

VELOCITY DATA INC.
(formerly GTO Resources Inc.)
(the “Company”)

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
THREE AND NINE MONTH PERIODS ENDED JULY 31, 2015

The following Management’s Discussion and Analysis (this “MD&A”), prepared as of September 8, 2015, should be read together with the condensed interim consolidated financial statements of the Company for the three and nine month periods ended July 31, 2015 and the related notes attached thereto. Those condensed interim consolidated financial statements and this MD&A include the results of operations and cash flows for the nine month period ended July 31, 2015 and readers must be aware that historical results are not necessarily indicative of the future performance. 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. All amounts are reported in U.S. dollars. The aforementioned documents can be accessed on the SEDAR web site www.sedar.com.

Unless otherwise stated, financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

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 on 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 had (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, Carlo Argila 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 condensed interim consolidated financial statements for the three and nine month periods ended July 31, 2015:

Overall Performance

At July 31, 2015, the Company reported total assets of \$8,016,303 (October 31, 2014 - \$5,864,346), including cash of \$1,908,519 (October 31, 2014 - \$1,026,125) and accounts receivable of \$4,950,917 (October 31, 2014 - \$3,475,320). The overall increase in total assets is attributed to the increased

revenues of the Company, which was the result of new contracts/orders, primarily with existing customers, increased U.S. government spending and further developed relationships, with existing and new customers.

At July 31, 2015, the Company had liabilities of \$9,729,289 (October 31, 2014 - \$6,512,014), all of which were short term liabilities. The increase is primarily attributed to an increase in secured borrowings, which totaled \$4,005,179 at July 31, 2015 (October 31, 2014 - \$2,092,755).

Results of Operations

The Company recorded net loss of \$1,172,348 and \$89,030 for the nine month periods ended July 31, 2015 and 2014, respectively. During the nine month periods ended July 30, 2015 and 2014 the Company incurred selling, general and administrative expenses of \$2,067,285 and \$1,312,753, respectively. The increase in the Company's net loss, as well as the increase in selling, general and administrative expenses was primarily due to increased financing costs associated with changing lenders and obtaining new financing, as well as expenses related to carrying out the Company's continuous disclosure obligations under applicable securities laws.

The Company recorded net loss of \$446,842 and \$179,345 for the three month periods ended July 31, 2015 and 2014, respectively. During the three month periods ended July 30, 2015 and 2014 the Company incurred selling, general and administrative expenses of \$828,821 and \$523,862, respectively.

The Company's condensed interim 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 July 31, 2015, the Company had a cash balance of \$1,908,519, a working capital deficit of \$2,837,419 and negative operating cash flows of \$1,273,720. 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 on SEDAR. This information has been prepared in accordance with IFRS and is presented in U.S. Dollars, which is the functional currency of the Company.

EBITDA, or earnings before interest, taxes, depreciation and amortization, is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Regardless, management believes EBITDA provides a useful financial measure of the Company's performance because several items included in GAAP net income are related to interest. Management considers these items to be unrelated to operating income from the Company's core business.

However there is a limitation in using EBITDA in that some companies may use a different definition of EBITDA or not use it at all, therefore rendering the measure difficult to use for comparison purposes. For example, the Company might use different add-backs to net income than its competitors, thus making it more difficult to compare the two entities. The Company compensates for this by regularly including EBITDA measures in its continuous disclosure filings so that performance can be measured over time.

Management therefore advises readers to refer to the Company's financial statements as the format of those is standardized and uniform in comparison with any other Canadian public company. In these, net income is presented as (\$1,172,348) and (\$89,030) for the nine months ending July 31, 2015 and 2014, respectively. In addition, working capital ratio and other liquidity measures, total debt and debt/equity ratio are common measures used by companies to measure performance. EBITDA amounts are not opined to by the Company's auditors but serve as an important management tool.

EBITDA was (\$524,475) and \$313,777 for the nine months ended July 31, 2015 and 2014, respectively.

	<u>9 months ended July 31,</u>		<u>EBITDA Calculation</u>	
	<u>2015</u>	<u>2014</u>	<u>9 months ended July 31,</u>	
			<u>2015</u>	<u>2014</u>
Total Revenue	\$ 30,763,330	\$ 28,236,854	Net income (loss)	(1,172,348) (89,030)
Net income (loss) before other exp	(525,304)	312,502	+ Depr/Aport	830 1,275
Net income (loss) for the period	(1,172,348)	(89,030)	+ Interest	647,043 401,532
Basic and diluted (loss)	(0.01)	(0.00)	EBITDA	(524,475) 313,777
Total assets	8,016,303	5,134,057		
Total liabilities	9,729,289	5,095,841		
EBITDA	\$ (524,475)	\$ 313,777		

Summary of Quarterly Results

	<u>July 31,</u>	<u>April 30,</u>	<u>January 31,</u>	<u>October 31,</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	11,185,489	10,680,152	8,897,689	12,788,787
Net loss for the period	(373,000)	(470,333)	(318,447)	(345,428)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)
	<u>July 31,</u>	<u>April 30,</u>	<u>January 31,</u>	<u>October 31,</u>
	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	11,247,775	8,519,073	8,470,006	9,590,230
Net loss for the period	(103,284)	(114,200)	92,993	(358,786)
Basic and diluted loss per share	(0.00)	0.00	0.00	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 of 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 warrants 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.

During the three months ended April 30, 2015, the Company issued 5,748,114 common shares to a company controlled by one of the directors for consulting/advisory and financing services.

In May 2015, the Company issued 1,055,556 common shares to a company controlled by one of the directors for consulting/advisory and financing services.

At July 31, 2015 the Company had 113,605,577 common shares outstanding.

Share Purchase Warrants

During the year ended October 31, 2014, the Company issued 4,200,000 common shares upon the exercise of warrants for net proceeds of \$209,985. During the nine months ended July 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:

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

Stock Options

On January 30, 2015, the Company granted options to purchase an aggregate of 4,272,076 common shares to certain officers and directors, exercisable at a price of \$0.10 per share until December 15, 2019.

The Company does not have any other options, rights or other derivatives outstanding as of July 31, 2015.

Accounting Policies and Estimates

The significant accounting policies of the Company are disclosed in Note 2 to the condensed interim consolidated 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 July 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 of which \$247,260 was paid during the year ended October 31, 2014 and \$248,862 during the nine months ended July 31, 2015. The amount outstanding from this liability as of July 31, 2015 amounted to \$Nil. ACLH is an entity controlled by the Company's CEO. ACLH is the holder of the 72,000,000 common shares of the Company.

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 July 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, refer to the Venture Issuer Basic Certificates filed by the Company with the aforementioned filings on SEDAR at www.sedar.com.