

**VELOCITY DATA INC.**  
(formerly GTO Resources Inc.)  
(the "Company")

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**QUARTER ENDED JANUARY 31, 2015**

The following Management's Discussion and Analysis (this "MD&A"), prepared as of March 25, 2015, should be read together with the condensed interim consolidated financial statements of the Company for the three month period ended January 31, 2015 and the related notes attached thereto. Readers are also encouraged to refer to the Company's audited consolidated financial statements for the year ended October 31, 2014 and the related notes attached thereto. Accordingly, those condensed interim consolidated financial statements and this MD&A include the results of operations and cash flows for the three month period ended January 31, 2015 and the reader must be aware that historical results are not necessarily indicative of the future performance. All amounts are reported in U.S. dollars. The aforementioned documents can be accessed on the SEDAR web site [www.sedar.com](http://www.sedar.com).

Unless otherwise stated, financial results are being reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis differ from those used in previous financial reporting.

The Company's determination of cash flow from operating activities may not be comparable to that reported by other companies. The reconciliation between profit or loss and cash flows from operating activities can be found in the consolidated statements of cash flows.

Certain statements contained in this MD&A may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for development of the Company's prospects, political and economic conditions and other factors.

### **Description of Business**

The Company was incorporated as GTO Resources Inc. on May 10, 2011 under the Business Corporations Act (British Columbia). Pursuant to an arrangement agreement between Firebird Resources Inc. ("Firebird") and the Company dated May 12, 2011, the Company acquired all of Firebird's interest in and to the Robert Creelman Property and the Hyman Porter Property located in Ontario (the "Properties"), in exchange for common shares of the Company (the "Arrangement"). Pursuant to the terms of the agreement dated July 27, 2011, being the effective date of the Arrangement, each Firebird shareholder received one new common share in the capital of Firebird and one half of a common share of the Company for each Firebird common share then held. Pursuant to the Arrangement, each whole warrant issued has (i) an exercise price equal to the existing exercise price of the Firebird warrants exchanged, and (ii) a term equal to the term remaining on the Firebird warrants exchanged. The common shares of the Company commenced trading on the TSX Venture Exchange under the stock symbol "GTR" effective July 28, 2011.

On July 22, 2014, the Company completed the acquisition of ACL Computers & Software, Inc. ("ACL") pursuant to a share exchange agreement (the "Share Exchange Agreement") with ACL and the holders of all the issued and outstanding common shares of ACL dated May 23, 2014. As a result of this transaction, the Company acquired 100% of the issued and outstanding common shares of ACL in exchange for the issuance of 72,000,000 common shares of the Company. As part of this transaction, the Company spun

out its interest in the Properties through the distribution of shares of Hyman Porter Resources Inc. and RCU Resources Inc., both former wholly owned subsidiaries of the Company, to existing shareholders.

On July 25, 2014, the Company's common shares were listed for trading on the Canadian Securities Exchange and were delisted from TSX Venture Exchange. On August 13, 2014, the Company changed its name to Velocity Data Inc. and its shares began trading under the symbol "VCT".

The Company's registered office is located at Suite 600 – 1285 West Broadway, Vancouver, BC V6H 3X8.

The Company's Board of Directors is comprised of Robert Bates, Chip Hackley and Adam Radly. Founded in 1989, ACL is a leading reseller of computer hardware software and peripherals primarily to defense contractors and some United States federal government end-users. ACL is strategically located in close proximity to major government facilities in Maryland, Washington, D.C. and Virginia. Most of ACL's sales are made to the United States government through prime contractors such as Lockheed Martin, General Dynamics, Boeing, ManTech, Northrop, etc.; some sales are made directly to the government. ACL has excellent relations with its customer base, having earned their loyalty with consistently strong service. ACL's consistent and rapid response service has garnered the company numerous awards, including Lockheed Martin's Small Business of the Year Award three times and Boeing's Performance Excellence Award three times.

Sales are made pursuant to a variety of vehicles such as multi-year contracts, blanket purchase orders and individual orders from existing or new customers. ACL sells products from over 400 vendors and has valuable vendor partner relationships with many major vendors including Apple, Cisco, Dell, IBM, Intel, HP, McAfee, Microsoft, Sony, and Symantec. ACL purchases product for resale from one of three distributors with whom the company has long-term relationships or directly from the manufacturers themselves. In either instance, ACL's authorized reseller or partner status assures that it receives the best possible pricing. Virtually all sales are drop-shipped as ACL almost never touches the merchandise.

ACL's ability to provide its customers with computer products competitively, smoothly, and without delay has been the core of its success. The company is able to help its customers with all of their needs in the information technology space. ACL's hands-on professionals can help with any needs from peripherals to notebooks and custom configured personal computers to enterprise-wide network equipment and servers. ACL's staff is trained and certified by many leading manufacturers and is well-versed in both current and emerging technologies. ACL focuses on providing leading-edge technologies and excellent customer support for solutions that fit its clients' broad business objectives. The company is uniquely capable of understanding its customers' needs and is able to deliver high-performance, cost-effective solutions drawn from the full spectrum of products and services available. ACL is committed to its role as a resource and business partner.

In 2013, Apple Computers dramatically reduced its number of authorized Government Resellers of Apple products - from approximately 3500 to approximately 30. These 30 were given a new designation: "Tier 1 Government Resellers". Because of its excellent track record with Apple, ACL was one of the chosen 30. The 30 Tier 1 Government Resellers are now the only companies authorized to buy Apple products directly from the manufacturer or distributor and sell those products to the United States federal government. Additionally, Apple chose 50 resellers to be classified as Tier 2 Indirect Government Resellers. These resellers are authorized to sell to the federal government, but they are required to purchase directly from an Apple Tier 1 reseller such as ACL.

### **Overall Performance and Results of Operations**

The following discussion of the Company's financial performance is based on the consolidated condensed financial statements for the three months ended January 31, 2015:

## Overall Performance

At January 31, 2015, the Company reported total assets of \$4,532,037 (October 31, 2014 - \$5,864,346), including cash of \$694,667 (October 31, 2014 - \$1,026,125) and accounts receivable of \$2,560,312 (October 31, 2014 - \$3,475,320). The overall increase in total assets is attributed to the increased revenues of the Company.

As at January 31, 2015, the Company had liabilities of \$4,300,313 (October 31, 2014 - \$6,512,014), all of which were short term payables. The decrease is primarily attributed to a decrease in both accounts payable and secured borrowings.

## Results of Operations

The Company recorded net earnings (loss) of (\$318,448) and \$92,993 for the three month periods ended January 31, 2015 and 2014, respectively. During the three month periods ended January 31, 2015 and 2014 the Company incurred selling, general and administrative expenses of \$590,094 and \$404,448, respectively. Payroll expense for the three months ended January 31, 2015 and 2014 was \$294,576 and \$264,210, respectively.

The Company's condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments, which could be material in nature, relating to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## Liquidity and Capital Resources

As of January 31, 2015, the Company had a cash balance of \$694,667, a working capital deficit of \$858,349 and negative operating cash flows of \$1,092,013. The Company is confident that it can meet its financial requirements for the next fiscal year. This may require the management of the Company to secure additional debt or equity financing.

## Selected Financial Information

The following tables provide a brief summary of the Company's financial operations. For more detailed information, refer to the Company's financial statements which can be found at [www.SEDAR.com](http://www.SEDAR.com). This information has been prepared in accordance with IFRS and is presented in U.S. Dollars, which is the functional currency of the Company.

	3 months ended January 31,		EBITDA Calculation	
	2015	2014	3 months ended January 31,	
			2015	2014
Total Revenue	\$ 8,897,689	\$ 8,470,006		
Net income (loss) before other exp	(122,744)	121,768	Net income (loss)	(318,447) 92,993
Net income (loss) for the period	(318,447)	92,993	+ Depr/Aport	35,190 384
Basic and diluted (loss)	(0.00)	0.00	+ Interest	- 2,143
Total assets	4,532,037	3,192,620	+ Aero Fees <sup>(1)</sup>	195,703 -
Total liabilities	4,300,313	2,212,380	EBITDA	(87,554) 95,520
EBITDA	\$ (87,554)	\$ 95,520		

<sup>(1)</sup> Aero fees represents interest related to the Aero Fund loan

### Summary of Quarterly Results

	<b>January 31, 2015</b>	<b>October 31, 2014</b>	<b>July 31, 2014</b>	<b>April 30, 2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	8,897,689	41,025,641	11,247,775	8,519,073
Net loss for the period	(318,447)	(264,307)	(109,948)	(188,597)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

  

	<b>January 31, 2014</b>	<b>October 31, 2013</b>	<b>July 31, 2013</b>	<b>April 30, 2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	8,470,006	34,014,946	9,039,481	7,061,261
Net loss for the period	92,933	(358,786)	340,372	(44,118)
Basic and diluted loss per share	0.00	0.00	0.01	(0.00)

### **Share Capital**

Authorized: Unlimited voting common shares without par value  
Unlimited preferred shares without par value

On May 23, 2014, the Company entered into the Share Exchange Agreement with ACL and the holders of all of the issued and outstanding common shares of ACL. On July 22, 2014, the Company completed the acquisition on ACL pursuant to the Share Exchange Agreement in exchange for the issuance of 72,000,000 common shares of the Company.

In October 2014, the Company issued 4,200,000 common shares upon the exercise of for net proceeds of \$209,985.

In January 2015, the Company issued 6,800,000 common shares upon the exercise of warrants for net proceeds of \$322,000.

At January 31, 2015 the Company had 106,801,907 common shares outstanding.

### **Share Purchase Warrants**

On July 27, 2011, the Company issued 18,238,250 share purchase warrants with a fair value of \$168,294 as part of the Arrangement with Firebird for the acquisitions of the Properties. On December 30, 2012, 865,000 share purchase warrants expired unexercised and on January 4, 2013 an additional 48,250 share purchase warrants expired unexercised. During the year ended October 31, 2014, the Company issued 4,200,000 common shares upon the exercise of warrants for the net proceeds of \$209,985. During the three months ended January 31, 2015, the Company issued 6,800,000 common shares upon the exercise of warrants for net proceeds of \$322,000 and 5,125,000 share purchase warrants expired unexercised.

The following table summarizes the continuity of share purchase warrants:

	<b><u>Number of Warrants</u></b>	<b><u>Weighted Average Exercise Price</u></b>
Balance, October 31, 2014	11,925,000	0.05
Exercised	(6,800,000)	0.05
Expired	(5,125,000)	0.05
Balance, January 31, 2015	0	

## **Stock Options & Subsequent events**

In February 2015, the Company's board of directors approved the following share-based awards:

- a) 2,136,038 options each to the Company's CEO and CFO
- b) 5,748,114 shares to a company controlled by one of the directors for consulting/advisor and financing services.

## **Accounting Policies and Estimates**

The significant accounting policies of the Company are disclosed in Note 2 to the condensed consolidated interim financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, and revenues and expenses. The Company's management reviews its estimates regularly.

### Revenue Recognition

Revenue from product sales is measured at the fair value, net of estimated customer returns and allowances at the time of recognition. The estimates of fair value are based on the Company's historical experience with each customer and the specifics of each arrangement.

Revenue from product sales is recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectability of the related receivables is reasonably assured. Revenue is recognized when (a) it can be measured reliably; (b) it is probable that the economic benefits associated with the transaction will flow to the Company; and (c) the costs incurred or to be incurred can be measured reliably.

### Goodwill and Intangible assets

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis or whenever facts or circumstances indicate that the carrying amount may exceed its recoverable amount.

Intangible assets other than goodwill are amortized on a straight-line basis over a period of three years.

## **Financial Instruments**

### (a) Fair Values

The fair values of other financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and secured borrowings approximate their carrying values due to the relatively short-term maturity of these instruments.

### Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result create a financial loss for the Company. The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As of January 31, 2015, the Company has determined that no allowance for doubtful accounts is required. The provision for doubtful accounts, if any, is included in selling, general and

administrative expenses in the consolidated statements of earnings (loss), and is net of any recoveries that were provided for in prior years.

Credit risks also exists in cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### Market risk

Market risk is the risk that financial instruments fair values and the Company's future cash flows will fluctuate due to changes in market prices. The Company is exposed to currency risk but it does not have any significant foreign exchange rate risk.

### **Related Party Transactions**

In connection with the application of push down accounting, the Company recorded a liability to ACLH, LLC, the former sole shareholder of ACL ("ACLH"), of \$485,941. The amount outstanding from this liability as of January 31, 2015 amounted to \$188,681. ACLH is an entity controlled by the Company's CEO. ACLH is the holder of the 72,000,000 shares of the Company's outstanding stock.

### **Secured Borrowings**

On January 21, 2014, ACL entered into a financing agreement with a third party for a period of 1 year, wherein the latter shall advance 85% of the net face amount of ACL's trade receivables and retain the remaining 15% to cover for various fees related to the line of credit. These fees include the interest fee and maintenance fee of 1% and 1.28%, respectively, of the net funds advanced. The Company received net proceeds of \$259,437 for the period from the acquisition date through January 31, 2015. As of January 31, 2015, amount outstanding from this financing agreement was \$1,705,471.

### **Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, secured borrowings and equity comprised of issued share capital and accumulated deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged for the period ended January 31, 2015.

### **Legal Proceedings**

The Company is not involved in any legal proceedings.

## **Management's Report on Internal Controls over Financial Reporting**

In connection with National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* adopted in December 2008 by each of the securities commissions across Canada ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the Company's condensed interim consolidated financial statements and this MD&A.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the aforementioned filings on SEDAR at [www.sedar.com](http://www.sedar.com).