additions	1,273,301	-	1,273,301
Balance at December 31, 2015	15,173,698	42,646	15,216,344
Amortization and impairment			
Balance at January 1, 2015	9,249,318	31,226	9,280,544
Amortization	809,518	660	810,178
Balance at December 31, 2015	10,058,836	31,886	10,090,722
Carrying amount December 31, 2015	$ 5,114,862	$ 10,760	$ 5,125,622

5. Long-Term Debt

Long-term debt includes the following financial liabilities:

	June 30, 2016	December 31, 2015
ACOA financing 2012	**$ 194,657**	$ 223,367
ACOA financing 2016	**99,691**	-
Installments due within one year	**65,934**	57,420
Total long-term debt	**$ 228,414**	$ 165,947

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 6). On a cash basis, $250,010 is outstanding on the loan at June 30, 2016 and $99,996 is required to be repaid within the next 12 months.

On July 5, 2016, the Corporation entered into a $1,076,067 loan agreement with ACOA to finance the XSELLERATOR refactoring project which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The loan, which is unsecured and interest-free, is repayable in annual installments calculated as 1.5% of the gross revenues for the fiscal year immediately preceding the due date of the respective payment. The first payment is due on September 1, 2019. As of June 30, 2016, $226,149 of the loan is receivable and recorded at a fair value of $99,691, based on 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 government grant (refer to Note 6).

Scheduled principal repayments at June 30, 2016 are as follows:

2016 – 6 months	$ 28,710
2017	74,449
2018	91,498
Total	$ 194,657

6. Government Grants and Assistance

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

On July 5, 2016, the Corporation entered into a $1,076,067 loan agreement with ACOA to finance the XSELLERATOR refactoring project which will allow the Corporation to provide a more robust mobile offering, deliver a low cost hosted solution, retain customers and attract new customers with a modern, attractive and intuitive interface. The loan, which is unsecured and interest-free, is repayable in annual installments calculated as 1.5% of the gross revenues for the fiscal year immediately preceding the due date of the respective payment. Annual repayments will commence on September 1, 2019. The amount relates to expenses and capital expenditures to be incurred over the term of the project. Any amounts allocated to capital expenditures have been deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset.

On May 2, 2016, the Corporation signed an agreement with the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), to provide funding, up to a maximum of $272,801, to develop an improved communication system for the dealership and their customers. The contribution from NRC-IRAP is non-repayable.

7. 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, 2016	**51,296,294**	**$ 16,221,091**
Shares issued January 1 – June 30, 2016	**-**	**-**
Total share capital at June 30, 2016	**51,296,294**	**$ 16,221,091**

(c) Net income per share

In calculating the basic and diluted net income per share for the six months ended June 30, 2016 and 2015, 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 $0.47 for the second quarter of 2016 and $0.29 for the second quarter of 2015. As of June 30, 2016, all stock options have expired and there are no dilutive shares.

	Six Months Ended June 30, 2016	2015
Net income	**$ 302,929**	$ 387,876
Weighted average number of shares outstanding:		
Basic shares outstanding	**51,296,294**	41,614,361
Effect of dilutive shares:		
Options issued at $0.12	**-**	203,936
Diluted shares outstanding	**51,296,294**	41,818,297
Net income per share – basic	**$ 0.0059**	$ 0.0093
Net income per share – diluted	**$ 0.0059**	$ 0.0093

8. Stock-Based Compensation

As at June 30, 2016, a total of 5,129,629 common shares were reserved for issuance under the Corporation's Stock Option Plan of which 4,125,929 common shares 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.

(a) Stock Option Plan

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

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

	As at June 30, 2016		As at December 31, 2015	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Balance, beginning of period	**-**	**-**	288,459	$ 0.12
Exercised during the period	**-**	**-**	(206,247)	$ 0.12
Forfeited during the period	**-**	**-**	(82,212)	$ 0.12
Balance, end of period	**-**	**-**	-	$ -
Exercisable options, end of period	**-**	**-**	-	$ -

(b) Restricted Stock Unit Plan

Effective June 27, 2014, the Corporation implemented the Restricted Stock Unit (RSU) Plan which provides incentives to eligible employees, officers and directors of the Corporation through the issuance of RSU's. The RSU's generally vest as follows, subject to the absolute discretion of the Board of Directors: one-third on the date of grant, and one-third on each of the one and two-year anniversaries from the date of grant. As of June 30, 2016, a total of 687,300 Restricted Stock Units at an average price of $0.36 were vested.

	As at June 30, 2016		**As at December 31, 2015**	
	Number of RSU's	**Average price**	Number of RSU's	Average price
Balance, beginning of period	**1,003,700**	**$ 0.32**	1,691,000	$ 0.24
Granted during the period	**-**	**-**	-	$ -
Vested during the period	**-**	**-**	(687,300)	$ 0.36
Balance, end of period	**1,003,700**	**$ 0.32**	1,003,700	$ 0.32

9. Operating Leases

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

2016 – 6 months	$151,226
2017	302,452
2018	174,968
2019	82,108
2020	82,108
Total	**$792,862**

Lease payments recognized as an expense during the six-month period ending June 30, 2016 amount to $125,309 (2015: $119,901). This amount consists of minimum lease payments.

The rental contract for the office rented since October 1, 2007 at 10655 Southport Road, Calgary, Alberta had a non-cancellable term of seven years. This agreement expired on August 31, 2014. A new rental contract has been signed for an office at 7500 Macleod Trail, Calgary, Alberta with an initial a non-cancellable term of five years, which commenced on September 1, 2014. This rental contract was amended on November 5, 2015 to include extra space required by the Corporation and now has a non-cancellable term which ends on December 31, 2020.

The rental contract for the office rented since May 1, 2013 at 136 Crosbie Road, St. John's, Newfoundland and Labrador has a non-cancellable term of five years. This rental contract was amended on November 30, 2015 to include extra space required by the Corporation. The term of the lease did not change.

On August 29, 2014, the Corporation signed a rental contract with Office Building LLC for an office space at 6303 26 Mile, Washington Township, Michigan. This agreement has a non-cancellable term of three 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.

10. 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, 2016**	**Three months ended June 30, 2015**	**Six months ended June 30, 2016**	**Six months ended June 30, 2015**
Canada	**$ 2,376,165**	$ 1,967,494	**$ 4,636,320**	$ 3,677,267
United States	**668,238**	738,433	**1,355,282**	1,458,967
Total	**$ 3,044,403**	$ 2,705,927	**$ 5,991,602**	$ 5,136,234

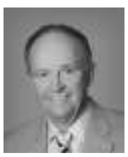
Long-Term Assets[5]	**June 30, 2016**	**December 31, 2015**
Canada	**$ 5,523,168**	$ 5,326,773
United States	**9,881**	9,499
Total	**$ 5,533,049**	$ 5,336,272

[5] 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
President
Canadian Automotive Specialty Holdings Inc.

Scot Eisenfelder
Director
President
Empiritas Inc.

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

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

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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Stock Symbol – TSXV: QIS