

## **MANAGEMENT’S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the year ending May 31, 2017 – effective September 25, 2017**

The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the Armada Data Corporation’s audited consolidated financial statements for the years ended May 31, 2017 and 2016, and accompanying notes. The results reported herein have been prepared in accordance with International Accounting Standards, using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

Additional information relating to Armada Data Corporation is filed on SEDAR, and can be viewed at [www.sedar.com](http://www.sedar.com)

### **Company Overview**

Armada Data Corporation (“Armada” or the “Company”) is an Information Services Company providing accurate and real-time data to institutional and retail customers, through developing, owning and operating automotive pricing related web sites and providing information technology and marketing services to its clients.

Armada is a publicly traded Canadian company with its shares listed on the TSX Venture Exchange under the trading symbol ARD. Armada currently has a total of 17,670,265 shares outstanding. The Company has been based in Mississauga, Ontario since its inception in July 1999.

On October 1, 2011, Armada acquired 90% the issued and outstanding shares of The Big & Easy Bottle Brewing Company Inc. (“TBE”). TBE owns 100% of all the issued and outstanding commons shares of Mister Beer Inc. (“MB”), a company which invented and has a patent pending on a unique “microbrewery in a bottle”, allowing consumers to produce premium beer at roughly half the cost of regular beer. Management made the decision to close the Mister Beer production facility and cease operations, effective December 31, 2014.

The Company’s 2017 operations consisted of five main segments: Insurance Services, Retail Services, Dealer Services, Information Technology (IT) Services, and Advertising/Marketing Services.

The Insurance Services division derives its revenue from the sale of total-loss replacement vehicle reports to major Canadian insurance companies.

The Retail Services division derives its revenue from the sale of new car pricing data to consumers primarily through the Company’s flagship website [www.CarCostCanada.com](http://www.CarCostCanada.com) as well as the reselling of new car pricing data to qualified third party vendors.

The Dealer Services division generates revenue through the sale of new vehicle customer leads derived from membership sales from Car Cost Canada.

The Information Technology division comprises web and email hosting, online marketing, search engine optimization, technical support and network support services (for both internal use resulting in saving the company from the costs associated with high price IT services and external sales).

The Advertising/Marketing Services division is made up of the sale of online third party website advertising, consulting fees and other new car or car business related marketing activities.

### Selected Annual Information

Fiscal Year Ended	May 31, 2017	May 31, 2016	May 31, 2015	May 31, 2014
Total Revenue	\$2,391,186	\$2,249,620	\$2,210,932	\$2,606,924
Income before undernoted	275,821	272,545	\$2,167	\$403,398
Income from discontinued operations (Mister Beer Inc.)	NIL	86,470	\$(642,601)	\$(541,251)
Income (Loss) before taxes	\$275,821	\$359,015	\$(640,434)	\$(137,853)
Income Taxes	\$79,957	75,468	NIL	\$(102,289)
Comprehensive Income (Loss) after Taxes	\$195,864	\$283,547	\$(640,434)	\$(240,142)
Comprehensive Income (Loss) per share	\$0.01	\$0.02	\$(0.04)	\$(0.01)
Total Assets	\$875,175	\$953,751	\$730,565	\$1,256,286
Total Liabilities	\$325,053	\$599,493	\$659,854	\$545,141
Shareholder's Equity, including Non-controlling interests	\$550,122	\$354,258	\$70,711	\$711,145
Dividends	NIL	NIL	NIL	NIL

The prior periods' comparative figures have been reclassified, where necessary, to conform to the current year's presentation.

The Company's total revenue increased by 6% in 2017 to \$2,391,186 from \$2,249,620 in 2016.

The Company reported comprehensive income of \$275,821, due to the following factors:

- A sub-tenant was found for the brewing facility on November 1, 2015, to offset the rent expense of the lease obligation for these premises, and the Company is no longer responsible for utility, insurance and maintenance expenses for the same premises.
- Insurance claims increased in fiscal 2017, by 15% over fiscal 2016
- Expansion of carcostcanada.com and dealer services program into the province of Quebec
- The Company retained a new digital advertising network

### Selected Quarterly Information

Fiscal Year	2017	2017	2017	2017	2016	2016	2016	2016
Quarter Ended	May-31 2017	Feb-28 2017	Nov-30 2016	Aug-31 2016	May-31 2016	Feb-29 2016	Nov-30 2015	Aug-31 2015
Total Revenue	594,625	568,029	633,385	595,147	611,939	534,779	558,736	544,166
Comprehensive (Loss) Income before taxes	(38,395)	51,733	117,740	144,743	175,057	79,419	34,364	70,175
Comprehensive Income per share	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.00	\$0.00	\$0.00

The prior periods' comparative figures have been reclassified, where necessary, to conform to the current year's presentation.

## Operations

The Insurance Services division experienced an increase in revenue, from \$1,108,745 in 2016 to \$1,279,067 in 2017, or by 15%. The increase in revenue was the result of the concerted effort by the Insurance Division to process more claims faster.

The Retail Services division revenue was down 20% to \$182,476 from \$227,038. The new CarCostCanada.com website and a new French-language site devoted to the Quebec market were not effective enough to stop the steady decline of membership revenues due to a competitor providing a similar service. Membership overall remained steady as a result of regular promotions and management decided to uphold a discounted membership fee to not lose further market share.

The Dealer Services division revenue increased from \$660,540 in 2016 to \$676,225 in 2017. Despite the decrease in membership sales, which drive the dealer lead generation program, and some manufacturer intervention on the part of an automaker that discourages their dealer-body from participating in any type of third-party lead generation program, this division managed to increase its revenue by 2%, accounted by an expansion into Quebec.

The Advertising/Marketing Services division, which derives its revenue from the sale of online third party advertising on CarCostCanada.com and TheCarMagazine.com increased from \$74,624 to \$94,492. Management was successful in their efforts to search out additional sources of revenue in this division.

The Information Technology division revenue decreased by 11% to \$158,926 in 2017, from \$178,673 in 2016. IT continues to offer technical support and web site hosting to hundreds of customers, and is developing new customer relationships on a regular basis, as well as offering new services for sale.

The Mister Beer division ceased operations on December 31, 2014, and its assets disposed of in fiscal 2016. There was no activity in this division in fiscal 2017.

Armada's consolidated statement reflects income this year, before corporation income taxes, of \$275,821, compared to the income before corporation income taxes of \$359,015 in 2016. Corporation income tax expense is \$79,957 in 2017, compared to \$75,468 in 2016.

Total expenses before amortization increased to \$2,075,093 compared to \$1,935,704, a 7% increase over last year. After the many cost-cutting measures to reduce expenses in 2015 and 2016, the largest increase is in salaries and wages, which is up 24% over last year. Advertising expense has increased 55%, due to new radio advertising campaigns.

Accounts receivable decreased 25% to \$312,129 as at May 31, 2017, compared to \$417,171 last year. Related party accounts receivable decreased from \$3,780 to \$2,442.

Accounts payable increased 18%, to \$293,756 as at May 31, 2017 from \$250,001 a year earlier. Related parties accounts payable increased to \$2,340 as at May 31, 2017, from \$537 last year. Corporation income taxes payable are \$3,957 as at May 31, 2017 compared to \$42,955 as at May 31, 2016. Related Party Notes Payable-current portion decreased from 281,000 at May 31, 2016 to nil at May 31, 2017.

As a result of the income reported by the Company in 2017, the Company's deficit decreased to \$(1,207,374) as at May 31, 2017 compared to \$(1,406,561) the prior year. Earnings per share at May 31, 2017 are \$0.01 versus \$0.02 per share at May 31, 2016.

No dividends were paid out to shareholders in fiscal 2017 or fiscal 2016. Management does not plan on issuing any dividends until further notice.

#### 4th Quarter Results

The quarter ending May 31, 2017 finished with the Company recording revenue of \$594,625 versus \$611,939 last year, a decrease of 3%. Income before taxes for the 4th quarter of 2017 is \$(38,395), compared to \$175,057 in 2016.

#### Segmented Annual Information

Revenues earned by divisions were as follows:

	2017	%	2016	%
Insurance Services	\$1,279,067	53	\$1,108,745	49
Retail Services	182,476	8	227,038	10
Dealer Services	676,225	28	660,540	30
IT Services	158,926	7	178,673	8
Advertising/Marketing Services	94,492	4	74,624	3
Total Revenue – Armada Data Corporation	\$2,391,186	100	\$2,249,620	100

#### Related Party Transactions

Salaries and expenses are paid to a director and officer of the Company, who is also 50% shareholder of Lease Busters Inc. Legal fees are paid to a law firm, of which a partner is a (non-remunerated) director of the Company. The Company obtained financing from a private company controlled by a director and officer of the Company. This financing was paid out in full in fiscal 2017. In management's opinion, the actual costs noted in this section were paid at fair market value in the normal course of business.

#### Liquidity

Based on a year-end cash position of \$296,200, accounts receivable of \$312,129, and accounts payable of \$293,756, the company is in a positive cash position. By closing the Mister Beer division, management has reduced overall expenses and commitments. The other divisions of Armada are poised for revenue gains this fiscal year as a result of new project and feature launches as well as more than one significant partnership that the Insurance and Retail Service teams are working on. Management believes that the data divisions will not only remain very stable and profitable but begin to make significant inroads in new verticals that will result from our partnerships, project releases and new revenue streams.

The Retail and Dealer services division were competition-free for many years and had to re-group and re-strategize in order to prevent further erosion caused by an aggressive competitor. Management expects CarCostCanada.com to start realizing market gains this fiscal year and with the overall new car market remaining poised for more growth nationally (and more specifically in the web-rich Canadian urban centres), the division plans to earn more members to enhance the new car buying process for the Canadian new car buying marketplace.

## **Risk Management**

Armada Data Corporation is subject to the risk generally associated with the operation of income-producing websites and normal course business risk. These risks include fluctuations in site traffic, sales, operating expenses, and the risk of unavailability of further equity financing and/or funding. Other associated risks may include competition, technical constraints in further business development, and possible service interruptions.

## **Accounting changes – International Financial Reporting Standards (“IFRS”)**

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that significantly affected financial reporting requirements for Canadian companies. The AcSB strategic plan outlined the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional year. In February, 2010, the AcSB announced that 2011 was the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date was for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 required the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011.

## **Controls and Procedures**

Disclosure Controls and Procedures - As at May 31, 2017, the Company’s senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures and concluded that they were effective.

Internal Control Over Financial Reporting - There have been no changes in the Company’s internal control over financial reporting during the year ended May 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management believes that Armada Data Corporation is taking all the measures necessary to rebound our growth trends in the “data” division and by divesting itself of the Mister Beer division, has reduced the drain on Company finances.

## **Acquisition of The Big & Easy Bottle Brewing Company Inc. and Mister Beer Inc.**

On October 1st, 2011 the Company acquired 90% of the issued and outstanding shares of The Big & Easy Bottle Brewing Company Inc. (“TBE”). TBE is the holder of all of the shares of Mister Beer Inc., a company which invented a unique ‘microbrewery in a bottle’, allowing consumers to easily produce premium beer at roughly half the cost of regular beer.

The aggregate purchase price for the 90% of the shares of TBE acquired by Armada was \$500,000, paid as follows: (i) a convertible promissory note in the amount of \$100,000; and (ii) \$400,000 worth of Armada common shares issued at closing at an issue price of \$0.20, such that 2,000,000 share of Armada were issued. The Note was payable in monthly non-interest bearing installments of \$4,167 over a 24-month term.

The Armada Board of Directors approved this transaction and the transaction qualified as an expedited transaction pursuant to TSX-V policies, and did not therefore require shareholder approval.

Mister Beer ceased operations on December 31, 2014.

## Outlook

The Company's outlook is to continue to increase sales, update and improve our data services products and services, and deliver significantly better results to our shareholders by way of the following:

1. Build on the historical success of the Company's ongoing sales and marketing efforts focused on increasing sales at Retail Services, Dealer Services and Insurance Services.
2. Exploit market awareness and demand for new vehicle pricing information and dealer referrals that result from the additional competition within that market space; by putting more emphasis on outside partners, data outsourcing and our underutilized online magazine TheCarMagazine.com
3. Continue to improve our relationships with some of the largest insurance companies in Canada and partner with some of these organizations to produce new products and services for their vast client base.
4. Maintain operating expenses and achieve the economies of scales of an Internet based business.
5. Expand third-party fee-based online advertising, by developing improved and more secure advertising methods.

On behalf of the Board of Directors

*"R. James Matthews"*

R. James Matthews  
Chief Executive Officer