

## **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending February 29, 2016 – effective April 28, 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 February 29, 2016 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 disposed of prior to the beginning of this quarter ended February 29, 2016

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	2016	2015	2015	2015	2015	2014
Quarter Ended	Feb-29 2016	Nov-30 2015	Aug-31 2015	May-31 2015	Feb-28 2015	Nov-30 2014	Aug-31 2014	May-31 2014
<b>Total Revenue</b>	522,663	545,409	528,853	463,056	466,797	526,884	552,035	437,930
<b>Comprehensive Income (Loss)</b>	81,419	34,364	70,175	(505,629)	(52,028)	(71,214)	(11,563)	(289,672)
<b>Comprehensive Income (Loss) per share</b>	\$0.00	\$0.00	\$0.00	\$(0.03)	\$0.00	\$0.00	\$0.00	\$(0.02)

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

### ***Operations***

The Company's total sales increased by 10% in the quarter ended February 29, 2016, from \$474,293 in 2015, to \$522,663. Comprehensive income increased from a loss of \$(52,028) in the period ended February 28, 2015 to \$81,419 in the period ended February 29, 2016.

The Insurance Services division experienced a 14% increase in revenue, from \$241,433 in 2015 to \$276,217 in 2016.

The Retail Services division revenue was down 29% to \$44,060 in 2016 from \$56,798 in 2015.

The Dealer Services division revenue increased 9%, from \$142,129 in 2015, to \$155,525 in 2016.

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 \$200 to \$18,425.

The Information Technology division revenue increased 5% to \$28,436 in 2016, up from \$27,129 in 2015. 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 \$6,604 to nil. Direct product costs and labour decreased from \$7,496 to nil. The net revenue for Mister Beer Inc. went from \$(892) in 2015 to nil in 2016. 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 have been disposed of and the division is permanently closed.

Total expenses before amortization decreased to \$431,183 compared to \$482,042, a 10.5% decrease over last year. This is attributed to ceasing production at Mister Beer Inc. and continued cost-cutting measures implemented by management.

Cash on hand increased from \$39,649 as at February 28, 2015 to \$209,181 as at February 29, 2016.

Accounts receivable increased by 23%, \$324,529 as at February 29, 2016, compared to \$264,728 last year. Related party accounts receivable decreased from \$10,933 to \$8,763.

Accounts payable increased to \$305,619 as at February 29, 2016 from \$195,358 a year earlier. Related party accounts payable decreased to \$537 as at February 29, 2016, from \$3,313 last year.

Despite the comprehensive income reported by the Company for this period, the Company's deficit increased to \$(1,648,858) as at February 29, 2016 compared to a deficit of \$(1,329,187) last year, attributable to the write-down 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. Office space is rented from 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 February 29, 2016</b>	3 months ended February 28, 2015
Advertising	\$ 1,415	\$ 850
Automobile	3,600	3,600
Interest	6,570	2,970
Management Salaries	67,492	54,476
Professional Fees	3,518	2,852
Rent	3,000	-
	<u>\$ 85,595</u>	<u>\$ 64,748</u>

Revenues earned by the divisions are as follows:

	3 months ended February 29, 2016		3 months ended February 28, 2015		year ended May 31, 2015		
Insurance Services	\$	276,217	53%	\$ 241,433	52%	\$ 909,656	46%
Retail Services		44,060	8%	56,798	12%	323,012	16%
Dealer Services		155,525	30%	142,129	30%	695,017	35%
Internet Technology		28,436	5%	27,129	6%	127,649	6%
Advertising/Marketing Services		18,425	4%	200	0%	12,251	0%
Total revenue - Armada Data Corp		<u>522,663</u>	100%	<u>467,689</u>	100%	<u>2,067,585</u>	103%
Revenue - Mister Beer Inc.		-		6,604		107,790	
Less: Direct product costs/wages - Mister Beer Inc.		-		(7,496)		(166,603)	
Total revenue - Mister Beer Inc.		-	0%	(892)	0%	(58,813)	-3%
Total consolidated revenue	\$	<u>522,663</u>	100%	<u>466,797</u>	100%	<u>2,008,772</u>	100%

### Liquidity

Based on a cash position of \$209,181 and accounts receivable of \$324,529, 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 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 February 29, 2016, 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 29, 2016 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