ARMADA MERCANTILE LTD.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE PERIOD ENDED NOVEMBER 30, 2016

1.1 Date of Report: January 27, 2017

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, primarily through its wholly-owned subsidiary Armada Group USA, Inc. Armada's shares are listed for trading on the Canadian National 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 Operations

Armada has three sources of business generated by two operating subsidiaries and one relational company: (i) Armada Group USA, Inc. (ArmadaUSA) and (ii) Redrock Trading Partners, LLC (Redrock), and (iii) Armada Finance, LLC.

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 compliment its capital formation, factoring 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 clients and portfolio companies. ArmadaUSA endeavors to bring its clients the widest possible range of ideas and services. These include public and private capital formation, developing innovative products and strategies that broaden a client's ability to source all forms of capital, public listings 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. ArmadaUSA 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.

3. ArmadaUSA, through its wholly owned subsidiary Armada Finance, LLC, offers capital to corporate finance servicing companies internationally including "factoring", "letters of credit" and "purchase orders".

During the Period

During the period ended November 30, 2016, all of Armada's income activity came from ArmadaUSA's consulting services paid by clients on a monthly basis and one-time fees. The loss for the period was sustained from price decreases in publicly-traded marketable securities. Operationally, Armada was profitable during the period without accounting for losses in marketable securities. This trend of increased or decreased prices in marketable securities creates difficultly in predicting future earnings along with the unpredictability of the consulting services industry. Additionally, although Armada anticipates increasing revenues and cash upon the liquidation of our portfolio companies, liquidity in those markets are unpredictable and those assets may remain an unrealized capital gain. Historically, ArmadaUSA's pipeline of potential capital formation transactions have increased fee based income, but recently, our portfolio companies will provide additional asset growth and income. Management's examination of the 2016 client and portfolio company pipeline projects continued earnings increases due to promising business opportunities from future capital raises, factoring, Form S-1 and 15c211 activity, and advisory services. ArmadaUSA continued its business consulting services while providing analysis, investment consulting, capital access consulting, and strategic business and planning. ArmadaUSA has 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 ArmadaUSA.

Operation Plan

During the period ended November 30, 2016, ArmadaUSA sourced and serviced new clients for its consulting and advisory services, Broker Dealer, and trade finance divisions. Additionally, Armada focused on its portfolio company positions in Progressive Legal Credit Repair LLC (www.progressivelegalcreditrepair.com), Hispanica International Delights of America, Inc. (Symbol: HISP), Chillbox California Corp. (www.chillboxca.com), and Earthvision Industries, LLC (www.earthvision.us.com), Benaiah Holdings Group, Inc.

Management

Three senior executives, Patrick Cole and Mark Varley who have worked together for the past sixteen years, and Phil Skinder of Skinder Financial Services, manage Armada.

Armada employs senior management of whom Patrick Cole, Phil Skinder and Mark Varley are involved in the identification, structuring and management of Armada's investments. Armada out-sources other aspects of investment underwriting, capital raise and broker-dealer services to Redrock Trading Partners, LLC, a relational affiliated company. Armada utilizes the services of long-term relationships with lawyers, auditors, consultants, analysts and bankers. Armada's Board of Directors has broad experience in the broker-dealer, venture-lending and advisory services process in wide ranging industrial sectors including retailing, construction, consumer products, natural resources, aviation, technology, energy and manufacturing. Redrock Trading Partners, LLC is managed by four partners and numerous transaction facilitators along with relationships that provide market making, From S-1, Form 15c211, stocks, bonds, IPO's and public markets mergers and acquisitions.

1.3 Selected Annual Information

Fiscal Year Ended	Feb. 29, 16	Feb. 28, 15	Feb. 28, 14
Net Sales or Revenue	$ 161,628	$ 123,199	$ 415,321
Income (Loss)	$ (427,090)	$1,192,655	$ 170,240
Basic and diluted income (loss per share)	$ (0.02)	$ 0.07	$ 0.01
Net Income (Loss)	$ (427,090)	$1,192,655	$ 170,240
Basic and diluted net income (loss) per share	$ (0.02)	$ 0.07	$ 0.01
Total Assets	$ 639,154	$1,431,094	$ 361,941

Total Long-term liabilities	Nil	Nil	Nil
Cash dividends per share, common	Nil	Nil	Nil

1.4 Results of Operations

Revenue and Interest Income

For the period under review the Company reports consulting $fees revenue of $195,798, unrealized decrease in market securities of $285,856 and a net loss of $319,753.

Administrative and Other Expenses

During the period ended November 30, 2016 total administrative expenses excluding "Unrealized increase/decrease in marketable securities", "Foreign exchange gain/loss" and the "Write-off of prior year's accounts payable" were $80,512 compared to $79,532 for the period ended November 30, 2015, an increase of $980. Revenue was up by $148,808 from the prior year. Major increases (decreases) in administrative expenses were attributed to:

Bank charges & interest	(227)
Consulting	(595)
Listing and Transfer agent	2,292
Management fees	4,582
Office & Miscellaneous	4,665
Professional fees	1,143
Promotion & shareholder information	970
Rent	208
Shareholder information	123
Stock-based compensation	(10,493)
Telecommunications	555
Travel & automotive	(2,243)

There was cash $3,034 at November 30, 2016 compared to cash of $91,567 at year-end February 29, 2016 while total current assets were $258,383 compared to $639,151 at year-end February 29, 2016.

In the past, the Company's activities have been funded through the sale of share capital and loans from insider individuals and investor. The Company will require additional injections of capital in order to expand its merchant banking and venture lending business while meeting ongoing obligations. However, currently, short-term needs are being met through increased consulting fee revenue and broker dealer fee income.

1.5 Summary of Quarterly Results

Armada's revenue for the period increased by $147,808 compared to the same period last year. All outstanding Notes Receivable are classified as impaired when there is no longer reasonable assurance of the timely collection of outstanding advances. In determining the provision for possible note receivable losses, management considers the length of time the loans have been outstanding, whether they are in arrears, the overall financial strength of the borrower and the residual value of security pledged. If necessary, a provision for losses on impaired notes receivable is made to reduce the carrying amount to the estimated realizable amount.

	Nov. 16	Aug. 16	May 16	Feb. 16	Nov. 15	Aug. 15	May 15	Feb. 15
Total Revenue	$ (32,343)	$ (121,241)	$ (43,046)	$ (112,806)	$ (16,832)	$ (17,073)	$ (14,917)	$ (715,909)
Loss (Profit)	$ 324,917	$ 12,807	$ (17,971)	$ 379,617	$ 129,290	$ (126,298)	$ 44,481	$ (46,524)
Basic and diluted Loss	$ 0.02	$ 0.00	$ 0.00	$ 0.02	$ 0.01	$ (0.01)	$ (0.00)	$ (0.00)

(Profit) per share								
Net Loss (Profit)	$ 324,917	$ 12,807	$ (17,971)	$ 379,617	$ 129,290	$ (126,298)	$ 44,481	$ (46,524)
Basic and diluted Net Loss (profit) per share	$ (0.02)	$ (0.00)	$ (0.00)	$ 0.02	$ 0.01	$ (0.01)	$ (0.00)	$ (0.00)

CEO and CFO have also concluded that the Company's internal controls over financial reporting are designed effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting practices.

While there were no changes that occurred during the current period that have materially affected the Company's internal control procedures, the CEO and CFO will continue to attempt to identify areas to improve controls and intend to incorporate such improvement over the next year.

The Company's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

In accordance with the requirements of National Instrument 52-109, Certification and Disclosure in the Company's annual and interim filings, evaluations of the design and operating effectiveness of disclosure controls and procedures and the design effectiveness of internal control over financial reporting were under the supervision of the CEO and CFO as of the end of the period covered by this report.

1.6 Liquidity and Capital Resources

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. At November 30, 2016 the Company had working capital of $235,539 and cash of $3,034 compared to a February 29, 2016 working capital of $555,292 and cash of $91,567. The Company's activities have been limited to the "factoring" business, development of Redrock Trading Partners, LLC, ArmadaUSA 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.

1.7 Capital Resources

For the period under review, the Company's activities have been funded through consulting and fee revenues, and other income, which have increased by $147,808 over the same period last year. The current trend has increased the likelihood about the Company's ability to continue as a going concern. If this trend continues, the continuation of the Company would be dependent upon the continuing fee income and, if necessary, financial support of related party funders, shareholders and creditors. Attaining and maintaining profitable operations has increased from the prior year mainly due to fees from clients. The Company may require additional injections of capital in order to expand its consulting, brokering and trade finance business. However, currently, short-term needs are being met through consulting and fee income generation and potential future income from the sale of unrealized gains from "portfolio companies" owned by the Company. As the Company continues to expand in the financial services industry, it anticipates continued positive operating gains over the next twelve months and the possibility of profitability for the year ending February 28, 2017. The Company's lack of recurring revenue makes predictions of future operating results difficult to ascertain. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in fee based businesses.

1.8 Off-Balance Sheet Arrangements

At November 30, 2016 the Company had no 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.

1.9 Transactions with Related Parties

Management fees of $29,432, rent of $9,418 and expense re-imbursement of $16,819 were paid or accrued to Mr. Patrick Cole, President and Director of the Company. The Company historically has paid management fees to Patrick Cole in Canadian dollars but due to the decline against the United States dollar, effective for the quarter ended November 30, 2015, the Company began paying management fees in United States dollars.

1.10 Fourth Quarter

N/A

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

Revenue Recognition: The Company recognizes revenue from venture lending and product sales once all of the following criteria for revenue recognition have been met: pervasive evidence that an agreement exists; the services have been rendered; the fee is fixed and determinable and not subject to refund or adjustment; and collection of the amount due is reasonable assured. The Company will primarily derive its revenues from anticipated financial service related fees, commissions and venture lending interest.

1.13 Changes in Accounting Policies including Initial Adoption

In 2004 the Company added as an expense an estimate for stock-based compensation. This was a new requirement for the year ending 2004. This was more of a change in rules than a change in accounting policy. The Company has not initiated any change in accounting policy since 2004.

1.14 Financial Instruments and Other Instruments

Financial Assets

Financial assets are classified into one of four categories:

fair value through profit or loss ("FVTPL");
held-to-maturity ("HTM");
available for sale ("AFS"); and
loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

it has been acquired principally for the purpose of selling in the near future;
it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
it is a derivative that is not designated and effective as a hedging instrument

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs are expensed as incurred.

HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost.

AFS financial assets

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment's revaluation reserve is included in profit or loss for the year.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1.15 <u>Other MD&A Requirements</u>

Additional Disclosure for Venture Issuers without Significant Revenue:

See also the Company's Condensed Consolidated Interim Statements of Operations and Deficit for the period ended November 30, 2016 forming part of the Condensed Consolidated Interim Financial Statements for a breakdown of the material components of the Company's general and administrative expenses for the period. See also Item 1.2 "Overall Performance" above.

Disclosure of Outstanding Share Data:

As at November 30, 2016 the Company's authorized and issued capital was as follows:

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

   Issued: Common: 17,422,896 - $6,812,313

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

   Issued: Preferred: NIL

3. Options and warrants outstanding:

   There were 500,000 stock options outstanding at November 30, 2016 and at February 29, 2016, exercisable at a price of $0.05 per share until May 4, 2017. There were no warrants outstanding at November 30, 2016 nor at February 29, 2016.

Internal Controls and Disclosure Controls over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission in which the Company is registered exempted Venture Issuer from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is now required to file basic certificates, which it has done for the period ended November 30, 2016. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at November 30, 2016.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New accounting standards and amendments to existing standards

As of January 1, 2015, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standards without any significant effect on its financial statements.

IAS 32 – Financial Instruments: Presentation ("IAS 32")

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

IAS 36 – Impairment of Assets ("IAS 36")

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal.

New accounting standards and amendments to existing standards cont'd

IFRIC 21 – Levies ("IFRIC 21")

An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New Standards Not Yet Adopted

IFRS 9 – Financial Instruments ("IFRS 9")

New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018. 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.

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.

ADDITIONAL INFORMATION

See Company listing on SEDAR at www.sedar.com

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 November 30, 2016 has been approved by the Board of Directors of the Company.