

VELOCITY DATA INC.
("Company")

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
SIX MONTH PERIOD ENDED APRIL 30, 2019

The following Management's Discussion and Analysis ("MD&A"), prepared as of June 10, 2019, should be read together with the consolidated financial statements of the Company for the six months ended April 30, 2019 and 2018 and the related notes attached thereto. These financial statements and MD&A include the results of operations and cash flows for the six months ended April 30, 2019 and 2018 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 at www.sedar.com.

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

The MD&A contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than, cash flows from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. The Company's determination of cash flow from operations 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 or maintenance/rehabilitation of the Company's business lines, government IT budgets 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). The common shares of the Company commenced trading on the TSX Venture Exchange under the 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 6,000,000 common shares of the Company. As part of this transaction, the Company spun out

its interest in certain mineral properties through the distribution of shares of two 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 the 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 and Zhinan Liu.

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.

During the year ended October 31, 2015, the Company, through ACL, incurred a \$500,000 loss as a result of fake orders placed by a customer that was purporting to be an authorized purchasing agent of DLA (Defense Logistics Agency, a part of the United States military). The Company was alerted to this matter by law enforcement and has been advised that the transactions involving the Company were only a very small part of a much larger and highly sophisticated operation.

The Company believes that the shipper of the products (FedEx) and DLA were negligent in the manner in which they handled the fake orders. Therefore, the Company has filed a lawsuit in the US Federal Court in California and filed a Claim with DLA.

The Company has significantly tightened security procedures relating to how it accepts orders from its customers; however, such procedures cannot be 100% effective.

The Company has extremely low gross margins and this situation has caused a material drop in the Company's working capital so it is expected to negatively impact revenue. As a result the Company had to significantly reduce its number of employees and will attempt to restructure its trade and institutional debt.

As at April 30, 2019, the Company had an accumulated deficit of \$8,104,414 and limited liquidity. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon financial support from its stockholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations.

Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise additional funds through the capital markets. In light of management's efforts, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern. Furthermore, the Company's recent limited employee count may impact its viability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On February 28, 2018, the Company announced its intention to exit its business of selling computer systems and related components and focus on new investments and projects. As such, the financial

information for ACL, the Company's wholly-owned subsidiary, has been reclassified as discontinued operations as at and for the years ended April 30, 2019 and October 31, 2018.

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 six month periods ended April 30, 2019 and 2018, and the year ended October 31, 2018.

Results of Operations

The Company recorded revenues of \$42,907 and \$188,397 for the six months ended April 30, 2019 and 2018, respectively. The decrease in revenue is attributed to the loss of customers as a result of violations of the Company's non-solicit agreements followed by discontinuation of ACL operations.

The Company recorded net loss for \$11,919 and \$7,294 for the six months ended April 30, 2019 and 2018, respectively. The decrease in the net loss was due to the fact that the Company had a lower amount of operations in fiscal year 2018 which resulted in lower overhead and general and administrative costs.

In addition to operating revenues and expenses, the Company recorded interest expense of \$11,594 and \$6,816 for the six months ended April 30, 2019 and 2018, respectively. Overall the Company significantly decreased its expenses, including selling, general and administrative as well as the interest and other expenses.

Overall Performance

As at April 30, 2019, the Company reported total assets of \$10,517 (October 31, 2018 - \$11,868), including cash of \$6,580 (October 31, 2018 - \$7,932). The decrease in assets is attributed to the minor payments.

As at April 30, 2019, the Company had liabilities of \$6,968,498 (October 31, 2018 - \$6,941,882), all of which were current liabilities. The increase is mainly attributed to the accrual of interest expense during the six months ended April 30, 2019.

Cash Flows

During the six months ended April 30, 2019, the Company provided cash of \$14,697 by operating activities compared to the outflow of \$99,592 during the six months ended April 30, 2018. The Company had lower sales in 2019 which resulted in lower cash flows received from operating activities.

Liquidity and Capital Resources

The Company's 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. As at April 30, 2019, the Company had a cash balance of \$6,580, a working capital deficit of \$6,957,981 and an accumulated deficit of \$8,104,414. These factors raise doubt as to the Company's ability to continue as a going concern. Management's plans include (i) pursuing former employees through legal channels for violating non-compete agreements and stealing customers, (ii) pursuing 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, and (iii) attempting to develop new business or product lines. However, as of the date of this report ACL has less than \$10,000 of cash, very limited supplier lines of credit, very low monthly sales levels and potential litigation from previous suppliers. The Company's consolidated 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 is attempting to pursue other options for the public shell.

Selected Financial Information

The following tables provide a brief summary of the Company's financial operations. For more detailed information, refer to the condensed interim consolidated financial statements for the six months ended April 30, 2019 and 2018, 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.

Management believes adjusted EBITDA provides a more useful measure of company performance. This is because there are several measures included in GAAP net income or loss which are related to interest. We consider these items to be unrelated to operating income and performance.

However there is a limitation in using EBITDA; each company may use a different definition of EBITDA and, therefore, it is hard to compare them to each other. For example, our company might use different add-backs to net loss than our competitors, thus making it more difficult to compare the two entities to each other. We compensate for this by regularly including EBITDA in our filings so that our performance can be measured over time.

We therefore advise readers to refer to the condensed interim consolidated financial statements as the format of those is standardized and uniform in comparison with any other company reportable under IFRS. In these financial statements, we show net losses of \$11,919 and \$312,899 for the six months ended April 30, 2019 and 2018, respectively. In addition, working capital ratios 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 auditors but are a management tool.

Summary of Quarterly Results

For the 3 months ended,	April 30, 2019 \$	January 31, 2019 \$	October 31, 2018 \$	July 31, 2018 \$	April 30, 2018 \$
Revenue	21,777	21,130	(197,770)	9,373	53,435
Net loss (gain) for the period	(10,652)	(1,266)	(551,760)	5,159	(1,240)
Basic and diluted loss per share	(0.00)	(0.00)	(0.05)	(0.00)	(0.00)
For the 3 months ended,	January 31, 2018 \$	October 31, 2017 \$	July 31, 2017 \$	April 30, 2017 \$	January 31, 2017 \$
Revenue	134,962	(28,659)	696,223	560,978	117,613
Net loss for the period	(6,053)	(532,087)	(29,224)	(77,752)	(105,239)
Basic and diluted loss per share	(0.00)	(0.03)	(0.02)	(0.00)	(0.02)

Share Capital

Authorized: Unlimited number of voting common shares

Unlimited number of preferred shares

- (a) During the three month period ended October 31, 2018, the Company issued 4,210,414 common shares for conversion of dues payable to the Chief Financial Officer of the Company in the amount of \$287,500.
- (b) During the year ended October 31, 2018, the Company issued 2,151,417 common shares for services to the Chief Financial Officer of the Company in the amount of \$115,304.

Stock Options

As at April 30, 2019 and 2017, the Company has 356,006 outstanding stock options to certain officers and directors, exercisable at a price of \$1.20 per share until December 15, 2019. There were no stock options issuances, exercises, or cancellations during the six months ended April 30, 2019 and 2018, nor have there been any additional stock options transactions as of June 10, 2019.

Accounting Policies and Estimates

The significant accounting policies of the Company are disclosed in Note 2 to the audited 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. Management reviews its estimates regularly.

Accounting Standards Implemented

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after November 1, 2018 and have been adopted and evaluated to determine their impact on the Company:

(i) On November 1, 2018, the Company implemented IFRS 9 “Financial Instruments” (“IFRS 9”). IFRS 9 is the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with the accounting treatment. The Company applied the requirements of the standard retrospectively. IFRS 9 classifications did not result in significant changes in measurement or the carrying amount of financial assets or liabilities.

(ii) On November 1, 2018, the Company implemented IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”). IFRS 15 introduces a single model for recognizing revenue from contracts and customers. This standard applies to all contracts with customers, with some exceptions. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The Company applied the requirements of the standard retrospectively. The implementation of IFRS 15 did not have a significant impact on the Company's revenue, no adjustment was recorded through retained earnings.

Stock-Based Compensation

The Company measures compensation expense for all share-based payment awards, including stock options granted to employees, directors, and non-employees based on the estimated fair values on the date of each grant. The fair value of each stock option granted is estimated using the Black-Scholes-Merton option valuation model. Stock-based compensation is recognized on a straight-line basis over the requisite service period, net of estimated forfeitures.

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 at April 30, 2019 and 2018, 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 exist 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

During the six months ended April 30, 2019 and 2018, the Company paid approximately \$7,500 and \$44,000, respectively, in professional and consulting fees to the Chief Financial Officer of the Company and a company controlled by the Chief Financial Officer of the Company, which have been recorded in selling, general, and administrative expenses.

As at April 30, 2019, the Company owed \$14,591 (October 31, 2018 - \$7,099) to the Chief Financial Officer of the Company and a company associated with the Chief Financial Officer of the Company, which is non-interest bearing, secured against the assets of the Company, and is due on demand.

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 and equity comprised of issued share capital, share-based payment reserve, equity component of convertible debt, and 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 and the Company's overall strategy with respect to capital risk management remains unchanged during the six months ended April 30, 2019 and 2018.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as at April 30, 2019.

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 audited 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.