

MANAGEMENT’S DISCUSSION AND ANALYSIS of Financial Position and Operating Results for the quarter ending November 30, 2022 – effective January 27, 2023

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 period ended November 30, 2022 and accompanying notes, and the Company’s audited consolidated financial statements for the years ended May 31, 2022 and 2021, 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 2023 operations consist 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 Quarterly Information

Fiscal Year	2023	2023	2022	2022	2022	2022	2021	2021	2021
Quarter Ended	Nov-30 2022	Aug-31 2022	May-31 2022	Feb-28 2022	Nov-30 2021	Aug-31 2021	May-31 2021	Feb-28 2021	Nov-30 2020
Total Revenue	539,093	570,118	590,694	613,817	657,060	664,505	713,200	636,780	797,470
Comprehensive (loss) income before taxes	(88,578)	(9,493)	(314,790)	(67,098)	(30,936)	4,765	(134,696)	(76,809)	7,507
Comprehensive (loss) Income per share	\$(0.01)	\$0.00	\$(0.02)	\$0.00	\$0.00	\$0.00	\$(0.01)	\$0.00	\$0.00

The Company's total revenue decreased 18% in the period ended November 30, 2022 to \$539,093 from \$657,060 in the same period a year earlier. Comprehensive loss decreased to \$(111,399) in this quarter, from \$(30,936) as at November 30, 2021.

The Company reported comprehensive loss of \$(111,399), 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 April 4, 2022, at which time the business undertook a hybrid model of returning to the office. Due to an international problem of manufacturing computer chips, automobile production slowed worldwide, with the resulting effect of little new car inventory, which in turn had a detrimental effect on CarCostCanada's revenues. The supply of new vehicles did not come close to meeting demand. The dealerships began to reject CCC member referrals because (a) there was not available inventory to sell, and (b) the dealers perceived that CCC members would not pay full price (MSRP). As a result, many dealer customers cancelled or suspended their partner status with CarCostCanada.
- The insurance division did not receive the anticipated claims to process in this second quarter of fiscal 2023.

Operations

The Insurance Services division realized an decrease in revenue in the three months ended November 30, 2022, from \$417,425 in 2021 to \$363,128 in 2022, or by 13%. The decrease in revenue was the result of fewer claims submitted by insurance companies.

The CarCostCanada division (combining the former Retail, Dealer and Advertising divisions) revenue was down 43% to \$101,656 for the period ended November 30, 2022, from \$178,727 for the period ended November 30, 2021. 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 22% to \$74,309 in Q2 2023, from \$60,908 in Q2 2022. IT continues to offer technical support and web site hosting to customers and is developing new customer relationships on a regular basis, as well as offering new services for sale.

Wages and other office expenses in this first quarter of fiscal 2023 before amortization and interest decreased to \$627,671 compared to \$661,330, a 5% decrease over the same quarter last year.

Accounts receivable decreased 35% to \$264,205 as at November 30, 2022 compared to \$405,736 as at November 30, 2021. Related parties accounts receivable increased from \$1,137 to \$13,178 in the same periods.

Accounts payable decreased 30%, to \$139,074 as at November 30, 2022 from \$198,724 a year earlier. Related parties accounts payable increased to \$21,916 as at November 30, 2022, from \$4,494 a year earlier.

The Company's deficit as at November 30, 2022 is \$(1,536,596), compared to \$(1,107,176) the prior year. Earnings per share at November 30, 2022 are \$(0.02) versus \$0.00 per share at November 30, 2021.

In July 2018, the Company signed a contract with a mobile app development company for the creation of a new iOS and Android mobile app for the Company's ecommerce website Carcostcanada.com. The application is fully operational and is presented as a category within property and equipment.

Segmented Quarterly Information

Revenues earned by divisions were as follows:

	3 months ended November 30, 2022	3 months ended November 30, 2021	year ended May 31, 2022
Insurance Services	\$ 363,128	\$ 414,425	\$ 1,527,027
CarCost Canada	101,656	178,727	734,630
Information Technology	<u>74,309</u>	<u>60,908</u>	<u>264,419</u>
Total revenue - Armada Data Corp	<u>\$ 539,093</u>	<u>\$ 657,060</u>	<u>\$ 2,526,076</u>

Related Party Transactions

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

a) The Company recognized IT revenue of \$2,752 (November 30, 2021 \$3,021) from a company and individual significantly influenced by one of the Company's directors. At November 30, 2022, there was an account receivable of \$13,026 (November 30, 2021 \$1,066) due from this related company and accounts receivable of \$152 (November 30, 2021 \$69) 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 periods:

	November 30, 2022	November 30, 2021
Management salaries	\$ 87,231	\$ 72,692
Automobile and travel allowances	5,815	3,877
Director fees	<u>6,000</u>	<u>4,000</u>
	<u>\$ 77,262</u>	<u>\$ 80,569</u>

c) Professional fees of \$12,476 (November 30, 2021 \$10,200) were recognized for services provided by a law firm in which a director of the Company is a partner.

d) During the period ended November 30, 2022, the Company incurred advertising and computer consulting expenses of \$1,403 (November 30, 2021 \$5,640) with an entity controlled by a spouse of an officer of the Company.

e) Related parties accounts payable of \$21,916 are due to parties related to directors of Armada Data Corporation (November 30, 2021 \$4,494).

Liquidity

Based on a period-end cash position of \$144,057, accounts receivable of \$264,205, and accounts payable of \$139,074, the company is in a positive cash position. By continuing to manage expenses efficiently during the aftermath of the Covid-19 pandemic management expects that the Company's positive cash position will continue through fiscal 2023, and through the new car automobile industry's recovery from the pandemic. The Company has loan agreement in place; as of November 30, 2022, the credit facility has not been utilized.

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 35% (November 30, 2021 – 35%) of consolidated revenue, or 51% (November 30, 2021 – 55%) 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 November 30, 2022, 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, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 to drive more new car buyers, enthusiasts and researchers into the CarCostCanada membership group.
2. Finding more products and services to monetize more CarCostCanada members, similar to our lead generation services and our member concierge and dealer pricing services.
3. Improve our customer engagement mandate to result in more online visitors becoming CarCostCanada members.
4. Maintain, sustain, and reactivate our COVID-suspended 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