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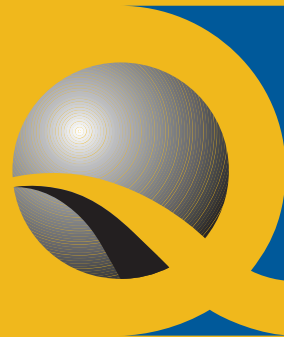
Expansion

3rd Quarter Report

Achievement



Progress



QUORUM
Information
TECHNOLOGIES INC.

www.QuorumIS.com

Advancement

Table of Contents

Financial Highlights	1
President's Message to the Shareholders	2
Management's Discussion and Analysis	3
Consolidated Balance Sheets	11
Consolidated Statements of Operations	12
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	14
Corporate Information	IBC

Our Mission

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 resource; we encourage, listen to, and value their contributions.

Excellence

We set high standards, strive for continuous improvement in everything we do, and 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 with our clients and throughout our company.



Financial Highlights

	Nine months ended September 30, 2005	Nine months ended September 30, 2004	Q3 ended September 30, 2005	Q3 ended September 30, 2004	Q2 ended June 30, 2005	Q2 ended June 30, 2004	Q1 ended March 31, 2005	Q1 ended March 31, 2004
Gross revenue	\$ 4,349,662	\$ 3,129,314	\$ 1,006,734	\$ 906,604	\$ 1,904,141	\$ 1,227,630	\$ 1,438,787	\$ 995,079
Cost of products and services sold	\$ 3,805,265	\$ 2,139,076	\$ 1,073,524	\$ 681,191	\$ 1,489,817	\$ 840,770	\$ 1,241,924	\$ 617,114
Gross margin	\$ 544,397	\$ 990,238	\$ (66,790)	\$ 225,413	\$ 414,324	\$ 386,860	\$ 196,863	\$ 377,965
Gross margin %	13%	32%	—	25%	22%	32%	14%	38%
Loss before interest, taxes and amortization (EBITDA)	\$(1,573,554)	\$ (416,324)	\$ (809,442)	\$ (215,306)	\$ (363,661)	\$ (167,966)	\$ (400,451)	\$ (33,051)
Net loss	\$(1,217,216)	\$ (518,600)	\$ (617,377)	\$ (325,199)	\$ (265,797)	\$ (99,925)	\$ (334,042)	\$ (93,477)
Basic loss per share	\$ (0.045)	\$ (0.022)	\$ (0.023)	\$ (0.014)	\$ (0.010)	\$ (0.005)	\$ (0.013)	\$ (0.005)
Fully diluted loss per share	\$ (0.042)	\$ (0.021)	\$ (0.021)	\$ (0.013)	\$ (0.009)	\$ (0.004)	\$ (0.011)	\$ (0.004)
Weighted average number of common shares								
Basic	27,252,478	23,230,580	27,252,478	23,230,580	26,755,323	22,026,448	26,263,160	19,408,295
Diluted	28,975,180	25,159,602	28,975,180	25,159,602	29,787,138	24,034,261	29,238,717	20,889,559



President's Message

Dear Fellow Shareholders,



Although the results of the third quarter are not what we were hoping for from a sales perspective, we continue to make steady progress by adding to our sales force, increasing our implementations capability, expanding our reach geographically further into the United States, and improving the functionality and the capabilities of our Dealer Management System, XSELLERATOR™. All of these growth steps will help us achieve our objective of bringing change and modern technology to the North American Dealer Management System (DMS) marketplace and becoming a significant and profitable player in it.

U.S. initiatives included:

- Continued to make progress towards completing the required integration to DaimlerChrysler to allow for sales to DaimlerChrysler dealerships beginning in Q1 2006;

We expect to end the year with a total of 150 signed dealerships.

- Continued support of the handheld Personal Digital Assistant (PDA) Sales Technology to all 390 U.S. Cadillac dealerships participating in the General Motors Standards for Excellence (SFE) Process; and
- Continued progress in establishing a significant partnering arrangement with a

globally-recognized integrator to provide significant scalability to the number of achievable implementations in the U.S.

Canadian initiatives included:

- Continued to build our team of highly skilled and motivated development, support, and implementations staff to increase our ability to deliver world-class software and service to our customers. We have built the capacity to perform five installs per month and are poised to execute as sales grow.
- Installed XSELLERATOR at three new dealerships.
- Strengthened the balance sheet by raising net additional capital of \$1,822,000 through share purchase warrant conversions. This represented a 100% conversion rate of the remaining outstanding share purchase warrants. It should be further noted that 53% of the funds raised were through conversions by Directors and Officers of the Corporation.

As mentioned, Q3 was challenging from a sales perspective, but we have picked up momentum. By the release date of this report, we have signed twelve more dealerships, including four in the United States, which have yet to be reflected in our financial information. We expect to add, at a minimum, five more in December to end the year with an aggregate total of 150 signed dealerships.



Maury Marks, CA

President and Chief Executive Officer

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

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" should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2005 and the annual consolidated financial statements of the Corporation for the year ended December 31, 2004 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 own software product, XSELLERATOR™, a Dealership Management System, for the automotive market.

Q3 2005 Overview

During Q3 FY2005, the Corporation added three dealership customers for an exit total at September 30, 2005 of 133 dealerships. New dealerships installed for the nine months ended September 30, 2005 are 17 compared to 17 over the same period in FY2004.

The Corporation continued to invest significantly in implementation and support processes, as well as the development of its proprietary software product, XSELLERATOR. XSELLERATOR is the "next generation" of Dealership Management System (DMS) in the automotive market, and the most advanced, fully integrated Windows based product in the marketplace. In addition, Quorum continued to ramp up staffing to address the needs of a growing organization in an expanding market place.

The Corporation raised net additional capital of \$1,822,895 in Q3 FY2005 primarily through warrant exercises. This represented a 100% conversion rate of the remaining outstanding share purchase warrants. It should be further noted that 53% of the funds raised were through conversions by Directors and Officers of the Corporation. The Corporation continues to review its existing credit facilities and its present and forecasted net working capital requirements, to ensure sufficient capital is available to finance future growth.

Q3 2005 Financial Highlights

- 11% increase in gross revenues from Q3 FY2004.
- 58% increase in on-going annuity XSELLERATOR software support revenue.
- 2% increase in customer base to 133 from 130 in Q2 FY2005.
- Net loss for Q3 FY2005 increased to \$617,377 versus \$325,199 in Q3 FY2004.

Results of Operations

(Dollar figures in '000)

	Nine months ended September 30, 2005	Nine months ended September 30, 2004	Q3 ended September 30, 2005	Q3 ended September 30, 2004	Q2 ended June 30, 2005	Q2 ended June 30, 2004	Q1 ended March 31, 2005	Q1 ended March 31, 2004
Gross revenue	\$ 4,350	\$ 3,129	\$ 1,007	\$ 907	\$ 1,904	\$ 1,228	\$ 1,439	\$ 995
Gross margin	544	990	(67)	225	414	387	197	378
Expenses	2,118	1,406	742	440	778	555	597	411
Operating loss before interest, taxes, depreciation and amortization (EBITDA)	(1,574)	(416)	(809)	(215)	(364)	(168)	(400)	(33)
Net loss	\$ (1,217)	\$ (519)	\$ (617)	\$ (325)	\$ (266)	\$ (100)	\$ (334)	\$ (93)
KEY MANAGEMENT METRICS								
XSELLERATOR Installations – in the period	17	17	3	5	10	7	4	5
XSELLERATOR Installations – to date	133	108	133	108	130	103	120	96

Income Summary

For Q3 FY2005, revenues from operations were \$1.01 million compared to \$0.91 million for Q3 FY2004, an increase of \$0.10 million or 11%. For the nine months ended September 30, 2005, revenues from operations were \$4.35 million compared to \$3.13 million for the nine months ended September 30, 2004, an increase of \$1.22 million or 39%.

The net loss from operations (EBITDA) for Q3 FY2005 was \$(809,442) or \$(0.030) per share compared to \$(215,306) or \$(0.009) per share for Q3 FY2004. The net loss from operations (EBITDA) for the nine months ended September 30, 2005 was \$(1,573,554) or \$(0.058) per share compared to \$(416,324) or \$(0.018) per share for the nine months ended September 30, 2004.

The net loss for Q3 FY2005 was \$(617,377) or \$(0.023) per share, compared to a net loss of \$(325,199) or \$(0.014) for Q3 FY2004. The net loss for the nine months ended September 30, 2005 was \$(1,217,216) or \$(0.045) per share, compared to a net loss of \$(518,600) or \$(0.022) for the nine months ended September 30, 2004.

Detailed discussion on Operating Results for the Periods Ended September 30, 2005 and September 30, 2004

Revenue and Gross Margin Analysis

	Nine months ended September 30, 2005	Nine months ended September 30, 2004	Q3 ended September 30, 2005	Q3 ended September 30, 2004	Q2 ended June 30, 2005	Q2 ended June 30, 2004	Q1 ended March 31, 2005	Q1 ended March 31, 2004
Gross revenue	\$4,349,662	\$3,129,314	\$1,006,734	\$ 906,604	\$1,904,141	\$1,227,630	\$1,438,787	\$ 995,079
Cost of products and services sold	3,805,265	2,139,076	1,073,524	681,191	1,489,817	840,770	1,241,924	617,114
Gross margin	\$ 544,397	\$ 990,238	\$ (66,790)	\$ 225,413	\$ 414,324	\$ 386,860	\$ 96,863	\$ 377,965
Gross margin %	13%	32%	—	25%	22%	32%	14%	38%
KEY MANAGEMENT METRICS								
XSELLERATOR Installations – in the period	17	17	3	5	10	7	4	5
XSELLERATOR Installations – to date	133	108	133	108	130	103	120	96
Project Revenue	\$1,806,389	\$2,251,822	\$ 186,380	\$ 593,550	\$1,127,430	\$ 940,228	\$ 492,579	\$ 718,043
Support Revenue	1,266,686	877,492	493,256	313,054	406,604	287,402	366,826	277,036
Palm Project Revenue	1,276,587	—	327,098	—	370,107	—	579,382	—
Gross Revenue	\$4,349,662	\$3,129,314	\$1,006,734	\$ 906,604	\$1,904,141	\$1,227,630	\$1,438,787	\$ 995,079

Revenue

For Q3 FY2005, revenues from operations were \$1.01 million compared to \$0.91 million for Q3 FY2004, an increase of \$0.24 million or 11%.

XSELLERATOR revenue is made up of two main components:

- Project Revenue, which is revenue associated with the initial sale and installation of the software and;
- Support Revenue, which is revenue associated with the on-going maintenance and support of the software and network infrastructure for the customer.

The three main sub-components of Project Revenue include:

- DISTRIBUTOR, the hardware and network solution; since XSELLERATOR is a Windows- based product run on a server based computing model, new customers must upgrade their existing computer hardware and infrastructure to a more modern platform;
- Software licenses for XSELLERATOR which are sold per seat; and
- Implementation revenue related to training and taking the new customer “live” on the system.

The Support Revenue is the recurring annuity income stream from existing customers to support and maintain the software on-site, and the free upgrades that provide new and enhanced functionality to the software.

Consistent with the Corporation's revenue recognition policy, XSELLERATOR Project Revenues are recognized in the period that the DISTRIBUTOR server and the XSELLERATOR software is installed at the customer's site, regardless of when the customer intends to 'go live' with the XSELLERATOR software. The Support Revenue is recognized in the period that the support service has been delivered to the customer.

For Q3 FY2005, Project Revenues decreased to \$0.19 million, compared to \$0.59 million for Q3 FY2004. Three new customers were added in Q3 FY2005 compared to five in Q3 FY2004. As well, project revenues on a per new customer added basis decreased in Q3 FY2005 as the three dealerships added in Q3 FY2005 were smaller stores with less users than the five stores added in Q3 FY2004. The Corporation expects installs in Q4 FY2005 to improve in both number and in size of dealership, and Q3 FY2005 is not reflective of management's expectations going forward.

For Q3 FY2005, Support Revenues increased by 58% to \$0.49 million, compared to \$0.31 million in Q3 FY2004. As more and more customers are added, this annuity stream will continue to grow. Further, now that XSELLERATOR is a more established product in the marketplace, and as the third largest supplier of DMS software to General Motors (GM) dealers in Canada, Quorum will have the ability to charge increased market rates for on-going monthly support fees.

During FY2004 the Corporation achieved its first sales of XSELLERATOR in the United States and has grown to twelve U.S. customers at September 30, 2005. As of the date of this report two additional dealerships in the United States have signed up to purchase XSELLERATOR. The U.S. market place has many more customers than there are in Canada. Further, based on the Corporation's market research to date, the pricing environment is more robust in the U.S., and the Corporation believes it can achieve higher margins on sales to this market. As well, with certification by GM U.S. achieved in Q1 FY2005, the Corporation should be able to increase the number of sales to U.S. based dealerships and to garner more robust support revenues in its U.S. sales going forward.

In FY2004 the Corporation rolled out its Dealer Services line of business, which is responsible for all after-market sales to existing customers including new service products such as business process consulting, sales consulting, specific training programs, and many web-based training seminars and new hardware products such as thin clients, printers, monitors and other items dealerships require. In Q3 FY2005 Dealer Services generated consulting and training revenues of \$13,004 (Q3 FY2004 – \$nil), and this revenue is included in the Project Revenue total discussed above. With a more focused effort on the after-sales market, the Corporation expects to expand its revenue base associated with Dealer Services.

In Q1 FY2005 the Corporation entered into a one year agreement with Maritz Inc., a privately held U.S. based company, to deliver and provide support for Handheld Personal Digital Assistant Sales Technology to the approximately 390 U.S. Cadillac dealerships participating in the General Motors Standards for Excellence Process (GM SFE). Maritz Inc. has been involved in the GM SFE program for over ten years. In Q3 FY2005, Quorum realized gross revenue of \$0.327 million with respect to this program, and has realized \$1.277 million to date in FY2005.

Cost of Products and Services Sold and Gross Margin

For Q3 FY2005, gross margin decreased to \$(0.67) million compared to \$0.23 million for Q3 FY2004. The negative gross margin in Q3 FY2005 is due to the following factors: 1) additional implementation and support staff being hired in anticipation of growth opportunities, resulting in increased labour costs included in Cost of Products and Services Sold of \$0.618 million in Q3 FY2005 versus \$0.403 million in Q3 FY2004. Quorum is staffed to provide installation capabilities of up to five installs per month or fifteen per quarter; 2) a reduction in actual installs to only three in Q3 FY2005; and 3) Quorum has shifted its focus in the sales cycle of XSELLERATOR to try and maximize the amounts achieved in on-going Support Revenue or the annuity portion, versus the amount achieved in the one-time Project Revenue portion during the sale. Project Revenue included in Q3 FY2005 was only \$0.186 million compared to \$0.594 million in Q3 FY2004. This pricing strategy is more in-line with the competitors in our industry, and as well will result in higher profit margins in the future for the Corporation.

Expenses

	Nine months ended September 30, 2005	Nine months ended September 30, 2004	Q3 ended September 30, 2005	Q3 ended September 30, 2004	Q2 ended June 30, 2005	Q2 ended June 30, 2004	Q1 ended March 31, 2005	Q1 ended March 31, 2004
Salaries & benefits	\$ 999,372	\$ 776,957	\$ 314,574	\$ 246,925	\$ 373,133	\$ 305,316	\$ 311,665	\$ 224,716
Employee stock option benefits	313,337	151,782	123,866	60,658	110,699	56,768	78,772	34,356
General & administrative	673,188	364,735	249,575	102,441	241,831	153,874	181,782	108,420
Sales & marketing	132,054	113,088	54,637	30,695	52,322	38,868	25,095	43,524
Total Expenses	\$ 2,117,951	\$ 1,406,562	\$ 742,652	\$ 440,719	\$ 777,985	\$ 554,826	\$ 597,314	\$ 411,016

Total expenses before interest, taxes and amortization for Q3 FY2005 were \$0.74 million or 74% of sales as compared to \$0.44 million or 49% of sales for Q3 FY2004.

Salaries and benefits expenses for Q3 FY2005 were \$314,574 compared to \$246,925 in Q3 FY2004. This increase is primarily due to the hiring of additional staff related to an expanding organization, and increased salary costs related to senior executives.

Employee stock option benefits expense for Q3 FY2005 was \$123,866 compared to \$60,658 in Q3 FY2004, an increase of \$63,208 or 104%. This increase is attributable to continued amortization over the life of the options of the stock option benefit calculated in FY's 2002, 2003 and 2004, as well as the additional expense from the issuance of 100,000 stock options in Q1 FY2005 and 318,000 stock options in Q2 FY2005. The employee stock option expense is a non-cash expense.

General and administrative expenses for Q3 FY2005 were \$249,575 compared to \$102,441 for Q3 FY2004, an increase of \$147,134 or 143%. This increase is due to the move to the new, larger, more functional office location in Q4 of FY2004. Quorum increased its rentable space by 50%, and as result incurred increased operating expenses in total. As well, the Corporation incurred increased legal, accounting and consulting expenses related to expansion into the United States.

Sales and marketing expenses for Q3 FY2005 were \$54,637 or 5.4% of sales compared to \$30,695 for Q3 FY2004 or 3.4% of sales. Sales and marketing expenses are as planned for FY2005, and the Corporation has been able to achieve certain efficiencies with experience and a build up of in-house materials. However, with the launch of a more concentrated sales effort in the United States underway in FY2005, this expense category has increased compared to FY2004.

Bank Charges and Interest

Bank charges and interest expenses for Q3 FY2005 were \$3,160 compared to a net revenue in Q3 FY2004 of \$8,122. The expense represents bank charges and any interest on the bank line of credit, which is at prime + 1.25% per annum, net of any interest received on term deposits. As a result of the equity placements completed in FY2003, FY2004 and FY2005, the Corporation has placed funds not required for use in operations in a series of one-month T-Bills resulting in interest revenue to offset bank charges. Furthermore, based on current cash resources, and expected cash flow from operations, the Corporation does not expect to draw-down on the line-of-credit in FY2005.



Capitalization & Amortization

During Q3 FY2005 the Corporation continued development work on XSELLERATOR, Version 4.5, which is expected to be installed in a pilot dealership in Q4 FY2005. The key feature of Version 4.5 is the OEM/Roof-top functionality, which will facilitate the ability of a multi-line, multi-store owner to manage all his stores in a cohesive and seamless way. This change was necessary for the U.S. marketplace where a single owner (or ownership group) may own multiple dealerships and may sell vehicles from multiple manufacturers. This is the largest internal project that Quorum has ever initiated and it will significantly improve Quorum's ability to sell XSELLERATOR into the U.S. marketplace. As well, many other important projects are being undertaken to continue to advance XSELLERATOR for sale into the U.S. marketplace, including the building of more integration points to GM US systems, integration to third party software providers, and the commencement of work to build integration and functionality which will make XSELLERATOR available for sale to other manufacturers' dealerships. In addition, we continue to work on new integration with GM of Canada and together the two organizations are the business to business integration leaders in the North American DMS market place.

Summary of software development costs capitalized during the period and related amortization for XSELLERATOR and DISTRIBUTOR.

	Nine months ended September 30, 2005	Nine months ended September 30, 2004	Q3 ended September 30, 2005	Q3 ended September 30, 2004
Software Development Costs Capitalized	\$1,832,782	\$1,263,254	\$ 659,619	\$ 467,720
Amortization of Software Development Costs	\$ 77,152	\$ 113,574	\$ 7,980	\$ 24,456

All research and development costs are expensed as incurred unless they satisfy the generally accepted 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 \$606,816 and direct overheads and expenses of \$52,803 for a total of \$659,619 in Q3 FY2005 compared to \$398,247 of capitalized payroll costs and direct overheads of \$69,473 in Q3 FY2004 for a total of \$467,720. XSELLERATOR is the 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 expanded its development efforts as it prepares to roll out additional features and functionality, more and improved integration points with the manufacturers, and to introduce the product into the U.S. market.

Amortization for Q3 FY2005 decreased to \$7,980 as compared to \$24,456 for Q3 FY2004. This decrease is a result of the decrease in XSELLERATOR software license sales during Q3 FY2005 compared to Q3 FY2004, and applicable amortization of 20% of the sale value of the XSELLERATOR software as per the amortization policy of the Corporation on XSELLERATOR.

In November, 2004 the Corporation received notice that its 2002 Scientific Research and Experimental Development (SR&ED) claim was accepted as filed. The resulting investment tax credit of \$192,988 was recorded in FY2004 as a reduction of capitalized software development costs.

Liquidity and Financial Resources

	September 30, 2005	December 31, 2004
Current Assets		
Cash	\$ 1,543,782	\$ 1,928,065
Accounts receivable	1,304,586	1,418,777
Inventory	97,521	91,501
Prepaid expenses	144,255	92,581
	3,090,144	3,530,924
Current Liabilities		
Accounts payable and accrued liabilities	670,699	602,990
	670,699	602,990
Net working capital	\$ 2,419,445	\$ 2,927,934

The Corporation expects the existing credit facilities and present and forecasted net working capital to be sufficient meet all other current and expected financial requirements in FY2005. In addition, the Corporation continues to review its existing credit facilities and its present and forecasted net working capital requirements, to ensure sufficient capital is available to finance future growth.

The net working capital position of the Corporation is solid. Net working capital at September 30, 2005 was \$2,419,445 compared to \$2,927,934 at December 31, 2004, a decrease of \$508,489. The current ratio at September 30, 2005 of 4.61 is somewhat lower than the ratio of 5.85 at December 31, 2004.

The strong current ratio is reflective of the fact that during FY2004 the Corporation raised gross proceeds of \$4.5 million, and in FY2005 an additional \$2.7 million has been raised during the nine months ending September 30, 2005 through the exercise of various warrants and employee stock options.

Cash Flows from Operations

Net cash flow from operations was \$554,418 in Q3 FY2005 compared to \$256,661 in Q3 FY2004.

Cash flows from operating activities were \$(576,187) in Q3 FY2005 compared to \$(219,436) in Q3 FY2004.

The exercise of 1.8 million warrants at an exercise price of \$1.00 and various stock options in Q3 FY2005 resulted in cash inflows from financing activities of \$1,822,895 being collected net of costs. This represented a 100% conversion rate of the remaining outstanding share purchase warrants. It should be further noted that 53% of the funds raised were through conversions by Directors and Officers of the Corporation.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested \$659,619 in product development in Q3 FY2005. The Corporation invested a further \$32,671 for computer equipment and other capital assets, for net outflow of cash related to investing activities of \$692,290.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of \$670,699 at September 30, 2005 are \$67,709 greater than the \$602,990 at December 31, 2004. The current liabilities are easily absorbed by the strong current asset position, and particularly the strong cash position of Quorum.

Share Capital

For the nine months ended September 30, 2005 the Corporation issued 2,479,700 additional common shares upon the exercise of share purchase warrants and an additional 25,200 common shares upon the exercise of stock options, for net additional share capital of \$2,694,941.

Material Contracts & Commitments

During Q3 FY2005, the Corporation did not enter into any new material contracts or commitments.

Off Balance Sheet Arrangements

Other than the lease commitments noted in Note 11 of the 2004 Audited Financial Statements, the Corporation has not entered into any off Balance Sheet arrangements.

Net Income and Earnings per Share

	Q3 FY 2005 September 30	Q3 FY 2004 September 30
Net loss	\$ (617,377)	\$ (325,199)
Loss per share		
- Basic	\$ (0.023)	\$ (0.014)
- Diluted	\$ (0.021)	\$ (0.013)
Weighted average number of common shares		
- Basic	27,252,478	23,230,580
- Diluted	28,975,180	25,159,602

The net loss for Q3 FY2005 was \$(617,377) or \$(0.023) per share, compared to a net loss of \$(325,199) or \$(0.014) for Q3 FY2004.

Critical Accounting Policies

The selection and application of accounting policies is an important process that has developed as the Corporation's business activities have evolved and as accounting rules have changed. The Corporation prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as published by the Canadian Institute of Chartered Accountants. Following GAAP involves the implementation and interpretation of existing rules and the use of judgment relative to the circumstances existing in the Corporation's business. Every effort is made to comply with GAAP, and the Corporation believes the proper implementation and consistent application of GAAP is critical.

The Corporation's significant accounting policies are described in detail in Note 2 to the FY2004 audited consolidated financial statements.

Outlook

The automotive dealership market has traditionally implemented older, character-based technology for its in-house systems. In addition, 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 the most technologically advanced software in the DMS field, and as such, is better able to implement the interfaces more quickly and effectively than its competitors, who 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:

- 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 who can 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.
- Build and maintain positive relationships with the automotive manufacturers, and in particular GM Canada and GM U.S. Management expects sales from XSELLERATOR 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, starting in FY2004, the U.S. However, it is difficult to forecast the Corporation's sales and market share pertaining to its XSELLERATOR product with precision due to factors such as: the nature of the automotive industry; acceptance of XSELLERATOR; the overall sales cycle; and approvals from other auto manufacturers, including GM U.S.

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.

Business Risks

As a young and still evolving information technology company, the Corporation faces key risks, including emergence of superior competing technologies, retention of skilled employees, reliance on relatively few key suppliers and customers, and adequacy of capital and/or cash flow to pursue its business plan objectives. This list is not intended to be exhaustive, but merely to communicate to shareholders certain key risks faced by the Corporation in its business.

Quorum attempts to mitigate these risks through various strategic and operating mechanisms such as ongoing research and development to maintain XSELLERATOR's position as the most advanced product 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.

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 services 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.



Unaudited - Interim Consolidated Balance Sheets

As at	September 30, 2005	December 31, 2004
Assets		
Current		
Cash	\$ 1,543,782	\$ 1,928,065
Accounts receivable	1,304,586	1,418,777
Inventory	97,521	91,501
Prepaid expenses	144,255	92,581
	3,090,144	3,530,924
Capital assets	6,241,012	4,485,444
Future tax asset	1,260,132	716,149
Investment tax credit	192,988	192,988
	\$ 10,784,276	\$ 8,925,505
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 670,699	\$ 602,990
	670,699	602,990
Shareholders' Equity		
Share capital	12,483,840	9,788,899
Contributed surplus	644,005	330,668
Deficit	(3,014,268)	(1,797,052)
	10,113,577	8,322,515
	\$ 10,784,276	\$ 8,925,505

See accompanying notes to interim consolidated financial statements.

Approved on behalf of the Board:



Director

Maury Marks, President & CEO



Director

Larry Shelley, Chairman
Board of Directors

Unaudited- Interim Consolidated Statements of Operations

Period ended	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Gross revenue	\$ 1,006,734	\$ 906,604	\$ 4,349,662	\$ 3,129,314
Cost of products & services sold	1,073,524	681,191	3,805,265	2,139,076
Gross margin	(66,790)	225,413	544,397	990,238
Expenses				
Salaries and benefits	314,574	246,925	999,372	776,957
Employee stock option benefits	123,866	60,658	313,337	151,782
General and administrative	249,575	102,441	673,188	364,735
Sales and marketing	54,637	30,695	132,054	113,088
Total expenses	742,652	440,719	2,117,951	1,406,562
Operating loss before interest, amortization and taxes	(809,442)	(215,306)	(1,573,554)	(416,324)
Bank charges and interest	3,160	(8,122)	(9,316)	(12,033)
Amortization:				
Software development costs	7,980	24,456	77,152	113,574
Capital assets	41,027	30,795	119,809	83,547
Deferred expenses	—	—	—	1,975
Total amortization	49,007	55,251	196,961	199,096
Loss before income taxes	(861,609)	(262,435)	(1,761,199)	(603,387)
Future income taxes (recovery)	(244,232)	62,764	(543,983)	(84,787)
Net loss	(617,377)	(325,199)	(1,217,216)	(518,600)
Deficit, beginning of period	(2,396,891)	(944,805)	(1,797,052)	(751,404)
Deficit, end of period	\$(3,014,268)	\$(1,270,004)	\$(3,014,268)	\$(1,270,004)
Loss per share				
- Basic	\$ (0.023)	\$ (0.014)	\$ (0.045)	\$ (0.022)
- Diluted	\$ (0.021)	\$ (0.013)	\$ (0.042)	\$ (0.021)
Weighted average number of common shares				
- Basic	27,252,478	23,230,580	27,252,478	23,230,580
- Diluted	28,975,180	25,159,602	28,975,180	25,159,602

See accompanying notes to interim consolidated financial statements.

Unaudited - Interim Consolidated Statements of Cash Flows

Period ended	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Cash flow from operating activities				
Cash receipts from customers	\$ 1,201,156	\$ 1,054,097	\$ 4,463,853	\$ 3,213,733
Cash paid to suppliers and employees	(1,774,182)	(1,281,655)	(5,599,863)	(3,689,129)
Interest received (paid)	(3,161)	8,122	9,316	12,033
	(576,187)	(219,436)	(1,126,695)	(463,363)
Cash flow from financing activities				
Issuance of shares net of share issue costs	1,822,895	1,003,904	2,694,941	4,182,271
	1,822,895	1,003,904	2,694,941	4,182,271
Cash flow from investing activities				
Purchase of capital assets	(32,671)	(60,087)	(119,748)	(176,532)
Software development costs	(659,619)	(467,720)	(1,832,782)	(1,263,254)
	(692,290)	(527,807)	(1,952,530)	(1,439,786)
Cash flow from continuing operations	554,418	256,661	(384,284)	2,279,122
Cash flow from discontinued operations	Note 7	—	—	125,184
Cash, beginning of period	989,364	2,433,989	1,928,065	286,344
Cash, end of period	\$ 1,543,782	\$ 2,690,650	\$ 1,543,782	\$ 2,690,650



Notes to Unaudited 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, and is incorporated under the Business Corporations Act of Alberta. Quorum develops, markets, implements and supports its own software product, XSSELLERATOR™, a Dealership Management System, for the automotive market.

2. Significant Accounting Policies and Basis of Presentation

The interim consolidated financial statements of the Corporation have been prepared by management following the same accounting policies and methods of computation as outlined in the consolidated financial statements for the fiscal year ended December 31, 2004. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Corporation's annual report for the year ended December 31, 2004. The preparation of these interim consolidated financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality. The interim consolidated financial statements have not been reviewed by the Corporation's external auditors.

3. Capital Assets September 30, 2005

	Cost	Accumulated Amortization	Net Book Value
Software Development Costs:			
XSELLERATOR	\$ 6,402,045	\$ 805,780	\$ 5,596,265
DISTRIBUTOR	103,025	22,093	80,932
	6,505,070	827,873	5,677,197
Capital Assets :			
Computer equipment	607,219	351,434	255,785
Computer software	67,519	56,483	11,036
Leasehold improvements	359,847	225,395	134,452
Office equipment	247,621	116,326	131,295
Automotive equipment	30,048	30,048	—
Vendor distribution rights	42,646	11,399	31,247
	1,354,900	791,085	563,815
Total Capital Assets	\$ 7,859,970	\$ 1,618,958	\$ 6,241,012

December 31, 2004

	Cost	Accumulated Amortization	Net Book Value
Software Development Costs :			
XSELLERATOR	\$ 4,569,264	\$ 728,628	\$ 3,840,636
DISTRIBUTOR	103,025	22,093	80,932
	4,672,289	750,721	3,921,568
Capital Assets :			
Computer equipment	516,903	292,791	224,112
Computer software	57,429	45,285	12,144
Leasehold improvements	357,930	198,715	159,215
Office equipment	225,196	95,135	130,061
Automotive equipment	30,048	24,682	5,366
Vendor distribution rights	42,646	9,668	32,978
	1,230,152	666,276	563,876
Total Capital Assets	\$ 5,902,441	\$ 1,416,997	\$ 4,485,444

4. Share Capital

(a) Authorized

Unlimited number of
Common voting shares
Preferred shares issuable in series

(b) Issued and outstanding

	Number of Shares	Amount
Common Shares		
Balance, December 31, 2004	26,263,140	\$ 9,788,899
Issued on exercise of warrants	2,479,700	2,697,180
Issued on exercise of stock options	25,200	16,840
Share issue costs net of future taxes	—	(19,079)
Total Share Capital at September 30, 2005	28,768,040	\$ 12,483,840

(c) Stock Options

At the 2003 Annual General Meeting the Corporation received regulatory and shareholder approval to amend the previously adopted Stock Option Plan ("Stock Plan 2002") which authorized the Board of Directors of the Corporation to grant options to purchase common shares of the Corporation to directors, officers, employees and consultants who are in a position to contribute to the growth and development of the Corporation. Pursuant to the amended Stock Plan 2002, options may be granted to purchase common shares of the Corporation up to a number not exceeding 3,900,000 common shares in aggregate. Prior to the approved amendment the limit was 2,400,000 common shares in aggregate. 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 September 30, 2005		As at December 31, 2004	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding at beginning of period	2,438,940	\$0.55	2,026,660	\$ 0.46
Granted	418,000	\$2.11	696,100	\$ 0.83
Exercised	(25,200)	\$0.67	(241,420)	\$ 0.57
Cancelled or expired	(12,250)	\$0.70	(42,400)	\$ 0.58
Options outstanding at end of period	2,819,490	\$0.78	2,438,940	\$ 0.55
Options exercisable at end of period	2,205,102	\$0.61	1,788,774	\$ 0.48

The following table summarizes information about stock options outstanding at September 30, 2005:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
\$ 0.30 - \$ 0.49	1,245,740	1.1	\$ 0.40
\$ 0.50 - \$ 0.69	499,650	2.7	\$ 0.56
\$ 0.70 - \$ 1.00	611,100	3.5	\$ 0.79
\$ 1.01 - \$ 1.99	45,000	4.1	\$ 1.45
\$ 2.00 - \$ 3.00	418,000	4.3	\$ 2.11
	2,819,490	2.4	\$ 0.78

4. Share Capital (continued)

(d) Share purchase warrants

During the nine month period ended September 30, 2005, all 1,936,000 share purchase warrants from the non-brokered private placement completed in 2003 that were outstanding at December 31, 2004, were converted to common shares at an exercise price of \$1.00, raising additional gross proceeds of \$1,936,000. Each warrant issued entitled the holder to acquire one common share of the Corporation at a price of \$0.75 per share if exercised on or before August 1, 2004, and at a price of \$1.00 per share if exercised thereafter, but either on or before August 1, 2005.

During the nine month period ended September 30, 2005, 543,700 of the 564,200 remaining outstanding warrants related to the 632,200 share purchase warrants issued in conjunction with the March 14, 2003 public offering were exercised raising gross proceeds of \$761,180. Each share purchase warrant entitled the holder to acquire one additional share of the corporation at \$1.40 per share. Any unexercised share purchased warrants expired either on January 25, 2005 or March 15, 2005.

5. Related Party Transactions

For the nine month period ended September 30, 2005, the Corporation incurred fees in the amount of \$5,000 (September 30, 2004 - \$40,000) under a consulting agreement with one director, of which \$nil (September 30, 2004 - \$5,000) remained unpaid at September 30, 2005. The fees were in relation to corporate finance and governance services.

Related party transactions have been recorded at their exchange amounts which represent carrying values.

6. Segmented Information

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

During the quarter ended June 30, 2004, the Corporation commenced selling into the United States marketplace. Gross revenue by geographic area is summarized as follows:

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Canada	\$ 671,860	\$ 700,379	\$2,553,199	\$ 2,666,075
United States	334,874	206,225	1,796,463	463,239
Total gross revenue	\$1,006,734	\$ 906,604	\$4,349,662	\$ 3,219,314

7. Discontinued Operations

On October 29, 2003, the Board of Directors decided to divest the Corporation of the Technology Solutions Division ("TS Division"). The sale of this division was completed on February 17, 2004 with the effective date being February 1, 2004.



Corporate Information

Board of Directors

Maury Marks

Director

President and Chief Executive Officer,
Quorum Information Technologies Inc.



Larry Shelley

Chairman of Board of Directors

President, SRG Capital Ltd.



Dan Laplante

Director

Vice Chairman, Teletrips Inc.



John Carmichael

Director

Dealer Principal, City Buick Pontiac Cadillac,
Toronto, Ontario



Michael Croxon

Director

President, NewRoads Automotive Group



Officers

Larry Shelley

Chairman of Board of Directors

Maury Marks

President and Chief Executive Officer

Craig Nieboer

V.P. and Chief Financial Officer

Bill Thompson

V.P. Business Development

Corporate Counsel

Burnet Duckworth & Palmer

Calgary, Alberta

LaBarge Weinstein LLP

Kanata, Ontario

Bankers

Canadian Imperial Bank of Commerce

Calgary, Alberta

Auditors

Buchanan Barry LLP

Calgary, Alberta

Stock Exchange Listing

TSX Venture Exchange

Trading Symbol: QIS

Registrar and Transfer Agent

Computershare Trust Company of Canada

Calgary, Alberta

Quorum

Information Technologies Inc.

Corporate Office

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Change



Improvement



Growth



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