

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

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTH PERIODS ENDED APRIL 30, 2016 and 2015**

The following Management's Discussion and Analysis (this "MD&A"), prepared as of June 10, 2016, should be read together with the condensed interim consolidated financial statements of the Company for the three and six month periods ended April 30, 2016 and 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 six months ended April 30, 2016 and 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, 2015 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](http://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 six month periods ended April 30, 2016 and 2015, and the year ended October 31, 2015.

### *Overall Performance*

At April 30, 2016, the Company reported total assets of \$88,402 (October 31, 2015 - \$3,213,804), including cash of \$53,467 (October 31, 2015 - \$1,163,281) and accounts receivable of \$(8,206) (October

31, 2015 - \$1,875,820). The overall decrease in assets is due to the loss of sales from former employees stealing customers and the bank cancelling a line of credit.

At April 30, 2016, the Company had liabilities of \$5,120,968 (October 31, 2015 - \$7,393,960), all of which were short term liabilities. The decrease in liabilities is primarily attributed to the pay-down of a third party loan.

### *Results of Operations*

The Company recorded net income (loss) of \$(447,358) and \$(429,618) for the three month periods ended April 30, 2016 and 2015, respectively. During the three month periods ended April 30, 2016 and 2015 the Company incurred selling, general and administrative expenses of \$(352,793) and \$950,030, respectively. The decrease in the Company's selling, general and administrative expenses was primarily due to foreign currency differences and related overstatements in last quarter's expenses.

The Company recorded net income (loss) of \$(852,410) and \$14,233 for the six month periods ended April 30, 2016 and 2015, respectively. During the six month periods ended April 30, 2016 and 2015 the Company incurred selling, general and administrative expenses of \$780,049 and \$1,029,360, respectively. The decrease in the Company's selling, general and administrative expenses was primarily due to a reduction in payments of management fees and less expenses associated with running the company at a smaller level.

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.

The company's analyst has stopped reporting on the company as of early 2016 as a result of the company's financial problems brought on by the issues mentioned in the legal section. Originally the analyst had given the company an average risk rating, a "buy" recommendation and \$.20/share target stock price as a result of its financial performance through 10/31/15 and its status as a top 10 Apple reseller.

### **Liquidity and Capital Resources**

As of April 30, 2016, the Company had a cash balance of \$53,467, a working capital deficit of \$5,056,128 and operating cash flows of \$984,459. 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.

Since December 2015 the Company has secured/activated 2 financing facilities:

Facility A-Factor facility for \$2.5 million. This lender has also made a PO financing facility with no limit available to the company. The monthly interest rate is 1.5%

Facility B-PO finance company established a \$500,000 facility. The lender has indicated they would be able to do much larger loans up to at least \$10,000,000 if required.

### **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 (loss) is presented as (\$852,410) and \$14,233 for the six months ending April 30, 2016 and 2015, 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.

Adjusted EBITDA was (\$554,365) and \$26,106 for the six months ended April 30, 2016 and 2015, respectively.

	<b>Six months ended April 30,</b>		<b>EBITDA Calculation</b>	
	<b>2016</b>	<b>2015</b>	<b>Six months ended April 30,</b>	
			<b>2016</b>	<b>2015</b>
Total Revenue	\$ 2,337,112	\$ 16,989,079	Net income (loss)	\$ (852,410) \$ 14,233
Net income (loss) before other exp	(554,364)	25,277	+ Depr/Aport	- 829
Net income (loss) for the period	(852,410)	14,233	+ Interest	296,327 11,044
Basic and diluted (loss)	(0.01)	0.00	EBITDA	(556,084) 26,106
Total assets	88,402	6,978,813	+ Other Expense	1,719 -
Total liabilities	5,120,968	7,804,901	+ Impairment	- -
EBITDA	(556,084)	26,106	Adjusted EBITDA	(554,364) 26,106
Adjusted EBITDA	(554,364)	26,106		

**Summary of Quarterly Results**

	<b>April 30,</b>	<b>January 31</b>	<b>October 31,</b>	<b>July 31,</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	137,359	2,199,753	8,089,591	11,185,489
Net loss for the period	(447,358)	(405,052)	(3,367,933)	(373,000)
Basic and diluted loss per share	(0.01)	(0.00)	(0.04)	(0.00)
	<b>April 30,</b>	<b>January 31</b>	<b>October 31,</b>	<b>July 31,</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	10,680,152	8,897,689	12,788,787	11,247,775
Net loss for the period	(429,618)	(318,447)	(345,428)	(103,284)
Basic and diluted loss per share	(0.01)	(0.00)	(0.02)	(0.00)

### Selected Annual Financial Information

	Year ended October 31, 2015	Year ended October 31, 2014	Year ended October 31, 2013
	\$	\$	\$
Total revenue	2,337,112	16,989,079	34,014,946
Net income (loss) before other expens	(850,691)	14,233	41,919
Net income (loss) for the period	(852,410)	(469,919)	27,943
Basic and diluted earnings (loss) per :	(0)	0	0
Total assets	88,402	3,213,804	4,281,042
Total Liabilities	5,120,968	7,393,960	3,343,098

### 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, 4,200,000 warrants were exercised into common shares for \$210,000.

During the year ended October 31, 2015, the Company issued 6,800,000 common shares upon the exercise of warrants for net proceeds of \$322,000.

During the year ended October 31, 2015, the Company issued 6,803,670 common shares to a company controlled by a former director for consulting/advisory and financing services. The Company recorded stock-based compensation expense of \$486,069 based on the price of the shares at the respective issuance dates.

At April 30, 2016 the Company had 113,605,577 common shares outstanding.

### Stock Options

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

During the year ended October 31, 2015, the Company incurred \$225,156 in stock-based compensation expense determined using the Black-Scholes model. Assumptions used in the valuations of the options were as follows:

- 4.49 periods, as calculated from the option grant date until the option expiration date
- 1.18% risk free interest rate
- 223% volatility, is the historical volatility of the Company's stock.

Summary of stock option activity for the year ended October 31, 2015 is as follows.

	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual terms (in years)	Aggregate intrinsic value
<b>Balance at October 31, 2014</b>	-	-	-	-
<b>Granted</b>	4,272,076	0.10	4.49	0.07
<b>Exercised</b>	-			
<b>Forfeited</b>	-			
<b>Balance at October 31, 2015</b>	<b>4,272,076</b>	<b>0.10</b>	<b>3.66</b>	<b>0.07</b>

## 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 April 30, 2016 amounted to \$0. 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 six month period ended April 30, 2016.

### **Legal Proceedings**

Updates for ongoing legal proceedings are as follows for the three months ended April 30, 2016:

- In late 2015, the Company learned of former employees who violated their non-compete agreement. The Company obtained a restraining order against those former employees and initiated a suit for damages. Two of their employers have been added to the suit. The non-competes were established years ago as a result of a former employee attempting to steal customers.
- In late 2015, the Company initiated a suit pursuing a prior lender for attempting to extort a material cancellation fee and cause other damages despite the fact that the lender requested ACL obtain new financing.

- In late 2015, the Company, through ACL, incurred a significant loss as a result of fake orders placed by a customer that was purporting to be an authorized purchasing agent of ALC (Defense Logistics Agency, a part of the United States Military). The Company believes that the shipper of the products (FedEx) and DLA were negligent in the manner in which they handled the fake orders. Thus, the Company filed a lawsuit against FedEx in the US Federal Court in California and filed an SF 95 Claim with DLA. During the three months ended January 31, 2016, the Company was notified it would need to amend its complaint with FedEx. The Company filed a lawsuit with the Military in March 2016. The total direct loss is now in excess of \$500,000, including legal and other costs.
- The Company has received notice of lawsuit from several suppliers in connection with overdue payables. Two of the suppliers obtained judgments against ACL for part of the \$5 million of payables previously recorded as liabilities.

### **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](http://www.sedar.com).