ARMADA MERCANTILE LTD.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2018

(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, 2018

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

		November 30, 2018		February 28, 2018
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,016**	$	5,483
GST refundable		**49**		380
Marketable securities – (Note 11)		**157,051**		300,788
Due from related parties		**23,565**		-
		182,681		306,651
Investment in Oxygen Funding, Inc. – (Note 5)		**1**		1
Total assets	**$**	**182,682**	**$**	306,652
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Current				
Accounts payable & accrued liabilities	**$**	**67,654**	$	72,225
Notes payable		**17,075**		17,075
Due to related parties – (Note 6)		**-**		25,881
Total liabilities		**84,729**		115,181
Shareholders' Equity (Deficit)				
Share capital – (Note 7)		**6,892,028**		6,866,328
Share capital subscribed – (Note 7)		**556,113**		556,113
Contributed surplus – (Note 8)		**434,714**		434,714
Deficit		**(7,784,902)**		(7,665,684)
		97,953		191,471
Total liabilities and shareholders' equity	**$**	**186,682**	$	306,652

Contingencies – (Note 12)

Approved by the Board:

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

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

The accompanying notes are an integral part of the consolidated interim financial statements

ARMADA MERCANTILE LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the Nine Months Ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

		For the Three Months Ending Nov.30, 2018		For the Three Months Ending Nov.30, 2017		For the Nine Months Ending Nov.30, 2018		For the Nine Months Ending Nov.30, 2017
Revenue								
Consulting fees	**$**	**6,511**	$	26,631	**$**	**16,728**	$	61,770
Other income and interest		**43,638**		-		**88,341**		-
		50,149		26,631		**105,069**		61,770
Expenses								
Bank charges and interest		**93**		174		**943**		1,074
Listing and transfer agent		**3,566**		2,111		**11,892**		10,885
Management fees and expenses (Note 6)		**18,155**		17,314		**54,623**		53,921
Office supplies and miscellaneous		**4,027**		3,726		**8,065**		7,162
Professional fees		**6,070**		1,768		**14,650**		8,379
Referral fees		**2,463**		-		**7,369**		-
Rent – (Note 6)		**3,124**		2,978		**12,127**		9,168
Telephone		**105**		7		**360**		873
Travel		**4,484**		2,964		**11,752**		7,947
Loss on sale of marketable securities		**4,661**		(443)		**16,775**		4,957
Unrealized decrease in Market. Sec.		**89,376**		(190,074)		**112,302**		(94,928)
Foreign exchange (gain) loss		**(12,569)**		(15,080)		**(26,571)**		17,175
Total		**123,555**		(174,555)		**224,287**		25,980
Net and comprehensive gain (loss) for the period	**$**	**(73,406)**	**$**	**201,186**	**$**	**(119,218)**	**$**	**35,790**
Earnings (loss) per share for the period – basic and diluted		**0.00**		0.01		**0.01**		**0.00**
Weighted average shares outstanding		**17,951,134**		17,921,920		**17,911,476**		15,824,179

The accompanying notes are an integral part of the consolidated interim financial statements

ARMADA MERCANTILE LTD.

Consolidated Statements of Changes in Equity

For the Nine Months Period Ended November 30, 2018 and 2017

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Capital Subscribed	Contributed Surplus	Deficit	Total
Balance, February 28, 2017	**17,422,896**	**6,812,313**	**556,113**	**434,714**	**(7,729,376)**	**73,764**
Share capital issued – private placement	200,000	28,000	-	-	-	28,000
Share capital subscribed	-	-	12,605	-	-	12,605
Net income for the period	-	-	-	-	(165,396)	(165,396)
Balance, November 30, 2017	**17,622,896**	**6,840,313**	**568,718**	**434,714**	**(7,894,772)**	**(51,027)**
Share issued – warrants exercised	195,238	26,015	-	-	-	26,015
Share subscribed	-	-	(12,605)	-	-	(12,605)
Net income for the period	-	-	-	-	229,088	229,088
Balance, February 28, 2018	**17,818,134**	**6,866,328**	**556,113**	**434,714**	**(7,665,684)**	**191,471**
Share capital issued – private placement	133,000	25,700	-	-	-	25,700
Net income for the period	-	-	-	-	(119,218)	13,872
Balance, November 30, 2018	**17,951,134**	**6,892,028**	**556,113**	**434,714**	**(7,784,902)**	**231,043**

The accompanying notes are an integral part of the consolidated interim financial statements

ARMADA MERCANTILE LTD.
Consolidated Statements of Cash Flows
For the Nine Months Ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

		Three Month Period Ending Aug. 31, 2018		Three Month Period Ending Aug. 31, 2017		Nine Month Period Ending Nov. 30, 2018		Nine Month Period Ending Nov. 30, 2017
Cash provided by (used in)								
Operating Activities								
Net and comprehensive gain (loss) for the period	**$**	**(73,405)**	$	201,186	**$**	**(119,218)**	$	35,790
Items not involving cash:								
Unrealized decrease (increase) in investments		**89,376**		(190,074)		**112,302**		(94,928)
		15,971		(56,021)		**(6,916)**		(59,138)
Changes in non-cash working capital balances:								
GST recoverable and other receivables		**624**		446		**331**		(133)
Accounts payable and accrued liabilities		**2,565**		3,377		**(4,571)**		(2,401)
		19,160		14,935		**(11,156)**		(61,672)
Investing activities								
Disposal of marketable securities		**7,856**		-		**31,435**		5,537
		7,856		-		**31,435**		5,537
Financing activities								
Advances from (to) Related Parties		**(25,053)**		(9,412)		**(49,446)**		22,225
Notes payable		**-**		-		**-**		(200)
Shares issued		**-**		-		**25,700**		40,605
		(25,053)		(9,412)		**(23,746)**		62,630
Increase (decrease) in cash during the period		**1,963**		5,523		**(3,467)**		6,495
Cash and equivalents, beginning of period		**53**		1,253		**5,483**		281
Cash and cash equivalents, end of period	**$**	**2,016**	$	6,776	**$**	**2,016**	$	6,776

Supplemental disclosure of non-cash financing activities

	Three Month Period Ending Aug. 31, 2018	Three Month Period Ending Aug. 31, 2017	Nine Month Period Ending Nov. 30, 2018	Nine Month Period Ending Nov. 30, 2017
Interest paid	**-**	**-**	**-**	-
Taxes paid	**-**	**-**	**-**	-

The accompanying notes are an integral part of the consolidated interim financial statements

1. Summary of Significant Accounting Policies

Basis of Presentation and Statement of Compliance

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended February 28, 2018 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in compliance with International Accounting Standard ("lAS") 34 - Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended February 28, 2018.

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ended February 28, 2018. The Board of Directors authorized these consolidated financial statements for issue on October 30, 2018.

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 Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries are those entities over which the Company has the power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. The Company also assesses existence of control where it does not have more than 50% of voting power but is able to control the investee by virtue of de facto control. De facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders gives the group the power to govern the financial and operating policies.

The financial accounts of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Armada Group USA Inc. and Armada Finance, LLC. All inter-company transactions and balances are eliminated upon consolidation.

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.

1. Summary of Significant Accounting Policies - *continued*

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.

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.

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.

2. 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, 2018, 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.

2. Nature of Business and Going Concern - *continued*

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 August 31, 2018, the Company has accumulated losses of $7,784,902 (February 28, 2018: $7,665,684) since its inception, has working capital of $97,952 (February 28, 2018: $191,470) 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.

3. New standards, interpretations and amendments

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 and concluded that the adoption of IFRS 9 did not affect the current classification of Company's financial assets and financial liabilities.

Based on Management's detailed review and analysis the effect of adopting IFRS 9 had an immaterial effect on the opening retained earnings as at January 1, 2018.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment.

3. New standards, interpretations and amendments - continued

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions - continued

transaction. Therefore, these amendments do not have any impact on the Company's consolidated financial statements.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from and entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts,* IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service.*

Based on Management's detailed review and analysis the effect of adopting IFRS 15 had an immaterial effect on the opening retained earnings as at March 1, 2018.

Effective for periods beginning on or after January 1, 2018

IFRS 16, Leases

IFRS 16 applies to the recognition, classification, measurement and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease is for a term of 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17, *Leases,* IFRIC 4, *Determining whether an Arrangement contains a Lease,* SIC-15, *Operating Leases – Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Company is currently assessing the impact that these standards will have on the Company's financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

(Expressed in Canadian Dollars)

4. Loans Receivable

As at November 30, 2018, the Company had the following loans receivable outstanding:

	November 30, 2018	November 30, 2017
Loans receivable	$ 331,961	$ 331,961
Accrued interest	15,474	15,474
Less: Allowable for loan losses	(347,432)	(347,432)
Amounts written-off	(3)	-
	$ 0	$ 3
Impaired loans and accrued interest:		
Loans receivable	$ 331,961	$ 331,961
Interest	15,474	15,474
Specific allowance	(347,432)	(347,432)
Amounts written-off	(3)	-
	$ 0	$ 3
Allowance for loan losses	-	-
Balance, beginning of year	$ 347,432	$ 347,432
Provision	-	-
Balance, end of period	**$ 347,432**	**$ 347,432**

During the year ended February 28, 2018, the loans receivable of $3 was written-off.

5. 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.

(Expressed in Canadian Dollars)

5. Investment in Oxygen Funding, Inc. - *continued*

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.

6. 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.

	2018	**2017**
Management fees	$ 53,990	$ 54,260
Expenses reimbursed to a director of the Company	$ 11,760	$ 9,834
Rent to a director of the Company	$ 9,289	$ 9,835

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 August 31, 2018 and 2017, the amounts due to related parties were as follows:

	November 30, 2018	**November 30, 2017**
Due to (from) the president and director of the Company.	$ (23,565)	$ 23,379

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

(Expressed in Canadian Dollars)

7. Share Capital and Share Capital Subscribed

Authorized:

The authorized common share capital of the Company at November 30, 2018 is 200,000,000 (Feb. 28, 2017 - 200,000,000) shares without par value. The authorized preferred share capital of the Company at November 30, 2018 is 100,000,000 (Feb. 28, 2017 - 100,000,000) shares without par value.

Issued and outstanding:

During the nine-month period ended November 30, 2018, the share activities were as follows:

On May 22, 2018, the Company completed a non-brokered private placement of 133,000 common shares at US$0.15 per share.

During the nine-month period ended November 30, 2017, the share activities were as follows:

On May 22, 2017 the Company completed a non-brokered private placement consisting of 200,000 Units at a price of US$0.105 per Unit. Each Unit is comprised of one share of common stock and one common stock purchase warrant, with each whole Warrant entitling the holder to purchase an additional share of common stock for up to one year following its date of issue at a price of US$0.105 per warrant Share.

The issued share capital is as follows:

Common shares issued and outstanding:

	November 30, 2018		November 30, 2017	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance at beginning of the year	17,818,134	6,866,328	17,447,896	6,814,681
Shares issued - private placement	133,000	25,700	200,000	28,000
Treasury shares	-	-	(25,000)	(2,368)
Balance at end of the period	17,951,134	6,892,028	17,622,896	6,840,313

7. Share Capital and Share Capital Subscribed - *continued*

Issued and outstanding:

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.

ii) 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 Perferred Share for each common share at the sole discretion of the Company.

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

iv) (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.

v) 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.

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.

(Expressed in Canadian Dollars)

7. Share Capital and Share Capital Subscribed - *continued*

During the nine-month periods ended November 30, 2018 and 2017, no share purchase options were granted.

As at November 30, 2018 and 2017, there were no stock options outstanding.

Warrants

At November 30, 2018, there were no warrants outstanding.

8. Contributed Surplus

Balance, February 28, 2018	$	434,714
Stock-based compensation		-
Balance, November 30, 2018	$	434,714

9. Income Taxes

	Armada Mercantile	Armada USA	**2018**	**2017**
Income (Loss) for the year	$ (31,943)	$ 95,635	$ 63,692	$ (481,532)
Tax rate	27.0%	35.0%		
Tax based on statutory tax rate	$ (8,624)	$ 33,472	$ 24,848	$ (130,434)
Deductible expenses, net	-	-	-	505
Unrecognized benefit of non-capital losses	8,624	(33,472)	(24,848)	129,929
Total income taxes	$ -	$ -	$ -	$ -

The Company has available non-capital losses of approximately $458,000 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		32,000
	$	458,000

(Expressed in Canadian Dollars)

9. Income Taxes - *continued*

The Company's wholly owned subsidiary, Armada Group USA Inc. has approximately US $452,000 (2017 – US $443,000) 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 2038.

		2018		2017
Potential future tax assets				
Non-capital losses carried forward	$	458,000	$	428,000
Tax value of equipment in excess of book value		2,000		2,000
		460,000		430,000
Potential tax recovery at substantially enacted rate 27.0% (2017 – 26.0%)		124,000		119,000
Net potential future income tax assets		124,000		119,000
Valuation allowance (100%)		(124,000)		(119,000)
Net future tax assets	$	-	$	-

In addition, the Company has allowable capital losses of approximately $3,984,000 (2017 - $3,984,000) 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.

10. 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)

11. Marketable Securities

The Company's marketable securities, which are classified as held-for-trading have been value at their market prices.

November 30, 2018		August 31, 2017	
Cost	**Market**	**Cost**	**Market**
517,804	157,051	280,541	58,336

12. 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 $233,000. In the Company's judgment, no portion of this amount will be recognized until collection can be assured.

13. 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, 2018, 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	$ 2,016	-
Marketable securities	$ 157,051	-