

## **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending November 30, 2015 – effective January 29, 2016**

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 November 30, 2015 and accompanying notes and the Company's annual audited consolidated financial statements for the year ended May 31, 2015. The results reported herein have been prepared in accordance with International Accounting Standards, 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 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 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 1999.

On October 1, 2011, Armada acquired 90% the issued and outstanding shares of The Big & Easy Bottle Brewing Company Inc. ("TBE"). TBE owns 100% of all the issued and outstanding commons shares of Mister Beer Inc. ("MB"), a company which invented and has a patent pending on a unique "microbrewery in a bottle", allowing consumers to produce premium beer at roughly half the cost of regular beer. The production facility was closed December 31, 2014 in order to pursue a sale or other disposition of the Mister Beer business line. The assets of this division have been sold during this quarter ended November 30, 2015

The Company's operations consist of five main segments: Insurance Services, Retail Services, Dealer Services, Information Technology (IT) Services, and Advertising/Marketing Services.

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

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

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

The Information Technology division comprises web and email hosting, 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 price IT services and external sales/services purposes).

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. derived its revenue from the wholesale distribution sale of the Mister Beer Inc. beer-making kit. This division has been permanently closed.

### ***Selected Quarterly Information***

Fiscal Year	2016	2016	2015	2015	2015	2015	2014	2014
Quarter Ended	Nov-30 2015	Aug-31 2015	May-31 2015	Feb-28 2015	Nov-30 2014	Aug-31 2014	May-31 2014	Feb-28 2014
Total Revenue	545,409	528,853	463,056	466,797	526,884	552,035	437,930	501,013
Comprehensive Income (Loss)	34,364	70,175	(505,629)	(52,028)	(71,214)	(11,563)	(289,672)	(75,815)
Comprehensive Income (Loss) per share	\$0.00	\$0.00	\$(0.03)	\$0.00	\$0.00	\$0.00	\$(0.02)	\$0.00

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

### ***Operations***

The Company's total sales decreased by 6% in the quarter ended November 30, 2015, from \$580,517 in 2014, to \$545,409. Comprehensive income increased from a loss of \$(71,214) in the period ended November 30, 2014 to \$34,364 in the period ended November 30, 2015.

The Insurance Services division experienced an 11% increase in revenue, from \$252,525 in 2014 to \$280,719 in 2015.

The Retail Services division revenue was down 22% to \$64,727 in 2015 from \$82,826 in 2014. The updated CarCostCanada.com website, as well as the new Partners and Discounts program clearly helped the CarCostCanada.com membership program maintain a strong presence in the marketplace, despite increasing competition.

The Dealer Services division revenue remained much the same, at \$161,981 in 2014, and \$162,013 in 2015. This division's dealer development team has a plan to service the customers who find themselves without a dealer referral, although full implementation of this program has not been completed at the end of this period.

The Advertising/Marketing Services division, which derives its revenue from the sale of online third party advertising on CarCostCanada.com and TheCarMagazine.com increased from \$100 to \$7,298.

The Information Technology division revenue increased 11% to \$30,652 in 2015, up from \$27,550 in 2014. IT continues to offer technical support and web site hosting to hundreds of customers, and to develop new customer relationships on a regular basis.

The Mister Beer division's revenues are down from \$55,535 to nil. Direct product costs and labour decreased from \$53,633 to nil. The net income for Mister Beer Inc. went from \$1,902 in 2014 to nil in 2015. Management made the decision to close the production facility on December 31, 2014, in order to explore options with respect to a sale or other disposition of the Bottle Brew business line. This division's assets were disposed of during the period ended November 30, 2015.

Total expenses before amortization decreased to \$500,984 compared to \$561,314, a 11% decrease over last year. This is attributed to ceasing production at Mister Beer Inc. and continued cost-cutting measures implemented by management during the previous quarter.

The bank indebtedness decreased from \$(161,983) at November 30, 2014 to nil at November 30, 2015, as a result of acquiring addition financing from a company owned by a director of Armada Data Corporation.

Accounts receivable decreased by 1%, \$299,594 as at November 30, 2015 compared to \$303,080 last year. Related party accounts receivable decreased from \$6,770 to \$4,037.

Accounts payable increased to \$293,011 as at November 30, 2015 from \$212,765 a year earlier. Related parties accounts payable decreased to \$4,538 as at November 30, 2015, from \$8,243 last year.

Despite the comprehensive income reported by the Company for this period, the Company's deficit increased to \$(1,730,277) as at November 30, 2015 compared to a deficit of \$(1,277,159) last year, attributable to the write-downs of Mister Beer Inc. assets at May 31, 2015.

### Related Party Transactions

Salaries and expenses are paid to an officer of the Company, who is also 50% 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. Financing was acquired from a company owned by a director of Armada Data Corporation, and interest is paid to this company on a monthly basis. All of the actual costs noted in this section are paid at fair market value in the normal course of business.

	<b>3 months ended November 30, 2015</b>	3 months ended November 30, 2014
Advertising	\$ 1,740	\$ 3,313
Automobile	3,600	3,600
Computer Consulting	1,500	2,795
Interest	9,600	1,000
Management Salaries	52,476	55,476
Professional Fees	12,512	28,653
Salaries – Office & IT	-	-
Sales commissions	-	-
	<u>\$ 81,428</u>	<u>\$ 94,837</u>

Revenues earned by the divisions are as follows:

	3 months ended November 30, 2015			3 months ended November 30, 2014			year ended May 31, 2015		
Insurance Services	\$	280,719	51%	\$	252,525	48%	\$	909,656	46%
Retail Services		64,727	12%		82,826	16%		323,012	16%
Dealer Services		162,013	30%		161,981	31%		695,017	35%
Internet Technology		30,652	6%		27,550	5%		127,649	6%
Advertising/Marketing Services		7,298	1%		100	0%		12,251	0%
Total revenue - Armada Data Corp		<u>545,409</u>	100%		<u>524,982</u>	100%		<u>2,067,585</u>	103%
Revenue - Mister Beer Inc.		-			55,535			107,790	
Less: Direct product costs/wages - Mister Beer Inc.		-			(53,633)			(166,603)	
Total revenue - Mister Beer Inc.		-	0%		1,902	0%		(58,813)	-3%
Total consolidated revenue	\$	<u>545,409</u>	100%	\$	<u>526,884</u>	100%	\$	<u>2,008,772</u>	100%

### Liquidity

Based on a cash position of \$196,813 and accounts receivable of \$299,594, management feels that the Company is in a good position to meet all current and foreseeable financial obligations. With the closing of the Mister Beer production facility, expenses have been reduced. The other divisions of Armada are poised for revenue gains this fiscal year as a result of new project and feature launches as well as more than one significant partnership that the Insurance and Retail Service teams are working on. Management believes that the data divisions will not only remain very stable and profitable but begin to make significant inroads in new verticals that will result from our partnerships, project releases and new revenue streams.

The CarCostCanada.com divisions (Retail and Dealer services) are not be void of the competition that has made significant advancements over the past three years; however, the divisions have now learned how to deal with our competition and overcome many of their tactics. The Retail and Dealer services division were competition-free for many years and had to re-group and re-strategize in order to prevent further erosion caused by an overly aggressive new competitor. Management expects CarCostCanada.com to start realizing market gains this fiscal year and with the overall new car market remaining poised for more growth nationally (and more specifically in the web-rich Canadian urban centres), the division plans to earn more members to enhance the new car buying process for the Canadian new car buying marketplace.

## **Risk Management**

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

## **Controls and Procedures**

Disclosure Controls and Procedures - As at November 30, 2015, the Company's senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures and concluded that they were effective.

Internal Control Over Financial Reporting - There have been no changes in the Company's internal control over financial reporting during the quarter ended November 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management believes that Armada Data Corporation is taking all the measures necessary to rebound our growth trends in the "data" division.

It is expected that Management can meet these objectives in the "data" divisions.. A robust or downward trending economy will have some impact on the future growth expectations however, "data" has historically benefited in either economic trends.

Management does not plan on issuing any dividends until further notice.

## **Outlook**

The Company's outlook is to continue to increase sales, update and improve our data services products and services, and deliver significantly better results to our shareholders by way of the following:

1. Build on the historical success of the Company's ongoing sales and marketing efforts focused on increasing sales at Retail Services, Dealer Services and Insurance Services.
2. Exploit market awareness and demand for new vehicle pricing information and dealer referrals that result from the additional competition within that market space; by putting more emphasis on outside partners, data outsourcing and our underutilized online magazine TheCarMagazine.com
3. Continue to improve our relationships with some of the largest insurance companies in Canada and partner with some of these organizations to produce new products and services for their vast client base.
4. Maintain operating expenses and achieve the economies of scales of an Internet based business.
5. Expand third-party fee-based online advertising, by developing improved and more secure advertising methods.

On behalf of the Board of Directors

*"R. James Matthews"*

R. James Matthews  
Chief Executive Officer