ARMADA DATA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2019 and 2018
(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

Opinion

I have audited the consolidated financial statements of Armada Data Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years ending May 31, 2019 and 2018, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and 2018, and the results of its operations and cash flows for the years ending May 31, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). My responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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PHILIP GIGAN
CHARTERED ACCOUNTANT

As part of an audit in accordance with Canadian GAAS, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Philip Gigan

Toronto, Ontario
September 20, 2019

Chartered Professional Accountant
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

AT MAY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 397,808	$ 375,767
Accounts receivable (note 6)	427,786	566,230
Related parties accounts receivable (notes 6 and 11(a))	8,741	6,564
Income taxes recoverable	94,815	-
Prepaid expenses and sundry assets	49,635	45,016
Deposits – Future purchase of property and equipment (note 7)	80,000	-
TOTAL CURRENT ASSETS	1,058,785	993,577
PROPERTY AND EQUIPMENT (note 8)	26,489	23,023
GOODWILL (note 9)	180,000	180,000
TOTAL ASSETS	$ 1,265,274	$ 1,196,600
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 10)	$ 350,669	$ 275,287
Related parties accounts payable (notes 10 and 11(f))	1,762	26,173
Deferred revenue (note 15)	25,000	25,000
Income taxes payable	-	28,635
TOTAL CURRENT LIABILITIES	377,431	355,095
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 12)	1,730,022	1,730,022
DEFICIT	(970,854)	(933,400)
CONTRIBUTED SURPLUS	278,365	194,573
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	1,037,533	991,195
NON-CONTROLLING INTEREST	(149,690)	(149,690)
TOTAL SHAREHOLDERS' EQUITY	887,843	841,505
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,265,274	$ 1,196,600

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, 2019 AND 2018
(Expressed in Canadian Dollars)

	May 31, 2019	May 31, 2018
REVENUE (notes 11(a) and 15)	**$ 2,884,628**	$ 2,951,844
EXPENSES		
Office salaries	**910,025**	831,801
Advertising and business promotion	**331,289**	316,376
Management salaries	**307,118**	318,406
Selling salaries	**267,044**	143,754
Rent, common area costs and utilities	**244,914**	217,913
Selling fees	**199,329**	200,231
Employee benefits	**127,846**	108,855
Commissions and fees	**124,228**	55,096
Computer consulting and supplies	**113,632**	89,166
Stock-based compensation expense	**83,792**	19,068
Direct costs – IT	**82,622**	139,649
Professional fees	**68,231**	64,279
Outside data and consulting services	**53,403**	49,799
Automobile and travel	**43,433**	30,832
Telephone	**24,201**	24,816
Insurance	**20,992**	18,441
Transfer and exchange fees	**15,383**	17,774
Bank charges, credit card charges and interest	**13,381**	14,561
Office and general	**10,597**	21,328
Operating leases	**9,466**	9,453
Depreciation: property and equipment	**7,949**	24,537
Printing	**3,551**	3,394
Less: Rental income recovered	**(155,024)**	(148,595)
	2,907,402	2,570,934
(LOSS) INCOME BEFORE TAXES	**(22,774)**	380,910
PROVISION FOR INCOME TAXES (note 13(a))	**(14,680)**	(108,595)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	**$ (37,454)**	$ 272,315
Attributable to equity holders of the Company	**$ (37,454)**	$ 273,974
Attributable to non-controlling interests	**-**	(1,659)
	$ (37,454)	$ 272,315
Net income (loss) per share		
Basic and diluted (note 12(b))	**$ (0.00)**	$ 0.02

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, 2019 AND 2018
(Expressed in Canadian Dollars)

	Share Capital	Deficit	Contributed Surplus	Non-Controlling Interest	Total Equity
Balance as at May 31, 2017	$ 1,730,022	$ (1,207,374)	$ 175,505	$ (148,031)	$ 550,122
Net Income	-	273,974		-	273,974
Stock based compensation expense			19,068		19,068
10% share attributable to non-controlling Interest (note 16)	-	-	-	(1,659)	(1,659)
Balance as at May 31, 2018	1,730,022	(933,400)	194,573	(149,690)	841,505
Net loss	-	(37,454)	-	-	(37,454)
Stock based compensation expense	-	-	83,792	-	83,792
Balance as at May 31, 2019	$ 1,730,022	$ (970,854)	$ 278,365	$ (149,690)	$ 887,843

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.

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

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	May 31, 2019	May 31, 2018
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
(Loss) income before tax	$ (22,774)	$ 380,910
Adjustments for depreciation - property and equipment	7,949	24,537
Stock-based compensation expense	83,792	19,068
	68,967	424,515
Net changes in non-cash working capital balances (see below)	182,619	(254,206)
Cash generated from operations	251,586	170,309
Income taxes paid	(138,130)	(83,917)
NET CASH FROM OPERATIONS	113,456	86,392
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment	(11,415)	(6,825)
Deposits – future purchase of property and equipment	(80,000)	-
	(91,415)	(6,825)
NET INCREASE IN CASH	22,041	79,567
CASH, beginning of year	375,767	296,200
CASH, end of year	$ 397,808	$ 375,767

Net changes in non-cash working capital balances consists of:		
Accounts receivable	$ 138,444	$ (254,101)
Related parties accounts receivable	(2,177)	(4,122)
Prepaid expenses and sundry assets	(4,619)	(1,347)
Accounts payable and accrued liabilities	75,382	2,931
Related parties accounts payable	(24,411)	2,433
	$ 182,619	$ (254,206)

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, 2019 AND 2018
(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, 2019 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 20, 2019.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented, except for the effects of adoption of IFRS 9 and IFRS 15, as described under Financial Instruments and Revenue Recognition, respectively, in the following. Both IFRS 9 and IFRS 15 were adopted using the modified retrospective method, as allowed by their transitional provisions, whereby the standards have been applied prospectively with effect from June 1, 2018 and the prior year’s financial position and performance have not been restated. These new standards did not give rise to any differences in the recognition and measurement of financial instruments and revenues. Both the new and previous accounting policies are included in the following.

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

IFRS 15 replaced various other revenue related guidance in IFRS and has introduced a single model for the recognition of revenues from contracts with customers.

The Company’s sales and performance obligations occur both over time (based on an annual advertising contract) and at a point in time (when services are rendered).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Revenue for services are recognized at a point in time, when services are rendered, being when the Company has objective evidence that all criteria for acceptance of the service have been satisfied. A receivable is recognized at that time because payment of the consideration is unconditional, being based only on the passage of time.

Revenues are recognized over a period of time for annual advertising contracts beginning when the advert is initially published. Consideration received for the unelapsed period beyond the statement of financial position date is recorded as deferred revenue because the performance obligation has not yet been satisfied.

At May 31, 2019, there are no unfulfilled performance obligations extending beyond a year for which the Company has not collected funds or deposits.

Revenue Recognition – Policy at May 31, 2018 and prior

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

IFRS 9, which replaced IAS 39, includes guidance on: classification and measurement of financial assets and liabilities; impairment of financial assets measured at amortized cost; and general hedge accounting.

Initial Measurement

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured at fair value. Directly attributable transaction costs for the acquisition or issue of financial instruments classified as at amortized cost or at fair value through other comprehensive income ("FVTOCI") are included with the carrying amount of such instruments. Directly attributable transaction costs for the acquisition or issue of financial instruments classified as at fair value through profit or loss ("FVTPL") are recognized as an expense as incurred. An irrevocable election can be made at initial recognition of a financial asset, on an asset-by-asset basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor a contingent consideration arising from a business combination to be classified as FVTOCI.

Financial assets – Subsequent measurement

Subsequent measurement of financial assets depends on their classification as either amortized cost or fair value (either FVTOCI or FVTPL). The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. The Company's objective is to collect contractual cash flows, which represent solely payments of principal and interest, if any. The Company does not sell financial assets, and has therefore classified cash, accounts receivable and accounts receivable from related parties as subsequently measured at amortized cost.

The Company assesses, on a forward-looking basis, the expected credit losses associated with financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the required simplified approach and recognizes expected lifetime losses from initial recognition of the accounts receivable.

Financial liabilities – Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as either amortized cost or FVTPL. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities so designated upon initial recognition. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. The accounts payable and accrued liabilities and related party accounts payable are classified as at amortized cost. The Company does not use derivative financial instruments.

Financial Instruments – Policy at May 31, 2018 and prior

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)

Financial Instruments – Policy at May 31, 2018 and prior (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 financial institution.

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.

(Expressed in Canadian Dollars)

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, 2019 and 2018, 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 standard is not effective for the year ended May 31, 2019, and has not been applied in preparing these consolidated 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. Management is in the process of finalizing the effect of adopting this standard.

6. ACCOUNTS RECEIVABLE

	May 31 2019	May 31 2018
Neither impaired nor past due	**$ 237,444**	$ 236,456
Not impaired and past due in the following periods:		
1 to 30 days	**115,198**	110,904
31 to 60	**69,098**	55,006
Over 60 days	**14,787**	170,428
Impaired accounts receivable	**10,707**	27,913
Allowance for doubtful accounts	**(10,707)**	(27,913)
Total accounts receivable and related parties accounts receivable	**$ 436,527**	$ 572,794
Broken down as follows:		
Related parties accounts receivable	**$ 8,741**	$ 6,564
Accounts receivable	**427,786**	566,230
Total accounts receivable and related parties accounts receivable	**$ 436,527**	$ 572,794

None of the allowance for doubtful accounts at May 31, 2019 or 2018 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. DEPOSITS – FUTURE PURCHASE OF PROPERTY AND EQUIPMENT

In July 2018, the Company signed a contract with a mobile app development company for the creation of an all new iOS® and Android® mobile app for the Company's ecommerce website, CarCostCanada. The contract amount is estimated to be approximately $105,600, once fully complete and operational. The Company has paid $80,000 in deposits prior to May 31, 2019. Subsequent to year end, an additional $15,600 was paid, with the balance payable prior to the end of the next fiscal year. Once fully operational the software will be presented as a category within property and equipment.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	May 31, 2019			May 31, 2018		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Leasehold Improvements	**$ 183,793**	**$ 174,060**	**$ 9,733**	$ 172,978	$ 172,978	$ -
Furniture and fixtures	**26,829**	**23,289**	**3,540**	26,829	22,404	4,425
Computer hardware	**154,114**	**143,541**	**10,573**	153,514	139,139	14,375
Telephone equipment	**21,742**	**19,099**	**2,643**	21,742	18,438	3,304
Computer software	**41,075**	**41,075**	**-**	41,075	40,156	919
	$ 427,553	**$ 401,064**	**$ 26,489**	$ 416,138	$ 393,115	$ 23,023

At May 31, 2019	
Cost	**$ 427,553**
Accumulated depreciation	**(401,064)**
Net Book Value at May 31, 2019	**$ 26,489**
Carrying value at June 1, 2018	**$ 23,023**
Additions – Computer hardware	**600**
Additions – Leasehold improvements	**10,815**
Depreciation	**(7,949)**
Net Book Value at May 31, 2019	**$ 26,489**
At May 31, 2018	
Cost	**$ 416,138**
Accumulated depreciation	**(393,115)**
Net Book Value at May 31, 2018	**$ 23,023**
Carrying value at June 1, 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**

9. GOODWILL

	May 31, 2019	May 31, 2018
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 Company's consolidated goodwill and property and equipment. 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.

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2019		2018
Accounts payable	**$**	**232,650**	$	155,816
Accrued liabilities		**104,813**		115,519
Sales tax payable		**14,968**		15,107
Payroll tax payable		**-**		15,018
	$	**352,431**	$	301,460
Broken down as follows:				
Related parties accounts payable	**$**	**1,762**	$	26,173
Accounts payable and accrued liabilities		**350,669**		275,287
Total accounts payable and related parties accounts payable	**$**	**352,431**	$	301,460

11. RELATED PARTY TRANSACTIONS

The following transactions with related parties were in the normal course of operations:

a) The Company recognized IT revenue of $41,941 (2018 - $47,699) from a company and individuals significantly influenced by one of the Company's directors. At May 31, 2019 there was an account receivable of $8,576 (2018 - $5,875) due from this related party and accounts receivable of $165 (2018 - $689) 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:

		2019		2018
Management salaries	**$**	**307,118**	$	318,406
Fair value of stock-based compensation expense		**69,827**		15,890
Automobile and travel allowances		**14,202**		14,400
	$	**391,147**	$	348,696

c) Professional fees of $19,145 (2018 - $24,996) 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 $3,000 (2018 - $15,650) 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 $16,575 (2018 - $9,090) with an entity controlled by the spouse of a director of the Company.

f) Related parties accounts payable of $1,762 (2018 - $26,173) are due to directors or persons and entities related to directors of the Company.

(Expressed in Canadian Dollars)

12. 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, 2019, 800,000 (2018 – nil) options were exercisable. The remaining fair value of options to be expensed in fiscal years subsequent to May 31, 2019 is $8,980.

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.

The fair value of the options granted during the prior year 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.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (Cont'd)

b) Weighted average number of common shares outstanding

	2019	2018
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 (note * below)	**-**	25,802
Weighted average number of common shares outstanding for diluted earnings per share	**17,670,265**	17,696,067

Note * Exercise of the stock options outstanding during the year would be anti-dilutive and therefore the effect has been excluded.

13. 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 rates to income before tax is as follows:

	2019	2018
(Loss) income before tax	**$ (22,774)**	$ 380,910
Canadian tax rate	**26.5%**	26.5%
Theoretical tax expense	**(6,035)**	100,941
Tax cost of non-deductible items	**23,109**	5,601
Tax cost of depreciation expense in excess of tax depreciation	**(2,394)**	2,053
Income tax provision	**$ 14,680**	$ 108,595

b) At May 31, 2019, The Big and Easy Bottle Brewing Company Inc. and Mister Beer Inc. had combined non-capital losses for income tax purposes of $2,208,218 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, 2028	$ 2,268
May 31, 2029	48,677
May 31, 2030	82,200
May 31, 2031	60,561
May 31, 2032	239,083
May 31, 2033	546,096
May 31, 2034	593,360
May 31, 2035	300,785
May 31, 2037	45
May 31, 2038	335,143
	$ 2,208,218

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. 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. Minimum rental payments recognized as an expense during the year ended May 31, 2019 were $240,560 (2018 - $215,481). Minimum rental payments (including common area expenses and realty tax for the premises) are:

Amounts due within one year	$	234,123
Amounts due in more than one year and less than five years		329,616
	$	563,739

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		297,129
	$	452,153

c) The Company has various other operating leases which continue until fiscal 2022. The minimum rental payments (excluding HST) are:

Amounts due within one year	$	9,201
Amounts due in more than one year and less than five years		13,670
	$	22,871

d) The Company is committed to the purchase of software as described in note 7.

15. 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 segment 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. The Information Technology segment 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. No revenue is recorded by the IT Services segment for internal use. Revenues recognized from third party customers, by segment, are as follows:

	2019	2018
Insurance Services (see note 17)	**$ 1,482,623**	$ 1,450,329
CarCostCanada (see note * below)	**1,153,541**	1,238,974
IT Services	**248,464**	262,541
Total revenue	**$ 2,884,628**	$ 2,951,844

Note * Included in CarCostCanada are revenues of $60,000 (2018 - $60,000) of annual advertising revenue recognized over the time period of the contract The unearned portion is presented as deferred revenue. All other revenues of the Company are recognized at a point in time when services are rendered.

(Expressed in Canadian Dollars)

15. SEGMENTED INFORMATION (Cont'd)

Accounts receivable by segment are as follows:

	2019	2018
Insurance Services	**$ 182,212**	$ 392,659
CarCostCanada	**164,351**	140,866
IT Services	**48,025**	29,370
Not reportable by segment	**41,939**	9,899
Total accounts receivable	**$ 436,527**	$ 572,794

16. NON-CONTROLLING INTEREST

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

	2019	2018
Current assets	**$ 15,059**	$ 15,059
Long term assets	**-**	-
Total assets	**$ 15,059**	$ 15,059
Current liabilities	**$ -**	$ -
Long term liabilities – intragroup payable	**(2,276,385)**	(2,276,385)
Total liabilities	**$ (2,276,385)**	$ (2,276,385)
Revenue	**$ -**	$ -
Net loss and total comprehensive loss	**$ -**	$ (16,590)

17. 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 instruments for which fair value is determined using a valuation technique for measurement or disclosure purposes at May 31, 2019 and 2018.

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.

17. FINANCIAL INSTRUMENTS (Cont'd)

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 two largest customers account for 18.7% (2018 – 16.6%) and 13.2% (2018 – 9.2%) of consolidated revenue, or 36.0% (2018 – 33.7%) and 26.0% (2018 – 18.7%) of Insurance Services segment revenue. These customers are two of Canada's largest insurance companies and are 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 by 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.

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 during both periods presented.

18. 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.