

ARMADA DATA CORPORATION
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2012

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements 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").

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2012

CANADIAN DOLLARS

	as at August 31, 2012	as at August 31, 2011	as at May 31, 2012
Current			
Cash	\$ 230,272	\$ 1,087,249	\$ 301,596
Accounts receivable	431,394	567,475	397,256
Related Party Receivable (note 6)	2,348	74,580	14,675
Inventory and work in process	58,595	0	62,844
Corporation income taxes recoverable	76,177	0	76,177
Prepaid expenses and sundry assets	63,824	32,429	84,904
Total Current Assets	862,610	1,761,733	937,452
Property and Equipment - net (note 3)	334,858	71,103	213,613
Goodwill - net	552,490	180,000	552,490
	\$ 1,749,958	\$ 2,012,836	\$ 1,703,555

LIABILITIES

Current			
Accounts payable and accrued liabilities	\$ 262,233	\$ 192,798	217,403
Related Party Payable (note 6)	14,572	17,536	16,807
Note Payable-current portion (note 5)	41,668	25,000	50,000
Corporation Income Taxes Payable	0	25,490	0
Total Current Liabilities	318,473	260,824	284,210
Note Payable-Long term portion	16,666	0	20,833
	335,139	260,824	305,043

SHAREHOLDERS' EQUITY

Share Capital (note 7)	1,630,022	1,210,022	1,630,022
Contributed Surplus	175,505	175,505	175,505
(Deficit) Retained Earnings	(398,448)	366,485	(427,202)
	1,407,079	1,752,012	1,378,325
Non-controlling interest (note 9)	7,740	0	20,187
	1,414,819	1,752,012	1,398,512
	\$ 1,749,958	\$ 2,012,836	\$ 1,703,555

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

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED AUGUST 31, 2012

CANADIAN DOLLARS

	3 months	3 months	year
	August 31, 2012	August 31, 2011	May 31, 2012
Revenue	\$ 678,786	\$ 777,324	\$ 3,110,921
Expenses - General and Administration			
Wages and other Office Expenses	647,650	656,171	3,213,839
Amortization (note 3)	14,829	4,942	37,708
	<u>662,479</u>	<u>661,113</u>	<u>3,251,547</u>
Income before undernoted	16,307	116,211	(140,626)
10% Non-controlling interest - share of net loss of The Big & Easy Bottle Brewing Company Inc. and Mister Beer Inc.(note 9)	12,447	0	35,369
Impairment: SRE&ED receivable	0	0	(116,517)
Impairment of goodwill (note 4)	0	0	(400,000)
Less: Provision for corporation income taxes	0	(41,000)	(14,906)
	<u>12,447</u>	<u>(41,000)</u>	<u>(496,054)</u>
Comprehensive Income (Loss)	\$ 28,754	\$ 75,211	\$ (636,680)
Earnings Per Share			
Basic	\$0.00	\$0.01	(\$0.04)
Fully Diluted	\$0.00	\$0.01	(\$0.04)
 Weighted Average number of Common Shares	 <u>16,559,154</u>	 <u>14,359,154</u>	 <u>16,559,154</u>

APPROVED ON BEHALF OF THE BOARD:

“R. James Matthews” Director
R. James Matthews

“Eli Oszlak” Director
Eli Oszlak

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED AUGUST 31, 2012

CANADIAN DOLLARS

	Share Capital	Contributed Surplus	Retained Earnings	Non-Controlling Interests	Total Equity
Balance as at August 31, 2011	\$ 1,210,022	\$ 175,505	\$ 366,485	\$ -	\$ 1,752,012
Common Shares issued on exercise of Stock Options	20,000				20,000
Capital Shares issued as consideration on share purchase	400,000				400,000
Comprehensive (Loss) 10% share attributable to non- controlling interest			(711,891)		(711,891)
Dividends			(81,796)	20,187	20,187 (81,796)
Balance as at May 31, 2012	\$ 1,630,022	\$ 175,505	\$ (427,202)	\$ 20,187	\$ 1,398,512
Comprehensive Income 10% share attributable to non- controlling interest			28,754	(12,447)	28,754 (12,447)
Balance as at August 31, 2012	\$ 1,630,022	\$ 175,505	\$ (398,448)	\$ 7,740	\$ 1,414,819

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

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD ENDED AUGUST 31, 2012

CANADIAN DOLLARS

	3 months <u>2012</u>	3 months <u>2011</u>	year ending <u>May 31, 2012</u>
Operating Activities			
Comprehensive income(loss) for the period	\$28,754	\$75,211	\$ (636,680)
Items not involving cash:			
Impairment of goodwill (note 4)	0	0	400,000
10% Non-controlling interest (note 8)	(12,447)	0	(35,369)
Amortization	14,829	4,942	37,708
	<u>31,136</u>	<u>80,153</u>	<u>(234,341)</u>
 Changes in non-cash working capital			
Accounts receivable	(9,484)	(40,595)	129,624
Related party receivable	(12,327)	442	60,347
Inventory and work in process	4,249	0	(62,844)
Prepaid expenses and sundry assets	21,080	(6,468)	(58,964)
Accounts payable and accrued liabilities	44,831	(28,679)	(4,073)
Related party payable	(2,235)	(1,830)	(2,559)
Corporation income taxes recoverable	0	25,490	(76,156)
Cash (used in) operating activities	<u>46,114</u>	<u>(51,640)</u>	<u>(14,625)</u>
 Investing Activities			
Acquisition of goodwill (note 4)	0	0	(772,490)
Purchase of of property and equipment	0	(527)	(130,038)
Purchase of property and equipment -MB	(136,074)	0	(45,766)
Cash (used in) investing activities	<u>(136,074)</u>	<u>(527)</u>	<u>(948,294)</u>
 Financing Activities			
Notes payable	(12,500)	(15,000)	30,833
Proceeds from issue of share capital:			
pursuant to Acquisition	0	0	400,000
pursuant to stock options exercised	0	0	20,000
Dividends	0	0	(81,796)
Minority interest on acquisition	0	0	55,556
Cash provided by Financing activities	<u>(12,500)</u>	<u>(15,000)</u>	<u>424,593</u>
 Net (Decrease)Increase in Cash	(71,324)	12,986	(772,667)
Cash, beginning of period	<u>301,596</u>	1,074,263	1,074,263
Cash, end of period	<u>\$230,272</u>	<u>\$1,087,249</u>	<u>\$301,596</u>

No amounts were paid for interest and income taxes paid or received in the current or prior interim period.

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

ARMADA DATA CORPORATION
UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2012
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 principal place of business is located at 5710 Timberlea, Blvd, Suite #201, Mississauga, Ontario, Canada.

Mister Beer Inc. has invented and has a patent pending on a unique "microbrewery in a bottle", allowing consumers to produce premium beer at a lower cost than the price of comparable beer purchased at retail stores.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited interim consolidated financial statements 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"). These unaudited interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended May 31, 2012.

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. 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 with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below 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, as required by IFRS 1, First time adoption of IFRS ("IFRS 1"). The impact of the transition to Canadian GAAP to IFRS is explained in Note 12.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited interim consolidated financial statements will be finalized only when the annual IFRS audited consolidated financial statements are prepared for the year ended May 31, 2013.

These interim consolidated financial statements for the period ended August 31, 2012 were authorized for issuance by the Board of Directors of the Company on October 29, 2012.

Basis of measurement

The unaudited interim consolidated financial statements have been prepared on the historical cost basis, except financial instruments classified as at fair value through profit and loss, which are measured at fair value.

Basis of consolidation

The unaudited interim consolidated financial statements are prepared on a consolidated basis and include the Company and its wholly owned subsidiary, CCC Internet Solutions Inc. and its 90% interest in The Big & Easy Bottle Brewing Company Inc. ("TBE"). TBE owns 100% of the shares of Mister Beer Inc. All intercompany balances and transactions have been eliminated.

Non-controlling interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses.

ARMADA DATA CORPORATION
UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

Acquisitions of subsidiaries and 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 consideration transferred in a business acquisition over the fair value of identifiable net assets acquired in such acquisitions. Goodwill is determined as at the date of the business combination. Goodwill is not amortized but is tested for impairment annually or more frequently, if events or changes in circumstances indicate the asset might be impaired.

Foreign currency translation

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's subsidiary is also the Canadian dollar. Items included in the financial statements of the Company and its subsidiary are measured using that 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 obligations incurred. Revenue and expenses are translated at an average rate of exchange in effect during the year. Foreign exchange translation gains and losses are recorded into income in the year in which they occur

Revenue recognition and Deferred Revenue

Customer membership fees are generated as services are provided to the customer. The unearned portion, if any, is reflected as deferred revenue on the unaudited interim consolidated statement of financial position. The Dealer, Retail, Insurance and IT services revenue are recognized as the service is performed. The service primarily consists of inquiry into the database regarding the value of a vehicle. The primary method of settlement for the Dealer, Retail and Membership fee is by credit card which is billed just before the service is performed. The other services are invoiced and billed with normal business terms of settlement. The Mister Beer division recognizes revenue when product is delivered, and the products are invoiced and billed with normal business terms of settlement.

The Company recognizes revenue when the services have been provided, 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 for periods 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, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Share issue costs

Costs directly identifiable with the raising of capital are recorded 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax expense

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 to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred 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.

Financial Instruments

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 the consolidated statements of income.

Cash is classified as FVTPL. 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.

Accounts receivables, related party receivable and deposits on acquisition are classified as loans and receivables.

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 and accrued liabilities, subordinated debt, related party payable and note 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash and cash equivalents comprise of cash balances at a major Canadian based financial institution. Bank overdrafts are repayable on demand and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounts receivable

Accounts receivable are recorded net of an allowance for uncollectible or doubtful accounts. The Company reviews accounts receivable and provides a reserve for amounts estimated not to be collectible. During this review, historical experience, the age of the receivable balance, the credit-worthiness of the customer and the reason for the delinquency are considered.

Inventories and Work in Process

Inventories and work in process are valued at the lower of cost and net realizable value with cost being determined on a first in, first out basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred. Net realizable value is equal to selling costs less selling expenses.

Property and equipment

Items of property and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property and equipment is amortized and charged to income over the estimated useful life of the assets on the following basis:

Leasehold improvements	- straight line over 5 or 10 years, according to terms of lease
Furniture and fixtures	- 20% declining balance
Computer hardware	- 30% declining balance
Computer software	- 100% declining balance
Telephone equipment	- 20% declining balance

Property and equipment purchased during the year are amortized at one-half the above stated rates.

Earnings per share

Basic earnings per share are 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.

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 the income statement. 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of 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 amortization, 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 entry into an operating lease are recognized straight-line over the lease term.

Critical Accounting Estimates and Judgments

The preparation of these unaudited interim consolidated financial statements requires the Company to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the interim consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the unaudited interim consolidated financial statements. Actual results could differ from estimates. The Company has also made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the interim consolidated financial statements.

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset'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. No impairments of non-financial assets have been recorded for the three months ended August 31, 2012, (2011 – Nil).

Useful life of property and equipment and intangible assets

Property and equipment and intangible assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year. Total amortization recorded for the three months ended August 31, 2012 was \$ 14,829 (2011 -\$4,942).

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards and the number of awards that are expected to vest. The Company recognized stock-based compensation expense for the three months ended August 31, 2012 of \$ nil (2011 – \$ nil). These estimates affect the amount recognized as stock-based compensation in the statement of comprehensive income.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

Management is required to apply judgement in determining whether it is probable deferred income tax assets will be realized. At August 31, 2012 and 2011, 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 interim consolidated balance sheet. 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 annual audited consolidated financial statements.

Future Changes in Accounting Standards

A number of new standards, amendments to standards and interpretations will not be effective for the year ended May 31, 2013, and have not been applied in preparing these unaudited interim consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The IASB has proposed the effective date of IFRS 9 be changed to annual periods beginning on or after January 1, 2015.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. The Company is currently assessing the impact of this standard on the financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's consolidated financial statements.

Other

In June 2011, the IASB amended IAS 19 Employee Benefits (IAS 19). The amendments to IAS 19 relate primarily to defined benefit pension plans. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In June 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. The Company does not believe the changes resulting from these new standards are relevant to its financial statements.

In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 19 *Employee Benefits*. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

ARMADA DATA CORPORATION
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3. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	August 31, 2012		May 31, 2012	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$49,208	\$3,518	\$45,690	\$4,927
Furniture and fixtures	24,143	16,232	7,911	8,295
Computer hardware	145,756	109,343	36,413	39,366
Machinery & equipment-plant MB	474,032	241,161	232,871	148,422
Computer software	39,238	39,238	0	0
Telephone equipment	21,742	9,769	11,973	12,603
Total	\$754,119	\$419,261	\$334,858	\$213,613

4. ACQUISITIONS AND GOODWILL

- i) On October 1, 2011, the Company acquired 90% of the issued and outstanding shares of The Big & Easy Bottle Brewing Company Inc. ("TBE"). TBE is the holder of all of the shares of Mister Beer Inc., a company which invented and has a pending patent on a unique "microbrewery in a bottle", allowing consumers to produce premium beer at roughly have the cost of regular beer.

The aggregate purchase price for 90% of the shares of TBE acquired by Armada was \$500,000 paid as follows: (i) a convertible promissory note in the amount of \$100,000; and (ii) \$400,000 worth of Armada common shares issued at closing at an issue price of \$0.20, such that 2,000,000 share of Armada were issued. The Note is payable in monthly non-interest bearing installments of \$4,167 over a 24 month term. The outstanding principal balance on the Note is convertible into share of Armada at the conversion rate of \$0.25 per share of Armada at any time during the 24 month term of the Note, should no cash payments be made. The shares to be issued will be subject to all applicable securities and regulatory hold periods.

The purchase price assumes repayment by the Company and any subsidiary of all shareholder loans, loans from affiliated companies and bank indebtedness.

Aggregate purchase price for 90% of TBE shares	\$ 500,000
Implied cost of 100% of TBE shares	555,556
Add: Fair value of liabilities in excess of assets at acquisition date	216,934
Goodwill acquired	<u>\$ 772,490</u>

- ii) In July, 2010, the company purchased certain assets of Cybernet Finder Corporation, consisting of goodwill in the value of \$180,000, and equipment and computer hardware in the value of \$20,000. The purchase price for the acquisition was \$200,000, which was paid by \$20,000 cash on closing, an issuance of a promissory note (note payable) in the amount of \$90,000 and the issuance of 290,323 shares at \$0.31 per share, (which was the trading price at the time of the transaction), with an aggregate value of \$90,000. The promissory note is non-interest bearing, commencing August 1, 2010 and ending January 1, 2012, with monthly installments of \$5,000 on the first day of each month. As of August 31, 2012, the balance owing on the non-interest bearing note payable was \$nil (August 31, 2011 \$25,000). On August 31, 2012, May 31, 2012 and August 31, 2011, the balance in Goodwill was \$180,000, on June 1, 2010 the balance was nil.

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4. ACQUISITIONS AND GOODWILL (continued)

Goodwill	<u>May 31, 2012</u>	<u>May 31, 2011</u>
Beginning balance	\$ 180,000	\$ -
Acquired through business combination – Cybernet Finder	-	180,000
Acquired through acquisition of shares – The Big & Easy Bottle Brewing Company	772,490	-
Impairment of Goodwill – The Big & Easy Bottle Brewing Company Inc. and Mister Beer Inc.	<u>(400,000)</u>	<u>-</u>
Ending balance	<u>\$ 552,490</u>	<u>\$ 180,000</u>

Management at the time of the acquisition of TBE and Mister Beer Inc., agreed to commit significant financial resources to capital investment and working capital. At the current time, management has expressed an intention to continue its commitment to provide these financial resources. In management's opinion, the unimpaired portion of Goodwill (\$372,490) with respect to the TBE/Mister Beer acquisition is viable based on management's projections of future revenues and cash flows from the TBE/Mister Beer operations.

5. NOTES PAYABLE

- i) On October 1, 2011, the Company purchased 90% of the issued and outstanding shares of The Big & Easy Bottle Brewing Company Inc. ("TBE"). The purchase price for the acquisition included the issuance of a promissory note (note payable) in the amount of \$100,000. The promissory note is non-interest bearing, commencing November 1, 2011 and ending October 1, 2013, with monthly installments of \$4,167 on the first day of each month. As of August 31, 2012 the balance owing on the non-interest bearing note payable was \$58,333.
- ii) In July, 2010, the company purchased certain assets of Cybernet Finder Corporation from a director of the company. The purchase price for the acquisition included the issuance of a promissory note (note payable) in the amount of \$90,000. The promissory note was non-interest bearing, commencing August 1, 2010 and ending January 1, 2012, with monthly installments of \$5,000 on the first day of each month. As of August 31, 2012, the balance owing on the non-interest bearing note payable was \$nil; August 31, 2011-\$25,000; June 1, 2010-nil.

6. RELATED PARTY TRANSACTIONS

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

- a) Two directors of the Company are also directors and 50% (in the aggregate) shareholders of Lease Busters Inc. Another director is a partner in a legal firm which provides services to the Company.
- b) A firm controlled by a director of the Company has been retained for sales consulting for the Company.
- c) Management salaries were paid to certain directors of the Company.
- d) \$180,000 in Goodwill was acquired from Cybernet Finder Corporation, which is owned by a director of Armada Data Corporation.
- e) Included in IT revenue is \$ 8,266 from Lease Busters Inc.

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6. RELATED PARTY TRANSACTIONS (continued)

- f) Related parties receivable are due from parties related to directors of Armada Data Corporation.
- g) \$ 8,712 in related parties payables are due to directors or spouses of directors of Armada Data Corporation. \$5,860 is due to a firm controlled by a member of the Audit Committee who is also a director of Armada Data Corporation.
- h) Included in expenses are the following paid to directors and parties related to directors of the Company.

	3 months ended August 31, 2012	3 months ended August 31, 2011	year ended May 31, 2012
Advertising	128	\$ 1,425	\$ 25,694
Automobile	5,400	3,600	21,600
Computer Consulting	2,795	2,775	11,380
Insurance	-	900	2,500
Management Salaries	83,548	82,675	347,495
Printing	-		11,122
Professional Fees	12,000	3,206	112,970
Rent	-	4,500	-
Salaries – Office & IT	44,969		218,037
Sales commissions	8,965	26,383	54,744
	<u>\$ 157,805</u>	<u>\$ 125,464</u>	<u>\$ 805,542</u>
Amounts owing from Related Parties	<u>\$ 2,348</u>	<u>\$ 74,580</u>	<u>\$ 14,675</u>
Amounts owing to Related Parties	<u>\$ 14,572</u>	<u>\$ 17,536</u>	<u>\$ 16,807</u>

All of the above transactions have been in the normal course of operations. The basis that these amounts were recorded was on the transaction amount, which was the amount that was agreed to by the related parties.

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7. SHARE CAPITAL

a) **Authorized**

Unlimited common shares without par value

b) **Issued**

Armada Data Corporation

	#	\$
Balance as at June 1, 2010	13,755,497	1,079,690
Capital shares issued as consideration in business combination		
Share purchase	2,000,000	400,000
Capital shares issued to directors pursuant to exercise of options	513,334	60,332
Shares issued to director pursuant to acquisition of Cybernet Finder Corporation	290,323	90,000
	<u>16,559,154</u>	<u>\$ 1,630,022</u>
Balance sheet at May 31, & August 31, 2012		

c) **Fully Diluted Shares**

Balance sheet at May 31, & Aug 31, 2012	16,559,154	
Common shares issuable pursuant to incentive stock options held by directors and officers of CCCBC (note 7(d))	-	
Fully diluted share capital May 31, 2012 & August 31, 2012	<u>16,559,154</u>	

d) **Stock Options**

Stock Options of the Company 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 not transferable and are presently exercisable for a period of up to 10 years from the date of grant.

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7. SHARE CAPITAL (Continued)

Stock Options (Continued)

Options Owned by Directors:

	Number of Share Options	Exercise Price	Date Granted	Date of Expiry
<u>as at August 31, 2012</u>	NIL	\$ -		
<u>as at August 31, 2011</u>	500,000	\$ 0.10	May 11, 2009	May 11, 2012

Options Owned by Others:

<u>as at August 31, 2012</u>	NIL	\$ -
<u>as at August 31, 2011</u>	NIL	\$ -

The fair value of the options granted during the year ended May 31, 2011 was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected volatility	125%
Risk free interest rate	1.98%
Expected life	4.25 years
Expected dividend yield	0.05%

Option pricing models require the input of highly subjective assumptions including the 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.

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7. SHARE CAPITAL (continued)

Stock Options (Continued)

e) Shares Issuable Under the Plan

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 Shareholder Approval,
 - a. the number of shares reserved for issuance under Options granted to Insiders of the Corporation 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 Corporation;
 - b. no more than an aggregate of ten percent (10%) of the issued shares of the Corporation, calculated at the date the option(s) is(are) granted, may be granted to Insiders of the Corporation 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 Corporation, 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 Corporation, calculated at the date the Option is granted, may be granted to any one Consultant in any twelve (12) month year;
 - iv. no more than an aggregate of two percent (2%) of the issued shares of the Corporation, calculated at the date the Option is granted, may be granted to persons providing Investor Relations Activities in any twelve (12) month year.

8. INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of asset and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on the future tax liabilities and assets of a change in tax rates is recognized in the year that the change occurs.

9. NON-CONTROLLING INTEREST

Balance – August 31, 2011	\$ -
Implied cost of 100% of TBE shares per note 4) i)	555,556
Aggregate purchase price of 90% of TBE shares	<u>(500,000)</u>
	55,556
Less: Non-controlling interest's share of net loss of TBE and Mister Beer Inc.	<u>(47,816)</u>
Balance – August 31, 2012	<u>\$ 7,740</u>

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10. COMMITMENTS

- a) The Company has entered into various operating leases which continue until fiscal 2017. The minimum rental payments (net of H.S.T.) for the next five fiscal years is:

Fiscal 2013	\$ 21,665
Fiscal 2014	12,631
Fiscal 2015	10,816
Fiscal 2016	10,816
Fiscal 2017	<u>10,816</u>
	<u>\$ 66,744</u>

- b) In June 2011, the Company entered into a five year lease with respect to its premises. This lease is from September 2011 to August 2016. The minimum rental for the next five fiscal years including estimated operating costs are as follows:

Fiscal 2013	\$ 109,350
Fiscal 2014	112,590
Fiscal 2015	113,400
Fiscal 2016	28,350
Fiscal 2017	-
	<u>\$ 363,690</u>

In addition, the Company is entitled to renew the lease for a further five years if six months notice (prior to the expiration of the current lease) is given to the land lord.

- c) In March 2012, Armada Data Corporation (on behalf of Mister Beer Inc.) entered into a ten year lease with respect to Mister Beer's premises. This lease is from May 2012 to April 2022. The minimum rental for the next five fiscal years including estimated operating costs are as follows:

Fiscal 2013	\$ 141,435
Fiscal 2014	141,820
Fiscal 2015	146,056
Fiscal 2016	146,442
Fiscal 2017	<u>150,678</u>
	<u>\$ 726,431</u>

In addition, the Company is entitled to renew the lease for a further five years if six months notice (prior to the expiration of the current lease) is given to the landlord.

11. SEGMENTED INFORMATION

The Company's operations consist of six main segments; Insurance Services, Retail Services, Dealer Services, Internet Technology (IT), Advertising/Marketing Services and Mister Beer Inc. The Insurance Service division derives its revenue from the sale of total loss replacement vehicle reports to major Canadian insurance companies. The Retail Services division consists of the sale of new car pricing data to consumers primarily through the Company's website as well as the reselling of this new car pricing data to qualified third party vendors. The Dealer Services division generates revenue through the sale of new vehicle leads derived from membership sales from Car-Cost-Canada. The IT division comprises web and email hosting, website development and design, and desktop support. The Advertising/Marketing Services division is made up of the sale of online third party website advertising, consulting fees and other new car or car business related marketing activities. Mister Beer Inc. derives its revenue from the retail sales of beer-making kits and the wholesale sales of unfermented beer.

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11. SEGMENTED INFORMATION (continued)

Revenues earned by the divisions are as follows:

	3 months ended August 31, 2012		3 months ended August 31, 2011		year ended May 31, 2012	
Insurance Services	\$ 193,490	29%	\$ 293,656	38%	\$ 1,128,767	36%
Retail Services	123,753	18%	167,899	22%	581,371	19%
Dealer Services	230,564	34%	255,532	33%	943,179	30%
Internet Technology	58,329	9%	44,649	6%	214,294	7%
Advertising/Marketing	22,420	3%	15,588	1%	94,615	3%
	<u>628,556</u>	93%	<u>777,324</u>	100%	<u>2,962,226</u>	95%
Revenue-Mister Beer Inc.	\$ 119,745		0		326,171	
Less: Direct product costs/wage	(69,515)		0		(177,476)	
Net revenue Mister Beer Inc.	50,230	7%	0		148,695	5%
Total consolidated revenue	<u>\$ 678,786</u>	100%	<u>\$ 777,324</u>	100%	<u>\$ 3,110,921</u>	100%

Cash, prepaids, property, equipment together with goodwill are used commonly by the six divisions. The Company does not record or measure the usage of these assets that relate to their underlying value by segment, with the exception of the Mister Beer Inc. division, which does record usage separately.

The accounts receivable can be broken down by segment and are indicated below:

	August 31, 2012		August 31, 2011		May 31, 2012	
Insurance	\$ 126,819	29%	\$ 311,365	48%	\$ 126,115	31%
Dealer	164,765	38%	176,733	28%	144,532	35%
Information Technology	46,046	11%	66,864	10%	53,749	13%
Not reportable by segment	21,901	5%	87,363	14%	26,630	6%
Total Armada Data Corp	<u>359,531</u>	83%	<u>642,325</u>	100%	<u>351,026</u>	85%
Total Mister Beer Inc	74,211	17%	0		60,905	15%
Total Accounts Receivable	<u>\$ 433,742</u>	100%	<u>\$ 642,325</u>	100%	<u>\$ 411,931</u>	100%

Broken down as follows:

Related parties	2,348	74,850	14,675
Accounts Receivable	431,394	567,475	397,256
	<u>\$ 433,742</u>	<u>\$ 642,325</u>	<u>\$ 411,931</u>

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12. CONTRIBUTED SURPLUS

	<u>August 31, 2012</u>	<u>August 31, 2011</u>	<u>May 31, 2012</u>
Beginning balance	\$ 175,505	\$ 171,555	\$ 175,505
Stock based compensation expense	<u>-</u>	<u>3,950</u>	<u>-</u>
Ending balance	<u>\$ 175,505</u>	<u>\$ 175,505</u>	<u>\$ 175,505</u>

13. INVENTORY

Raw materials - Mister Beer Inc.	\$ 29,595	\$ -	\$ 29,595
Work in process - Armada Data Corporation	<u>28,249</u>	<u>-</u>	<u>33,249</u>
	<u>\$ 57,844</u>	<u>\$ -</u>	<u>\$ 62,854</u>

14. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash, accounts receivable, related party receivable, accounts payable and accrued liabilities and related party payable approximate carrying value due to the relatively short term maturities of these instruments. The fair value of the non-interest bearing note payable approximates its carrying value due to current interest rates and the short-term nature of the note.

Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. 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 classifies cash as FVTPL and is measured at fair value on the consolidated balance sheet. Cash is reported at Level 1 of the fair value hierarchy. The Company has no financial assets and liabilities measured at fair value at Level 2 or Level 3.

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.

Capital Risk

The Company manages its capital with the objective of providing adequate capital resources for the Company to maintain and develop its websites and other business activities. The capital structure of the Company consists of shareholder's equity and depends on the ability of the Company to raise ongoing capital and on the future profitability of the Company's operations.

Credit Risk

The Company is exposed to credit risk of their accounts receivable, \$431,394 (May 31, 2012-\$397,256) representing the maximum exposure to credit risk of those financial assets. Credit risk is the risk that a customer will be unable to pay any amounts owed to the Company. The Company does not have any customers that had a balance of more than 10% of total revenues, or 10% of total accounts receivables at any time during the periods that are reported in these financial statements. The Company has a large volume of relatively small transactions with many customers. Management reduces this risk by carefully monitoring the amounts owed to them by their customers on a regular basis, performing regular credit reviews of any customer that approaches their credit limit or does not keep to their normal payment pattern. It also provides an allowance for doubtful accounts once it has exhausted all other means of collection. 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 casualty companies. In the opinion of management the credit risk is low and the Company is not exposed to a material amount of credit risk.

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14. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

The Company is exposed to Liquidity risk of their accounts payable, \$262,223 (May 31, 2012-\$217,403). 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.

Market Risk

The Company is exposed to Market Risk. Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The ability of the Company to develop or market its services and the future profitability of the Company is related to these market risks. In the opinion of management the market risk is low and the company is not exposed to a material amount of market risk.

Foreign Currency Risk

The Company is exposed to Foreign Currency risk. The Company's functional currency is the Canadian dollar and major purchases, which consist primarily of expenses, are transacted in Canadian dollars. The Company operations are in Canada, and it does not engage in hedging activities. The number and dollar amount of these transactions, both individually and in aggregate are very low. In the opinion of management the foreign currency risk is low and the company is not exposed to a material amount of foreign currency risk.

Interest Rate Risk

The Company has cash balances and no interest-bearing debt.

Price Risk

The Company is not exposed to price risk.

Sensitivity Analysis

The Company's cash is measured at fair value. Financial instruments included in accounts receivable are classified as accounts receivable, which are measured at cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at cost. As at all dates presented herein, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

The Company does not hold material reserves of foreign currencies to give rise to exposure to foreign exchange risk. Therefore a percentage change in certain foreign exchange rates will not have a significant impact on the Company.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of additional business opportunities. 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 interests 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.

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15. TRANSITION TO IFRS

Overview

IFRS replaces current Canadian GAAP for publicly accountable enterprises, including Armada, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of an entity's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has elected to apply the following optional exemptions in its preparation of its opening IFRS consolidated balance sheet as at June 1, 2010, the Company's Transition Date:

To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

To not reassess whether arrangements contain a lease under IFRS where the same determination that would be made under IFRIC 4, determining whether an Arrangement Contains a Lease (IFRIC 4) was made previously in accordance with Canadian GAAP.

To apply the transitional provisions of IFRIC 4 to leases which the same determination as IFRIC 4 was not made previously in accordance with Canadian GAAP. Therefore, the determination of whether these arrangements contain a lease is based on the circumstances existing at the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Estimates used in the preparation of the Company's opening IFRS statement of financial position, and other comparative information restated to comply with IFRS, are consistent with those made previously under current Canadian GAAP.

Changes to accounting policies

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS, and the effect on the Company's opening IFRS balance sheet as at June 1, 2010.

Business Combinations

IFRS requires that all transaction costs associated with Goodwill are expensed as incurred under IFRS. These expenses were included in the total consideration transferred as part of the business combination under Canadian GAAP, the Company's accounting policies have been changed to reflect this difference. The only acquisitions that occurred in the period from June 1, 2010 to August 31, 2012 were the purchase of the assets of Cybernet Finder Corporation, and the purchase of 90% of the shares of TBE.

Impairment of Non-Financial Assets

IFRS requires a write down of assets if the recoverable amount is less than its carrying value. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Value in use is determined using discounted estimated future cash flows. Under Canadian GAAP, a write down to estimated fair value was required only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

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15. TRANSITION TO IFRS (continued)

Impairment of Non-Financial Assets (continued)

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have a significant impact on the Company's financial statements.

Share-based Payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

Due to the nature of the Company's stock options, these changes in accounting policy did not have a significant impact on the Company's financial statements.

There were no changes to the opening statements of financial position as at June 1, 2010 from the previous statement of financial position as at June 1, 2010 as a consequence of adopting IFRS from Canadian GAAP.

Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations of the shareholders' equity and the comprehensive income from Canadian GAAP to IFRS for the respective periods. The adoption of IFRS did not have a material impact on the interim consolidated statement of cash flows.

	May 31, 2012	May 31, 2011	June 1, 2010
Shareholders Equity under Canadian GAAP	\$ 1,807,491	\$ 1,713,631	\$ 1,342,256
transaction costs related to Acquisition	(36,830)	(36,830)	0
Shareholders Equity under IFRS	\$ 1,770,661	\$ 1,676,801	\$ 1,342,256

IFRS Opening Statement of Comprehensive Income

	year ended May 31, 2012	year ended May 31, 2011
Comprehensive Income under Canadian GAAP	\$ (244,344)	\$ 270,942
transaction costs related to Acquisition	(36,830)	(36,830)
Comprehensive Income under IFRS	\$ (281,174)	\$ 234,112

- a) - The effect of the change in accounting policy is to expense transaction costs associated with business combinations as incurred. The policy under Canadian GAAP was to include the transaction costs in the total consideration transferred as part of a business combination.