ARMADA MERCANTILE LTD.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:

ARMADA MERCANTILE LTD.

UNAUDITED CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT

NOVEMBER 30, 2021

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor

ARMADA MERCANTILE LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the Nine Months Ended November 30, 2021 and 2020
(Expressed in Canadian Dollars)

As at		2021		2020
ASSETS				
Current				
Cash and cash equivalents	**$**	**175,187**	$	128,742
Accounts receivable		**6,157**		6,469
GST refundable		**-**		560
Marketable securities – (Note 9)		**5,430,217**		5,428,536
		5,611,561		5,564,307
Investment in Oxygen Funding, Inc. – (Note 3)		**1**		1
Total assets	**$**	**5,611,562**	$	5,564,308
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Current				
Accounts payable & accrued liabilities	**$**	**63,298**	$	61,128
GST payable		**308**		-
Notes payable		**7,149**		8,699
Due to related parties – (Note 4)		**18,365**		32,592
Total liabilities		**89,120**		102,419
Shareholders' Equity (Deficit)				
Share capital – (Note 5)		**7,277,441**		6,892,028
Share capital subscribed – (Note 5)		**170,700**		556,113
Contributed surplus – (Note 6)		**437,139**		437,139
Non-controlling interest		**15,425**		-
Deficit		**(2,378,263)**		(2,423,391)
		5,522,442		5,461,889
Total liabilities and shareholders' equity	**$**	**5,611,562**	$	5,564,308

Contingencies – (Note 10)

Approved by the Board:

"Patrick Cole" ***, Director***
Patrick Cole

"Michelle Cole" ***, Director***
Michelle Cole

See accompanying notes to the consolidated financial statements

ARMADA MERCANTILE LTD.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Nine Months Ended November 30, 2021 and 2020
(Expressed in Canadian Dollars)

	For the Three Months Ending Nov.30, 2021	For the Three Months Ending Nov.30, 2020	For the Nine Months Ending Nov.30, 2021	For the Nine Months Ending Nov.30, 2020
Revenue				
Consulting fees	**$ 4**	$ (116)	**$ 1,505**	$ 8,937
Other income and interest	**57,809**	62,376	**202,581**	281,132
	57,813	62,260	**204,086**	290,069
Expenses				
Bad debts	**-**	-	**23,341**	-
Bank charges and interest	**99**	1,561	**583**	7,832
Listing and transfer agent	**3,061**	2,870	**16,262**	11,542
Management fees and expenses (Note 9)	**11,711**	18,462	**46,385**	56,747
Office supplies and miscellaneous	**12,501**	5,171	**19,471**	13,547
Professional fees – (Note 9)	**3,465**	5,990	**12,553**	18,394
Rent – (Note 9)	**3,138**	3,176	**9,103**	9,763
Telephone	**57**	96	**168**	291
Travel	**(1,789)**	4,362	**13,711**	13,748
Loss (gain) on sale of marketable securities	**-**	-	**-**	(1,928)
Unrealized decrease in Market. Sec.	**2,201**	(3,384)	**(1,681)**	5,814
Foreign exchange (gain) loss	**(7,416)**	6,864	**31,375**	41,494
Total	**27,028**	45,168	**171,271**	177,244
Net income	**30,785**	17,092	**32,815**	112,825
Excess of net assets on acquisition	**-**	-	**12,313**	-
Net and comprehensive income for the period	**30,785**	17,092	**45,128**	112,8255
Non-controlling interests	**3,746**	-	**3,594**	-
	$ 34,531	**$** 17,092	**48,722**	**$** 112,825
Earnings (loss) per share for the period - basic and diluted	**0.00**	0.00	**0.01**	0.01
Weighted average shares outstanding	**17,951,134**	17,951,134	**17,951,134**	17,951,134

See the accompanying notes to the consolidated financial statements

ARMADA MERCANTILE LTD.
Consolidated Statements of Changes in Equity
For the Nine Months Ended November 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Capital Subscribed	Contributed Surplus	Non-controlling Interests	Deficit	Total
Balance, February 29, 2020	**17,951,134**	**6,892,028**	**556,113**	**437,139**	**-**	**(7,952,951)**	**(67,671)**
Net income for the period	-	-	-	-	-	109,441	109,441
Balance, November 30, 2020	**17,951,134**	**6,892,028**	**556,113**	**437,139**	**-**	**(7,843,510)**	**41,770**
Net income for the period	-	-	-	-	-	5,420,119	5,420,119
Balance, February 28, 2021	**17,951,134**	**6,892,028**	**556,113**	**437,139**	**-**	**(2,423,391)**	**5,461,889**
Issuance of common shares – redemption of preferred shares (Note 5)	1,153,275	385,413	(385,413)	-	-	-	**-**
Non-controlling interests	-	-	-	-	11,831	-	**11,831**
Net income for the period	-	-	-	-	3,594	45,128	**48,722**
Balance, November 30, 2021	**19,104,409**	**7,277,441**	**170,700**	**437,139**	**15,425**	**(2,378,263)**	**5,522,442**

See accompanying notes to the consolidated financial statements

ARMADA MERCANTILE LTD.
Consolidated Statements of Cash Flows
For the Nine Months Ended November 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Three Month Period Ending Nov. 30, 2021	Three Month Period Ending Nov. 30, 2021	Nine Month Period Ending Nov. 30, 2021	Nine Month Period Ending Nov. 30, 2021
Cash provided by (used in)				
Operating Activities				
Net and comprehensive gain (loss) for the period	**$ 17,616**	$ 17,092	**$ 14,494**	$ 112,825
Items not involving cash:				
Unrealized decrease (increase) in investments	**6,659**	(3,384)	**(3,883)**	5,814
Non-controlling interests	**(152)**	-	**11,679**	-
	24,123	13,708	**22,290**	118,639
Changes in non-cash working capital balances:				
GST recoverable and other receivables	**(164)**	510	**1,077**	146
Accounts payable and accrued liabilities	**(287)**	3,997	**628**	(5,449)
	23,672	18,215	**23,995**	113,336
Investing activities				
Disposal of marketable securities	**-**	-	**-**	(2,568)
	-	-	**-**	(2,568)
Financing activities				
Advances from (to) Related Parties	**(45,195)**	(8,664)	**(7,759)**	9,337
Notes payable	**(1,550)**	(4,360)	**(1,550)**	(4,360)
	(46,745)	(13,024)	**(9,309)**	4,977
Increase (decrease) in cash during the period	**(23,073)**	5,191	**14,686**	115,745
Cash and equivalents, beginning of period	**166,501**	121,979	**128,742**	11,425
Cash and cash equivalents, end of period	**$ 143,428**	$ 127,170	**$ 143,428**	$ 127,170

Supplemental disclosure of non-cash financing activities

Interest paid	-	-	-	-
Taxes paid	-	-	-	-

See accompanying notes to the consolidated financial statement

1. Nature of Business and Going Concern

The Company was incorporated under the laws of British Columbia on June 24, 1987 and is engaged in the business of investing in new and existing businesses and organizations. As at May 31, 2021, the Company is a financial services company that focuses on merchant banking primarily through its wholly-owned subsidiary Armada Group USA, Inc. On July 19, 2002, the Company incorporated Armada Group USA, Inc. to establish business operations in the United States in the financial services industry. Armada Group USA, Inc. is wholly-owned by the Company and was incorporated in the State of Delaware. On December 28, 2011, Armada Group USA, Inc., incorporated in the State of California, a wholly owned subsidiary, Armada Finance LLC. On September 20, 2013, Armada Group USA, Inc. dissolved Armada Finance LLC in the State of California. On October 24, 2013, Armada Group USA, Inc. formed Armada Finance LLC in the State of Wyoming. The principal assets in Armada Finance LLC were the Liquid Capital of America Corp. franchise. Effective December 31, 2014, all parties involved agreed to terminate the agreement.

On March 18, 2021, the Company formed a 51% subsidiary called RichGrandDad Financial Ltd. (“RGD”). RGD was capitalized on April 21, 2021, with $20,000 USD C$24,144) by way of a Series A preferred share subscription agreement. A total of 400,000 Series A preferred Shares were subscribed at a price of $0.05 USD.

The Company, through its investment in Oxygen Funding, Inc., offers commercial finance services to companies; internationally, including account receivables “factoring”, supply chain, equipment leasing, merchant cash advance, and purchase order and other types of specialized finance.

These consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

As at November 30, 2021, the Company has accumulated losses of $2,378,263 (February 28, 2021: $2,423,391) since its inception, has working capital of $5,522,441 (February 28, 2021: working capital of $5,461,888) and expects to continue as a going concern. However, if the Company does not continue to be profitable it may incur further losses in the development of its business, all of which may affect the Company’s ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

(Expressed in Canadian Dollars)

1. Nature of Business and Going Concern (cont'd)

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The Canada office and USA office of the Company are located at 590 - 1122 Mainland Street. Vancouver, BC, V6B 5L1 and 9575 Pinehurst Drive, Roseville, CA 95747.

Basis of Presentation and Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and include the accounts of the Company and its wholly-owned subsidiaries, Armada Group USA Inc. and Armada Finance, LLC and a 51% owned subsidiary, RichGrandDad Financial Ltd. All inter-company transactions and balances are eliminated upon consolidation.

These financial statements were approved and authorized for issue by the board of directors on January 29, 2022.

2. Summary of Significant Accounting Policies

Cash Equivalents

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

Equipment

Equipment is stated at cost less accumulated amortization. Amortization based on the estimated useful life of the assets is calculated as follows:

Computer equipment	- 30% declining balance basis
Equipment, furniture and fixtures	- 20% declining balance basis

The carrying value of equipment is reviewed whenever events or changes in circumstance indicate the recoverable value may be less than the carrying amount. Recoverable value is based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Where impairment is indicated, impairment charges are recorded in the reporting period in which impairment is determined by management.

2. Summary of Significant Accounting Policies (cont'd)

Functional and Presentation Currency

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period-end exchange rate and all income and expenses are translated at average exchange rates prevailing during the period. Non-monetary assets and liabilities are translated at the rates prevailing at the dates the assets were acquired or liabilities incurred. Exchange gains and losses arising on translation are included as a charge to operations in the period incurred.

Deferred Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Deferred income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the year in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Critical Accounting Estimates, Judgments, and Uncertainties

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical Accounting Estimates and Assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

2. Summary of Significant Accounting Policies (cont'd)

Share Based payments

The Company uses the Black-Scholes pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

Share-based payments to employees, directors, officers and consultants are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related amount in contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Depreciation rates

The application of determining the useful lives of equipment are estimates by management based on assumptions about future events. Estimates and assumption made may change if new information becomes available. New information may become available during the use of the equipment that causes the Company to adjust its estimate.

Loss per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share requires the use of the treasury stock method, which assumes that the exercise of stock options and warrants will have a dilutive effect on loss per share. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of stock options and warrants is applied to repurchase common shares at the average market price for the year.

2. Summary of Significant Accounting Policies (cont'd)

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. If there is any indication the asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is measured as the higher of an asset's or cash generating unit's fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its fair value with the loss recognized in income or loss.

Leases

On March 1, 2019, the company, adopted on a modified retrospective basis, for the first time, IFRS 16 - Leases. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16.

IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is 12 months or less or when the underlying asset has a low value. The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

The Company is currently assessing the impact that these standards will have on the Company's financial statements and have identified no leases having a term of more than 12 months. The Company will not elect to classify a short-term lease or low value lease as a right-of-use asset. The Company adopted these standards for the Company's reporting period ended February 29, 2020.

2. Summary of Significant Accounting Policies (cont'd)

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 at fair value through profit or loss. The company's GST receivable and advances 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.

2. Summary of Significant Accounting Policies (cont'd)

Financial instruments (cont'd)

Measurement (cont'd)

- 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.

Impairment of Financial Assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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, loans payable, due to related parties, lease liability and convertible notes as financial liabilities held at amortized cost.

2. Summary of Significant Accounting Policies (cont'd)

Financial instruments (cont'd)

Financial Liabilities (cont'd)

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IAS 39 and IFRS 9.

Line Item	**IFRS 9**	**IAS 39**	
	New Classification	**Original Classification**	**Measurement Model**
Cash	FVTPL	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL	FVTPL
Accounts payable & accrued liabilities	Amortized cost	Other liabilities	Amortized cost
Due to related parties and notes payable	Amortized cost	Other liabilities	Amortized cost

Revenue recognition

IFRS 15, Revenue from Contracts with Customers, was adopted on March 1, 2018. The standard introduces a single, principles based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Company evaluated the effect the standard had on its revenue recorded in its consolidated financial statements and determined there is no impact to the timing or amounts of revenue recognized in its consolidated statement of loss and comprehensive loss.

The Company generates revenue primarily from commission sales of factoring contracts and consulting. Invoices are generated and revenue is recognized at that point in time.

3. Investment in Oxygen Funding, Inc.

In January 17, 2018, the Company by way of its wholly owned subsidiary, Armada Group USA, Inc. (Armada) acquired a 30% ownership in Oxygen Funding Inc. (OFI), a State of California, USA company, and in conjunction with Oxygen Funding LLC (OFL) are in the business of factoring the accounts of its clients pursuant to factoring and security agreements in consideration for the following:

a. Armada will seek capital from its sources on a best efforts basis into OFI to replace certain capital investment in OFI's clients: $350,000 (US) by January 25, 2018, and the remainder by February 28, 2018.
b. OFI will file the necessary paperwork to change its S corporation status to C corporation status.
c. All accounts factored through OFI will be underwritten and serviced by OFI.
d. OFI will pay a broker fee whenever OFI funds a client referred by Armada or OFL.
e. OFI shall pay Armada USA a funding fee of 50% of net earnings for any factored account funded by OFI using capital arranged by Armada.
f. OFI shall pay OFL a servicing fee of 50% of net earnings for any factored account funded by OFI using capital arranged by Armada.
g. In the event OFI funds factored accounts using capital not arranged by Armada, OFL shall be paid a serving fee of 100% of the net earnings.

The Company has assessed that the fair value of the 2,423 shares of OFI, representing 30% of the total issued and outstanding common shares of OSI of 8,077 common shares, on a fully diluted basis is not determinable and has accordingly recorded a nominal value of $1.

In April of 2017, the Company by way of its wholly owned subsidiary, Armada Group USA, Inc., (Armada) acquired a 50% ownership in Bahn, Inc. (dba Davis Commercial Finance) a State of California, USA company, a commercial finance (DCF) company headquartered in Rocklin, California which serves prospective financing needs through direct lending or brokering to other Commercial Finance Companies in consideration for $1. Davis Commercial Finance has a California Finance Lenders License to lend to small businesses and also act as a broker to negotiate rate and terms for a client with other lenders. On January 15, 2018, Armada executed an Agreement to grant Bahn, Inc. the right to acquire Armada's 50% interest in Bahn, Inc. for a $1. The Agreement was made possible due to Armada receiving a 30% interest in OFI as detailed in the above-mentioned January 17, 2018 Agreement with OFI.

(Expressed in Canadian Dollars)

4. Related Party Transactions

The following table summarizes the Company's key management compensation for the director and CEO who is responsible for planning, directing and controlling the activities of the entity and related party transactions not otherwise disclosed in these consolidated financial statements.

	2021	**2020**
Management fees	$ 46,353	$ 57,757
Expenses reimbursed to a director of the Company	$ 17,652	$ 19,868
Rent to a director of the Company	$ 9,104	$ 9,937

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

As at November 30, 2021 and 2020 the amounts due to related parties were as follows:

	2021	**2020**
Due from (to) the president and director of the Company	$ (18,365)	$ (11,560)

The balances are non-interest bearing and have no set terms of repayment.

(Expressed in Canadian Dollars)

5. Share Capital and Share Capital Subscribed

Authorized:

The authorized common share capital of the Company at August 31, 2021 is 200,000,000 (Feb. 29, 2020 - 200,000,000) shares without par value. The authorized preferred share capital of the Company at May 31, 2021 is 100,000,000 (Feb. 29, 2020 - 100,000,000) shares without par value.

Issued and outstanding:

During the nine-month period-ended November 30, 2021, the following share activities are as follow:

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.

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.

During the nine-month period ended November 30, 2021, there were no share activities.

Common shares issued and outstanding:

	November 30, 2021		November 30, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of the year	17,976,134	6,894,396	17,976,134	6,894,396
Treasury shares	(25,000)	(2,368)	(25,000)	(2,368)
Redemption of Class B preferred shares	1,027,275	334,028	-	-
Redemption of Class C preferred shares	126,000	51,385	-	-
Balance at end of the period	19,104,409	7,277,471	17,951,134	6,892,028

5. Share Capital and Share Capital Subscribed (cont'd)

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 the end of the reporting period is Nil.

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

iii) (C$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 (C$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 the reporting period is Nil.

(Expressed in Canadian Dollars)

5. Share Capital and Share Capital Subscribed (cont'd)

Incentive Stock Options

In October 2003, the Board of Directors approved the Company's Stock Option Plan ("the Plan"). The Plan provides for the granting of stock options to qualified directors and employees to purchase up to 3,222,443 common shares of the Company. Under the Plan, the granting of stock options, exercise prices and terms are determined by the Board of Directors. Stock options must be non- transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed an aggregate of 10% of the issued and outstanding shares of the Company at the time of granting and may not exceed 5% to any one individual. For incentive options, the exercise price shall not be less than the fair market value of the Company's common stock on the grant date. Options can have a maximum term of five years and terminate 30 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate six months after the event. Vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Once approved and vested options are exercisable at any time.

During the nine-month period ended November 30, 2021, there were no share purchase options activities.

During the nine-months period ended November 30, 2020, There are no stock options activities during the period.

Warrants

At November 30, 2021 and 2020, there were no share purchase warrants outstanding.

6. Contributed Surplus

Balance, November 30, 2021 and 2020	$ 437,139

(Expressed in Canadian Dollars)

7. Income Taxes

	Armada Mercantile	Armada USA	**2021**	**2020**
Income (Loss) for the year	$ (43,966)	$ 5,485,594	$ 5,529,560	$ (267,894)
Tax rate	27.0%	21.0%		
Tax based on statutory tax rate	$ (11,871)	$ 1,151,975	$ 1,140,104	$ (56,258)
Deductible expenses, net	-	(1,137,197)	(1,137,197)	-
Unrecognized benefit of non-capital losses	11,871	(14,778)	(2,907)	56,258
Total income taxes	$ -	$ -	$ -	$ -

The Company has available non-capital losses of approximately $569,000 which may be carried forward to apply against future income for tax purposes. In addition, the Company has discretionary deduction pools for resource related expenditures and equipment balances with a tax basis exceeding net book value.

The possible future benefit to the Company of utilizing these losses has not been recognized in these financial statements. The carry-forward losses expire as follows:

2027	$ 64,000
2028	79,000
2029	76,000
2030	35,000
2031	42,000
2032	35,000
2033	28,000
2034	31,000
2035	-
2036	36,000
2037	-
2038	35,000
2039	22,000
2040	42,000
2041	44,000
	$ 569,000

(Expressed in Canadian Dollars)

7. Income Taxes – *cont'd*

The Company's wholly owned subsidiary, Armada Group USA Inc. has approximately US $493,000 (2020 – US $652,000) in non-capital losses which may be carried forward against future income for tax purposes. The loss carry-forwards expire in various years up to 2041.

		2021		2020
Potential future tax assets				
Non-capital losses carried forward	$	569,000	$	483,000
Tax value of equipment in excess of book value		2,000		2,000
		571,000		485,000
Potential tax recovery at substantially enacted rate 27.0% (2020 – 27.0%)		154,000		130,000
Net potential future income tax assets		154,000		130,000
Valuation allowance (100%)		(154,000)		(130,000)
Net future tax assets	$	-	$	-

In addition, the Company has allowable capital losses of approximately $4,050,000 (2020 - $4,050,000) which are available to offset against future capital gains.

The future conditions to recognize potential future tax assets based on establishment of likely future profitability have not been met. Accordingly, a 100% valuation allowance has been provided.

8. Management of Capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options, contributed surplus and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

The Company, during the year is operating at a gain. Loses are mostly attributable to foreign exchange and fluctuations in our publicly traded portfolio company stock positions. As such, the Company is dependent on consulting, advisory and additional portfolio stock increases to fund its activities. The Company has not been required for an extended period of time to rely on external financing to fund its activities. In order to pay for its operating expenses, the Company will spend its existing working capital and raise additional amounts as needed and if available.

Management reviews its capital management approach on an ongoing basis.

(Expressed in Canadian Dollars)

9. Marketable Securities

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

November 30, 2021		February 28, 2021	
Cost	**Market**	**Cost**	**Market**
426,224	5,430,217	426,224	5,428,536

10. Contingencies

The Company's wholly owned subsidiary, Armada Group USA, filed a complaint for breach of contract and fraud related to a $150,000 convertible note plus accrued interest provided to Vocalscape Networks, Inc. Judgment has been granted to the Company in the amount of approximately $462,000 USD. In the Company's judgment, no portion of this amount will be recognized until collection can be assured.

11. Fair Value Measurement

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

At August 31, 2021, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized as follows:

		Level 1	Level 2
Cash & cash equivalents	$	175,187	-
Marketable securities	$	5,430,217	-

12. Risk Instrument and Risk Management

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The fair values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its bank accounts and accounts receivable. Bank accounts are with a Canadian Schedule 1 banks. Management believes that the credit risk with respect to receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company manages its liquidity risk through private placements. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to commodity prices, cost overruns on capital projects and changes to government regulations relating to land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest Rate Risk

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

The only significant market risk exposure to which the Company is exposed is short-term interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates.

12. Risk Instrument and Risk Management – *cont'd*

Commodity Price Risk

The Company is not subject to commodity price risk

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk on its financial instruments.