

## **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending August 31, 2012**

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 August 31, 2012 and accompanying notes and the Company's annual audited consolidated financial statements for the year ended May 31, 2012. 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.

These unaudited interim consolidated financial statements have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS. 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 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 15 on the unaudited interim consolidated financial statement notes.

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 & Marketing 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's information and marketing prowess has enabled the company to leverage that experience into the food and beverage industry by acquiring Mister Beer Inc. (see below for additional details).

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 16,559,154 shares outstanding. The Company has been based in Mississauga, Ontario since its inception in July 1999.

On Oct 1, 2011, Armada acquired 90% of the issued and outstanding shares of The Big & Easy Bottle Brewing Company Inc. ("TBE"). TBE owns 100% of all the issued and outstanding common shares of Mister Beer Inc. ("MB"), a company which invented and has a patent pending on a unique "microbrewery in a bottle" or more specifically, "bottle-brew". This new beer category (bottle-brew) allows consumers to produce/brew premium beer at home at roughly half the cost of regular premium or imported beers. This acquisition and business line adds a new dimension to Armada which management believes has potential for increasing shareholder value.

The Company's operations consist of six main divisions: Insurance Services, Retail Services, Dealer Services, Information Technology Services (IT), Advertising/Marketing Services and Mister Beer Inc. (MB).

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 comprises web and email hosting, web site development and design, online marketing, search engine optimization, technical support and network support services (for both internal purposes resulting in saving the Company from the costs associated with high priced IT services, and external sales/service).

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 wholesale distribution sale of the Mister Beer Inc. beer-making kit and wholesale sales of unfermented beer.

#### Selected Quarterly Information

Fiscal Year	2013	2012	2012	2012	2012	2011	2011	2011
Quarter Ended	Aug-31 2012	May-31 2012	Feb-29 2012	Nov-30 2011	Aug-31 2011	May-31 2011	Feb-28 2011	Nov-30 2010
<b>Total Revenue</b>	678,786	728,164	742,263	863,170	777,324	849,359	772,562	730,337
<b>Comprehensive Income (Loss)</b>	28,754	(581,172)	(94,307)	(36,412)	75,211	66,580	49,766	46,996
<b>Comprehensive (Loss) Income per share</b>	\$0.01	\$(0.04)	\$(0.01)	\$(0.01)	\$0.01	\$0.01	\$0.01	\$0.01

The prior periods' comparative figures have been reclassified where necessary, to conform to the current period's presentation.

#### Operations

August 31, 2012 revenue decreased to \$678,786 versus \$777,324 at August 31, 2011 or a decrease of 13%. The main reason associated with this revenue decrease was due to the loss of an ACV (actual cash value) account that the Insurance Services division had for just under two years. The account was lost due to the insurance company's decision to opt for a less expensive service that uses historical vehicle data as opposed to Armada's premium service that provides a real-time data picture. Armada expects the insurance company and other insurance companies to re-evaluate their position on historical data to settle their actual cash value (ACV) total loss claims after they have had an opportunity to assess the indemnity payout comparisons year over year. The other significant revenue decrease was in the Retail Services division. This decrease is a result of new competition within the marketplace and the time it takes for our Retail Services team to remedy the competitors' marketing programs that are aimed directly at the CarCostCanada.com customer and a call to action to their service. Management expects a reversal in this trend within the next three to six months as more members of the new car buying market begin to use pricing and data services offered by CarCostCanada (which is one of the positives of the additional competition) and, more importantly, some of the innovated website and business model changes being invoked by the Retail Services team.

Wages and Other Office expenses decreased to \$647,650 from \$656,171 last year or a decrease of 1%. These expenses are unchanged. What this expense suggests is the commitment of management to keep expenses controlled during periods of change.

The company recorded comprehensive income before corporate income tax provision, of \$28,754 compared to \$75,211 last year, a decrease of 62%. This reduction is a direct result of the reduction of Insurance and Retail Services revenue as well as the divisional losses in the Mister Beer Inc. operations.

Amortization expense increased to \$14,829 from \$4,942 last year, due to the capital expenditures the Company has invested in for the Mister Beer Inc. division's new brewery facility.

The Insurance Services division revenue decreased to \$193,490 from \$293,656, or by 34%. Insurance Services contributed 29% of the Company's total revenue this quarter, compared to 38% for the quarter ended August 31, 2011. However, Armada management made the necessary personnel changes as well as the overall staffing model within the Insurance Services division to reduce the divisional expenses to offset the reduction of revenue. The Insurance Services department is as profitable as it was prior to the loss of the ACV account.

The Retail Services division revenue was down 26% to \$123,753 from \$167,899, primarily due to a more competitive online search and advertising environment. Management is actively working on several different strategies to reverse this sales trend including but not limited to increasing market awareness of the [carcostcanada.com](http://carcostcanada.com) website, website improvements and additional membership benefits and offerings. The Retail Services division contributed 18% of the Company's total revenue, compared to 22% in the prior year's quarter.

The Dealer Services division revenue decreased by 10% (from \$255,532 to \$230,564) from the prior year's quarter; this reduction was expected by management because the division's productivity is directly related to [CarCostCanada.com](http://CarCostCanada.com) membership sales. The efficiencies undertaken by management have ensured that this decrease was not as great as the Retail Services division and management expects additional revenues within this department as a result of new revenue opportunities being market tested. The Dealer Services division's contribution of 34% to the Company's total revenue remained consistent with last year's contribution of 33%.

The Internet Technology division increased its revenue by 31%, from \$44,649 to \$58,329. This increase is due to new projects in development for fiscal 2013. The division's focus has been redirected on the internal needs of the organization as opposed to outside projects. There are several new technological sensations and trends within this sector and management is committed to ensuring that all of Armada's divisions keep pace with the market to the best of their ability. The IT division contributed 9% of the corporate quarterly revenue; an increase of 3% over the prior year's quarter.

The Advertising/Marketing division increased to \$22,420 from \$15,588, an increase of 44%. Although [CarCostCanada.com](http://CarCostCanada.com)'s website traffic was somewhat reduced in this quarter, the ability of the advertising agency representing [CarCostCanada.com](http://CarCostCanada.com) has been improving. The improvement is largely a result of the traffic that visits the website and the user's potential to become a vehicle "buyer with intent" motivates several advertisers to showcase their products and services on our website. The contribution to total revenue has increased from 1% in the prior year's quarter; the division now brings in 3% of the corporate revenues.

The Mister Beer Inc. division had gross sales of \$119,745, less \$69,515 of direct costs and labour, to report net revenues of \$50,230. Mister Beer Inc. contributed 7% to the Company's total revenue, compared to nil in the previous year's quarter. When the new production facility has been completed, the Mister Beer Inc. sales team will commence with the sales process with new multifaceted and multidimensional wholesale and retail distribution networks. Management expects the construction of the new production facility to be finished in November 2012.

Cash on hand decreased from \$1,087,249 at August 31, 2011 to \$230,272 at August 31, 2012. This cash on hand reduction is directly attributed to the acquisition of 90% interest in TBE/Mister Beer Inc. Capital investments in the new Mister Beer Inc. brewery have had and will continue to have significant impact on the Company's cash on hand until its completion. The Company has obtained a credit facility from its bank to assist in day-to-day operations.

Accounts receivable increased from \$397,256 in the prior year's quarter to \$431,394 in the quarter ended August 31, 2012. This increase is due to the inclusion of the Mister Beer Inc. Accounts Receivable. Related party Accounts Receivable decreased to \$2,348 from \$14,675.

Accounts payable increased to \$262,233 from \$217,403, due to the inclusion of Mister Beer Inc.'s Accounts Payable being included within this quarter. Related party Accounts Payables decreased from \$16,807 to \$14,572. Notes payable related to the IT Services acquisition are nil, compared to \$25,000 last year. The Note payable related to the TBE/Mister Beer Inc. acquisition is \$58,334, compared to nil last year.

As a result of the comprehensive loss reported by the Company for fiscal 2012 and dividends paid of \$81,796 in fiscal 2012, the retained earnings decreased to a deficit of \$(398,448), as compared to retained earnings of \$366,485 at August 31, 2011.

Revenues earned by division were as follows:

	<b>3 months ended</b>		3 months ended	
	<b>August 31, 2012</b>		August 31, 2011	
Insurance Services	<b>\$ 193,490</b>	29%	\$ 293,656	38%
Retail Services	<b>123,753</b>	18%	167,899	22%
Dealer Services	<b>230,564</b>	34%	255,532	33%
Internet Technology	<b>58,329</b>	9%	44,649	6%
Advertising/Marketing	<b>22,420</b>	<u>3%</u>	15,588	<u>1%</u>
	<b><u>628,556</u></b>	93%	<u>777,324</u>	100%
Revenue-Mister Beer Inc.	<b>\$ 119,745</b>		0	
Less: Direct product costs/wages	<b><u>(69,515)</u></b>		<u>0</u>	
Net revenue Mister Beer Inc.	<b><u>50,230</u></b>	7%	<u>0</u>	
Total consolidated revenue	<b><u>\$ 678,786</u></b>	100%	<b><u>\$ 777,324</u></b>	100%

### Related Party Transactions

Salaries and expenses are paid to two officers of the Company, who are also 50% (in the aggregate) shareholders of Lease Busters Inc. Spouses of two of the officers are employed by the Company, and are paid market value salaries. Legal fees are paid to a law firm, of which a partner is a (non-remunerating) director of the Company. A firm controlled by a (non-remunerated) director of the company has been retained for sales consulting for the Mister Beer Inc. division of the company. All of the actual costs noted in this section are paid at fair market value in the normal course of business.

## **Liquidity**

Based on a cash position of \$230,272 and accounts receivable of \$431,394, management believes that the company will require additional funding to complete the construction of a new production facility for the Mister Beer division. Management has obtained a credit facility to assist in day-to-day operations as well as a specific facility to finance new and pre-owned brewery equipment and machinery.

The future of the Company appears poised for growth and new opportunities for revenues. The Company currently has minimal debt but realizes the need for additional financing to achieve future goals of revenue increases based on the Mister Beer Inc. division's potential impact into the market place. The "data" divisions (Insurance Services, Retail Services, Dealer Services, Advertising/Marketing Services and IT Services) under current conditions fully expect to continue to report profitable results for the 2013 fiscal year and will support the Mister Beer Inc. division until it reaches the projected growth, sales and revenue objectives.

With respect to market competition, the Retail and Dealer services divisions enjoyed several years without competition. However over the past twelve months, two new automobile pricing data and dealer referral organizations entered the marketplace. The barrier to entry remains high within this industry and the new competition will initiate new demands to Armada Data Corporation's "data" products and services.

## **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 August 31, 2012. 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.

## **Risk Management**

Armada Data Corporation is subject to the risk generally associated with the operation of income-producing websites, production of a beer-based product/kit 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 August 31, 2012, 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 August 31, 2012 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.

Management has made certain critical accounting estimates pertaining to the Amortization of Capital Assets. These critical estimates were based on the expected useful lives of the particular asset when they were acquired. Management also believes that Armada Data Corporation is taking all the measures necessary to rebound our growth trends in the “data” division and begin to realize a return on investment in the Mister Beer Inc. division as a result of a new production facility, packaging improvements, marketing and branding efforts and the opening of sales and distribution channels throughout the major markets in Canada.

It is expected that Management can meet these objectives in the “data” divisions. The Mister Beer Inc. division does not have enough supportive sales history and contracts to accurately report optimistic results; the Mister Beer Inc. bottle-brew product is a unique beverage/kit within its category and has no known competition and has a current customer base to build upon in the coming months and years. A robust or downward trending economy will have some impact on the future growth expectations however, “data” has historically benefited in either economic trends and historical evidence supports increases in beer type beverages during economic downturns.

### **Outlook and Investor Highlights**

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

- The Company continues to diversify its revenue streams to ensure continued success; this diversification is within our existing divisions as well as our new acquisition.
- Retail & Dealer Services continues to produce over 50% of the company’s revenues.
- Insurance Services streamlines efficiencies to remain very profitable despite loss of significant account
- Company continues to strengthen its balance sheet
- Management is focused on National sales growth, expense management and increasing profitability
- The Mister Beer Inc. division poised to accepted significant sales orders in the next quarter
- An independent audit committee and mandate remains in full force to ensure quality of corporate governance to ensure shareholder confidence

Armada Data Corporation is poised and preparing for new levels of growth as it capitalizes and grows in the existing markets and begins to realize the potential of being a part of Canada’s vast beer market.

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

On behalf of the Board of Directors

***“R. James Matthews”***

R. James Matthews

Chief Executive Officer