



ARMADA MERCANTILE LTD. Corporate Information for Shareholders

Armada Mercantile Ltd. (Armada) has been a publicly-traded company in Canada since 1987. Armada is a financial services company that focuses on merchant banking, primarily through its wholly-owned subsidiary Armada Group USA, Inc. (ArmadaUSA). ArmadaUSA is engaged in the venture-lending business and utilizes three complementary approaches to achieve its goals. These approaches are advisory services, venture-lending and the asset-backed finance marketplace for publicly-traded and privately held companies. Armada typically acts as the lead investor; however, Armada may choose to invest with others based on transaction size, geographic location or specific expertise required. Armada is interested in situations where there is a clear opportunity to enhance the value of the business through its advisory and financial involvement in partnership with management.

Quick Facts

Recent Price \$.28

Canadian Stock Symbol AARM

United States Stock Symbol AAMTF.PK

Shares O/S 17,257,234

52 Wk. Range \$.10-\$.52

Fiscal Year End February 28

Website www.armadamercantile.com

Strengths

- Unrecognized underlying value
- Exciting businesses
- Seasoned management team and Board of Directors
- Stellar opportunities for immediate returns

Risks

- Merchant banking companies trade at a discount and can be volatile
- Difficult to view underlying value compared to direct investment vehicles

Conclusion

- Excellent track record on realized investments
- Book value posting only modest rates of growth due to early nature of some investments
- Significant discount to underlying value presents buying opportunity

Armada believes the current underlying value (management team, business model and current client base) presents individual investors with an excellent opportunity to participate in merchant banking-type investments targeted to generate returns in excess of 50% per transaction. Armada believes the shares are suitable for investors prepared to accept a potential five to ten times return and a mid-term investment time horizon congruent with that of a merchant bank. Armada is an active participant in the merchant banking area of the International financial sector. The current investment portfolio comprises companies with varying business models that suggest exponentially higher earnings and profit capabilities over the next one to five years at a reasonable cost base. Further, in most cases, Armada is providing the investment capital by way of a venture-lending loan that returns the capital on a monthly basis while receiving an equity position. The current and targeted investments include insurance, fast food franchises, real estate, technology, natural resources, Chinese art and other Chinese companies in China. The business focus of the balance of Armada's client's is aimed primarily at providing goods or services to consumer products markets in North America and China. Armada's current management has been involved in multiple merchant banking transactions over the past twenty years including dispositions, public company takeovers, mergers and acquisitions and start-ups. Valuing the present investment portfolio at book value or posting a weighted average Internal Rate of Return (IRR) will be possible as the current portfolio matures. Even with relatively early stage investments in the portfolio, Armada's IRR should compare favorably with expected merchant banking target returns. Armada would expect to see overall portfolio IRR to rise over the next few years as these newer investments mature and underlying value materializes. Additionally, Armada will continue to source venture-lending investments that mature within 120 days from the date of funding and a rate of return in excess of one hundred percent such as the Fern Valley Falls LLC transaction.

CORPORATE SUMMARY

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Investor Relations

None

Publicly traded merchant bank

CNQ Stock Exchange in Canada

Canadian Stock Symbol AARM

United States Stock Symbol AAMTF.PK

THE COMPANY

Armada is a publicly traded, closely held Canadian-based merchant bank. Its President, Patrick Cole, acquired Armada in 1987. Armada's investment strategy consists of investing in, partnering with and providing management and financial advice to emerging and established businesses that have the potential to achieve above average returns. Armada's investments must offer a minimum investment return potential of over 25% per annum. In most cases, due to the debt loan nature of venture-lending, Armada will achieve its expected rate of return while receiving repayment of the loan and an equity position. During the past six months of loan activity, Armada has average an interest rate per loan return of 53% per annum and an equity position asset value of 103%. Armada management's investment focus is centered on established and emerging growth companies that possess some or all of the following characteristics: capable and experienced management, customer base, recurring revenue, the ability to repay debt, exponential growth potential, proof of customers or contract, assets or other collateral, fragmented industries, and proprietary or patented product. Companies possessing these criteria can then serve as potential venture-lending clients, advisory services clients and in some cases, a platform for mergers and acquisitions, public market strategies or rollup consolidation of other companies in the same industry. Investments are also targeted at companies that can be expanded based on proven concepts or operating technologies, or are available at attractive valuations. Loans or investments made by Armada and most merchant banks are typically undertaken with a three to seven year time horizon to ultimate value realization. Additionally, Armada specializes in short-term loans or investments where a one to six month time horizon to ultimate value realization is achieved. Loans or investments where an equity position exists can show low or modest value gain early in the investment cycle, and it is only when investments are sold or a liquidity event has taken place that the full underlying value is expressed. However, in cases where Armada has received an equity position as a funding bonus, Armada can also participate in yearly profits, dividends and other forms of compensation such as its Red Sauce LLC transaction. Merchant banking returns in the interim period can therefore be fairly modest relative to the overall returns generated when an individual investment is liquidated. However, as stated above, current loan interest has provided excellent returns on a per annum basis at 53%. Due to Armada's publicly-traded company status, investors typically factor in future profit returns and asset liquidation, which could positively affect Armada's share price. The value and rates of return of the overall portfolio can be heavily influenced by the following:

- relative number of early stage investments (low IRR)

- the pace of value growth by developing investments (low to high IRR)
- the timing of the sale and interest on short-term (bridge loan) and mature investments (high IRR).

Given the inherent volatility of underlying investment values, investors should adopt an investment time frame similar to that undertaken by other merchant banks.

Over the past ten years, Armada has assisted its investment partners in undertaking a number of financings and acquisitions, raising nearly \$50 million in debt and equity financing. Three senior executives Patrick Cole, Jack Besmargian and Mark Varley, who have worked together for the past five years, manage Armada.

Armada employs only senior management of whom Patrick Cole, Jack Besmargian and Mark Varley are involved in the identification, structuring and management of Armada's investments. Armada out-sources other aspects of investment underwriting by utilizing the services of long-term relationships with lawyers, auditors, consultants, analysts and bankers. Armada's Board of Directors has broad experience in the venture-lending process and the management of corporations in wide ranging industrial sectors including retailing, construction, consumer products, natural resources, aviation, technology and manufacturing.

MANAGEMENT OF ARMADA

Board of Directors

Patrick Cole

Mr. Cole was appointed a director of Armada Mercantile Ltd. on April 19, 1991 and has served as President of the Company since July 2, 1991. Mr. Cole is a seasoned venture capitalist and financier who has participated and raised 50 million dollars from private investor clients and international banking contacts. Mr. Cole has cultivated relationships over the past 15 years with European banks such as Credit Swiss, Union Bank, Overland Bank, Hypo Bank, Bank General Luxembourg, Rabo Bank, Bank Lips, Bank Hoffman and others.

Mr. Cole has an extensive and successful background in merchant banking, negotiating letters of intent and structuring transactions. Mr. Cole invests a substantial amount of time in investor and shareholder contacts, which Mr. Cole feels is key to the Company's future success.

Prior to acquiring Armada Mercantile Ltd., Mr. Cole served as controlling shareholder and President of Quattro Resources Ltd., which was acquired in August 1998. From August 1985 to August 1987, Mr. Cole held a Series 7 license with the stock brokerage firm of C.L. McKinney in Los Angeles. At the age of 19, Mr. Cole was one of the youngest stockbrokers in America.

Jack Besmargian

Mr. Besmargian received his Certified General Accountant designation in 1973 while employed as Senior Cost Accountant and Computer System Co-ordinator for the forest industry in British Columbia, Canada. From 1984 to 1992, Mr. Besmargian was employed as a Controller for mid-size food companies in British Columbia, Canada. Since 1993, Mr. Besmargian has been providing accounting services to the Company and a number of other Canadian listed companies. During the 1980's, Mr. Besmargian served as a member of the Board of Governors of the Certified General Accountants Association of British Columbia. Mr. Besmargian is involved in the identification, structuring and management of Armada's investments as well as key aspects of due-diligence related to financial statements and the underwriting process.

Mark Varley

Prior to founding The Axios Consulting Group ("Axios") in 1994, Mr. Varley worked throughout North America providing technical inspection (e.g., for metallurgical materials testing and processing) and loss management services for clients with industrial sites and for property conveyances in industries including Petroleum (manufacturing and distribution), Forestry (pulp and paper), Chemical Production, Transportation (road, rail, air, and marine), Heavy Manufacturing, Industrial Construction, Public Utilities and Health Care Facilities.

In founding Axios, Mr. Varley broadened his professional scope to include project management, training, and financial consulting services for firms in technology and financial services. Since 1998, Mr. Varley has provided services including the preparation of Business Plans and Confidential Information Memoranda. With heavy emphasis on current and emerging technologies, the Due Diligence Assessment Reports and Business Valuation Reports researched and written by Mr. Varley are typically used by investors, sponsoring brokerage firms, candidate companies, and ultimately, by securities regulators. Mr. Varley has extensive experience with a variety of businesses and industries in thoroughly investigating target corporations holdings including: products, services, technologies, intellectual properties, markets, strategies, assumptions, financial statements, contracts and contingent liabilities, operations, management and staff, suppliers and clients.

Mr. Varley obtained a Bachelor of Science and Masters of Science degrees from the University of British Columbia, as well as numerous technical and professional qualifications from organizations including the Canadian General Standards Board (Ottawa), Atomic Energy Canada (Ottawa), and the Board of Canadian Registered Safety Professionals. Mr. Varley is a journeyman member of the Quality Control Council of Canada, an executive member of the BC branch of the Editors' Association of Canada, and is pursuing professional accreditation with the Canadian Institute of Chartered Business Valuators. Mr. Varley currently holds a faculty position in Health Sciences at the British Columbia Institute of Technology where he teaches and develops curriculum for the occupational health and safety program.

RECENT DEVELOPMENTS

On September 9, 2004, Armada announced through its wholly-owned subsidiary ArmadaUSA, the providing of a venture-lending loan (the Loan) to North Carolina based real estate group Fern Valley Falls LLC. The Loan is re-payable within 30 days, is collateralized by real estate and carries a return on loaned funds of nearly 41%.

Note: The Loan was re-paid with interest and an equity kicker, which yielded a return of 48%. Further development of the equity kicker may increase the return to over 100%.

On September 9, 2004, Armada announced the signing of a merchant banking and consulting agreement with Tianjin New Roof Group Limited (the Client) of Tianjin, China. This agreement calls for ArmadaUSA, through its advisory services, to assume a leadership role on behalf of the Client as it enters an important phase of its agenda of initiatives. These advisory services will include merchant banking services, access to the public markets and seeking affiliate-funding sources to provide financing for the Client's Henninger (Germany) brewery project in Ji county, Tianjin, China.

For more information pertaining to the Client, please visit www.newroof-cn.com.

On September 20, 2004, Armada announced through its wholly-owned subsidiary ArmadaUSA, the signing of a venture-lending loan agreement (the Loan) with North Carolina based Red Sauce LLC (Red Sauce). Upon closing of the Loan, ArmadaUSA shall receive a 40% membership unit bonus in Red Sauce in the form of a member's certificate on a fully-diluted basis. Red Sauce is the master franchise owner of the NASCAR motif Turn 4 Pizza franchise. The Turn 4 Pizza headquarters is located in Mooresville, North Carolina, which is home to many NASCAR racing teams and is considered "Race Town USA". There are currently thirteen Turn 4 Pizza franchises, and it is ArmadaUSA's intention to assist Red Sauce with its franchise-growth business plan by providing advisory services and access to capital. ArmadaUSA has signed a limited-liability company operating agreement and will have representation as a member and manager of Red Sauce.

For more information pertaining to Red Sauce, please visit www.turn4pizza.com.

On September 20, 2004, Armada announced the signing of a venture-lending loan agreement (the Loan) with North Carolina based VYP Inc. (VYP). Upon closing of the Loan, ArmadaUSA shall receive a 25% stock ownership bonus in VYP in the form of a stock certificate on a fully-diluted basis. VYP owns and operates four NASCAR motif Turn 4 Pizza franchises in North Carolina. ArmadaUSA and VYP are seeking to establish future growth by implementing a Turn 4 Pizza corporate store roll-out business plan. ArmadaUSA will provide advisory services, while the Company, along with its affiliate-funding partner, Peoples Bank of North Carolina, assists in providing the necessary roll-out capital. ArmadaUSA has signed a shareholders agreement and will have representation as a member of the VYP Board of Directors.

On December 16, 2004, Armada announced the signing of a venture-lending loan agreement (the Loan) with 2Phase Technologies Inc. (2Phase) of Santa Clara, California. Upon closing, the Loan is re-payable within 45 days and is collateralized by a Daimler Chrysler purchase order. 2Phase 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 2Phase re-usable 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 2Phase current customers list and Government contracts includes Daimler Chrysler, United States Army Materials Research Laboratory, Boeing, The National Composites Center, and Michigan State University. 2Phase has delivered and installed the product and fulfilled the terms and conditions of the Daimler Chrysler purchase order. For more information pertaining to the Client, please visit www.2phasetech.com.

Client Companies and New Relationships

Anuvu Incorporated
Bright Child LLC
China Top Arts (China)
Compania Minera Mimosa , S.A.
Enviro-Tech Inc.
Evogy Inc.
Fern Valley Falls LLC
Finite Corp.
Mainland Glory, SA
Red Sauce LLC
Rent to Own, Thrifty Car Rental
Simon Biotech Inc.
Tianjin New Roof Group Limited (China)
The Savings Network Inc.
Unigroup Inc.
VYP Inc.
XSLENT LLC
2Phase Technologies Inc.

Note: Armada continues to sign new clients to merchant banking agreements and venture-lending funding on a daily, weekly and monthly basis.

Affiliate Banking and Merchant Banking Partners

MFC Bancorp Ltd. (Swiss)
American River Bank (USA)
Peoples Bank (USA)
Bank of Montreal (Canada)

Note: Armada continues to develop banking and merchant banking partners in order to expand sources of capital for its merchant banking business.

Examples of Investment Rationale

YYP Inc.

The Company owns and operates Turn 4 Pizza franchises in North Carolina. Armada will provide venture-lending loan in exchange for 25% equity position and re-payment of loan. ***Investment Rationale:*** *Platform, rollup and roll-out consolidation of regional industry to exploit the benefits of economies of scale through rationalization of a roll out business plan.*

Simon Biotech Inc.

The Company has developed a biometric identity smartcard, primarily for corporations, military, healthcare, customs and the intelligence community. These biometric cards combine multiple on-board biometric capabilities with sophisticated public key infrastructure (PKI) to provide a simplified solution to the requirement of 21st century passports and identity cards. The smartcard is available today with both fixed and hand-held versions of enrollment and authentication stations. The Company is now offering the smartcards with the capability to store and recall data for facial image, retinal /iris image, holographically processed facial image and DNA fingerprint templates. ***Investment Rationale:*** *Create start-up platform in proprietary technology to generate massive growth from Government and corporate purchase orders of the smartcard. Monthly burn rate minimized through out-sourcing of manufacturing and software development while minimizing start-ups costs and maximizing profit margins per smartcard.*

Fern Valley Falls LLC

A real estate development company in North Carolina. Armada provided venture-lending short-term bridge loan. ***Investment Rationale:*** *Compelling valuation at time of loan with land collateral and major statewide bank promise to provide exit strategy within a 60-day period while yielding a return of 48%.*

2Phase Technologies Inc.

2Phase 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. ***Investment Rationale:*** *Short-term loan (45 days) which has collateral security (Daimler Chrysler purchase order/invoice) and will return an annualized rate of interest of 93%.*

FINAL CONCLUSION

Because of the early development stages of Armada's merchant banking portfolio, the excellent rate of return generated on realized investments and interest payments, and the substantial potential of future underlying value, Armada is positioned to provide its shareholders and investors with a solid return and an investment horizon congruent with that of other merchant banks.

Due to the unique nature of Armada's business model relative to pure operating companies and because of the nature of its investment profile, individuals should diverge from the normal practice of seeking a target price. A variety of factors may impact the near-term performance of the stock, including, but not limited to, changes in underlying values, merchant banking transactions within Armada and other market factors such as leveraging financial resources of affiliated banking partners. This value measure will be updated regularly and shareholders are encouraged to seek additional information at Armada's website. www.armadamercantile.com

Disclosure Statement: This research report was produced internally by Armada. 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.