Armada Data Corporation

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MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the year ending May 31, 2018 – effective September 25, 2018

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, 2018 and 2017, 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

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 fiscal 2018 operations consisted of three main segments: Insurance Services, CarCostCanada (combining the former Retail, Dealer and Advertising divisions), and Information Technology (IT) Services.

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

The CarCostCanada division derives its revenue from: the sale of new car pricing data to consumers primarily through the Company's flagship website www.CarCostCanada.com; the reselling of new car pricing data to qualified third party vendors; through the sale of new vehicle customer leads derived from membership sales from Car Cost Canada, and the sale of online third party website advertising, consulting fees and other new car or car business related marketing activities. In previous years, these revenues were reported separately, but because these revenues are all earned directly or indirectly from the website www.CarCostCanada.com, the three segments have been combined, and all previous periods' comparative information has also been combined.

The Information Technology division comprises web and email hosting, online marketing, search engine optimization, technical support and network support services (for both internal use and retail sales) and the resale of hardware and software solutions.

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Selected Annual Information

Fiscal Year Ended	May 31, 2018	May 31, 2017	May 31, 2016	May 31, 2015
Total Revenue	$2,951,844	$2,391,186	$2,249,620	$2,210,932
Income before undernoted	$380,910	$275,821	$272,545	$2,167
Income from discontinued operations (Mister Beer Inc.)	NIL	NIL	$86,470	$(642,601)
Income (Loss) before taxes	$380,910	$275,821	$359,015	$(640,434)
Income Taxes	$108,595	79,957	$75,468	NIL
Comprehensive Income (Loss) after Taxes	$272,315	$195,864	$283,547	$(640,434)
Comprehensive Income (Loss) per share	$0.02	$0.01	$0.02	$(0.04)
Total Assets	$1,196,600	$875,175	$953,751	$730,565
Total Liabilities	$355,095	$325,053	$599,493	$659,854
Shareholder's Equity, including Non-controlling interests	$841,505	$550,122	$354,258	$70,711
Dividends	NIL	NIL	NIL	NIL

The Company's total revenue increased by 23% in 2018 to $2,951,844 from $2,391,186 in 2017.

The Company reported comprehensive income of $272,315, 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 2018, by 18% over fiscal 2017
- Expansion of carcostcanada.com and dealer services program into the province of Quebec
- The Company retained a new digital advertising network in fiscal 2017

Selected Quarterly Information

Fiscal Year	2018	2018	2018	2018	2017	2017	2017	2017
Quarter Ended	May-31 2018	Feb-28 2018	Nov-30 2017	Aug-31 2017	May-31 2017	Feb-28 2017	Nov-30 2016	Aug-31 2016
Total Revenue	684,745	738,577	750,684	777,838	594,625	568,029	633,385	595,147
Comprehensive (Loss) Income before taxes	(144,518)	51,456	166,313	199,064	(118,352)	51,733	117,740	144,743
Comprehensive Income per share	$(0.01)	$0.00	$0.01	$0.01	$(0.01)	$0.00	$0.01	$0.01

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Operations

The Insurance Services division experienced an increase in revenue, from $1,233,604 in 2017 to $1,450,329 in 201, or by 18%. The increase in revenue was the result of the concerted effort by the Insurance Division to process more claims faster, in addition to signing more insurance companies.

The CarCostCanada division (combining the former Retail, Dealer and Advertising divisions) revenue was up 24% to $1,238,974 from $998,656. Free trial memberships resulted in more leads to dealers, and a full expansion into the province of Quebec account for this increase.

The Information Technology division revenue increased by 65% to $262,541 in 2018, from $158,926 in 2017. 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 2018. Amortization of the plant leasehold improvements was complete partway through fiscal 2018.

Armada's consolidated statement reflects income this year, before corporation income taxes, of $380,910, compared to the income before corporation income taxes of $275,821 in 2017. Corporation income tax expense is $108,595 in 2018, compared to $79,957 in 2017.

Total expenses before amortization increased to $2,570,934 compared to $2,115,365, a 22% 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 28% over last year. Advertising expense has increased 62%, due to new radio advertising campaigns.

Accounts receivable increased 81% to $566,230 as at May 31, 2018, compared to $312,129 last year. Related party accounts receivable increased from $2,442 to $6,564.

Accounts payable increased 1%, to $275,287 as at May 31, 2018 from $272,356 a year earlier. Related parties accounts payable increased to $26,173 as at May 31, 2018, from $23,740 last year. Corporation income taxes payable are $28,635 as at May 31, 2018 compared to $3,957 as at May 31, 2017.

As a result of the income reported by the Company in 2017, the Company's deficit decreased to $(933,400) as at May 31, 2018 compared to $(1,207,374) the prior year. Earnings per share at May 31, 2018 are $0.02 versus $0.01 per share at May 31, 2017.

No dividends were paid out to shareholders in fiscal 2018 or fiscal 2017. 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 $684,745 versus $594,625 last year, an increase of 15%. Income before taxes for the 4th quarter of 2018 is $(35,923), compared to $(38,395) in 2017.

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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 of 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.

Segmented Annual Information

Revenues earned by divisions were as follows:

	2018	2017
Insurance Services	**$1,450,329**	$ 1,233,604
CarCostCanada	**1,238,974**	998,656
IT Services	**262,541**	158,926
Total Revenue – Armada Data Corporation	**$ 2,951,844**	$2,391,186

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.

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.

Liquidity

Based on a year-end cash position of $375,767, accounts receivable of $566,230, and accounts payable of $275,287, the company is in a positive cash position. All 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 CarCostCanada 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 CarCostCanada division was 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 additional 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

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. 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.

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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.

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 IRFS, 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, 2018, 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, 2018 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.

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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. Launch first-to-the-market features and tools to further increase market share and take advantage of the significant available base of new car buyers currently not using third-party pricing and dealer referral services.
3. 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
4. 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.
5. Maintain operating expenses and achieve the economies of scales of an Internet based business.
6. Execute sales and marketing contracts with related organizations to expand and leverage the user-bases for CarCostCanada, Armada Insurance and Armada IT Services.

On behalf of the Board of Directors

"R. James Matthews"

R. James Matthews
Chief Executive Officer