

ARMADA MERCANTILE LTD.
301-455 Granville
Vancouver, British Columbia V6C 1T1
Tel: 916-446-1585 Fax: 916-441-2745
patrickdcole@comcast.net

December 16, 2004

TRADE SYMBOL: AARM -Canadian Trading and Quotation System Inc.
US TRADE SYMBOL: AAMTF.PK

Venture Lending Loan

NEWS RELEASE

Armada Mercantile Ltd. (the Company), through its wholly-owned subsidiary Armada Group USA, Inc. (ArmadaUSA), has signed a venture lending loan agreement (the Loan) with 2Phase Technologies Inc. (the Client) of Santa Clara, California. Upon closing, the Loan is re-payable within 45 days and is collateralized by a Daimler Chrysler purchase order. The Client has delivered and installed the product and fulfilled the terms and conditions of the Daimler Chrysler purchase order.

About the Client: The Client has developed a conforming tooling system that uses novel, patented state-change materials for prototyping, short-run, or flexible mass-production of cast, molded, and fabricated parts. The Client's reusable tooling system takes the exact contour of any shape, can be prepared in minutes for any casting, molding, or fabrication operation, and can be repeatedly transformed into precision tools for the production of diverse parts. The Client's current customers list and Government contracts includes Daimler Chrysler, United States Army Materials Research Laboratory, Boeing, The National Composites Center, and Michigan State University.

For more information pertaining to the Client, please visit www.2phasetech.com.

In separate news, the Company completed a venture lending loan (the Loan) with Fern Valley Falls LLC. The term of the Loan was 120 days and the Company's return on the Loan was approximately forty eight percent (48%), due to interest charges and an earned equity position. During the same period, the Company bolstered its merchant banking funding capabilities by adding a Swiss affiliate banking partner and a European investor. The added source of capital will be utilized by the Company to expand its merchant banking and venture lending business.

For more information pertaining to the Company, visit www.armadamercantile.com or contact Patrick Cole at 916-446-1585.

"Patrick Cole"

President

Certain statements included herein are "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. Management cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause the actual results of operations or financial condition of the Company to differ include, but are not necessarily limited to, the risks and

uncertainties discussed in documents filed by the Company with the British Columbia, Alberta and Ontario Securities Commissions.