

**MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending February 28, 2014**

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Armada Data Corporation's unaudited interim consolidated financial statements for the quarter ended February 28, 2014 and accompanying notes and the Company's annual audited consolidated financial statements for the year ended May 31, 2013. 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").

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 experience has enabled the company to leverage that experience into the beverage industry by acquiring Mister Beer Inc.

Armada is a publicly traded Canadian company with its shares listed on the TSX Venture Exchange under the trading Symbol ARD. Armada currently has a total of 17,670,265 shares outstanding. The Company has been based in Mississauga, Ontario since its inception in July 1999.

On 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 and 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 and 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 website and email hosting, desktop support and network support services. The IT team's website application resources are currently being used exclusively to service the requirement of the other Company divisions to reduce expenses.

The Advertising and 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	2014	2014	2014	2013	2013	2013	2013	2012
Quarter Ended	Feb-28 2014	Nov-30 2013	Aug-31 2013	May-31 2013	Feb-28 2013	Nov-30 2012	Aug-31 2012	May-31 2012
<b>Total Sales</b>	629,869	704,626	764,576	731,644	727,511	738,763	748,301	800,148
<b>Cost of Goods Sold</b>	(128,856)	(85,911)	(62,034)	(110,123)	(115,184)	(63,475)	(69,515)	(71,923)
<b>Gross Operating Profit</b>	501,013	618,715	702,542	621,521	612,327	675,288	678,786	728,225
<b>Comprehensive (Loss) Income</b>	(58,352)	(5,338)	154,941	(519,430)	26,633	(31,503)	28,754	(604,075)
<b>Comprehensive (Loss) Income per Share</b>	\$(0.01)	\$0.00	\$0.01	\$(0.03)	\$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

The sales for the quarter ended February 28, 2014 decreased to \$629,869 versus \$727,511 at February 28, 2013 or a decrease of 13%. Gross profit decreased from \$612,327 in 2013, to \$501,013 in 2014, or by 18%.

Wages and other office expenses decreased to \$537,450 from \$581,492 at February 28, 2013 or a decrease of 8%. Management is committed to keeping expenses controlled during periods of change, therefore the decrease in expenses is greater than the decrease in sales and gross profit.

The Company recorded comprehensive loss before corporate income tax provision, of \$(58,352) compared to comprehensive income of \$26,633 last year, a decrease of 319%. This change is a direct result of the divisional loss in the Mister Beer division.

Amortization expense increased to \$39,378 from \$24,952 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 sales increased to \$257,900 from \$228,010, or by 13%. Insurance Services contributed 41% of the Company's total sales this quarter, compared to 31% for the quarter ended November 30, 2012.

The Retail Services division sales decreased by 6% to \$89,462 from \$95,543 last year. The Retail Services division contributed 14% of the Company's total sales, compared to 13% from the prior year's quarter.

The Dealer Services division sales decreased by 22% (to \$140,872 from \$180,936) from the prior year's quarter. The continuation of efficiencies undertaken by management has ensured that this decrease is more than matched by decreases in expenses. The Dealer Services division's contribution of 22% to the Company's total sales is a decrease over last year's contribution of 25%.

The Internet Technology division sales decreased by 38%, from \$69,071 to \$42,880. The division's focus has been redirected to the internal needs of the organization as opposed to outside projects. There are several new technological 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 7% of the corporate quarterly revenue; a decrease over the 10% contribution in the prior year's quarter.

The Advertising and Marketing division decreased to \$1,240 from \$8,269, a decrease of 85%. The contribution to total revenue has remains the same at 1% from the quarter ended February 28, 2013 to February 28, 2014. Management made the decision to stop serving advertisements on the CarCostCanada.com website. CarCostCanada.com is an ecommerce website that converted to a secure format which is not an ideal platform to serve advertisements while remaining fully secure. Web users have become more educated over the past several years and will often not purchase goods and services online with an unsecure site; hence decision to make CCC a secure site was in the best interest of the company and our customers. The Company will begin to refocus efforts on TheCarMagazine.com (TCM) which is designed to educate and inform car buyers with related news, reviews and automotive pricing information; TCM will focus on customer traffic and deriving revenue through the sale of advertising.

The Mister Beer Inc. division had gross sales of \$97,515, less \$128,856 of direct costs and labour, to report gross profit of \$(31,341), compared to gross sales of \$145,682 less \$115,184 direct costs and labour resulting in gross profit of \$30,498 in the quarter ended February 28, 2013. Mister Beer Inc. contributed 15% to the Company's total sales, compared to 20% from the previous year's quarter. Inventory on hand decreased to \$99,363 at February 28, 2014 from \$154,376 at February 28, 2013.

Bank indebtedness increased from \$(214,100) at February 28, 2013 to \$(231,464) at February 28, 2014. This is directly attributed to the ongoing losses sustained by the Mister Beer Inc. division and the sales team's difficulties in securing a long-term relationship with a national retailer. Management believes that once Mister Beer sales have increased enough to break even, the bank indebtedness will be reduced and subsequently eliminated.

Accounts receivable decreased from \$453,711 in the prior year's quarter to \$444,635 in the quarter ended February 28, 2014. Related party Accounts Receivable increased to \$9,048 from \$4,764.

Accounts payable decreased to \$268,585 from \$420,112. Related party Accounts Payables decreased from \$17,066 to \$11,016. The Note payable related to the TBE and Mister Beer Inc. acquisition is \$Nil, compared to \$33,333 last year.

As a result of the comprehensive loss reported by the Company for fiscal 2013 and comprehensive loss for this third quarter of 2014, the retained earnings are a deficit of \$(831,495), as compared to retained earnings of a deficit of \$(409,299) at February 28, 2013.

Sales earned by division were as follows:

	3 months ended February 28, 2014		3 months ended February 28, 2013		year ended May 31, 2013	
Insurance Services	\$ 257,900	41%	\$ 228,010	31%	\$ 833,529	28%
Retail Services	89,462	14%	95,543	13%	467,197	16%
Dealer Services	140,872	22%	180,936	25%	828,228	28%
Internet Technology	42,880	7%	69,071	10%	235,168	8%
Advertising and Marketing	1,240	1%	8,269	1%	67,004	2%
Mister Beer Inc	97,515	15%	145,682	20%	515,093	18%
Total consolidated sales	<u>629,869</u>	100%	<u>727,511</u>	100%	<u>2,946,219</u>	100%
Less: Direct product costs/wages - Mister Beer Inc.	<u>(128,856)</u>		<u>(115,184)</u>		<u>(358,297)</u>	
Total Gross Profit	<u>\$ 501,013</u>		<u>\$ 612,327</u>		<u>\$ 2,587,922</u>	

### Related Party Transactions

Management salaries were paid to certain directors and officers of the Company and one director is a 25% shareholder of Lease Busters Inc. Legal fees are paid to a law firm, of which a partner is a (non-remunerated) director of the Company. 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 bank indebtedness of (\$231,464) and accounts receivable of \$444,635, management believes that the Company will remain in a debt position utilizing the current bank facility to assist in the ongoing operations of the business.

The Company 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 balance of this 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. Currently there is one significant competitor to the Company's CarCostCanada.com website. This competition has increased market awareness to the online new vehicle pricing industry, which necessitated the launching of the updated and refreshed CarCostCanada.com site. The new mobile CarCostCanada.com website has

made our vehicle pricing information available on all major smartphone devices. The barrier to entry remains high within this industry and the competition will continue to initiate new demands on Armada Data Corporation's new vehicle pricing and dealer referral services.

### **Risk Management**

Armada Data Corporation is subject to the risk generally associated with the operation of income-producing websites, production of a beer-based 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 funding. Other associated risks may include competition, technical constraints in further business development, and possible service interruptions.

### **Controls and Procedures**

Disclosure Controls and Procedures - As at February 28, 2014, the Company's senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures and concluded that they were effective.

Internal Control Over Financial Reporting - There have been no changes in the Company's internal control over financial reporting during the quarter ended February 28, 2014 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 divisions 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 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, the data divisions have historically benefited in either economic trends and historical evidence supports increases in beer type beverages during economic downturns.

## Outlook

The company's outlook is to establish a solid and sustained revenue base at the Mister Beer division, implement and launch a strategic and aggressive new plan in the Retail Services division and continue to make significant strides at the Insurance Services division by way of system integrations with our clients. This will be done by:

1. Working directly with national distributors to encourage pilot sales tests on the MB Bottle-Brew product as well as widespread retail distribution of the produce.
2. Partnering with other bulk wort (unfermented beer) companies to become their outsourced brewery facility; thus providing the brewery with a new and sustainable revenue base
3. Modifying and evolving the CarCostCanada website and business model in order for the service to be embraced by and more attractive to a higher percentage new car buyers
4. Pursue new partners in the new car wholesale pricing industry in order to expand awareness of this vital product and service
5. Continue to improve our relationships with some of the largest insurance companies in Canada and partner with other insurance company service providers to improve the business-to-business service levels and make Armada Insurance more attractive to potential new customers
6. Maintain operation expenses and achieve the economies of scale of an Internet based business.
7. Re-start conventional third-party fee-based online advertising as well as develop new and innovative platforms for new car OEM's to take advantage of in terms of exposing their vehicles and their brand on CarCostCanada.com
8. Continue to have our IT department focus exclusively on the Armada divisions and the services provided by the Armada divisions. This Armada-only mandate permits the IT personnel to become experts in Armada services as opposed to only IT experts; thus ultimately producing a better product more efficiently

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 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