

## **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending February 28, 2011**

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 quarter ended February 28, 2011 and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars.

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

### **Company Overview**

Armada Data Corporation ("Armada" or "the Company") is an Information Services Company providing accurate and real-time data, to institutional and retail customers, through developing, owning and operating automotive pricing related web sites and providing information technology 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. The Company has been based in Mississauga, Ontario since its inception in July 1999.

The Company's operations consist of five main divisions; Insurance Services, Retail Services, Dealer Services, Information Technology Services and Advertising/Marketing Services.

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

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

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

The Information Technology division derives its revenue from web site hosting, web site development, email services, online marketing, search engine optimization, technical support and network support services.

The Advertising/Marketing Services division derives its revenue from the sale of online third party website advertising, consulting fees and other new car or car business related marketing activities.

During the quarter ended February 28, 2011 Armada achieved a number of important milestones.

Comparisons for the quarter are versus the same period last year.

- The Company reported the highest 3<sup>rd</sup> quarter revenue in the Company's history
- Overall revenue grew from \$707,517 last year to \$753,013 or an increase of 6%.
- Operating income (before taxes, amortization and stock-based comp.) grew from \$51,770 to \$81,217 or an increase of 57%.
- Net income, before taxes (after amortization and stock-based comp.) increased from \$3,451 to \$73,766.
- Net income, after taxes (after amortization and stock-based comp.) increased from \$3,451 to \$49,766.
- Total assets of the Company increased from \$1,361,629 to \$1,914,410 or an increase of 41%.
- Total liabilities of the Company increased from \$133,764 to \$304,188 or an increase of 127%.
- Shareholder's equity increased from \$1,227,865 to \$1,610,222 or an increase of 31%.
- The Company's cash position increased from \$772,825 to \$1,041,034 or an increase of 35%.

### Selected Quarterly Information

Fiscal Year	2011	2011	2011	2010	2010	2010	2010	2009
Quarter Ended	Feb-28 2011	Nov-30 2010	Aug-31 2010	May-31 2010	Feb-28 2010	Nov-30 2009	Aug-31 2009	May-31 2009
<b>Total Revenue</b>	753,013	711,520	743,551	741,817	707,517	750,628	746,695	737,955
<b>Net Income after taxes</b>	49,766	46,996	107,599	109,831	3,451	19,140	156,298	22,357
<b>Net Profit per share</b>	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01

### Operations Overview

Management is pleased to report the results of the third quarter ending February 28, 2011. The Company generated record third quarter revenues. The Company is now in the strongest financial position in its history and it is anticipated that Armada will continue to experience revenue and net income growth, moving forward.

Revenue increased during the quarter to \$753,013 from \$707,517 last year, an increase of 6%.

Operational expenses increased to \$671,796 from \$655,747 an increase of 2%. Despite the increased expense in additional staff and larger premises, the Company was able to implement efficiencies which allowed overall expense increases to remain below the level of revenue increases.

Operationally the company recorded a profit, before taxes, amortization and stock-based compensation, of \$81,217 compared to a comparable profit of \$51,770 last year, an increase of 57%.

Non-cash items included amortization expenses, which increased to \$7,451 from \$5,799 last year, an increase of 28% and stock-based compensation expenses which decreased to NIL from \$42,520 last year.

The company recorded a profit, before taxes and after amortization and stock-based compensation, of \$73,766 compared to a comparable profit of \$3,451 last year.

Based on a quarter-end cash position of \$1,041,034, Accounts Receivable of \$574,374, total current liabilities of \$304,188, and the continuation of positive cash flow going forward, management feels that the Company is in a good position to meet all current and foreseeable financial obligations.

"Management has made certain critical accounting estimates pertaining to the Amortization of Capital Assets, Intangible Assets and Deferred Acquisition Costs. These critical estimates were based on the expected useful lives of the particular asset when they were acquired".

#### **Stock options and stock-based compensation**

The company has a stock-based compensation plan which is described in Note 7 of the Company's unaudited interim financial statements for the quarter ended February 28, 2011. The company uses the Canadian Institute of Chartered Accountant's handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. All stock-based awards are measured and recognized using the fair-value method as determined by the Black-Scholes option pricing model. Agent's warrants, stock options and direct awards of stock are recorded at fair value on the date of grant.

#### **Insurance Services**

Armada Insurance Services revenue increased to \$325,130 from \$322,330 last year, an increase of 1%. For the quarter Insurance Services generated 43% of the company's revenue versus 46% last year.

The Company currently works with 26 Insurance Companies in Canada.

The Company has now implemented a newer, more automated version of the ACV service which has increased the productivity and profitability of the service. The total market for the ACV service is over ten times greater than the 43r service and the Company expects to continue to increase its market share moving forward.

Subsequent to the end of the quarter, the Company began beta testing a newer, more automated version of the 43r service which is expected to increase the productivity and profitability of the service.

## **Retail Services**

Retail Services successfully implemented a number of new marketing initiatives, including Boxing week specials and Deal of the Day campaigns, to increase CarCostCanada Membership levels during the quarter, which is typically the slowest new car selling season.

New CCC membership sales increased to 5,186 for the quarter versus 4,451 last year, an increase of 17%. The average sale price of memberships dropped to \$27.17 versus \$36.04, resulting in CCC Membership revenue decreasing to \$140,890 from \$160,435 last year, a decrease of 12%. As a result of the growth in Membership, the Dealer Services division was able to increase its sale of leads to dealers, which more than offset the loss in revenue in the Retail Services division.

Retail Services overall revenue includes revenue generated via the Company's arrangement with Consumer Reports, which markets an Armada-sourced Canadian new car pricing service via CrCanadaCars.org and charges its members in US dollars. Despite the negative impact of a lower US dollar, Armada's revenue increased to \$13,798 versus \$12,310 last year or an increase of 12%.

Overall Retail Services revenue decreased to \$154,687 from \$172,745 last year, a decrease of 10%. For the quarter Retail Services generated 20% of the company's revenue versus 24% last year.

The decrease in revenue can also be attributed to a similar decrease in advertising expenses for CarCostCanada.com. Direct advertising expenses decreased to \$93,868 from \$112,849 last year. Towards the end of the quarter the Company increased its advertising expenses in preparation for the busy spring new car selling season.

In February, 2011 the Company launched a beta-version of its all-new TheCarMagazine.com website. The site was designed to appeal to Canadian consumers that are in the early stages of their new car buying process, versus CarCostCanada.com which caters more to late-stage buyers.

TheCarMagazine.com with its unmatched level of Canadian specific automotive news, reviews, pricing, dealer ratings, buyer reviews and average discounts should generate an increased level of traffic and will form the basic structure for an all-new version for CarCostCanada.com, which is tentatively scheduled to launch in the Company's first quarter of 2011-2012.

## **Dealer Services**

Dealer Services continues to be the fastest growing division of the Company.

Aided by the increase in CCC membership, overall revenue from Dealer Services increased to \$231,859 from \$181,609 last year, an increase of 28%. For the quarter Dealer Services generated 31% of the company's revenue versus 26% last year.

Dealer Services generates revenue through the sale of new vehicle leads derived from members of Car Cost Canada. Continued growth in CCC Membership and additional coverage in previously underserved areas will continue to drive revenue increases.

### **Advertising/Marketing Services**

Third party advertising revenue on CarCostCanada.com and TheCarMagazine.com decreased to \$14,514 from \$29,220 last year, a decrease of 50%. Due to the limited upside potential of third party advertising and the negative impact on the user experience, the Company has decided to put less emphasis on advertising on its sites to improve the quality of the experience for its visitors.

### **Internet Technology Services**

Armada's recent acquisition established the Company's new Information Technology division. It derives its revenue from website hosting, website development, email services, online marketing, search engine optimization, technical support and network support services. Additional benefits include the cost-saving advantage of bringing the Company's IT expenditures in-house. During the quarter IT Services generated revenue of \$26,345.

One of IT Services' goals will be to use advanced technology solutions to streamline many of the Company's current processes, which will increase efficiencies to generate higher operating margins in all divisions moving forward.

### **Risk Management**

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

### **Controls and Procedures**

Disclosure Controls and Procedures - As at February 28, 2011, 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 28, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. For all future financial reporting periods, management intends to continue to fully comply with the new disclosure obligations.

## Outlook and Investor Highlights

Armada Data continues to attain a number of important fiscal and operational achievements, which include:

- CCC Membership sales continues to grow
- Dealer Services continues to outpace all divisions in growth
- Insurance Services continues to generate the highest revenue of all divisions
- Company continues to improve its profit margins
- Company continues to strengthen its balance sheet
- Company continues to increase its cash position and shareholders equity
- Management is focused on National sales growth, expense management and increasing profitability
- An independent audit committee and mandate remains in full force to ensure quality of corporate governance to provide shareholders the confidence they deserve

Armada Data Corporation, with its financial and human resources, is poised for continued growth as it capitalizes and grows its niche markets in all aspects of its Internet and traditionally based businesses.

It is expected that Management can meet these objectives regardless of economic conditions.

Although a robust economy can lead to a greater number of cars sold and thus a potentially larger market opportunity for all of Armada's Divisions, a down economy has proven to have an equally positive impact as both individuals and insurance companies become more cost conscious.

On behalf of the Board of Directors

*"PAUL TIMOTEO"*

Paul Timoteo

President and C.F.O.