

## **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the second fiscal quarter ending November 30, 2011**

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Armada Data Corporation's unaudited consolidated interim financial statements for the quarter ended November 30, 2011 and accompanying notes. The results reported herein have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

The accounting policies have been selected to be consistent with IFRS as is expected to be effective May 31, 2012, the Company's first annual IFRS reporting date. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Policies ("Canadian GAAP")

The adoption of IFRS resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out in the unaudited interim financial statements have been applied consistently to all periods presented. They have also been applied in the preparation of the opening IFRS statement of financial position as at June 1, 2010.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to the unaudited interim consolidated financial statements will be finalized only when the first annual IFRS audited consolidated complete financial statements are prepared for the year ended May 31, 2012.

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 is a diversified Canadian publicly traded Information & Marketing Services Company providing data to a diverse group of corporate and retail clients. Armada also provides information technology, e-commerce and online marketing services to its clients.

On October 1<sup>st</sup> 2011, Armada acquired 90% of The Big & Easy Bottle Brewing Company, which produces and markets the unique Mister Beer Bottle Brew beer-making kit. This adds a new dimension to Armada which Management believes has great potential for increasing shareholders value.

The company has been able to continue to grow profitably, while at the same time improve its financial position and strengthen its balance sheet. The combination of revenue and net earnings growth, coupled with increasing Shareholder's equity, ample free cash flow, essentially no debt and an annual shareholder dividend makes Armada poised for further growth and expansion.

Armada Data shares are listed on the TSX Venture exchange under the trading Symbol ARD. Armada currently has a total of 16,359,154 shares outstanding. The Company has been based in Mississauga, Ontario since its inception in July 1999.

**The Company's operations consist of five main divisions and controlling interest in one subsidiary:**

The five divisions consist of Insurance Services, Retail Services, Dealer Services, Information Technology Services and Advertising/Marketing Services. On October 1<sup>st</sup> 2011, Armada acquired 90% of The Big & Easy Bottle Brewing Company (TBE), which produces and markets the unique Mister Beer Bottle Brew beer-making kit.

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 at Car Cost Canada.

The Information Technology division derives its revenue from web site hosting, web site development, email services, online marketing, search engine optimization, cloud services, 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 car business related marketing activities.

During the quarter ended November 30, 2011 Armada achieved a number of important milestones.

Comparisons for the quarter are versus the same period last year

- The Company completed the acquisition of 90% of The Big & Easy Bottle Brewing Company (TBE)
- The Company recorded the highest quarterly revenue in its history at \$913,795 versus \$711,520 last year or an increase of 28%
- The Company's Insurance Services division recorded the highest quarterly revenue in its history at \$337,632 versus \$271,205 last year or an increase of 24%
- Total assets of the Company grew to \$2,574,800 versus \$1,823,140 last year or an increase of 41%.
- Shareholders' equity grew to \$2,033,839 versus \$1,533,622 last year or an increase of 33%.
- Due to the acquisition of TBE the Company's cash position decreased to \$609,621 from \$964,394, which management believes is adequate to fund all foreseeable funding requirements.
- The Company distributed its third annual dividend which increased to \$81,796 from \$70,679 last year or an increase of 16%.

### Selected Quarterly Information

Fiscal Year	2012	2012	2011	2011	2011	2011	2010	2010
Quarter Ended	Nov-30 2011	Aug-31 2011	May-31 2011	Feb-28 2011	Nov-30 2010	Aug-31 2010	May-31 2010	Feb-28 2010
<b>Total Revenue</b>	913,795	777,324	855,412	753,013	711,520	743,551	741,817	707,517
<b>Net Income (loss)</b>	(36,375)	75,211	78,413	49,766	46,996	74,201	109,831	3,451
<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 second quarter ending November 30, 2011. The Company generated the highest quarterly revenue in its history. Revenue increased to \$913,795 versus \$711,520 last year or an increase of 28%.

The company recorded a net loss of \$36,375, after taxes, amortization, stock-based compensation and one-time expenses associated with the TBE acquisition.

Acquisition costs associated with the TBE acquisition, including legal, accounting and filing fees totalled \$78,670.

Based on a quarter-end cash position of \$609,621, receivables of \$721,495 and total liabilities of \$485,404, 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 consolidated interim financial statements for the quarter ended November 30, 2010. 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.

### **Mister Beer (MB)**

The Company has allocated \$450,000-\$500,000 to fund the establishment of a larger more efficient facility for MB and to cover the on-going negative cash-flow associated with MB until production and sales are ramped up.

TBE's larger facility will have the capacity to increase production approximately ten times current levels or approximately one million 2-litre bottles per year before additional investments will be required, yet the Company estimates the profitability point to be reached at only 30,000 bottles per month.

Initial discussions with new larger retailers have been very positive and upon the opening of the new facility in late spring/early summer, initial orders are anticipated to be well in excess of 30,000 bottles per month.

### **Insurance Services**

Despite a warmer and drier period during the 2<sup>nd</sup> quarter ending Nov 30, 2011, revenue from the Insurance Services division increased to a record \$337,632 from \$271,205 last year or an increase of 28%. For the quarter Insurance Services generated 37% of the company's revenue versus 38% last year.

The Company currently works with 26 Insurance Companies in Canada, including eight of the top ten.

The Company's newer, more automated version of the ACV service has increase 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.

### **Retail Services**

Overall revenue from Retail Services decreased to \$156,425 from \$168,387 last year, a decrease of 7%. For the quarter Retail Services generated 17% of the company's revenue versus 24% last year.

### **Dealer Services**

Overall revenue from Dealer Services increased to \$245,932 from \$224,108 last year, an increase of 10%. For the quarter Dealer Services generated 27% of the company's revenue versus 32% last year.

Dealer Services generates revenue through the sale of new vehicle leads derived from members of Car Cost Canada. Additional coverage in previously underserved areas drove revenue increases despite a decrease in Retail Services.

### **Advertising/Marketing Services**

Third party advertising revenue on CarCostCanada.com and TheCarMagazine.com increased to \$32,170 from \$15,993 last year, an increase of 101%. The significant increase can be attributed to the transition from the company's previous advertising agency to a new one. Initial increases in revenues generated by the new agency have been excellent to date and the Company anticipates increased revenues moving forward.

### **Internet Technology Services**

Armada's IT division derives its revenue from web site hosting, web site development, email services, online marketing, search engine optimization, cloud services, 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 revenue increased to \$47,545 from \$31,827 last year, an increase of 49%.

IT Services' main goal is to use advanced technology solutions to streamline many of the Company's current processes, which have already increased efficiencies to generate higher operating margins in all divisions.

### **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, insurance claims, 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 November 30, 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 November 30, 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:

- Mister Beer holds great promise to drive increased revenue and net profits
- Insurance Services is now the fastest growing division as it enters its busiest time of the year
- Insurance Services' ACV Service, has become a great catalyst for revenue growth
- IT Services continues to grow and increase efficiencies throughout all of the Company's divisions
- The Company continues to maintain a healthy balance sheet and cash position despite the recent acquisition
- 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

President and C.F.O.