

MANAGEMENT’S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the year ending May 31, 2021 – effective September 27, 2021

The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the Armada Data Corporation’s audited consolidated financial statements for the years ended May 31, 2021 and 2020, and accompanying notes. The results reported herein have been prepared in accordance with International Accounting Standards, using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

Additional information relating to Armada Data Corporation is filed on SEDAR, and can be viewed at 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 July 1999.

The Company’s fiscal 2021 operations consisted of three main segments: Insurance Services, CarCostCanada (combining the former Retail, Dealer and Advertising divisions), and Information Technology (IT) Services.

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

The CarCostCanada division derives its revenue from: the sale of new car pricing data to consumers primarily through the Company’s flagship website www.CarCostCanada.com; the reselling of new car pricing data to qualified third party vendors; through the sale of new vehicle customer leads derived from membership sales from Car Cost Canada, and the sale of online third party website advertising, consulting fees and other new car or car business related marketing activities. In previous years, these revenues were reported separately, but because these revenues are all earned directly or indirectly from the website www.CarCostCanada.com, the three segments have been combined, and all previous periods’ comparative information has also been combined.

The Information Technology division supplies web and email hosting, technical support and network support services (for both internal and retail users) and the resale of hardware and software solutions. The division has vendor relationships with Microsoft, Barracuda, DropBox and Webroot.

Selected Annual Information

| Fiscal Year Ended | May 31, 2021 | May 31, 2020 | May 31, 2019 | May 31, 2018 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total Revenue | \$3,149,528 | \$3,280,998 | \$2,884,628 | \$2,951,844 |
| Income (loss) before taxes | \$22,309 | \$102,926 | \$(22,774) | \$380,910 |
| Income Taxes | \$5,883 | 52,801 | \$14,680 | \$108,595 |
| Comprehensive Income (Loss) after Taxes | \$16,426 | \$50,125 | \$(37,454) | \$272,315 |
| Comprehensive Income (Loss) per share | \$0.00 | \$0.00 | \$0.00 | \$0.02 |
| Total Assets | \$1,466,452 | \$1,568,978 | \$1,265,274 | \$1,196,600 |
| Total Liabilities | \$679,780 | \$622,030 | \$377,431 | \$355,095 |
| Shareholder's Equity, net of Non-controlling interests | \$786,672 | \$946,948 | \$887,843 | \$841,505 |
| Dividends | \$176,702 | NIL | NIL | NIL |

The Company's total revenue decreased by 4% in 2021 to \$3,149,528 from \$3,280,998 in 2020.

The Company reported comprehensive income of \$16,426, due to the following:

- The COVID-19 pandemic resulted in the office closing and most staff working from home for the period of March 18 to July 31, 2020, then again on November 16, 2020 to date. As most Canadians were not driving during these periods, insurance claims were close to non-existent, resulting in some staff layoffs in the Insurance Division, and a decrease in revenue. When permitted by the provincial government and public health guidelines, management will permit full staff to return. New car dealers across the country either closed their doors and worked remotely or reduced their sales staff. And due to an international problem of manufacturing computer chips, automobile production slowed, with the resulting effect of little new car inventory, which in turn had a detrimental effect on CarCostCanada's revenues.

Selected Quarterly Information

| Fiscal Year | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 | 2020 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Quarter Ended | May-31 2021 | Feb-28 2021 | Nov-30 2020 | Aug-31 2020 | May-31 2020 | Feb-29 2020 | Nov-30 2019 | Aug-31 2019 |
| Total Revenue | 713,200 | 636,780 | 797,470 | 1,002,078 | 609,210 | 922,113 | 974,475 | 775,200 |
| Comprehensive (Loss) Income before taxes | (134,696) | (76,809) | 7,507 | 226,307 | (133,491) | 56,904 | 81,648 | 97,865 |
| Comprehensive Income per share | \$(0.01) | \$0.00 | \$0.00 | \$0.01 | \$(0.01) | \$0.00 | \$0.00 | \$0.01 |

Operations

The Insurance Services division realized a decrease in revenue, from \$1,607,899 in 2020 to \$1,495,468 in 2021, or by 7%. The decrease in revenue was the result of the decrease in the number of cars on the road, because of Covid-19. This division has seen an increase in revenue during the first quarter of 2022, and management expects this to continue, provided there are no further lockdowns due to Covid-19.

The CarCostCanada division (combining the former Retail, Dealer and Advertising divisions) revenue was down 9% to \$1,309,218 from \$1,437,435. Once new vehicle production and dealership inventories return to pre-Covid levels, management expects this division's revenue to increase.

The Information Technology division revenue increased 46% to \$344,842 in 2021, from \$235,664 in 2020, due to a sale to a new customer. IT continues to offer technical support and web site hosting to hundreds of customers and is developing new customer relationships on a regular basis, as well as offering new services for sale.

Armada's consolidated statement reflects income this year, before corporation income taxes, of \$22,309, compared to \$102,926 in 2020. Corporation income tax expense is \$5,883 in 2021, compared to \$52,801 in 2020.

Total expenses decreased to \$3,127,219 in 2021, compared to \$3,178,072, a 2% decrease over last year. Advertising and business promotion expense has increased 4% from 2020 to 2021, while selling fees decreased 40%, from \$347,391 in 2020 to \$209,682 in 2021.

Accounts receivable decreased 26% to \$459,963 as at May 31, 2021, compared to \$621,182 last year. The May 31, 2020 accounts receivable included COVID Employer Wage Subsidy of \$66,153. Related party accounts receivable decreased from \$14,070 to \$1,210.

Accounts payable increased 7%, to \$366,399 as at May 31, 2021 from \$342,322 a year earlier. Related parties accounts payable decreased to \$4,120 as at May 31, 2021, from \$31,944 last year. Corporation income taxes payable was \$9,347 as at May 31, 2021, compared to \$12,563 recoverable as at May 31, 2020 and deferred taxes of \$39,171 as at May 31, 2021 (\$46,312 as at May 31, 2020).

Dividends of \$.01 per share or \$176,702 were paid on May 31, 2021, resulting in an increase in the Company's deficit to \$(1,081,005), compared to \$(920,729) the prior year. Earnings per share at May 31, 2021 are \$0.00 versus \$0.00 per share at May 31, 2020.

In July 2018, the Company signed a contract with a mobile app development company for the creation of all new mobile app for the Company's ecommerce website, CarCostCanada.com, which was completed in fiscal 2020. This is presented as an intangible asset at May 31, 2021 of \$53,760, which is comprised of the total cost of \$107,520 less \$53,760 accumulated amortization.

The Company adopted IFRS 16 *Leases* effective June 1, 2019. IFRS 16 removes the distinction between finance and operating leases and requires lessees to recognize a right of use asset and lease liability for all leases, subject to certain optional exemptions. On the initial application of the standard, the Company elected to exempt lease contracts for which the lease ends within 12 months of the date of initial application. In addition, the Company adopted an accounting policy to exclude short term leases that have an initial lease term of 12 months or less and lease contracts for which the underlying asset is of low value from application of the

standard. The lease payments related to these leases are recognized as an expense on a straight-line basis over the lease term.

The Company recognized a lease liability of \$328,504 on June 1, 2019, measured as the present value of the future lease payments discounted using an estimate incremental borrowing rate of 4.0% at June 1, 2019. The Company elected to initially measure the right of use assets at an amount equal to the lease liability. Therefore, there was no net impact on retained earnings on adoption of the new standard. The lease liability increased during fiscal 2021 upon renewal of two leases for the Company's premises, to leave a current balance of \$127,487 as at May 31, 2021 (2020 \$107,796) and a long term lease liability as at May 31, 2021 of \$133,256 (2020 \$93,656).

4th Quarter Results

The quarter ending May 31, 2021 finished with the Company recording revenue of \$713,200 versus \$609,210 last year, a increase of 17%. Comprehensive loss before taxes for the 4th quarter of 2021 is \$(134,696), compared to \$(133,491) for the same period the previous year.

Stock Options

On April 10, 2018, the company granted options for the purchase of 1,200,000 common shares of the company, expiring 2 years from the date of grant and with an exercise price of \$0.11 per share. The options vested 1/3 every six months beginning six months from the grant date. The Company had no options outstanding prior to April 10, 2018. All options granted expired April 10, 2020, and none of the 1,200,000 options were exercised during the two year period.

Segmented Annual Information

Revenues earned by divisions were as follows:

| | 2021 | 2020 |
|--------------------|---------------------|--------------------|
| Insurance Services | \$1,495,468 | \$ 1,607,899 |
| CarCostCanada | 1,309,218 | 1,437,435 |
| IT Services | 344,842 | 235,664 |
| Total Revenue | \$ 3,149,528 | <u>\$3,280,998</u> |

Related Party Transactions

The following transactions with related parties were in the normal course of operations and are measured at their exchange amounts:

- a) The Company recognized IT revenue of \$20,032 (2020- \$22,582) from a company significantly influenced by one of the Company's directors. At May 31, 2021 there was an account receivable of \$1,150 (2020 - \$13,746) due from this related party and accounts receivable of \$60 (2020 - \$324) due from other related parties.

- b) The following compensation was paid to key management, which comprises the Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, and the Board of Directors, during the current and prior years:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Management salaries | \$ 301,154 | \$ 300,000 |
| Automobile and travel allowances | 14,400 | 14,400 |
| Director Fees | 3,000 | - |
| Fair value of stock-based compensation expense | - | 7,483 |
| | <u>\$ 318,554</u> | <u>\$ 321,883</u> |

- c) Professional fees of \$29,300 (2020 - \$67,085) were recognized for services provided by a law firm in which a director of the Company is a partner.
- d) During the year, the Company incurred advertising and computer consulting expenses of \$15,865 (2020- \$25,123) with an entity controlled by the spouse of a director of the Company.
- e) Related parties accounts payable of \$4,120 (2020 - \$31,944) are due to directors or persons and entities related to directors of the Company.

Liquidity

Based on a year-end cash position of \$431,563, accounts receivable of \$459,963, and accounts payable of \$366,399, the company is in a positive cash position. By continuing to manage expenses efficiently during the Covid-19 pandemic and its aftermath, management expects that the Company's positive cash position will continue through fiscal 2022, and through the new car automobile industry's recovery from the pandemic.

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 are described below.

Credit Risk

The Company is exposed to credit risk due to its accounts receivable, which are stated net of an allowance for doubtful accounts. Cash is held at a major Canadian bank and is not considered to be subject to significant credit risk. Credit risk is the risk that a customer will be unable to pay amounts owed causing the Company to suffer a financial loss. The Company's two largest customers account for 26% (2020 – 28%) of consolidated revenue, or 55% (2020 – 58%) of Insurance Services segment revenue. These customers are two of Canada's largest insurance companies and are considered by management to be of negligible credit risk. The Company's remaining consolidated revenue is derived from many relatively small customers and therefore are not subject to any concentrations of credit risk. Furthermore, individual revenue transactions are of nominal value.

A significant portion of the Company's sales are by credit card or with large insurance companies. Management reduces credit risk by carefully monitoring the amounts owed by customers on a regular basis, performing regular

credit reviews of any customer that is approaching their credit limit or does not keep to their normal payment pattern. 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. In the opinion of management, the credit risk is low due to the controls in place and the lack of concentration amongst customers. Credit risk is unchanged from prior years. Management expects no further credit losses due to the factors described.

Liquidity Risk

The Company is exposed to liquidity risk due to its accounts payable and accrued liabilities, related parties accounts payable and the current portion of lease liability. 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, if 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 is managed through continuous cash flow management. This risk is unchanged from the prior year.

Market Risks

The Company is not exposed to significant foreign currency, interest rate or other price risks during the periods presented.

Controls and Procedures

Disclosure Controls and Procedures - As at May 31, 2021, 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 year ended May 31, 2021, 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 CarCostCanada division and continue to grow and expand the Insurance and IT divisions.

Outlook

COVID-19 emerged in December 2019 and subsequently spread worldwide, leading to the World Health Organization's declaration of a COVID-19 pandemic on March 11, 2020. To date, Canadian federal and provincial governments and businesses have mandated various measures, including: travel restrictions, restrictions on public gatherings, stay-at-home orders and advisories, and the quarantine of people who may have been exposed to the virus. The Company has and will continue to follow all federal and provincial guidelines mandated to combat this pandemic.

The Company's goals are to continue to increase top line sales and revenues from all divisions, establish a bigger presence on social media platforms and find new and unique ways to leverage client bases from our three divisions. Methods of achieving these goals include:

1. Building out a better and more effective online new car pricing platform for our partners like RBC Drive, to drive more new car buyers into the CarCostCanada membership group.
2. Finding more products and services to monetize more CarCostCanada members, similar to our lead generation services and our eBook "The Road to a Deal".
3. Improve our customer engagement mandate to result in more online visitors becoming CarCostCanada members.
4. Continue to maintain and sustain the CarCostCanada new car dealership network and strive to monetize a larger percentage of our members, despite the new vehicle inventory shortage.
5. Maintain and improve the Company's relationships with some of the largest insurance companies in Canada and continue to grow the number of insurance companies using the proprietary claims processing services pioneered by Armada Insurance Services.

On behalf of the Board of Directors

"R. James Matthews"

R. James Matthews
Chief Executive Officer