

ARMADA DATA CORPORATION
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements 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").

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT FEBRUARY 28, 2022
(Expressed in Canadian Dollars)**

	as at February 28, 2022	as at February 28, 2021	as at May 31, 2021
ASSETS			
Current			
Cash	\$ 271,456	\$ 515,284	\$ 431,563
Accounts receivable (notes 6 and 16)	376,654	533,883	459,963
Related Party Receivable (notes 6 and 12)	2,696	2,469	1,210
Current portion of sublease receivable (note 15)	14,636	87,809	80,492
Income taxes recoverable	9,932	3,303	-
Prepaid expenses and sundry assets	80,033	48,286	63,974
TOTAL CURRENT ASSETS	755,407	1,191,034	1,037,202
Sublease Receivable (note 15)	-	14,635	-
Right-of-use assets (note 7)	180,453	185,415	173,447
Property and Equipment (note 8)	25,782	25,481	22,043
Intangible asset (note 9)	31,360	67,200	53,760
Goodwill - net (note 10)	180,000	180,000	180,000
TOTAL ASSETS	\$ 1,173,002	\$ 1,663,765	\$ 1,466,452
LIABILITIES			
Current			
Accounts payable and accrued liabilities (note 11)	\$ 233,654	\$ 217,375	\$ 366,399
Current portion of lease liability (note 7)	64,565	134,163	127,487
Related party payable (notes 11 and 12)	3,944	2,671	4,120
Income taxes payable	-	-	9,347
TOTAL CURRENT LIABILITIES	302,163	354,209	507,353
Lease liability (note 7)	138,265	159,292	133,256
Deferred taxes	39,171	46,312	39,171
TOTAL LONG TERM LIABILITIES	177,436	205,604	172,427
TOTAL LIABILITIES	479,599	559,813	679,780
SHAREHOLDERS' EQUITY			
Share Capital (note 13)	1,730,022	1,730,022	1,730,022
(Deficit)	(1,174,274)	(763,725)	(1,081,005)
Contributed Surplus	287,345	287,345	287,345
Total Equity Attributable to Equity Holders of the Company	843,093	1,253,642	936,362
Non-Controlling Interests	(149,690)	(149,690)	(149,690)
TOTAL SHAREHOLDERS' EQUITY	693,403	1,103,952	786,672
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,173,002	\$ 1,663,765	\$ 1,466,452

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**AS AT FEBRUARY 28, 2022
(Expressed in Canadian Dollars)**

	3 months ended February 28, 2022	3 months ended February 28, 2021	6 months ended February 28, 2022	6 months ended February 28, 2021	9 months ended February 28, 2022	9 months ended February 28, 2021
REVENUE (note 16)	\$ 613,817	\$ 636,780	\$ 1,270,877	\$ 1,434,250	\$ 1,935,382	\$ 2,436,327
Expenses - General and Administration						
Wages and other Office Expenses	653,325	690,025	1,314,655	1,456,105	1,952,990	2,219,072
(Loss) Income before undernoted	(39,508)	(53,245)	(43,778)	(21,855)	(17,608)	217,255
Amortization	25,545	20,529	49,947	41,058	68,968	52,082
Interest Expense (note 7)	2,045	3,035	4,310	6,390	6,693	8,169
Comprehensive (Loss) Income	\$ (67,098)	\$ (76,809)	\$ (98,035)	\$ (69,303)	\$ (93,269)	\$ 157,004
Attributable to equity holders of the company	(67,098)	(76,809)	(98,035)	\$ (69,303)	(93,269)	157,004
Attributable to non-controlling interests		-	-	-		
	\$ (67,098)	\$ (76,809)	\$ (98,035)	\$ (69,303)	\$ (93,269)	\$ 157,004
Income Per Share						
Basic	\$0.00	\$0.00	(\$0.01)	\$0.00	(\$0.01)	\$0.01
Fully Diluted	\$0.00	\$0.00	(\$0.01)	\$0.00	(\$0.01)	\$0.01
Weighted Average number of Common Shares	17,670,265	17,670,265	17,670,265	17,670,265	17,670,265	17,670,265

APPROVED ON BEHALF OF THE BOARD:

“R. James Matthews”
R. James Matthews

Director

“Eli Oszlak”
Eli Oszlak

Director

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS AT FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

	Share Capital	Deficit	Contributed Surplus	Non- Controlling Interest	Total Equity
Balance at February 29, 2020	\$ 1,730,022	\$ (734,435)	\$ 285,712	\$ (149,690)	\$1,131,609
Net (loss)		(186,294)			(186,294)
Stock-based compensation expense (notes 3 and 12(c))			1,633		1,633
Balance at May 31, 2020	1,730,022	(920,729)	287,345	(149,690)	946,948
Net Income		157,004			157,004
Balance at February 28, 2021	1,730,022	(763,725)	287,345	(149,690)	1,103,952
Net (loss)		(317,280)			(317,280)
Balance at May 31, 2021	1,730,022	(1,081,005)	287,345	(149,690)	786,672
Net (loss)		(93,269)			(93,269)
Balance at February 28, 2022	\$ 1,730,022	\$ (1,174,274)	\$ 287,345	\$ (149,690)	\$ 693,403

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

	3 months ended February 28, 2022	3 months ended February 28, 2021	6 months ended February 28, 2022	6 months ended February 28, 2021	9 months ended February 28, 2022	9 months ended February 28, 2021
Operating Activities						
Comprehensive (loss) income for the period	\$ (67,098)	\$ (76,809)	\$ (98,035)	\$ (69,303)	\$ (93,269)	\$ 157,004
Items not involving cash:						
Interest expense	2,045	3,035	4,310	6,390	6,693	8,169
Amortization	25,545	20,529	49,947	41,058	68,968	52,082
	(39,508)	(53,245)	(43,778)	(21,855)	(17,608)	217,255
Changes in non-cash working capital						
Accounts receivable	25,964	10,422	26,984	199,815	80,338	87,299
Related party receivable	1,559	23,854	1,546	16,822	1,486	11,601
Prepaid corporation income taxes	(3,582)	(369)	(7,287)	9,260	(9,932)	9,260
Prepaid expenses and sundry assets	(7,791)	5,354	(13,042)	(3,144)	(16,060)	33,918
Deposits - Future purchase of property	-	-	-	-	-	-
Accounts payable and accrued liabilities	38,878	(105,937)	(31,518)	(153,020)	(131,496)	(124,947)
Related party payable	(1,798)	(20,437)	-	(2,327)	(1,424)	(29,273)
Corporation income taxes payable	-	-	-	-	(9,347)	-
Cash provided by (used in) operating activities	53,230	(87,113)	(23,317)	67,406	(86,435)	(12,142)
Investing Activities						
Receipts under sublease	21,952	21,952	43,904	43,904	65,856	65,856
Purchase of property and equipemnt	-	-	(13,708)	-	(13,708)	-
Early termination of leased asset	-	-	-	-	1,454	-
Cash provided by (used in) investing activities	21,952	21,952	30,196	43,904	53,602	65,856
Financing Activities						
Payment of lease obligations	(37,670)	(35,423)	(74,242)	(70,846)	(109,665)	(106,288)
Cash (used in) financing activities	(37,670)	(35,423)	(74,242)	(70,846)	(109,665)	(106,288)
Net (Decrease)Increase in Cash	(1,996)	(153,829)	(111,141)	18,609	(160,106)	164,681
Cash, beginning of period	276,152	669,113	382,597	496,675	431,562	350,603
Cash, end of period	\$ 274,156	\$ 515,284	\$ 271,456	\$ 515,284	\$ 271,456	\$ 515,284

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022 (Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Armada Data Corporation (the "Company") is engaged in the accumulation and sale of data related to the purchase of new and used vehicles.

The Company was incorporated in Canada and its registered office is 5080 Timberlea Blvd. Suite 215, Mississauga, Ontario, Canada. The Company's common share are listed on the TSX – Venture Exchange under the symbol ARD.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements for the period ended February 28, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited interim consolidated financial statements for the period ended February 28, 2022 were authorized for issuance by the Board of Directors of the Company on April 25, 2022.

These unaudited interim consolidated financial statements include: the accounts of Armada Data Corporation; its wholly owned subsidiary CCC Internet Solutions Inc; its 90% owned subsidiary The Big & Easy Bottle Brewing Company In. ("TBE"); TBE's wholly owned subsidiary Mister Beer Inc.; and the inactive subsidiary Mister Beer U Brew Inc. All the Company's subsidiaries are incorporated in Canada and have their registered offices at 5080 Timberlea Blvd., Suite 215, Mississauga, Ontario. All intercompany balances and transactions have been eliminated.

These unaudited interim consolidated financial statements have been prepared under the going concern assumption and on the historical cost basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented:

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. The transaction costs associated with business combinations are expensed as incurred.

Goodwill represents the excess of the fair value of the consideration transferred in a business acquisition over the fair values of identifiable net assets acquired and liabilities assumed in such acquisitions. Goodwill is measured at the date that control is obtained.

Foreign Currency Translation

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries is also the Canadian dollar. Items included in the financial statements of the Company and its subsidiaries are measured using the functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate and non-monetary items are translated at historical rates of exchange at the time of the acquisition of assets or recognition of liabilities. Revenue and expenses are translated at an average rate of exchange in effect during the year. Foreign exchange translation gains and losses are recorded into income in the year in which they occur.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company's sales and performance obligations occur both over time (based on an annual advertising contract) and at a point in time (when services are rendered).

Revenue for services is recognized at a point in time, when services are rendered, being when the Company has objective evidence that all criteria for acceptance of the service have been satisfied. A receivable is recognized at that time because payment of the consideration is unconditional, being based only on the passage of time. Revenues are recognized over a period of time for annual advertising contracts beginning when the advert is initially published. Consideration received for the unelapsed period beyond the statement of financial position date is recorded as deferred revenue because the performance obligation has not yet been satisfied. At February 28, 2022, there are no unfulfilled performance obligations extending beyond a year for which the Company has not collected funds or deposits.

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and others. The Board of Directors grants such options for maturities of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than fair value of the shares on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. The amount recognized is adjusted to reflect the number of share options expected to vest. The fair value is recognized as an expense over the vesting period with a corresponding increase in contributed surplus within equity.

Share Issue Costs

Costs directly identifiable with the raising of capital are recognized in equity as a reduction of the proceeds received from common share issuances. Share issue costs consist primarily of corporate finance fees, legal fees and managing dealer commissions and marketing fees.

Income Tax

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial Instruments

Initial Measurement

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured at fair value. Directly attributable transaction costs for the acquisition or issue of financial instruments classified as at amortized cost or at fair value through other comprehensive income ("FVTOCI") are included with the carrying amount of such instruments. Directly attributable transaction costs for the acquisition or issue of financial instruments classified as at fair value through profit or loss ("FVTPL") are recognized as an expense as incurred. An irrevocable election can be made at initial recognition of a financial asset, on an asset-by-asset basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor a contingent consideration arising from a business combination to be classified as FVTOCI.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (cont'd)

Financial assets – Subsequent measurement

Subsequent measurement of financial assets depends on their classification as either amortized cost or fair value (either FVTOCI or FVTPL). The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. The Company's objective is to collect contractual cash flows, which represent solely payments of principal and interest, if any. The Company does not sell financial assets, and has therefore classified cash, accounts receivable and accounts receivable from related parties as subsequently measured at amortized cost.

The Company assesses, on a forward-looking basis, the expected credit losses associated with financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the required simplified approach and recognizes expected lifetime losses from initial recognition of the accounts receivable.

Financial liabilities – Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as either amortized cost or FVTPL. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities so designated upon initial recognition. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. The accounts payable and accrued liabilities and related party accounts payable are classified as at amortized cost. The Company does not use derivative financial instruments.

Cash

Cash consists of cash balances at a major Canadian based financial institution.

Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property and equipment are depreciated and charged to income over the estimated useful life of the assets on the following basis:

Leasehold improvements	- straight line over 5 years
Furniture and fixtures	- 20% declining balance
Computer hardware	- 30% declining balance
Computer software	- 100% declining balance
Telephone equipment	- 20% declining balance

Intangible Asset

Intangible asset represents a new IOS and Android mobile app for the Company's e-commerce website, Carcostcanada.com. This asset is being amortized straight line over 3 years with half rates taken in the year of acquisition.

Earnings per Share

Basic earnings per share are computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the potential exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income statement. The recoverable amount of goodwill is estimated and compared to the carrying value on an annual basis whether or not there is an indication the goodwill is impaired.

The impairment test is performed at the level of the cash generating unit (CGU) which is the smallest group of long-lived assets that generate cash inflows that are largely independent of the cash inflows of other long-lived assets. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Right of use assets and lease liability

A lease liability and right of use asset are recognized at the date at which the leased asset is made available. Options to extend or cancel a lease are reflected in the lease term only if they are reasonably certain to be exercised. The lease payments for leases of low value assets and leases with initial terms of one year or less are expensed as incurred.

The lease liability is measured as the present value of the future minimum lease payments, discounted using the Company's incremental borrowing rate where the rate implicit in the lease is unknown. Tax, maintenance and insurance (TMI) costs that are required to be paid under leases for premises are accounted for as non-lease components and are expensed as incurred. The lease liability is subsequently accounted for at amortized cost using the effective interest method.

The right of use asset is initially measured at cost, calculated as the value of the lease liability adjusted for any lease payments made on or prior to commencement and less any lease incentives received. The right of use asset is subsequently depreciated, straight-line, over the lease term.

Subleases of right of use assets that transfer substantially all risks and rewards associated with the asset are classified as finance leases and the associated right of use asset is derecognized. Sublease payments receivable for finance leases are discounted where the effect is material.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unaudited interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the unaudited interim consolidated financial statements and accompanying notes. These estimates have a direct effect on the measurement of transactions and balances recognized in the unaudited interim consolidated financial statements. Actual results could differ from these estimates. The Company has also made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the unaudited interim consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Impairment of assets

In performing impairment test of long-lived assets, the Company is required to exercise judgement in determining the appropriate CGU(s) and to estimate the future cash flows and discount rate that are used as inputs in measuring the CGU's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock-based compensation awards, in particular the volatility and the number of awards that are expected to vest. The Company recognized stock-based compensation expense for the three months ended February 28, 2022 of \$ Nil (2021 – \$ Nil). These estimates affect the amount recognized as stock-based compensation in the unaudited interim statement of comprehensive income.

Income Tax

Management is required to apply judgement in determining whether it is probable deferred income tax assets will be realized. At February 28, 2022 and February 28, 2021, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable, and as such, has not recognized any deferred income tax assets in the unaudited interim consolidated statements of financial position. In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual audited consolidated financial statements.

5. CHANGES IN ACCOUNTING STANDARDS

The IASB has issued *Interest Rate Benchmark Reform – Phase 2*, which amends IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures*, and IFRS 16 *Leases*, and provides guidance on the effects on an entity's financial statements when an interest rate benchmark is replaced. Management intends to adopt the amendments on the effective date and does not expect any effect on the Company's financial statements.

6. ACCOUNTS RECEIVABLE

	February 28 <u>2022</u>	February 28 <u>2021</u>
Neither impaired nor past due	\$ 203,486	\$ 254,350
Not impaired and past due in the following periods		
31 to 60 days	68,353	87,066
61 to 90	36,595	54,176
Over 90 days	70,916	140,760
Impaired accounts receivable	5,400	9,919
Allowance for doubtful accounts	<u>(5,400)</u>	<u>(9,919)</u>
Total accounts receivable and related parties accounts receivable	<u>\$ 379,350</u>	<u>\$ 536,352</u>
Broken down as follows:		
Related parties accounts receivable	\$ 2,696	\$ 2,469
Accounts receivable	<u>376,654</u>	<u>\$ 533,883</u>
Total accounts receivable and related parties accounts receivable	<u>\$ 379,350</u>	<u>\$ 536,352</u>

None of the allowance for doubtful accounts at February 28, 2022 or February 28, 2021 relates to related party accounts receivable. The Company's accounts receivable are non-interest bearing and are generally 30 day terms. The Company does not hold any collateral with respect to its receivable.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)**

7. RIGHT OF USE ASSETS AND LEASE LIABILITY

The Company holds real estate and a vehicle under lease, none of which contain any extension or termination provisions. The following table presents the changes in the right-of-use assets:

	Real estate	Vehicle	Total
Balance, beginning of period	-	-	-
Adoption of IFRS 16			
Right of use asset recognized	309,576	18,928	328,504
Disposition by sublease	(256,108)	-	(256,108)
Balance, June 1, 2019	53,468	18,928	72,396
Additions	190,122	-	190,122
Depreciation	(76,095)	(12,976)	(89,071)
Balance, May 31, 2021	167,495	5,952	173,447
Disposal	-	(5,952)	(5,952)
Additions	-	49,557	49,557
Depreciation	(30,405)	(6,194)	(36,599)
Balance, February 28, 2022	137,090	43,363	180,453

The following table presents the continuity of the lease liability:

	Total
Balance, beginning of period	-
Adoption of IFRS 16	328,504
Balance, June 1, 2019	328,504
Principal payments	(257,883)
Additions	190,122
Balance, May 31, 2021	260,743
Extinguished on disposal	(4,498)
Additions	49,557
Principal payments	(102,972)
Balance February 28, 2022	202,830
Less current balance	(64,565)
Balance due in more than 1 year	138,265

Interest expense on the lease liability for the three months ended February 28, 2022 was \$2,045 (February 28, 2021 \$3,035) and is presented as interest expense on the statement of comprehensive income. An incremental borrowing rate of 4.0% was used as the discount rate. The expense for leases of low dollar value items is not material. The undiscounted cash flows for lease obligations are disclosed in note 15.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)**

8. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	February 28, 2022		May 31, 2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold Improvements	\$ 183,792	\$ 179,196	\$ 4,596	\$ 5,407
Furniture and fixtures	26,829	24,903	1,926	2,266
Computer hardware	166,058	156,232	9,826	12,679
Telephone equipment	21,742	20,304	1,438	1,691
Computer Software	54,783	46,787	7,996	-
Total	\$ 453,204	\$ 427,422	\$ 25,782	\$ 22,043

9. INTANGIBLE ASSET

	e-commerce app
Cost	
Balance, May 31, 2019	-
Additions 2020	107,520
Balance, February 28, 2022	107,520
Accumulated Amortization	
Balance, May 31, 2021	53,760
Amortization 2022	22,400
Balance, February 28, 2022	76,160
Net Book Value	
February 28, 2022	31,360
February 28, 2021	67,200

10. GOODWILL

	February 28, 2022	February 28, 2021	May 31, 2021
Balance, beginning and ending of the period	\$ 180,000	\$ 180,000	\$ 180,000

Management has determined that the goodwill underlies the cash inflows generated by all of the Company's reportable operating segments due to the synergies derived from the Cybernet Finder business combination completed in 2010. The smallest group of long-lived assets that generate cash inflows independently of other long-lived assets is the goodwill and property and equipment collectively. Management therefore considers that the Company has one CGU for the purpose of impairment testing. The recoverable amount of the CGU is determined on the basis of value in use. Management has used of period of two years of cash flow projections, incorporating past experience. A reasonably possible change in the discount rate or the cash flows projected (which are the assumptions used) would not cause an impairment loss to be recognized.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28, 2022	February 28, 2021
Accounts payable	\$ 75,341	\$ 69,491
Accrued liabilities	152,953	137,567
Sales tax payable	<u>9,304</u>	<u>12,988</u>
	<u>\$ 237,598</u>	<u>\$ 220,046</u>
Broken down as follows:		
Related parties accounts payable	\$ 3,944	\$ 2,671
Accounts payable	<u>233,654</u>	<u>217,375</u>
Total accounts payable and related parties accounts payable	<u>\$ 237,598</u>	<u>\$ 220,046</u>

12. RELATED PARTY TRANSACTIONS

The following transactions with related parties were in the normal course of operations:

- a) The Company recognized IT revenue of \$4,205 (February 28, 2021 \$3,854) from a company and individual significantly influenced by one of the Company's directors. At February 28, 2022, there was an account receivable of \$2,587 (February 28, 2021 \$2,384) due from this related company and accounts receivable of \$109 (February 28, 2021 \$85) due from other related parties.
- b) The following compensation was paid to key management, which comprises the Chief Executive Officer, Chief Financial Officer and Chief Technical Officer, during the current and prior years periods:

	February 28, 2022	February 28, 2021
Management salaries	\$ 72,923	\$ 72,187
Automobile and travel allowances	<u>4,431</u>	<u>3,323</u>
	<u>\$ 77,354</u>	<u>\$ 75,510</u>

- c) Professional fees of \$11,337 (February 28, 2021 \$12,180) were recognized for services provided by a law firm in which a director of the Company is a partner.
- d) During the period ended February 28, 2022, the Company incurred advertising and computer consulting expenses of \$2,250 (February 28, 2021 \$4,350) with an entity controlled by a spouse of an officer of the Company.
- e) Related party accounts payable of \$3,944 are due to parties related to directors of Armada Data Corporation (February 28, 2021 \$2,671).
- f) Director fees of \$ Nil were paid to three directors of the Company during the quarter ended February 28, 2022 (February 28, 2021 \$3,000).

13. SHARE CAPITAL

a) Stock Options

On April 10, 2018, the Company granted options for the purchase of 1,200,000 common shares of the Company, with an exercise price of \$0.11 per share. The options vested 1/3 every six months beginning six months from the grant date and all 1,200,000 options expired unexercised on April 10, 2020. The Company had no other options outstanding during the two periods presented.

Stock Options are granted to eligible persons (as defined in the Company's Stock Option Incentive Plan) and include any director, employee or consultant of the Company. The exercise price of such options is determined by the Board of Directors,

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

a) Stock Options (Cont'd)

provided that such price is not lower than the closing price for the underlying shares as quoted on the TSX Venture Exchange for the market trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange. These options are non-transferable.

Subject to the requirements of the Exchange:

- i. the aggregate number of Option Shares that may be issuable pursuant to Options granted under the Plan will not exceed 2,700,000 shares;
- ii. unless approval of this Plan is obtained by Disinterested Shareholders,
 - (a) the number of shares reserved for issuance under Options granted to Insiders of the Company under this Plan and all outstanding stock option plans or grants of options may not at any time exceed ten percent (10%) of the issued shares of the Company;
 - (b) no more than an aggregate of ten percent (10%) of the issued shares of the Company, calculated at the date the option(s) is(are) granted, may be granted to Insiders of the Company in any twelve (12) month year under this Plan and all outstanding stock option plans or grants of options;
 - (c) no more than an aggregate of five percent (5%) of the issued shares of the Company, calculated at the date the Option is granted, may be granted to any one Optionee in any twelve (12) month year under this Plan and all outstanding stock option plans or grants of options;

however, upon obtaining the requisite Disinterested Shareholder Approval, these provisions shall no longer apply;
- iii. no more than two percent (2%) of the issued shares of the Company, calculated at the date the Option is granted, may be granted to any one Consultant in any twelve (12) month year; and
- iv. no more than an aggregate of two percent (2%) of the issued shares of the Company, calculated at the date the Option is granted, may be granted to persons providing Investor Relations Activities in any twelve (12) month year.

The fair value of the options granted during the prior year was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected volatility	125%
Risk free interest rate	1.82%
Expected life	2 years
Expected dividend yield	0.0%

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in these subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

b) Weighted average number of common shares outstanding

	February 28 <u>2022</u>	February 28 <u>2021</u>
Weighted average number of common shares outstanding for basic earnings per share	17,670,265	17,670,265
Weighted average number of potential common shares outstanding (note * below)	-	-
Weighted average number of common shares outstanding for diluted earnings per share	<u>17,670,265</u>	<u>17,670,265</u>

Note * Exercise of the stock options outstanding during both years presented would be anti-dilutive and therefore the effect has been excluded.

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

14. INCOME TAXES

At May 31, 2021, The Big and Easy Bottle Brewing Company Inc. and Mister Beer Inc. had combined non-capital losses for income tax purposes of \$2,208,218 available to offset future taxable income. The potential tax benefits have not been reflected in these financial statements as the likelihood of realization is uncertain. These losses will expire as follows:

May 31, 2028	\$	2,268
May 31, 2029		48,677
May 31, 2030		82,200
May 31, 2031		60,561
May 31, 2032		239,083
May 31, 2033		546,096
May 31, 2034		593,360
May 31, 2035		300,785
May 31, 2037		45
May 31, 2038		<u>335,143</u>
	\$	<u>2,208,218</u>

15. COMMITMENTS

- a) The Company leases premises with expiry dates of April 2022 and August 2025. Minimum rental payments (including common area expenses and realty tax for the premises) are:

Amounts due within one year	\$	117,706
Amounts due in more than one year and less than five years		<u>218,513</u>
	\$	<u>336,219</u>

- b) The Company has sub-leased Mister Beer's premises up to April 2022. The minimum rental amounts, including common area expenses and realty taxes, to be received are as follows:

Amounts due within one year	\$	27,794
Amounts due in more than one year and less than five years		<u>-</u>
	\$	<u>27,794</u>

- c) The Company has various other operating leases which continue until fiscal 2025. The minimum rental payments (excluding HST) are:

Amounts due within one year	\$	11,660
Amounts due in more than one year and less than five years		<u>32,065</u>
	\$	<u>43,725</u>

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022 (Expressed in Canadian Dollars)

16. SEGMENTED INFORMATION

The Company's operations consist of three main segments: Insurance Services, CarCostCanada, and Information Technology (IT). The Insurance Service division derives its revenue from the sale of total-loss replacement vehicle reports to major Canadian insurance companies. The revenues earned by the combined Retail, Dealer and Advertising/Marketing divisions are a single reportable segment on the basis of CarCostCanada.com, which is the common platform used to generate revenues, either directly or indirectly, for these divisions. The IT division comprises web and email hosting, dedicated servers, technical support and network support services (for both internal and retail sales), and the resale of hardware and software solutions.

The Chief Executive Officer measures performance by segment based on revenues. Revenues recognized from third party customers, by segment, are presented in the following. No internal revenue is included for the IT Services segment.

	3 months ended February 28, 2022	3 months ended February 28, 2021	year ended May 31, 2021
Insurance Services (see note 18)	\$ 410,125	\$ 350,729	\$ 1,495,468
CarCost Canada	141,443	222,313	1,309,218
Information Technology	62,249	63,738	344,842
Total revenue - Armada Data Corp	<u>\$ 613,817</u>	<u>\$ 636,780</u>	<u>\$ 3,149,528</u>

Accounts receivable by segment are as follows:

	3 months ended February 28, 2022	3 months ended February 28, 2021	year ended May 31, 2021
Insurance	\$ 290,559	\$ 337,478	\$ 196,602
CarCostCanada	64,260	111,246	154,459
Information Technology	24,531	36,517	110,060
Not reportable by segment	-	51,111	52
Total Accounts Receivable	<u>\$ 379,350</u>	<u>\$ 536,352</u>	<u>\$ 461,173</u>

17. NON-CONTROLLING INTEREST

The financial position and results of the 90% owned subsidiary, Mister Beer Inc., are as follows:

	February 28 <u>2022</u>	February 28 <u>2021</u>
Current assets	\$ -	\$ -
Long term assets	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ -	\$ -
Long term liabilities – intragroup payable	<u>(2,261,326)</u>	<u>(2,261,326)</u>
Total liabilities	<u>\$ (2,261,326)</u>	<u>\$ (2,261,326)</u>
Revenue	-	-
Net loss and total comprehensive loss	<u>\$ -</u>	<u>\$ -</u>

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022 (Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash, accounts receivable, related party receivable, accounts payable and accrued liabilities and related party payable approximate carrying value due to the relatively short term maturities of these instruments.

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The fair value of the lease liability at February 28, 2022 approximates the carrying amount because the discount rate used to measure the liability still approximates a market rate.

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 to 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 three largest customers account for 47% (February 28, 2021 38%) of consolidated revenue or 71% (February 28, 2021 69%) of Insurance Services segment revenue. These customers are three 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 a large number of 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 or 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 prior periods.

Market Risk

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

ARMADA DATA CORPORATION

UNAUDITED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FEBRUARY 28, 2022
(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS (Continued)

Capital Management

The Company manages its capital structure, which management defines as shareholders' equity net on non-controlling interest, in order to support the acquisition, and development of additional business opportunities and to ensure the Company is able to continue as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company will continue to assess new business opportunities and seek to acquire an interest in additional ventures if it feels there is sufficient economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during any of the periods presented herein.