

MANAGEMENT’S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending February 29, 2020 - effective April 29, 2020

The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the Armada Data Corporation’s unaudited interim consolidated financial statements for the period ended February 29, 2020, and accompanying notes, and the Company’s annual audited consolidated financial statements for the years ended May 31, 2019 and 2018 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”) and are presented in Canadian dollars.

These unaudited interim consolidated financial statements have been prepared in accordance with International financial Reports Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies have been selected to be consistent with IFRS as was effective May 31, 2012, the Company’s first annual IFRS reporting date. These accounting policies have been applied consistently to all periods presented.

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 operations consisted of three main segments: Insurance Services, CarCostCanada, (combining the former Retail, Dealer and Advertising/Marketing 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 CostCostCanada.com; and the sale of online third-party website advertising, consulting fees and other new car or car business related marketing activities. In previous periods, 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, technical support and network support services (for both internal and retail users) and the resale of hardware and software solutions. The division has vendor relationships with Microsoft, Barracuda, DropBox and Webroot.

Selected Quarterly Information

| Fiscal Year | 2020 | 2020 | 2020 | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Quarter Ended | Feb-29 2020 | Nov-30 2019 | Aug-31 2019 | May-31 2019 | Feb-28 2019 | Nov-30 2018 | Aug-31 2018 | May-31 2018 | Feb-28 2018 |
| Total Revenue | 922,113 | 974,475 | 775,200 | 713,646 | 718,174 | 704,521 | 748,287 | 684,745 | 738,576 |
| Comprehensive Income(loss) before taxes | 56,904 | 81,648 | 97,865 | (85,663) | 1,617 | (30,407) | 91,679 | (35,922) | 51,455 |
| Comprehensive Income(loss) per share | \$0.00 | \$0.01 | \$0.01 | \$(0.01) | \$0.00 | \$0.00 | \$0.01 | \$0.00 | \$0.00 |

Operations

The Company's total revenue increased 28% in the three months ended February 29, 2020 to \$922,113 from \$718,174 in the same period a year earlier. Comprehensive income increased to \$56,904 in this quarter, from \$1,617 at February 28, 2019.

The Insurance Services division experienced a 14% increase in revenue, from \$416,835 in the three months ended February 28, 2019 to \$473,925 in 2020.

The CarCostCanada division (combining the former Retail, Dealer and Advertising divisions) revenue was up by 55% for the period ended February 29, 2020, to \$376,769 from \$243,101 during the period ended February 28, 2019.

The Information Technology division revenue increased by 23% to \$71,419 in the third quarter of fiscal 2020 ended February 29, 2020, from \$58,238 in the same quarter in fiscal 2019. 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.

Expenses in this third quarter of fiscal 2020 before amortization, interest and stock-based compensation, increased to \$825,311, compared to \$693,915, a 19% increase over the same period last year.

Accounts receivable increased 19% to \$648,420 as at February 29, 2020, compared to \$543,776 as at February 28, 2019. Related party accounts receivable increased from \$5,579 to \$12,835.

Accounts payable increased 43%, to \$382,332 as at February 29, 2020 from \$266,556 a year earlier. There was \$8,442 in Related parties accounts payable as at February 29, 2020 and \$2,881 as at February 28, 2019.

The Company's deficit decreased to \$(734,435) as at February 29, 2020, compared to \$(870,511) as at February 28, 2019. Earnings per share at February 29, 2020 are \$0.00, versus \$0.00 at February 28, 2019.

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 website, CarCostCanada.com. The contract amount is estimated to be approximately \$117,520, once fully complete and operational. The Company has paid \$107,520 in deposits prior to February 29, 2020. The balance of \$10,000 is payable prior to the end of the current fiscal year. Once fully operational, the software will be presented as a category within property and equipment.

Management does not plan on issuing any dividends until further notice.

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 vested 1/3 every six months beginning six months from the grant date. The Company had no options outstanding prior to April 30, 2018. As of February 29, 2020 all or 1,200,000 of the options are exercisable (February 28, 2019 – nil). The remaining fair value of options to be expensed in fiscal years subsequent to May 31, 2019 is \$8,980. The fair value of options expensed in the quarter ended February 29, 2020 is \$2,449 (of which \$2,041 is for Related Parties).

Related Party Transactions

Salaries and expenses are paid to a director and officer of the Company, who is also 50% shareholder of Lease Busters Inc. Legal fees are paid to a law firm, of which a partner is a (non-remunerated) director of the Company.

Included in expenses are the following paid to directors and parties related to directors of the Company:

| | 3 months ended February 29, 2020 | 3 months ended February 28, 2019 | year ended May 31, 2019 |
|--|---|-------------------------------------|----------------------------|
| Advertising | \$ 12,509 | \$ - | \$ 2,868 |
| Automobile | 3,600 | 3,600 | 14,202 |
| Computer Consulting | - | 1,827 | 13,707 |
| Management Salaries | 75,000 | 75,000 | 307,118 |
| Professional Fees | 12,759 | 5,760 | 19,145 |
| Rent | - | - | 3,000 |
| Fair value of stock-based compensation expense | 2,041 | 17,457 | 69,827 |
| | <u>\$ 105,909</u> | <u>\$ 103,644</u> | <u>\$ 429,867</u> |
| Amounts due from Related Parties | <u>\$ 12,835</u> | <u>\$ 5,579</u> | <u>\$ 8,741</u> |
| Amounts owing to Related Parties | <u>\$ 8,442</u> | <u>\$ 2,881</u> | <u>\$ 1,762</u> |

All of the above transactions have been in the normal course of operations, and in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

Segmented Quarterly Information

Revenues earned by divisions are as follows:

| | 3 months ended February 29, 2020 | 3 months ended February 28, 2019 |
|----------------------------------|---|-------------------------------------|
| Insurance Services | \$ 473,925 | \$ 416,835 |
| CarCost Canada | 376,769 | 243,101 |
| Information Technology | 71,419 | 58,238 |
| Total revenue - Armada Data Corp | <u>\$ 922,113</u> | <u>\$ 718,174</u> |

Liquidity

Based on a quarter-end cash position of \$470,440, accounts receivable of \$648,420, and accounts payable of \$382,332, the company is in a positive cash position. There are many initiatives, partnerships and features being developed behind the scenes that are being launched in fiscal 2020. The Company hired some key management and support personnel to assist in achieving revenue that should surpass 2019 levels. Management believes that the investment in these ventures and action plans will demonstrate significant returns for the Company in both revenue growth and corporate goodwill.

CarCostCanada revenues are primarily derived from the sale of new-car buyer members to our network of new car dealerships that will aim to sell the CarCostCanada member a new car. It is the mandate of management to monetize each CarCostCanada member by way of this lead-generation sale to new car dealers. In 2019, the CarCostCanada division hired a skilled and experienced Vice President and General Manager to enhance this member monetization, as well as increasing the size of the Company's new car dealership network, and maintain and strengthen the existing network. Management believes that our new hire and the dealer development team he is building will, over a short period of time, increase the revenues of the CarCostCanada division, as well as fortify the relationships with this dealer network.

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 to 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 three largest customers account for 16%, 14% and 10% (February 28, 2019 20%, 16% and 3%) of consolidated revenue or 30%, 28%, and 19% (February 28, 2019 35%, 27% and 5%) of Insurance Services segment revenue. These customers are three 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 monitoring the amounts owed to them by their customers on a regular basis, performing regular credit reviews by 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 sale are by credit or with large insurance companies. In the opinion of management, the credit risk is low due to the controls on place and the lack of concentration among customers. This risk is unchanged from prior periods.

Liquidity Risk

The Company is exposed to Liquidity risk of their accounts payable, \$382,332(February 28, 2019 \$266,556). 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 the company is not exposed to a material amount of liquidity risk. This risk is unchanged from prior periods.

Market Risk

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

Capital Management

The Company manages its capital structure, which management defines as shareholders' equity net on 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 during any of the periods presented herein.

Accounting changes – International Financial Reporting Standards (“IFRS”) 16 Leases

The Company has adopted IFRS 16 *Leases*, retroactively but without restatement, as at June 1, 2019. On adoption there was no cumulative effect to be recognized in opening retained earnings as at June 1, 2019. The information related to the comparative period has not been restated and continues to be accounted for in accordance with the previous accounting policy.

The Company holds real estate and a vehicle under lease. The new accounting policy had the effect of capitalizing the underlying assets based on the future lease payments. The effect on the financial position at February 29, 2020 was an increase in long-term assets of \$228,217 and an increase in liabilities of \$234,013. Of the liabilities, an amount of \$115,400 is presented as current, however, the Company is still in a positive working capital position.

The new standard changed the nature of expense related to these leases for the three months ended February 29, 2020 from lease payments expensed to depreciation of the right-of-use asset and interest expense on the lease liability. The effect on the Company's performance was a net decrease in comprehensive income for the period of \$1,573.

Controls and Procedures

Disclosure Controls and Procedures - As at February 29 2020, 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 quarter ended February 29, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

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

1. Develop a new, targeted CarCostCanada digital, video and traditional marketing campaign to enhance product and brand awareness to more Canadian new car buyers.
2. Forge new CarCostCanada marketing partnerships that focus specifically on Canadian new car buyers and convert these buyers to CarCostCanada members.
3. Continue to build out the CarCostCanada new car dealership network and strive to monetize over 80% of our members and introduce additional product offerings to our member-base.
4. Maintain and 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 client base.
5. Sign on one or two additional Canadian insurance companies to become Armada Insurance Services clients.
6. Introduce a new CarCostCanada Member Services product that caters specifically to our insurance company clients.

COVID-19 emerged in December 2019 and subsequently spread worldwide, leading to the World Health Organization's declaration of a COVID-19 pandemic on March 11, 2020. To date, Canadian federal and provincial governments and businesses have mandated various measures, including: travel restrictions, restrictions on public gatherings, stay-at-home orders and advisories, and the quarantine of people who may have been exposed to the virus.

The Company's operation continue, but in response to the guidance from government, and in an effort to mitigate the spread of COVID-19, effective March 18, 2020, staff moved to a work from home model with very limited office presence.

While revenues in the period subsequent to February 29, 2020 have been negatively impacted by the pandemic, the Company's financial position and working capital remain strong. The Company will be applying for the Federal payroll subsidy and job-sharing benefits to manage operating costs. The Company continues to monitor developments, including government regulations and recommendations, to assess future actions.

On behalf of the Board of Directors

"R. James Matthews"

R. James Matthews
Chief Executive Officer