

**ARMADA MERCANTILE LTD.
MANAGEMENT DISCUSSION & ANALYSIS
SIX MONTHS ENDED AUGUST 31, 2023**

1.1 Date of Report: October 27, 2023

1.2 Overall Performance

Nature of business and Overall Performance

Armada Mercantile Ltd. (Armada) has been a publicly-traded company in Canada since 1987. Armada is a financial services, trade finance and relational broker dealer company that focuses on merchant banking through its subsidiary companies. Armada's shares are listed for trading on the Canadian Stock Exchange (symbol: ARM) and in the United States (symbol: AAMTF). Armada provides specialized merchant banking, broker-dealer, venture lending and corporate finance services internationally, as well as advising clients on corporate structure, strategy, mergers and acquisitions and raising capital.

Current Capital Markets and Commercial Finance Business Operations

Armada has four sources of business generated by operating subsidiaries and affiliates: (i) Armada Group USA, Inc. (ArmadaUSA), (ii) RichGrandDad Financial Ltd., (iii) Redrock Trading Partners, LLC (Redrock), and (iv) Oxygen Funding, Inc.

1. ArmadaUSA is engaged in the financial services business and utilizes two complementary approaches to achieve its goals. These approaches are advisory services and the merchant banking marketplace for publicly-traded and privately held companies. ArmadaUSA's advisory services complement its capital formation, commercial finance and relational broker-dealer divisions. ArmadaUSA provides advisory services to client companies seeking to raise capital. These advisory services are performed by an in-house staff of professionals and include corporate structure evaluation and strategy, business planning, private and public capital raise advice, such as how to properly raise capital, preparation of proper offering documentation as a service and follow on corporate consulting services. ArmadaUSA's primary focus is centered on established companies that possess some or all of the following characteristics: capable and experienced management, steady customer base, recurring revenue, ability to repay debt, exponential growth potential, contracts, assets or other collateral, fragmented industries, disruptive technology and proprietary or a patented product. Companies possessing these criteria can then serve as potential broker dealer, advisory and factoring clients. ArmadaUSA endeavors to bring its clients the widest possible range of ideas and services. These include public and private equity, developing innovative products and strategies that broaden capital formation opportunities including factoring, equipment leasing, private placements, corporate debt securities, corporate finance, mezzanine financing, direct public offerings and mergers and acquisitions. Additionally, ArmadaUSA, through its broker-dealer network, is capable of providing corporate clients with Form 10, Form S-1, Form 15C211 and DTC Eligibility filings along with market making capabilities. For more information, please visit: www.armadamercantile.com

2. Armada, through its subsidiary company RichGrandDad Financial Ltd., is the master importer and distributor for the London Dairy ice cream brand. www.ace-foods.com

3. Armada provides broker-dealer products and services through its relationship with Redrock Trading Partners, LLC (Redrock). Redrock is a fully licensed broker-dealer providing value to investors, entrepreneurs and businesses. Redrock is a FINRA member assisting investors and corporations around the world in planning investment strategies and raising capital in the public and private equity markets.

4. Armada, through its relationship with Oxygen Funding, Inc., offers commercial finance services to companies internationally including account receivables "factoring", supply chain, revenue lines of credit and other types of specialized finance. Please visit: www.oxygenfunding.com

Highlight – Six Months Ended August 31, 2023

During the Six Months Ended August 31, 2023, here are a few highlights:

Armada's Commercial Finance Business:

Management continued to expand and grow business activities in commercial finance, which included raising non-dilutive capital and sourcing new client deal flow. Our commercial finance business supports our goal of growing a substantial finance business in factoring, supply chain, revenue lines of credit nationwide. Our underwriting infrastructure for servicing commercial finance transactions as well as on hand capital to fund client transactions is sufficient to grow to expectations (Our goal for fiscal 2024 is to achieve a book size of \$30,000,000 of 60 day revolving invoice purchases). This trend of growing our finance capabilities should continue for the coming quarters in order to build a solid portfolio that will generate cash from funding transactions to provide the potential for paying dividends on a quarterly basis.

1. During the current six-month period, the purchased accounts receivables or financed invoices outstanding, which fluctuates each month, was approximately US\$22,500,000. Currently, as of today, total invoices are approximately US\$23,500,000.
2. The projected fiscal 2024 year-end book size of 60 day revolving invoice purchases is projected to be \$30,000,000.
3. Cash on hand, in our affiliated company, or committed capital for finance purposes was approximately US\$23,000,000. Since 2018, Oxygen Funding, Inc. has purchased approximately US\$315,000,000. of accounts receivables.

Armada's Capital Markets and Portfolio Companies Business:

We anticipate increasing revenues and cash upon the liquidation of our portfolio companies where those assets remain an unrealized capital gain. Historically, our pipeline of potential capital formation transactions has increased fee-based income and our portfolio companies potentially providing additional asset growth and income. Management's examination of the fiscal 2024 capital markets and portfolio company pipeline seems to point to additional earnings due to promising business opportunities from future capital raises, Form S-1/Reg A+, 15c211 activity, and advisory services. We continue our business consulting services while providing analysis, investment consulting, capital access consulting, and strategic business and planning. We have experience and knowledge in the strategic planning, organizing, financing, marketing and operation of "development stage" companies. Client companies benefit from the strategic advice, management consultation services, corporate structure, business expertise, and investment contacts of Armada.

Zero Nox, Inc.:

Our portfolio company, Zero Nox Inc., has announced that it has mutually terminated its Business Combination Agreement to become a publicly listed company through a transaction with The Growth for Good Acquisition Corporation (NASDAQ: GFGD) ("Growth for Good"). Zero Nox will remain a private company until it decides to go public directly onto a recognizable US stock exchange. For more information about Zero Nox, please visit: www.zeronox.com

Ace Foods:

Our subsidiary RichGrandDad Financial Ltd. (RGD) has received 33% of the membership interests of SNM Brothers LLC, DbA Ace Foods ("Ace Foods"). The RGD management team plans to work with the management of Ace Foods and London Dairy to grow and expand the London Dairy brand in the USA, including sourcing working capital, promoting sales and brand marketing.

About Ace Foods: Ace Foods is the main importer/distributor of London Dairy ([Ace Ice Cream](#)) ice cream

in the USA. London Dairy is a leader in the global ice cream market selling in more than 35 countries around the world and supported financially by a multi-billion-dollar foods conglomerate. Ace Foods has obtained the approval(s) to import London Dairy ice cream into the USA, including permits and approvals, from the USDA and FDA. Additionally, the US Armed Forces recently inspected the London Dairy manufacturing facility and approved the supply of ice cream to the Army at locations worldwide. Below are useful marketing videos and customer reviews.

[London Dairy Marketing Video](#)

[London Dairy Marketing Video](#)

[London Dairy Marketing Video](#)

[London Dairy Marketing Video](#)

[London Dairy Marketing Video](#)

[5,000 Mouthshut.com reviews](#)

For more information pertaining to Ace Ice Cream, visit: <http://www.ace-foods.com/>

Operation Plan

During the six months ended August 31, 2023, Armada continued and will continue to develop its consulting and advisory services business, Broker Dealer business, commercial finance divisions and portfolio companies.

Management

Four senior executives, Victor Cohen (CEO), Patrick Cole (President), Mark Varley (Chief Technology Officer) and Michelle Cole (Secretary), manage Armada. Armada's senior management is involved in the identification, structuring and management of Armada's investments. Armada's in-house staff handles all aspects of investments, underwriting, servicing, capital raise and broker-dealer services. Armada utilizes the services of long-term relationships with lawyers, auditors, consultants, analysts and bankers to provide services to its clients. Armada's Board of Directors has broad experience in the commercial finance, broker-dealer, real estate lending, venture-lending and advisory services process in wide ranging sectors including retailing, construction, consumer products, natural resources, aviation, technology, energy and manufacturing. Our staff and numerous transaction facilitators provide market making, From S-1, Form 15c211, stocks, bonds, IPO's and public markets mergers and acquisitions.

1.3 Results of Operations

Six months ended August 31,	2023	2022
Revenue		
Other income and interest income	86,539	194,666
Total income (i)	86,539	194,666
Expenses		
Bank charges and interest	630	259
Listing and transfer agent	10,162	8,071
Management fees	32,281	25,241
Office supplies and miscellaneous	9,782	9,737
Professional fees	3,700	8,600
Referral fees	-	977
Rent	6,456	-
Telephone	1,195	117
Travel	15,505	16,486
Unrealized decrease in marketable securities (ii)	661	8,700
Foreign exchange loss	-	(7,345)
Total expenses (iii)	80,372	70,843
Net income attributable to shareholders of Armada (iv)	6,167	123,823

(i) The Company reports revenue of \$86,539 (2022 – \$ 194,666). Revenue fluctuated from time to time depending on the demand of the market in each period.

(ii) Unrealized decrease in market securities of \$661 (2022 –\$8,700). The change in fair value fluctuated from time to time depending on market conditions.

(iii) Total expenses incurred during six months ended August 31, 2023 of \$80,372 do not change significantly change from the total expenditures of \$70,843 incurred during same period of 2022.

(iv) The Company reported net earnings of \$6,167 compared to net earnings of \$123,823 during the same period of last year. The decrease of net income is a result of less revenue recorded during the six months ended August 31, 2023.

On August 31, 2023, the Company has a working capital of 5,384,042 (Feb 29, 2023 - \$5,393,056). The slight decrease of working capital was a result of the difference between the income recorded and the expenses incurred during the six-month period.

Three months ended August 31,	2023	2022
Revenue		
Other income and interest income	54,123	121,291
Total income (i)	54,123	121,291
Expenses		
Bank charges and interest	117	123
Listing and transfer agent	6,543	4,824
Management fees	15,961	10,240
Office supplies and miscellaneous	4,121	1,505
Professional fees	3,700	4,300
Referral fees	-	977
Rent	3,192	-
Telephone	1,114	61
Travel	6,841	12,962
Unrealized decrease in marketable securities	-	742
Foreign exchange loss	-	(335)
Total expenses (ii)	41,589	35,399
Net income attributable to shareholders of Armada	12,534	85,892

(i) The Company reports revenue of \$54,123 (2022 – \$ 121,291). Revenue fluctuated from time to time depending on the demand of the market in each period.

(ii) Total expenses incurred during six months ended August 31, 2023 do not have significant change from the same period of 2022.

(iii) The Company reported net earnings of \$12,534 compared to net earnings of \$85,892 during the same period of last year. The decrease of net income is a result of less revenue recorded during the three months ended August 31, 2023.

In the past, the Company's activities have been funded through the sale of share capital and loans from insider individuals and investors to meet ongoing obligations. However, since 2017, the Company has generated cash through ongoing income to meet obligations and that trend may continue in the future. The Company will require additional injections of capital in order to expand its merchant banking and commercial finance business, but this capital is being accessed through investor participation that are non-dilutive to the Company. As stated above, short-term needs are being met through increased profit share, consulting fee revenue and broker dealer fee income.

1.4 Summary of Results - Recent Eight Quarters

Quarter ended	Aug 23	May 23	Feb. 23	Nov. 22	Aug. 22	May. 22	Feb. 22	Nov. 21
Total revenue	54,123	32,416	142,489	116,640	121,291	73,375	110,242	57,813
Net income (loss)	12,534	(6,367)	(41,103)	160,720	85,892	37,942	(5,558)	34,228
Basic and diluted income (loss) per share	0.00	(0.00)	(0.00)	0.01	0.00	0.00	(0.00)	0.00

The Company's quarterly results fluctuate from time to time depends on demands but is not subject to seasonality known to the Company.

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's condensed consolidated interim financial statements.

The management of the Company has filed the Venture Issuer Basic Certificate on sedarplus.ca. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

1.5 Liquidity Risk and Capital Resources

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that sufficient financial resources are available to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditure.

As at August 31, 2023, the Company had a cash balance of \$58,185 (February 28, 2023 – \$399,556), short-term investment of \$342,734 (February 28, 2023 - \$Nil) working capital of \$5,384,042 (February 28, 2023 – \$5,393,056), and total liabilities of \$530,743 (February 28, 2023– \$528,661).

Because of the Company's limited operating history in the financial services business, it has yet to generate any significant revenues from our financial services platform although consulting and fee income continues to remain stable while potential fee income from signed clients is expanding as disclosed in the Company's news releases. The Company's activities have been limited to the "factoring" business, development of Redrock Trading Partners, LLC, Armada USA advisory services and the negotiation of various potential acquisitions. Consequently, the Company continues to incur working capital and growth expenses while creating profits from fee income and unrealized gains from portfolio company stock positions. The Company's future financial results will depend primarily on: (i) the ability to continue to source and screen potential acquisitions; (ii) the ability to develop existing services and profit from fee income and unrealized gains (iii) the ability to fully maintain and grow an affiliated group of financial services businesses. There can be no assurance that we will be successful in any of these respects, or that we will be able to obtain additional fee income or funding to increase our current capital resources.

The Company believes the working capital on hands and cash generated from income is sufficient to finance its operations in the next twelve months. If more capital is needed the Issuer may need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. If necessary, the Company believes that sufficient funds can be raised from private placements to meet its operating requirements. Although the Company has been successful in maintaining cash flow and raising funds, there can be no assurance that capital will be accessible to the Company at the times and in the amounts required to fund the Company's activities in the future.

In these uncertain times, the Company carefully monitors its expenditure and cashflows.

Current Period Financing

During the six months ended August 31, 2023, there were no share transaction activities.

Capital Resources

The Company is not subject to external capital commitments.

1.6 Off-Balance Sheet Arrangements

At August 31, 2023, the Company did not have off-balance sheet arrangements such as guarantee contracts, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

1.7 Transactions with Related Parties

The following table summarizes the Company's transaction with Mr. Patrick Cole, President and Director of the Company.

<u>Six months ended August 31,</u>	<u>2023</u>	<u>2022</u>
Management fees	\$ 32,281	\$ 24,666
Expenses reimbursed	\$ 28,090	\$ 13,819
Rent	\$ 6,456	\$ -

These transactions were in the normal course of operations and are measured at fair value, being the consideration established and agreed to by the related parties.

Amounts due from Mr. Patrick Cole were as follows:

	<u>August 31,</u> <u>2023</u>	<u>February 28,</u> <u>2023</u>
Due from the president and director of the Company	\$ 86,343	\$ 99,749

1.8 Proposed Transaction

The Company does not have proposed transactions that need to be disclosed.

1.9 Financial Instruments and Other Instruments

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured after initial recognition at amortized cost.

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

The Company has classified its cash, marketable securities, and short-term investment at fair value through profit or loss. The company's accounts receivable, other receivable, are held at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. These are the measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable

and accrued liabilities, due from (to) related parties, notes payable as financial liabilities held at amortized cost.

Measurement of the fair value of financial instruments is made under a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's marketable securities, which are classified as FVTPL have been valued at their market prices.

August 31, 2023		February 28, 2023	
Cost	Market	Cost	Market
\$426,224	\$5,415,282	\$426,224	\$5,415,943

1.10 Share Data

As at August 31, 2023, and the date of this report, the Company's authorized and issued capital was as follows:

1. Share capital: Authorized: Common: 200,000,000 shares without par value.

Issued: Common: 19,104,409- \$7,277,441

2. Share capital: Authorized: Preferred: 100,000,000 shares without par value.

Subscribed preferred share capital

The subscribed preferred share capital is as follows:

i) 526,315 Series A Preferred Shares at US \$0.285 per share for gross proceeds of \$US 150,000. The Series A Preferred Shares may be converted into common shares of the Company at the ratio of one Series A Preferred Share for each common share of the Company if the market trading price of the common shares of Vocalscape Networks, Inc., a Nevada Corporation, listed on the OTC Bulletin Board in the United States is trading at less than US \$1.00 per share on a fully diluted basis as of the first anniversary date of the issuance of the Series A Preferred Shares.

1,027,275 Series B Preferred Shares at US \$0.285 per share in settlement of US \$292,773 owed to a person related to the director of the Company. The Series B Preferred Shares may be converted into common shares of the Company at the ratio of one Series B Preferred Share for each common share at the sole discretion of the Company.

On March 25, 2021, 1,027,275 of the Company's common shares were issued pursuant to the conversion as listed in the Series B preferred shares subscription agreement. The Series B Preferred shares may be converted into common shares of the Company at a ratio of one Series B Preferred Share for each common share at the sole discretion of the Company. The balance at August 31, 2023 and February 28, 2023 is Nil.

ii) 131,582 Series B Preferred Shares at US \$0.285 per share in settlement of US \$37,500

iii) (\$42,106) owed to a director of the Company. The Series B Preferred Shares may be converted into common shares of the Company at the ratio of one Series B Preferred Share for each common share of the Company at the sole discretion of the Company. These Series B Preferred Shares were cancelled at February 29, 2016.

iv) 555,555 Series C Preferred Shares at US \$0.45 per share in settlement of US \$250,000 (\$292,500) owed to a creditor of the Company and 126,000 Series C Preferred Shares subscribed for at US \$0.45 per share. The Series C Preferred Shares may be converted into common shares of the Company at the ratio of one Series C Preferred Share for each common share of the Company at the sole discretion of the Company. 555,555 Series C Preferred Shares were cancelled at February 29, 2016: leaving a balance of 126,000 Series C Preferred Shares remaining.

On March 25, 2021, 126,000 of the Company's common shares were issued pursuant to the conversion as listed in the Series C preferred shares subscription agreement. The Series C Preferred shares may be converted into common shares of the Company at a ratio of one Series C Preferred Share for each common share at the sole discretion of the Company. The balance at the end of February 28, 2022 is Nil.

3. Options and warrants outstanding:

At August 31, 2023 and February 28, 2023, there were no options and share purchase warrants outstanding.

1.11 Management's Responsibility and Oversight

The disclosures and information contained in this MD&A have been prepared by the management of the Company. Management has implemented and maintained a system of controls and procedures to ensure the timeliness and accuracy of information disclosed in the MD&A.

1.12 Additional Information

Additional Information: Additional information relating to the Company is available on SEDAR at www.sedar.com. This management discussion and analysis for the period ended August 31, 2023 has been approved by the Board of Directors of the Company on October 30, 2023.