ARMADA DATA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 and 2023
(Expressed in Canadian Dollars)

ARMADA DATA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 and 2023
(Expressed in Canadian Dollars)

I N D E X

PHILIP GIGAN
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Armada Data Corporation

Opinion

I have audited the consolidated financial statements of Armada Data Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2024 and 2023, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ending May 31, 2024 and 2023, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2024 and 2023, and the results of its operations and cash flows for the years ending May 31, 2024 and 2023 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). My responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

I draw attention to note 2 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial statements. I have determined that there are no key audit matters other than the matter described in the section Material Uncertainty Related to Going Concern section of my report. I do not provide a separate opinion on this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MD&A").

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. I obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

45 ST. CLAIR AVE. WEST, SUITE 200, TORONTO, ON M4V 1K9 TEL: 416.920.1664 FAX: 416.920.1669 EMAIL: PHILIP@GIGAN.CA

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Philip Gigan

Toronto, Ontario
September 27, 2024

Chartered Professional Accountant
Licensed Public Accountant

45 ST. CLAIR AVE. WEST, SUITE 200, TORONTO, ON M4V 1K9 TEL: 416.920.1664 FAX: 416.920.1669 EMAIL: PHILIP@GIGAN.CA

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 122,939	$ 42,675
Accounts and other receivables (note 6)	322,167	309,363
Related parties accounts receivable (notes 6 and 12(a))	8,290	21,785
Prepaid expenses and sundry assets	37,266	44,959
TOTAL CURRENT ASSETS	490,662	418,782
PROPERTY AND EQUIPMENT (note 8)	12,492	9,747
RIGHT OF USE ASSETS (note 7)	-	117,228
TOTAL ASSETS	$ 503,154	$ 545,757
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 10)	$ 210,808	$ 243,335
Related parties accounts payable (notes 10 and 12(e))	25,080	2,354
Current portion of lease liability (note 7)	-	53,018
TOTAL CURRENT LIABILITIES	235,888	298,707
LONG TERM LIABILITIES		
Note Payable – related party (note 11)	177,000	72,000
Lease liability (note 7)	-	72,631
	177,000	144,631
TOTAL LIABILITIES	412,888	443,338
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	1,730,022	1,730,022
DEFICIT	(1,777,411)	(1,765,258)
CONTRIBUTED SURPLUS	287,345	287,345
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	239,956	252,109
NON-CONTROLLING INTERESTS	(149,690)	(149,690)
TOTAL SHAREHOLDERS' EQUITY	90,266	102,419
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 503,154	$ 545,757

See Note 2 – Basis of presentation and going concern

APPROVED ON BEHALF OF THE BOARD:

R. James Matthews, Director **Eli Oszlak, Director**

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

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

	May 31, 2024	May 31, 2023
REVENUE (notes 12(a) and 16)	$ 2,219,749	$ 2,165,029
EXPENSES		
Office salaries	775,141	816,043
Management salaries	283,181	325,495
Selling salaries	206,541	206,377
Direct costs – IT	137,935	120,935
Employee benefits	131,773	128,832
Computer consulting and supplies	111,224	140,060
Commissions and fees	100,688	93,338
Outside data and consulting services	73,872	80,549
Professional fees	66,930	79,068
Selling fees	64,297	33,265
Advertising and business promotion	61,937	224,978
Automobile and travel	43,269	46,367
Amortization – Right of use asset (note 7)	34,712	50,412
Insurance	34,544	34,069
Bank, credit card charges and interest (note 12)	33,633	13,025
TMI and utilities (note 12)	26,319	29,718
Telephone	19,385	21,862
Transfer and exchange fees	18,333	19,054
Office and general	3,785	3,446
Depreciation – Property and equipment (note 8)	3,273	10,835
Interest – Lease liability (note 7)	2,918	5,635
Printing	750	1,328
Amortization – Intangible asset (note 9)	-	23,893
Director fees (note 12(b))	-	6,000
Net gain on termination of leases (note 7)	(472)	-
	2,233,968	2,514,584
(LOSS) BEFORE TAXES	(14,219)	(349,555)
INCOME TAX RECOVERY (note 14)	2,066	-
NET (LOSS) AND COMPREHENSIVE (LOSS)	$ (12,153)	$ (349,555)
Attributable to equity holders of the Company	$ (12,153)	$ (349,555)
Attributable to non-controlling interests	-	-
	$ (12,153)	$ (349,555)
Net (loss) per share		
Basic and diluted (note 13(b))	$ (0.00)	$ (0.02)

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

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

	Share Capital	Deficit	Contributed Surplus	Non-Controlling Interest	Total Equity
Balance as at May 31, 2022	$ 1,730,022	$ (1,415,703)	$ 287,345	$ (149,690)	$ 451,974
Net (loss)	-	(349,555)	-	-	(349,555)
Balance as at May 31, 2023	1,730,022	(1,765,258)	287,345	(149,690)	102,419
Net (loss)	-	(12,153)	-	-	(12,153)
Balance as at May 31, 2024	$ 1,730,022	$ (1,777,411)	$ 287,345	$ (149,690)	$ 90,266

The Company is authorized to issue an unlimited number of common shares without par value. As at May 31, 2024 and during both years presented there were 17,670,265 common shares outstanding.

ARMADA DATA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

	May 31, 2024	May 31, 2023
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Loss) before tax	$ (14,219)	$ (349,555)
Net gain on termination of leases	(472)	-
Depreciation – Property and equipment	3,273	10,835
Amortization – Right of use asset	31,543	50,412
Amortization – Intangible asset	-	23,893
	20,125	(264,415)
Net change in non-cash working capital balances (see below)	(4,442)	77,713
Cash provided by (used in) operations	15,683	(186,702)
Income taxes recovered	2,066	47,671
NET CASH PROVIDED BY (USED IN) OPERATIONS	17,749	(139,031)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Note Payable	105,000	72,000
Repayments of lease liability	(36,467)	(49,319)
	68,533	22,681
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(6,018)	(1,178)
NET INCREASE (DECREASE) IN CASH	80,264	(117,528)
CASH, beginning of year	42,675	160,203
CASH, end of year	$ 122,939	$ 42,675

Net change in non-cash working capital balances consists of:		
Accounts and other receivables	$ (12,804)	$ 54,489
Related parties accounts receivable	13,495	(13,737)
Prepaid expenses and sundry assets	4,668	19,058
Accounts payable and accrued liabilities	(32,527)	17,843
Related parties accounts payable	22,726	60
	$ (4,442)	$ 77,713

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

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 1230 Crestlawn Drive, Mississauga, Ontario, Canada. The Company's common shares are listed on the TSX – Venture Exchange under the symbol ARD.

2. BASIS OF PRESENTATION AND GOING CONCERN

The consolidated financial statements for the year ended May 31, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on September 27, 2024.

These consolidated financial statements include: the accounts of Armada Data Corporation; it's wholly owned subsidiary, CCC Internet Solutions Inc.; and the following inactive subsidiaries: a 90% interest in The Big & Easy Bottle Brewing Company Inc. ("TBE"); TBE's wholly owned subsidiary, Mister Beer Inc.; and Mister Beer U Brew Inc. All of the Company's subsidiaries are incorporated in Canada and have their registered offices at 1230 Crestlawn Drive, Mississauga, Ontario. All intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared on the historical cost basis and under the going concern assumption which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the year ended May 31, 2024, the Company incurred a net loss of $12,153 (2023 - $349,555) and had a net cash outflow from operations before working capital changes of $20,125 (2023 - $264,415) and at May 31, 2024 had a working capital surplus of $254,774 (2023 - $120,075).

During the prior year, the Company entered into a loan facility with a related party as described in note 12 which provided funding of up to $200,000 on a long term basis. An amount of $177,000 had been drawn on the facility by May 31, 2024. Management is monitoring the Company's business and considering the options available to conserve or improve the cash position. The Company's ability to continue in operation is dependent on management's ability to generate future net income and cash from operations. These material uncertainties raise significant doubt about whether the Company will be able to continue as a going concern, and therefore, whether it will be able to realize its assets and settle its liabilities in the normal course of business at the amounts stated in the financial statements.

These consolidated financial statements do not reflect the adjustments and reclassifications to assets, liabilities, revenues and expenses that would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 consolidated 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 in income in the year in which they occur.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 are 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 May 31, 2024, there are no unfulfilled performance obligations extending beyond a year for which the Company has not collected funds or deposits.

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.

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.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

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 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 bases:

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

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 is 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.

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 net income. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-Lived Assets (Cont'd)

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 depreciation, 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 in 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 consolidated financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates have a direct effect on the measurement of transactions and balances recognized in the 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 also have an effect on the amounts recognized in the 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.

Income Tax

Management is required to apply judgement in determining whether it is probable deferred income tax assets will be realized. At May 31, 2024 and 2023, 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 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 financial statements.

Lease Liabilities

Judgement is required in determining at what point in time a lease has been cancelled. When a lease is cancelled the respective lease liability at that date is derecognized and presented in income as part of the loss on cancellation of the lease.

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

5. CHANGES IN ACCOUNTING STANDARDS

There are no IFRSs or IFRS Interpretations Committee Interpretations ("IFRIC") that are not yet effective that would be expected to have a material impact on the Company's financial position or performance.

6. ACCOUNTS AND OTHER RECEIVABLES

	May 31 2024	May 31 2023
Neither impaired nor past due (1-30 days)	**$ 148,426**	$ 138,888
Not impaired and past due in the following periods:		
31 to 60 days	**61,512**	66,593
61 to 90	**28,260**	40,096
Over 90 days	**92,259**	85,571
Impaired accounts receivable	**19,816**	7,579
Allowance for doubtful accounts	**(19,816)**	(7,579)
Total accounts receivable	**$ 330,457**	$ 331,148
Broken down as follows:		
Related parties accounts receivable	**$ 8,290**	$ 21,785
Accounts receivable	**322,167**	309,363
Total accounts and other receivables	**$ 330,457**	$ 331,148

None of the allowance for doubtful accounts at May 31, 2024 or 2023 relates to related parties 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 accounts receivables.

7. RIGHT OF USE ASSETS AND LEASE LIABILITY

The Company held 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
Cost				
Balances, May 31, 2022	$	243,590	62,533	306,123
2023 additions		-	-	-
Balances, May 31, 2023		243,590	62,533	306,123
2024 termination of leases		(243,590)	(62,533)	(306,123)
Balances, May 31, 2024	**$**	**-**	**-**	**-**
Accumulated amortization				
Balances, May 31, 2022	$	116,216	22,267	138,483
Amortization – 2023		38,024	12,388	50,412
Balances, May 31, 2023		154,240	34,655	188,895
Amortization – 2024		24,955	6,588	31,543
Termination of leases – 2024		(179,195)	(41,243)	(220,438)
Balances, May 31, 2024	**$**	**-**	**-**	**-**
Net book value				
May 31, 2024	**$**	**-**	**-**	**-**
May 31, 2023	$	89,350	27,878	117,228

(Expressed in Canadian Dollars)

7. RIGHT OF USE ASSETS AND LEASE LIABILITY (Cont'd)

The following table presents the continuity of the lease liability:

		Total
Balance, May 31, 2022	$	174,968
Principal payments – 2023		(49,319)
Balance, May 31, 2023		125,649
Principal payments – 2024		(36,467)
Termination of leases – 2024		(89,182)
Balance, May 31, 2024	$	-

Termination of these leases during the year ended May 31, 2024 resulted in a net gain of $472 comprising the right of use asset of $85,685 derecognized, lease liability of $89,182 derecognized and lease deposits written off of $3,025. The net gain was recorded in the statement of comprehensive loss.

Interest expense on the lease liability for the year ended May 31, 2024 was $2,918 (2023 – $5,635), which is presented as interest expense on the statement of comprehensive income, and total lease payments during the year were $39,385 (2023 - $54,954). 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.

8. PROPERTY AND EQUIPMENT

		Leasehold improvements	Furniture and fixtures	Computer hardware	Telephone equipment	Computer software	Total
Cost							
Balances, May 31, 2022	$	183,793	26,829	166,057	21,742	54,783	453,204
Additions – 2023		-	-	1,178	-	-	1,178
Balances, May 31, 2023		183,793	26,829	167,235	21,742	54,783	454,382
Additions – 2024		-	6,018	-	-	-	6,018
Balances, May 31, 2024	**$**	**183,793**	**32,847**	**167,235**	**21,742**	**54,783**	**460,400**
Accumulated Depreciation							
Balances, May 31, 2022	$	180,549	25,016	157,183	20,389	50,663	433,800
Depreciation – 2023		3,244	363	2,837	271	4,120	10,835
Balances, May 31, 2023		183,793	25,379	160,020	20,660	54,783	444,635
Depreciation – 2024		-	892	2,165	216	-	3,273
Balances, May 31, 2024	**$**	**183,793**	**26,271**	**162,185**	**20,876**	**54,783**	**447,908**
Net Book Value							
May 31, 2024	**$**	**-**	**6,576**	**5,050**	**866**	**-**	**12,492**
May 31, 2023	$	-	1,450	7,215	1,082	-	9,747

(Expressed in Canadian Dollars)

9. INTANGIBLE ASSET

		e-commerce app
Cost		
Balance, May 31, 2022 and 2023 and 2024	**$**	**107,520**
Accumulated Amortization		
Balance, May 31, 2022	$	83,627
Amortization – 2023		23,893
Balance, May 31, 2023		107,520
Amortization – 2024		-
Balance, May 31, 2024	**$**	**107,520**
Net Book Value		
May 31, 2024	**$**	**-**
May 31, 2023	$	-

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2024		2023
Accounts payable	**$**	**58,217**	$	82,010
Accrued liabilities		**160,929**		151,659
Sales tax payable		**16,742**		12,020
	$	**235,888**	$	245,689
Broken down as follows:				
Related parties accounts payable	**$**	**25,080**	$	2,354
Accounts payable and accrued liabilities		**210,808**		243,335
Total accounts payable and related parties accounts payable	**$**	**235,888**	$	245,689

11. NOTE PAYABLE – RELATED PARTY

On September 27, 2022 the Company entered into a loan agreement, with a corporation controlled by a director and officer of the Company. The loan is available to a maximum of $200,000, to be advanced in amounts as requested by the Company and bears interest at 12% per annum, payable monthly. This loan is repayable on September 27, 2025 and is secured by a general security agreement over all assets of the Company. An amount of $177,000 has been advanced up to May 31, 2024. Any loan amounts repaid prior to the maturity date are not available for re-advance.

12. RELATED PARTY TRANSACTIONS

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

a) The Company recognized IT revenue of $2,496 (2023 - $12,411) from a company and individuals significantly influenced by one of the Company's directors. At May 31, 2024 there was an account receivable of $8,059 (2023 - $21,503) due from this related company and accounts receivable of $231 (2023 - $282) due from other related parties.

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

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (Cont'd)

		2024		2023
Management salaries	$	**283,181**	$	325,495
Automobile and travel allowances		**21,600**		21,600
Director fees		**-**		6,000
	$	**304,781**	$	353,095

c) Professional fees of $30,934 (2023 - $45,240) 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 office, advertising and general computer consulting expenses of $7,795 (2023 - $2,242) with an entity controlled by the spouse of a director of the Company.

e) Related parties accounts payable of $25,080 (2023 - $2,354) are due to directors or persons and entities related to directors of the Company. The accounts payable are non-interest bearing and have 30 day terms.

f) During the year, the Company incurred note payable interest of $19,358 (2023 - $1,989) on the note payable to a related party in note 12.

g) During the year, the Company incurred office rent of $4,000 (2023-NIL) from a Company significantly influenced by one of the directors of the Company.

13. SHARE CAPITAL

a) Stock Options

The Company had no options outstanding during the two years 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, 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;

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Cont'd)

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.

b) Weighted average number of common shares outstanding

	2024	2023
Weighted average number of common shares outstanding for basic and diluted earnings per share	**17,670,265**	17,670,265

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

14. INCOME TAXES

a) A reconciliation between tax expense reported in the consolidated statements of comprehensive income and the tax expense that would have resulted from applying the combined Canadian Federal and Ontario tax rates to income before tax is as follows:

	2024	2023
(Loss) before tax	**$ (14,219)**	$ (349,555)
Canadian tax rate	**26.5%**	26.5%
Theoretical tax recovery	**(3,768)**	(92,632)
Tax benefit of non-capital losses carried forward to future years	**1,702**	92,632
Income tax (recovery)	**$ (2,066)**	$ -

b) The deferred tax liability of $NIL at May 31, 2024 (2023 - $NIL) is the net of a liability of $1,370 (2023 - $32,593) for the timing differences in property, plant and equipment and an asset of $1,370 (2023 - $32,593) for the timing difference in goodwill.

c) At May 31, 2023, the Company had consolidated non-capital losses for income tax purposes 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 combined losses will expire as follows:

May 31, 2025	$ 28,957
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	335,143
May 31, 2042	58,027
May 31, 2043	322,734
May 31, 2024	-
	$ 2,617,936

ARMADA DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(Expressed in Canadian Dollars)

15. COMMITMENTS

a) The Company leased premises which were to expire in August 2025. During the current fiscal year the leases were terminated as described in note 7.

b) The Company had an operating lease which was to continue until fiscal 2025. During the current fiscal year, the lease was terminated by locating another party to take over the financial obligation, and no new lease was implemented.

16. SEGMENTED INFORMATION

The Company's operations consist of three reportable segments: Insurance Services, CarCostCanada ("CCC") (combining the Retail, Dealer and Advertising/Marketing divisions) and Information Technology (IT) Services. All of the Company's revenues and operations are in Canada.

The Insurance Services segment 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 Information Technology segment comprises web and email hosting, dedicated servers, technical support and network support services (for both internal use 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.

	2024	2023
Insurance Services (see note 18)	**$ 1,393,119**	$ 1,446,183
CarCostCanada	**535,174**	461,027
IT Services and other	**291,456**	257,819
Total revenue	**$ 2,219,749**	$ 2,165,029

Accounts receivable by segment are as follows:

	2024	2023
Insurance Services	**$ 216,986**	$ 217,197
CarCostCanada	**76,036**	70,804
IT Services	**22,910**	38,782
Not reportable by segment	**14,525**	4,365
Total accounts receivable	**$ 330,457**	$ 331,148

17. NON-CONTROLLING INTEREST

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

	2024	2023
Current assets	**$ -**	**$ -**
Long term assets	**-**	**-**
Total assets	**$ -**	**$ -**
Current liabilities	**$ -**	**$ -**
Long term liabilities – intragroup payable	**(2,261,326)**	**(2,261,326)**
Total liabilities	**$ (2,261,326)**	**$ (2,261,326)**
Revenue	**$ -**	**$ -**
Net income and total comprehensive income	**$ -**	**$ -**

18. FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash, accounts receivable, related parties accounts receivable, accounts payable and accrued liabilities and related parties accounts payable approximate carrying value due to the relatively short 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 related party note payable at May 31, 2024 approximates the carrying amount because the effective interest rate of the debt still approximates a market rate and the remaining term of the note is only 16 months. The Company had no financial instruments for which fair value was determined using a valuation model for measurement or disclosure purposes at May 31, 2024 and 2023.

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 as disclosed in note 6. 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 39% (2023 – 33%) of consolidated revenue, or 63% (2023 – 51%) 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 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 year. 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. See Note 2, basis of presentation and going concern.

Market Risks

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

19. CAPITAL MANAGEMENT

The Company manages its capital structure, which management defines as shareholders' equity net of 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 from the prior year.

20. SUBSEQUENT EVENT

On September 4, 2024, the Company entered into an acquisition agreement with 1498798 B.C. Ltd., (the "Acquiror"), James Matthews ("Matthews"), a Company director and Chief Executive Officer, Eli Oszlak ("Oszlak") a Company director and Chief Technical Officer and 2190960 Ontario Ltd. ("Matthews Holdco"), a company controlled by Matthews (the "Acquisition Agreement"). The Acquiror is wholly owned by Matthews and Oszlak. Pursuant to the Acquisition Agreement, the Acquiror has agreed to acquire all of the outstanding common shares of the Company, other than shares held by Matthews, Oszlak and Matthews Holdco, at a price of $0.04 per share (the "Transaction"). The Transaction will be effected by an amalgamation of the Company and the Acquiror ("Amalgamation") whereby all of the issued and outstanding common shares, other than those already held by Matthews, Oszlak and Matthews Holdco, will be converted on a one-for-one basis into redeemable preferred shares of the amalgamated corporation ("Amalco") and will then be immediately redeemed for $0.04 in cash. On completion of the Transaction, it is expected that Amalco will be delisted from the TSX Venture exchange.

The Transaction is subject to shareholder approval by the affirmative vote of (i) 66 2/3% of the votes cast by holders of common shares represented at a special meeting of shareholders and (ii) a simple majority of the votes cast by holders of common shares at the meeting (excluding shareholders whose votes are required to be excluded by securities law, including those held by Matthews, Oszlak and Matthews Holdco). Completion of the Transaction is also subject to regulatory approvals and other customary conditions. The Acquisition Agreement provides for a termination fee of $50,000 payable by the Company if the Acquisition Agreement is terminated in certain circumstances.

If approved, the Transaction is expected to close on or around the end of October 2024, subject to satisfaction of all conditions in the Acquisition Agreement.