ARMADA DATA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2018 and 2017
(Expressed in Canadian Dollars)

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I N D E X

PHILIP GIGAN
CHARTERED ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Armada Data Corporation

I have audited the accompanying consolidated financial statements of Armada Data Corporation, which comprise the consolidated statements of financial position as at May 31, 2018 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years ending May 31, 2018 and 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Armada Data Corporation as at May 31, 2018 and the results of its operations and its cash flows for the years ending May 31, 2018 and May 31, 2017 in accordance with International Financial Reporting Standards.

Toronto, Ontario
September 25, 2018

CPA, CA
Licensed Public Accountant

45 St. Clair Ave. West, Suite 200, Toronto, ON M4V 1K6 Tel: 416.920.1664 Fax: 416.920.1669 Email: pgigan@sympatico.ca

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	**$ 375,767**	$ 296,200
Accounts receivable (note 6)	**566,230**	312,129
Related parties accounts receivable (notes 6 and 10(a))	**6,564**	2,442
Prepaid expenses and sundry assets	**45,016**	43,669
TOTAL CURRENT ASSETS	**993,577**	654,440
PROPERTY AND EQUIPMENT (note 7)	**23,023**	40,735
GOODWILL (note 8)	**180,000**	180,000
TOTAL ASSETS	**$ 1,196,600**	$ 875,175
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 9)	**$ 275,287**	$ 272,356
Related parties accounts payable (note 10(f))	**26,173**	23,740
Income taxes payable (note 12)	**28,635**	3,957
Deferred revenue	**25,000**	25,000
TOTAL CURRENT LIABILITIES	**355,095**	325,053
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 11)	**1,730,022**	1,730,022
DEFICIT	**(933,400)**	(1,207,374)
CONTRIBUTED SURPLUS	**194,573**	175,505
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**991,195**	698,153
NON-CONTROLLING INTEREST	**(149,690)**	(148,031)
TOTAL SHAREHOLDERS' EQUITY	**841,505**	550,122
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,196,600**	$ 875,175

APPROVED ON BEHALF OF THE BOARD:

R. James Matthews, Director

Eli Oszlak, Director

The accompanying notes form an integral part of these consolidated financial statements.

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	May 31, 2018	May 31, 2017
REVENUE (note 14)	**$ 2,951,844**	$ 2,391,186
EXPENSES		
Office salaries	**831,801**	669,370
Management salaries	**318,406**	330,048
Advertising and business promotion	**316,376**	194,717
Rent, common area costs and utilities	**217,913**	205,470
Selling fees	**200,231**	167,255
Selling salaries	**143,754**	91,557
Direct costs – IT	**139,649**	79,440
Employee benefits	**108,855**	83,775
Computer consulting and supplies	**89,166**	94,487
Professional fees	**64,279**	56,938
Commissions and fees	**55,096**	46,050
Outside data and consulting services	**49,799**	47,813
Automobile and travel	**30,832**	23,229
Telephone	**24,816**	23,273
Depreciation: property and equipment	**24,537**	40,272
Office and general	**21,328**	15,185
Stock-based compensation expense	**19,068**	-
Insurance	**18,441**	18,211
Transfer and exchange fees	**17,774**	17,198
Bank charges, credit card charges and interest	**14,561**	34,850
Operating leases	**9,453**	9,921
Printing	**3,394**	3,247
Less: Rental income recovered	**(148,595)**	(136,941)
	2,570,934	2,115,365
INCOME BEFORE TAXES	**380,910**	275,821
PROVISION FOR INCOME TAXES (note 12)	**(108,595)**	(79,957)
NET INCOME AND COMPREHENSIVE INCOME	**$ 272,315**	$ 195,864
Attributable to equity holders of the Company	**$ 273,974**	$ 199,187
Attributable to non-controlling interests	**(1,659)**	(3,323)
	$ 272,315	$ 195,864
Net income per share **Basic and diluted** (note 11(b))	**$ 0.02**	$ 0.01

The accompanying notes form an integral part of these consolidated financial statements.

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Share Capital	Deficit	Contributed Surplus	Non-Controlling Interest	Total Equity
Balance as at May 31, 2016	$ 1,730,022	$ (1,406,561)	$ 175,505	$ (144,708)	$ 354,258
Net income		199,187		(3,323)	195,864
Balance as at May 31, 2017	1,730,022	(1,207,374)	175,505	(148,031)	550,122
Net income		273,974		(1,659)	272,315
Stock-based compensation expense			19,068		19,068
Balance as at May 31, 2018	$ 1,730,022	$ (933,400)	$ 194,573	$ (149,690)	$ 841,505

The Company is authorized to issue an unlimited number of common shares without par value. During the periods presented, there were 17,670,265 common shares outstanding.

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	May 31, 2018	May 31, 2017
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Income before tax	**$ 380,910**	$ 275,821
Adjustments for depreciation - property and equipment	**24,537**	40,272
Stock-based compensation expense	**19,068**	-
Interest expense	**-**	19,460
	424,515	335,553
Net changes in non-cash working capital balances (see below)	**(254,206)**	156,270
Cash generated from operations	**170,309**	491,823
Income taxes paid	**(83,917)**	(118,955)
Interest paid	**-**	(19,460)
NET CASH FROM OPERATIONS	**86,392**	353,408
CASH FLOWS (USED IN) INVESTING ACTIVITY		
Purchase of property and equipment	**(6,825)**	(7,450)
CASH FLOWS (USED IN) FINANCING ACTIVITY		
Repayment of notes payable	-	(281,000)
NET INCREASE IN CASH	**79,567**	64,958
CASH, beginning of year	**296,200**	231,242
CASH, end of year	**$ 375,767**	$ 296,200
Net changes in non-cash working capital balances consists of:		
Accounts receivable	**$ (254,101)**	$ 105,042
Related parties receivable	**(4,122)**	1,338
Prepaid expenses and sundry assets	**(1,347)**	4,332
Accounts payable and accrued liabilities	**2,931**	43,755
Related parties payable	**2,433**	1,803
	$ (254,206)	$ 156,270

The accompanying notes form an integral part of these consolidated financial statements.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Armada Data Corporation (the "Company") is engaged in the accumulation and sale of data related to the purchase of new and used vehicles.

The Company was incorporated in Canada, and its registered office is 5080 Timberlea, Blvd, Suite 215, Mississauga, Ontario, Canada. The Company's common shares are listed on the TSX – Venture Exchange under the symbol ARD.

2. BASIS OF PRESENTATION

The consolidated financial statements for the year ended May 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on September 25, 2018.

These consolidated financial statements include: the accounts of Armada Data Corporation; it's wholly owned subsidiary, CCC Internet Solutions Inc.; it's 90% owned subsidiary, The Big & Easy Bottle Brewing Company Inc. ("TBE"); TBE's wholly owned subsidiary, Mister Beer Inc.; and the inactive subsidiary, Mister Beer U Brew Inc. All of the Company's subsidiaries are incorporated in Canada and have their registered offices at 5080 Timberlea Blvd, Suite 215, Mississauga, Ontario. All intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared under the going concern assumption and on the historical cost basis, except financial instruments classified as at fair value through profit and loss, which are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented.

Business Combinations

Acquisitions of subsidiaries and other businesses are accounted for using the purchase method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. The transaction costs associated with business combinations are expensed as incurred.

Goodwill represents the excess of the fair value of the consideration transferred in a business acquisition over the fair values of identifiable net assets acquired and liabilities assumed in such acquisitions. Goodwill is measured at the date that control is obtained.

Foreign Currency Translation

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries is also the Canadian dollar. Items included in the consolidated financial statements of the Company and its subsidiaries are measured using the functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate and non-monetary items are translated at historical rates of exchange at the time of the acquisition of assets or recognition of liabilities. Revenue and expenses are translated at an average rate of exchange in effect during the year. Foreign exchange translation gains and losses are recorded in income in the year in which they occur.

Revenue Recognition

Customer membership fees are generated as services are provided to the customer. The unearned portion, if any, is reflected as deferred revenue on the consolidated statement of financial position. CarCostCanada ("CCC"), Insurance and IT services revenues are recognized as the service is performed. The primary method of settlement for the CCC and Membership fees is by credit card which is charged just before the service is rendered. The Insurance, IT, Advertising and Marketing services are invoiced, with normal terms of settlement, and revenues are recognized when services have been performed.

In addition, the Company recognizes revenue when the amount of revenue can be measured reliably and collectability is reasonably assured. Revenue is measured at the fair value of consideration received or receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and others. The Board of Directors grants such options with maturities of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than fair value of the shares on the day preceding the date the options were granted.

The fair value of the options is measured at grant date using the Black-Scholes option pricing model. The amount recognized is adjusted to reflect the number of share options expected to vest. The fair value is recognized as an expense over the vesting period with a corresponding increase in contributed surplus within equity.

Share Issue Costs

Costs directly identifiable with the raising of capital are recognized in equity as a reduction of the proceeds received from common share issuances. Share issue costs consist primarily of corporate finance fees, legal fees and managing dealer commissions and marketing fees.

Income Tax

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial Instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in net income.

The Company does not currently hold any derivative assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

Cash, accounts receivable and related parties accounts receivable are classified as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Other financial liabilities

Other financial liabilities are financial liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company's other financial liabilities include accounts payable, accrued liabilities and related parties accounts payable. The Company does not currently hold any derivative liabilities.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Cash

Cash consists of cash balances at a major Canadian based financial institution.

Accounts Receivable

Accounts receivable are recorded net of an allowance for uncollectible or doubtful accounts. The Company reviews accounts receivable and provides a reserve for amounts estimated not to be collectible. During this review, historical experience, the age of the receivable balance, the credit-worthiness of the customer and the reason for the delinquency are considered.

Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property and equipment are depreciated and charged to income over the estimated useful life of the assets on the following bases:

Computer hardware	- 30% declining balance
Furniture and fixtures	- 20% declining balance
Telephone equipment	- 20% declining balance
Computer software	- 100% declining balance
Leasehold improvements	- straight line over 5 years

Earnings Per Share

Basic earnings per share is computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the potential exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-Lived Assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in net income. The recoverable amount of goodwill is estimated and compared to the carrying value on an annual basis whether or not there is an indication the goodwill is impaired.

The impairment test is performed at the level of the cash generating unit (CGU) which is the smallest group of long-lived assets that generate cash inflows that are largely independent of the cash inflows of other long-lived assets.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership of an asset to the lessee. All leases other than finance leases are operating leases.

Assets held under finance leases are recognized as assets, and a corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between interest expense and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entering into an operating lease are recognized straight-line over the lease term.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. Actual results could differ from these estimates. The Company has also made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can also have an effect on the amounts recognized in the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Impairment of assets

In performing impairment tests of long-lived assets, the Company is required to exercise judgement in determining the appropriate CGU(s) and to estimate the future cash flows and discount rate that are used as inputs in measuring the CGU's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock-based compensation awards, in particular the volatility and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Income Tax

Management is required to apply judgement in determining whether it is probable deferred income tax assets will be realized. At May 31, 2018 and 2017, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable, and as such, has not recognized any deferred income tax assets in the consolidated statements of financial position. In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

5. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following new standards, amendments to standards and interpretations are not effective for the year ended May 31, 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the final version of IFRS 9. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also introduces an Expected Credit Loss model, replacing the incurred loss model in IAS 39. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 and the Company plans to adopt it for its May 31, 2019 year. The Company is currently assessing the impact of this standard on the financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014 the IASB issued IFRS 15, subsequently amended in September 2015 and April 2016, as a replacement of IAS 18, *Revenues*, IAS 11, *Construction Contracts*, and various international financial reporting interpretations. The standard introduces a comprehensive model for determining recognition and measurement of revenues for any contract with customers and provides increased disclosure requirements. IFRS 15 has a mandatory effective date for annual periods beginning on or after January 1, 2018 and the Company plans to adopt it for its May 31, 2019 year. The Company is currently assessing the impact of this standard on its financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*, replacing IAS 17 Leases. The standard provides a single accounting model for lessees, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The cost of these leases will change from straight line operating lease expense to a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities which will be accounted for at amortized cost. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2019 and the Company plans to adopt it for its May 31, 2020 year. The impact of this standard on the financial statements will depend on the leases in place at the time of adoption.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE

	May 31 2018	May 31 2017
Neither impaired nor past due	$ 236,456	$ 193,312
Not impaired and past due in the following periods:		
31 to 60 days	110,904	80,742
61 to 90	55,006	40,517
Over 90 days	170,428	-
Impaired accounts receivable	27,913	53,175
Allowance for doubtful accounts	(27,913)	(53,175)
Total accounts receivable and related parties accounts receivable	$ 572,794	$ 314,571
Broken down as follows:		
Related parties accounts receivable	$ 6,564	$ 2,442
Accounts receivable	566,230	312,129
Total accounts receivable and related parties accounts receivable	$ 572,794	$ 314,571

None of the allowance for doubtful accounts at May 31, 2018 or 2017 relates to related party accounts receivable. The Company's accounts receivable are non-interest bearing and are generally 30 day terms. The Company does not hold any collateral with respect to its receivables.

7. PROPERTY AND EQUIPMENT

	May 31, 2018			May 31, 2017		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	$ 153,514	$ 139,139	$ 14,375	$ 148,526	$ 134,047	$ 14,479
Furniture and fixtures	26,829	22,404	4,425	26,829	21,297	5,532
Telephone equipment	21,742	18,438	3,304	21,742	17,612	4,130
Computer software	41,075	40,156	919	39,238	39,238	-
Leasehold Improvements	172,978	172,978	-	172,978	156,384	16,594
	$ 416,138	$ 393,115	$ 23,023	$ 409,313	$ 368,578	$ 40,735

Movements between the opening and closing net book values were:

Net book value at June 1, 2016	$ 73,557
Additions – Computer hardware	7,450
Depreciation	(40,272)
Net Book Value at May 31, 2017	$ 40,735
Additions – Computer hardware	4,988
Additions – Computer software	1,837
Depreciation	(24,537)
Net Book Value at May 31, 2018	**$ 23,023**

(Expressed in Canadian Dollars)

8. GOODWILL

	May 31, 2018	May 31, 2017
Balance, beginning and end of the year	**$ 180,000**	$ 180,000

Management has determined that the goodwill underlies the cash inflows generated by all of the Company's reportable operating segments due to the synergies derived from the Cybernet Finder business combination completed in 2010. The smallest group of long-lived assets that generate cash inflows independently of other long-lived assets is the goodwill and property and equipment collectively. Management therefore considers that the Company has one CGU for the purpose of impairment testing. The recoverable amount of the CGU is determined on the basis of value in use. Management has used a period of two years of cash flow projections, incorporating past experience. A reasonably possible change in the discount rate or the cash flows projected (which are the assumptions used) would not cause an impairment loss to be recognized.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable	**$ 155,816**	$ 98,420
Accrued liabilities	**115,519**	150,069
Sales tax payable	**15,107**	14,111
Payroll tax payable	**15,018**	33,496
	$ 301,460	$ 296,096
Broken down as follows:		
Related parties accounts payable	**$ 26,173**	$ 23,740
Accounts payable	**275,287**	272,356
Total accounts payable and related parties accounts payable	**$ 301,460**	$ 296,096

10. RELATED PARTY TRANSACTIONS

The following transactions with related parties were in the normal course of operations and are measured at their exchange amounts:

a) The Company recognized IT revenue of $47,699 (2017 - $33,960) and advertising and marketing services revenue of $Nil (2017 - $1,750) from a company significantly influenced by one of the Company's directors. At May 31, 2018 there was an account receivable of $5,875 (2017 - $2,339) due from this related party and accounts receivable of $689 (2017 - $103) due from other related parties.

b) The following compensation was paid to key management, which comprises the Chief Executive Officer and Chief Financial Officer and the Board of Directors, during the current and prior years:

	2018	2017
Management salaries	**$ 318,406**	$ 330,048
Fair value of stock-based compensation expense	**15,890**	-
Automobile and travel allowances	**14,400**	14,400
	$ 348,696	$ 344,448

c) Professional fees of $24,996 (2017 - $20,498) were recognized from to a law firm in which a director of the Company is a partner.

d) During the year, the Company incurred rent expense of $15,650 (2017 - $12,000) with a company significantly influenced by one of the Company's directors.

e) During the year, the Company incurred advertising and computer consulting expenses of $9,090 (2017 - $15,302) with an entity controlled by the spouse of a director of the Company.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (Cont'd)

f) Related parties accounts payable of $26,173 (2017 - $23,740) are due to directors or persons and entities related to directors of the Company.

g) At June 1, 2016, a note payable of $281,000 was due to a company controlled by a director and officer of the Company. During the year ended May 31, 2017, the note payable was repaid in full and the security agreement was released. Interest expense of $19,460 was recognized during the year ended May 31, 2017 and is included in bank charges, credit card charges and interest in the statement of comprehensive income.

11. SHARE CAPITAL

a) Stock Options

On April 10, 2018, the Company granted options for the purchase of 1,200,000 common shares of the Company, expiring 2 years from the date of grant and with an exercise price of $0.11 per share. The options vest 1/3 every six months beginning six months from the grant date. The Company had no options outstanding prior to April 10, 2018. As at May 31, 2018, none of the options were exercisable. The remaining fair value of options to be expensed in fiscal years subsequent to May 31, 2018 is $92,772.

Stock Options are granted to eligible persons (as defined in the Company's Stock Option Incentive Plan) and include any director, employee or consultant of the Company. The exercise price of such options is determined by the Board of Directors, provided that such price is not lower than the closing price for the underlying shares as quoted on the TSX Venture Exchange for the market trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange. These options are non-transferable.

Subject to the requirements of the Exchange:

i. the aggregate number of Option Shares that may be issuable pursuant to Options granted under the Plan will not exceed 2,700,000 shares;

ii. unless approval of this Plan is obtained by Disinterested Shareholders,

   (a) the number of shares reserved for issuance under Options granted to Insiders of the Company under this Plan and all outstanding stock option plans or grants of options may not at any time exceed ten percent (10%) of the issued shares of the Company;

   (b) no more than an aggregate of ten percent (10%) of the issued shares of the Company, calculated at the date the option(s) is(are) granted, may be granted to Insiders of the Company in any twelve (12) month year under this Plan and all outstanding stock option plans or grants of options;

   (c) no more than an aggregate of five percent (5%) of the issued shares of the Company, calculated at the date the Option is granted, may be granted to any one Optionee in any twelve (12) month year under this Plan and all outstanding stock option plans or grants of options;

   however, upon obtaining the requisite Disinterested Shareholder Approval, these provisions shall no longer apply;

iii. no more than two percent (2%) of the issued shares of the Company, calculated at the date the Option is granted, may be granted to any one Consultant in any twelve (12) month year; and

iv. no more than an aggregate of two percent (2%) of the issued shares of the Company, calculated at the date the Option is granted, may be granted to persons providing Investor Relations Activities in any twelve (12) month year.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Cont'd)

The fair value of the options granted was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected volatility	125%
Risk free interest rate	1.82%
Expected life	2 years
Expected dividend yield	0.0%

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

b) Weighted average number of common shares outstanding

	2018	2017
Weighted average number of common shares outstanding for basic earnings per share	**17,670,265**	17,670,265
Weighted average number of potential common shares outstanding	**25,802**	-
Weighted average number of common shares outstanding for diluted earnings per share	**17,696,067**	17,670,265

12. INCOME TAXES

a) A reconciliation between tax expense reported in the consolidated statements of comprehensive income and the tax expense that would have resulted from applying the combined Canadian Federal and Ontario tax rate to income before tax is as follows:

	2018	2017
Income before tax	**$ 380,910**	$ 275,821
Canadian tax rate	**26.5%**	26.5%
Theoretical tax expense	**100,941**	73,092
Tax cost of non-deductible items	**5,601**	245
Tax cost of depreciation expense in excess of tax depreciation	**2,053**	6,620
Income tax provision	**$ 108,595**	$ 79,957

b) At May 31, 2018, The Big and Easy Bottle Brewing Company Inc. and Mister Beer Inc. had combined non-capital losses for income tax purposes of $2,228,733 available to offset future taxable income. The potential tax benefits have not been reflected in these financial statements as the likelihood of realization is uncertain. These losses will expire as follows:

May 31, 2025	$ 28,957
May 31, 2029	48,677
May 31, 2030	81,046
May 31, 2031	60,171
May 31, 2032	236,305
May 31, 2033	545,726
May 31, 2034	591,878
May 31, 2035	300,785
May 31, 2037	45
May 31, 2038	335,143
	$ 2,228,733

(Expressed in Canadian Dollars)

13. COMMITMENTS

a) The Company leases premises with expiry dates of August 2020 and April 2022. The Company is entitled to renew its lease for the premises that it uses for operations at market rates for a further five years if six months notice (prior to the expiration of the current lease) is given to the landlord. The Company also has various operating leases which continue until fiscal 2020. Minimum rental payments recognized as an expense during the year ended May 31, 2018 were $224,935 (2017 - $212,222). Minimum rental payments (including common area expenses and realty tax for the premises) are:

Amounts due within one year	$ 234,645
Amounts due in more than one year and less than five years	567,682
	$ 802,327

b) The Company has sub-leased Mister Beer's premises up to April 2022. The minimum rental amounts to be received are as follows:

Amounts due within one year	$ 155,024
Amounts due in more than one year and less than five years	452,153
	$ 607,177

14. SEGMENTED INFORMATION

The Company's operations consist of three reportable segments: Insurance Services, CarCostCanada ("CCC") (combining the Retail, Dealer and Advertising/Marketing divisions) and Information Technology (IT) Services. All of the Company's revenues and operations are in Canada.

The Insurance Services division derives its revenue from the sale of total-loss replacement vehicle reports to major Canadian insurance companies. The revenues earned by the combined Retail, Dealer and Advertising/Marketing divisions are a single reportable segment on the basis of carcostcanada.com, which is the common platform used to generate revenues, either directly or indirectly, for these divisions. In 2017, these divisions were disclosed as separate reportable segments. The comparative information has been combined to be consistent with the current year's reportable segments which better reflects the shared economic characteristics of those divisions. The Information Technology division comprises web and email hosting, dedicated servers, technical support and network support services (for both internal use and retail sales), and the resale of hardware and software solutions.

The Chief Executive Officer measures performance by segment based on revenues. Revenues recognized from third party customers, by segment, are as follows:

	2018	2017
Insurance services (see note 16)	**$ 1,450,329**	$ 1,233,604
CarCostCanada	**1,238,974**	998,656
IT	**262,541**	158,926
Total revenue	**$ 2,951,844**	$ 2,391,186

Accounts receivable by segment are as follows:

	2018	2017
Insurance services	**$ 392,659**	$ 171,709
CarCostCanada	**140,866**	124,360
IT	**29,370**	11,978
Not reportable by segment	**9,899**	6,524
Total accounts receivable	**$ 572,794**	$ 314,571

(Expressed in Canadian Dollars)

15. NON-CONTROLLING INTEREST

The financial position and results of the 90% owned subsidiary, Mister Beer Inc., are as follows:

	2018	2017
Current assets	**$ 15,059**	$ 16,151
Long term assets	**-**	16,594
Total assets	**$ 15,059**	$ 32,745
Current liabilities	**$ -**	$ -
Long term liabilities – intragroup payable	**(2,276,385)**	(2,277,497)
Total liabilities	**$ (2,276,385)**	$ (2,277,497)
Revenue	**$ -**	$ -
Net loss and total comprehensive loss	**$ (16,590)**	$ (33,230)

16. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash, accounts receivable, related parties accounts receivable, accounts payable and accrued liabilities and related parties accounts payable approximate carrying value due to the relatively short maturities of these instruments.

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The Company has no financial assets or financial liabilities for which fair value is determined for measurement or disclosure purposes at May 31, 2018 and 2017.

Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Credit Risk

The Company is exposed to credit risk due to its accounts receivable, which are stated net of an allowance for doubtful accounts as described in Note 3 – Accounts receivable, and cash. Cash is held at a major Canadian bank and is not considered to be subject to significant credit risk. Credit risk is the risk that a customer will be unable to pay amounts owed causing the Company to suffer a financial loss. The Company's largest customer accounts for 16.6% (2017 - 17.3%) of consolidated revenue, or 33.7% (2017 - 33.5%) of Insurance services segment revenue. This customer is one of Canada's largest insurance companies and is considered by management to be of negligible credit risk. The Company's remaining consolidated revenue is derived from a large number of relatively small customers and therefore are not subject to any concentrations of credit risk. Furthermore, individual revenue transactions are of nominal value.

Management reduces credit risk by carefully monitoring the amounts owed to them by their customers on a regular basis, performing regular credit reviews of any customer that approaches their credit limit or does not keep to their normal payment pattern. While the Company has credit controls and processes for the purpose of mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective, or that the Company's low credit loss experience will continue. Most of the Company's sales are by credit card or with large insurance companies. In the opinion of management, the credit risk is low due to the controls in place and the lack of concentration amongst customers. This risk is unchanged from the prior year.

16. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity Risk

The Company is exposed to liquidity risk due to its accounts payable and accrued liabilities and related parties accounts payable. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. In the opinion of management, the liquidity risk is low and is managed through continuous cash flow management. This risk is unchanged from the prior year.

Market Risks

The Company is not exposed to significant foreign currency, interest rate or other price risks.

17. CAPITAL MANAGEMENT

The Company manages its capital structure, which management defines as shareholders' equity net of non-controlling interest, in order to support the acquisition, and development of additional business opportunities and to ensure the Company is able to continue as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company will continue to assess new business opportunities and seek to acquire an interest in additional ventures if it feels there is sufficient economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management from the prior year.

18. SUBSEQUENT EVENT

Subsequent to the May 31, 2018 year end, the company entered into a contract for the development of a Mobile App for total consideration of $100,000.