

Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.)

Management's discussion and analysis for the quarter ended September 30, 2019

Effective date of MD&A - November 27, 2019

Forward-looking statements

Certain statements in the MD&A, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These risks and uncertainties can include, without limitation, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as "will," "believes," "plans," "intends," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements are not a guarantee of future performance. They involve risks, uncertainties, and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company's actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. New factors emerge from time to time, and it is not possible for the Company to predict which factors will arise or when. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

Business nature:

The Company operates in two business segments:

- (1) Wireless through Am-Call Wireless Inc., a wholly owned subsidiary and
- (2) Micro financing through Adwell Financial Services Inc., a 70% owned subsidiary.

(1) Wireless business

Products: wireless voice and data, high speed internet, digital cable television, home phone, Smart Home Monitoring and Rogers Bank MasterCard.

Number of stores at September 30, 2019 - 4 stores (2 Rogers & 2 Fido, all in Ontario)

Number of stores at September 30, 2018 - 11 stores (6 Rogers & 5 Fido, all in Ontario)

As discussed in our Q3 2018 and subsequent MD&As, the Company was successful in obtaining a new dealer agreement with Rogers during Q3 2018. This new agreement started on October 1, 2018 and covers four (two Rogers and two Fido) of the Company's then eleven locations and is for a two-year period ending September 30, 2020. As part of this arrangement, the Company closed its remaining seven locations by December 31, 2018 and entered 2019 with four locations under the new dealer agreement.

Economic dependence -

For the three months ended September 30, 2019, approximately 83% (2018 - 77%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 17% (2018 - 23%) was generated through the Company's 4 retail stores in Ontario (2018 - 11 stores in Ontario) on the wireless side and Adwell Financial Services Inc. ("Adwell") on the financing side.

Account receivable from Rogers - 80% at September 30, 2019 (82% at September 30, 2018).

(2) Micro financing business

In late 2015, the Company received approval from the TSXV (Toronto Stock Exchange Venture) to start a financial service subsidiary that would operate a consumer lending business in the Greater Vancouver area of British Columbia. This new subsidiary, Adwell was incorporated on January 8, 2016. Adwell issued 1,000,000 shares at \$0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%). The two minority shareholders, both with financial and lending experience, will assist in the start-up and continuing operations of the venture. Adwell commenced operations in Q1, 2016.

The Company has committed to investing up to \$3,375,000 in Adwell, of which \$375,000 is for ongoing operations and the remaining \$3,000,000, in the form of a line of credit, for advances to customers. As of the date of this MD&A, the Company had invested \$2,350,000 in Adwell, of which \$350,000 was funding for

Adwell's ongoing operations, while \$2,000,000 was funding for its advances to customers.

Payment of dividend

The \$0.15 per common share special dividend declared on July 24, 2019 payable to all shareholders of record as at August 16, 2019 was paid out on September 9, 2019 as scheduled.

Overall performance

	Q3 2019	Q3 2018	+/-	%
Wireless income	\$1,527,605	\$2,302,319	-\$774,714	-34%
Financing income	\$199,909	\$208,011	-\$8,102	-4%
Total revenue (excluding investment income)	\$1,727,514	\$2,510,330	-\$782,816	-31%

Third quarter combined revenue decreased by \$782,816 or 31% compared to the same quarter last year. This was comprised of a decrease in wireless income of \$774,714(-34%) and a decrease in financing income of \$8,102 (-4%).

Wireless income decreased by \$774,714, a 34% decrease from the same quarter last year. This decrease was expected and is the result of the reduction in the number of stores from eleven in Q3 2018 to four in Q3 2019.

In Q3 2019, the financing business generated \$199,909 in income (Q3 2018 - \$208,011), a quarter to quarter decrease of 4%. Due to the reduction in the size of the wireless business, financing income now represents 12% of the combined revenue of the Company in Q3 2019 (Q3 2018 - 8%).

Subscriber base:

September 30, 2019 - 24,597

September 30, 2018 - 72,911

Decrease of 48,314 or 66%

The decrease in subscriber base was primarily due to the closure of the Company's seven locations during the fiscal year ended December 31, 2018. This caused total subscriber base to drop by 48,314, or 66% year over year. The remaining 24,597 subscribers represent the subscriber base attached to the four remaining locations.

In order to maintain its subscriber base, the Company needs to keep adding new customers to the remaining stores, while at the same time trying to prevent existing customers from leaving. The key to maintaining the customer base is to give customers good reasons to sign up and stay with Rogers, instead of migrating to the competition. Given this, the keys in maintaining subscriber base now are:

- Bundling - if the entire family is bundled into one plan, which can be shared among all users, the chance of customers leaving is reduced. That is why Add-A-Line and Add-A-Tablet promotions are now at the front and centre of the marketing strategy.
- Multiproduct under one household - if a customer has multiple products (e.g. wireless, internet, TV, Smart home monitoring and credit cards) under one roof, the odds of that customer leaving are reduced.
- Multiband availability - Rogers' third brand, Chatr, is now available in both the Company's Rogers & Fido locations to provide as wide a coverage as possible to prospective customers. The addition of this entry level brand means full coverage over the entire spectrum of customers, which provides each customer a clear path for upward migration in the future.

It is important to maintain the customer base because the Company receives residual income on the subscriber base every month. This gives the Company a steady flow of income.

Summary of consolidated quarterly results

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Financing income	129,456	153,655	179,407	208,011	193,840	181,114	190,896	199,909
Wireless income	3,666,204	2,207,505	1,549,542	2,302,319	2,364,620	1,124,034	1,178,469	1,527,605
Gross margin	47%	39%	30%	49%	41%	46%	53%	51%
Net income (loss) before income taxes	502,174	160,479	(331,517)	276,333	2,153,865	(116,910)	942,338	277,106
Basic and diluted earnings (loss) per share	0.040	0.013	(0.028)	0.023	0.180	(0.010)	0.062	0.017

Financing income in Q3 2019 continued to increase over Q2 2019, although at a slower pace than 2018. To sustain revenue growth the challenge is to keep adding new customers on one hand, while maintaining a healthy loan portfolio on the other. To that end, the Company has expanded its operations geographically to Ontario and Alberta and expanded its loan offerings to mortgage and pay-day loans. The Company has committed to investing up to \$3,375,000 to fund this venture.

On the wireless side of the business, the general trend in annual retail sales in Canada is that Q1 is normally the lowest; sales then gradually increase in Q2 and Q3, and finally peak in Q4.

The Company's Q3 2019 wireless income dropped 34% compared to Q3 2018. The reduction was anticipated given the reduction in the number of retail locations from eleven stores in Q3 2018 to four stores in Q3 2019, itself a 64% decrease. For the remainder of the year, the Company expects wireless income to hold its course entering the Q4 holiday selling period.

However, many factors that can adversely affect sales and revenue are still at play, including:

The focus on transactions ARPU (average revenue per user) and ARPA (average revenue per account) that might have favoured some dealers, has not been favourable for the Company's business which leans heavily towards the consumer segment of the market and is inherently price sensitive. Management has seen Rogers discounting more heavily during the end of each quarter when volume targets have to be met.

Launch of new hardware - marquee phones such as iPhone, Samsung and Huawei models will help generate more business, especially in customer upgrade activities. However, the timing and availability of these products are outside the Company's control, and thus difficult to predict.

Carrier promotions directly affect the Company's business. The Canadian telecommunications market is highly competitive, and all carriers are fighting hard to maintain customers and to attract customers from competitors, especially towards the end of each quarter.

BYOD (bring your own device) has become more and more popular and continues to depress phone sales revenue. As discussed in previous MD&A's, Rogers encourages customers to utilize their existing devices on sharing plans. While this is an excellent tactic to reduce churn, no hardware revenue is generated. Additionally, we have observed that with this tactic consumers use their smartphones for longer periods. This is due to smartphones getting more expensive while not offering any ground-breaking technology in the new devices.

Smartphones are becoming more and more expensive with many models costing over \$1,000. This would normally alleviate the downward pressure on revenue caused by BYOD (bring your own device) but, as explained in previous MD&As, will not necessarily affect the bottom line in our business as the margin on hardware revenue is nominal. Rogers is trying to entice BYOD customers to convert to a new phone by bringing in more affordable models into its hardware lineup. Starting in Q3, Rogers also rolled out device financing options allowing customers to pay off their new devices over 24 months. This will help in generating more hardware revenue.

Results of operations – Wireless business

In Q3 2019, the decrease in Wireless income was the result of an across the board decrease in business transaction volume, at both Rogers and Fido.

On the Rogers side of the business, the Company operated two stores in Q3 2019, four less than the six stores a year earlier. The closing of four stores in

December 2018 is the main reason why new voice activations, data activations, as well as customer upgrades dropped by 31%, 28% and 59%, respectively.

On the Fido side of the business, the Company operated two stores in Q3 2019, three less than the five stores a year earlier. This caused Fido's new voice and data activations and hardware upgrades to decrease by 36%, 36% and 36%, respectively, over the same quarter last year.

Combining Rogers and Fido, total new voice and data activations and customer upgrades in this quarter were down 34%, 33% and 52%, respectively, over Q3 2018. This reduction in transaction volumes translated into a corresponding decrease in the Company's income streams.

Phone hardware sales decreased by 34%, as the number of phones sold dropped by 19%, from 1,437 in Q3 2018 to 1,165 in Q3, 2019. The cost of smartphones is much higher now at more than \$1,000 and a drop in the volume of hardware sales would have a higher impact on the Company's revenue. Adding to this is the high percentage of BYOD activations on the Fido side, which bring in no hardware revenue. Although this does not necessarily mean less profitability, it does depress hardware sales and hence overall revenue.

New activation commissions increased by 25% compared to Q2 2018. However, this increase was not the result of an increase in new activations but rather due to a downward adjusted Q3 2018 figure after a commission adjustment. If we take the Q3 2018 commission adjustment amount out of the equation new activation commission decreased by 14% year over year.

Customer upgrade commissions decreased by 50% while residual commissions decreased by 64% over Q3 2018, caused by the decrease in the residual earning subscriber base after the Company closed seven locations in December 2018.

Bonus commissions increased by 37% in Q3 2019 when compared with Q3 2018, as the Company achieved more bonus targets on both the Rogers and Fido side.

Rogers and Fido Bank (Mastercard) commissions increased by 171%, the result of a successful sales campaign in the quarter. The Company has focused on non-wireless products such as Mastercard in order to mitigate the impact of the decrease in Wireless transaction volume. This is even more true now with the reduced number of stores and so Mastercard will continue to be the focus of the Company in 2019.

Cable and other commissions dropped by 52%. With the phasing out of legacy TV and the introduction of Internet TV and concepts such as Rogers' Ignite TV, which gives seamless integration with apps such as Netflix and YouTube, this sector is more than likely to improve in the future. In the same vein, the transition

in wireless telecommunications infrastructure from 4G to 5G, as well as strength in the demand for Advanced Mobility applications in the near future will boost the Wireless side of the business.

Although there is an across the board sizable decrease in business transaction volume in Q3 2019, caused primarily by the reduction in stores from eleven to four, it should be pointed out that if we isolate the remaining four stores and compare their business transaction volume to one year ago, these four stores combined actually recorded an increase in new voice and data activations and customer upgrades of 56%, 59% and 10%, respectively.

Management believes that this latest restructuring allows the Company to more efficiently manage its remaining stores and harness their potential. The Company has also been successful in reconnecting customers of closed locations to the remaining locations. Management remains optimistic that its Wireless business will achieve steady growth throughout 2019 and into 2020.

Results of operations - Financing business

In Q3 2019, Adwell's financing income dropped by \$8,102, or -4% compared to Q3, 2018.

	Q3 2019	Q3 2018	+/-	%
Financing income	\$199,909	\$208,011	-8,102	-4%

After two quarters of decline in Q4 2018 and Q1 2019, financing revenue edged back up in Q2 2019 and further up in Q3 2019, recording an increase of \$9,013, or 5%, over that of Q2.

	Q3 2019	Q2 2019	+/-	%
Financing income	\$199,909	\$190,896	9,013	5%

At this stage, Adwell provides unsecured short-term interest-bearing installment loans in amounts ranging from \$1,500 to \$5,000, with 9 to 36 months flexible repayment terms and no early repayment penalties, with a weighted average interest rate of 41% per annum. These loans are alternatives to the so-called payday loans, which are usually more costly and stressful to individual consumers. With more flexible repayment terms and expertise in customer service, Adwell is aiming to reduce customers' stress and rebuild their financial wellness.

Adwell's main income is the interest generated from these installment loans, which grows in line with the number of customers. In Q3 2019, Adwell advanced loans to 179 customers, 50 less than Q3 2018 and 58 less than Q2 2019. Adwell realizes it must expand to additional markets in order to sustain growth and has expanded its service to both Ontario and Alberta.

Below is the income and expenses breakdown of the Company's financing business in Q3 2019 and Q3 2018:

Financing	Q3 2019	Q3 2018	+/-	%
Interest income	\$170,476	\$187,799	-\$17,323	-9%
Fee income	29,433	20,212	9,221	46%
Total income	199,909	208,011	-8,102	-4%
General and administration (including interest cost & provision for loan loss)	147,311	134,044	13,267	10%
Amortization of property, plant and equipment	4,507	4,954	-447	-9%
Income from operations	48,091	69,013	-20,922	-30%

In Q3 2019, Adwell recorded income from operations of \$48,091, a 30% decrease over \$69,013 in the same period last year.

The Company has increased its line of credit funding commitment to Adwell to \$3,000,000. This will allow Adwell to grow not only in the personal loan market, but in the following markets as well:

- Secured loans - this product is similar to Adwell's existing micro loan offering but will be secured by real property. This product particularly targets homeowners who have a stable working income and are in need of short-term financing.
- Syndication loans - these are generally larger mortgage loans that are also secured by real properties. In undertaking such projects, Adwell will act as the syndication leader and select qualified participants to invest in the project. The arrangement would allow Adwell to venture into the mortgage loan market, while at the same time spreading risk.
- Pay-day loan - Adwell began offering this product in Q4 2018 in order to widen its product line-up in the highly competitive consumer lending market.
- Mortgage brokerage - Adwell does not intend to be the lender but instead will sell mortgage products on behalf of financial institutions in return for service fees. Adwell successfully obtained a mortgage brokerage license in Q3 2019 and has directed additional resources into this area of the business.

In response to increasing customer requests, Adwell began offering money remittance services to the Philippines in 2017, providing a convenient, one-stop, service solution to customers whose financing need is overseas. Adwell has partnered with IREMIT Inc., the largest non-bank remittance company in the Philippines as facilitator for these transactions. IREMIT Inc. has an international network of offices, that includes Canada, which they have been operating since 2001. This service also generates additional fee income for Adwell.

Adwell also began posting loan loss provisions on its books starting in 2017. Adwell's policy is to maintain a provision for loan loss equal to 5% of its

unsecured personal loan portfolio, which is in line with industry practice. In Q3, 2019 the provision for loan loss decreased by \$7,536, resulting from a decrease in its unsecured personal loan portfolio. Adwell will review and adjust this provision on a quarterly basis.

Gross profit margin

Q3 2019 - 51%

Q3 2018 - 49%

Gross profit margin for the quarter was 51%, compared with 49% last year. This is more in line with profit margin in past quarters as the Q2 2018 profit margin was unusually low due to a commission adjustment imposed by the Company's providers.

Hardware revenue has been trending downwards in the past few years as the Company has focused more on non margin-based products such as cable and Mastercard.

The following factors could have an impact on profit margins:

- New activation commission and upgrade commission can be changed at short notice, depending on carrier priorities and focus.
- Dealer bonus commission targets and achievement metrics vary quarter to quarter and may be favourable or unfavourable to the Company.
- Residual commission is a steady source of income, but it is becoming more and more challenging to maintain customers amid heavy competition and the government's objective of increasing competition in the future. The closure of the Company's seven locations also resulted in lower residual income beginning in 2019.
- Cable commission and Rogers Mastercard commissions are now important revenue sources to make up the loss in wireless commission due to loss of volume.

In short, the Company has to adopt and adjust quickly to the ever-changing environment it operates in, in order to maximize opportunities to generate revenue.

Q3 2019 General and Administration expenses - \$708,291

Q3 2018 General and Administration expenses - \$906,864

Decrease of \$198,573 or 22%

The decrease in G&A expenses was mainly caused by a drop-in payroll expenses such as commissions and management bonus, as well as general office expenses such as rent, telephone and insurance, all of which are associated with the reduction of the number of stores.

Q3 2019 Advertisement and promotion expenses - \$9,024
 Q3 2018 Advertisement and promotion expenses - \$17,246
 Decrease of \$8,222 or 48%

The Company has been doing less branding advertisement on its own as carriers are now more inclined to centralize branding within their own marketing departments. The Company is very active in the ethnic market and considers it important to maintain its own identity and presence in the communities it serves; it will continue to advertise and promote in ethnic media channels as appropriate. The Company's advertising and promotion is more tactical in nature and will hopefully yield faster results.

Another tactic the Company has increasingly deployed is to use promotion bill credits, which dealers can obtain at a discount, to reduce phone prices. This tactic can be very effective in short term "hit & run" type promotions as competitors will have difficulty matching it.

Besides receiving a co-op subsidy from Rogers on advertising and promotion activities, the Company also receives marketing funds from Rogers throughout the year, thus further reducing its overall sales and marketing costs. However, the availability of these funds depends very much on Rogers' budget and the timing of promotions and these reductions may therefore not be repeated in the future.

The decrease in advertising and promotional expenses in the quarter was the result of some marketing funds received during the quarter.

Q3 2019 Depreciation - Right-of-use Assets - \$31,944
 Q3 2018 Depreciation - Right-of-use Assets - \$nil

Commencing January 1, 2019, as a result of the Company adopting *International Financial Reporting Standard 16, Leases*, certain leases that used to be operating leases are now capitalized as right-of-use-assets, which are depreciated over their respective terms.

Q3 2019 Amortization of Property, Plant and Equipment - \$16,194
 Q3 2018 Amortization of Property, Plant and Equipment - \$28,123
 Decrease of \$11,929 or 42%

The decrease is the result of leasehold improvement and signage being written off from the leases which were terminated when the stores closed at the end of 2018.

Q3 2019 Amortization of investment properties - \$10,172
 Q3 2018 Amortization of investment properties - \$11,497
 Decrease of \$1,325 or 12%

There has been no change in investment properties since the reclassification of four properties as investment properties in 2014.

Q3 2019 Gain on Sale of Assets - \$48,988
Q3 2018 Gain on Sale of Assets - \$NIL

As mentioned in our Q1 and Q2 2019 MD&As, the Company decided to sell four commercial units that used to be self-occupied stores in the wireless business, following their closure at the end of 2018, instead of turning them into investment properties. The Company sold three of the four units in the first half of the year. The remaining fourth unit was sold in Q3, generating a gain on sale of assets of \$48,988.

Q3 2019 Rental Income - \$48,790
Q3 2018 Rental Income - \$45,187
Increase of \$3,603 or 8%

There has been no change in the number of investment properties.

Q3 2019 Income Before Income Taxes - \$277,106
Q3 2018 Income Before Income Taxes - \$366,393
Decrease of \$89,287 or 24%

Q3 2019 Net Income After Income Taxes - \$208,106
Q3 2018 Net Income After Income Taxes - \$276,333
Decrease of \$68,227 or 25%

Q3 2019 Net Income Attributable to Non-controlling Interests - \$14,428
Q3 2018 Net Income Attributable to Non-controlling Interests - \$13,588

Q3 2019 EPS - \$0.017
Q3 2018 EPS - \$0.023

Liquidity

Cash and cash equivalents and short-term investments as at September 30, 2019 - \$15,032,257
Cash and cash equivalents and short-term investments as at September 30, 2018 - \$12,893,708
Increase of \$2,138,549 or 17%

Working capital as at September 30, 2019 - \$15,519,510
Working capital as at September 30, 2018 - \$14,360,370
Increase of \$1,159,140 or 8%

During the past year, the Company used internally generated funds to pay for both the dividend payments and the investment and ongoing funding of Adwell. These payments did not have any major impact on the operating cash flow of the Company.

The liquidity of the company has always been generated from the Company's operations. Bank credit facilities were not used and had no outstanding balance as at September 30, 2019.

Summary of contractual obligations

Wireless business

Number of leases as at September 30, 2019 - 4 (September 30, 2018 - 9)

The Company terminated five leases since Q2 2018, which are all related to the closure of its seven locations during the year. Four leases remained at the end of Q3 2019.

Future minimum operating lease commitments are as follows:

2019 (remaining)	\$28,393
2020	\$90,158
Total	\$118,551

Financing business

Adwell has 2 leases, one for its Vancouver service center and the other for its Toronto sales office. During Q3, the Vancouver service center lease that was to expire on November 30, 2019 was extended for another two years to November 30, 2021. Its future minimum operating lease commitment is as follows:

2019 (remaining)	\$7,570
2020	\$32,553
2021	\$24,984
Total	\$65,107

In summary, total future minimum operating lease commitments of the Company as at September 30, 2019 are as follows:

2019 (remaining)	\$35,963
2020	\$122,711
2021	\$24,984
Total	\$183,658

Capital resources

The Company has an operating line of credit for \$250,000, secured by mortgages and bearing interest at the prevailing prime rate plus 0.75%. There was no amount owing under this line of credit as of September 30, 2019, consistent with the quarter ending September 30, 2018.

Off balance sheet arrangements

The Company is the landlord for four properties, one in Ontario and three in British Columbia.

The Ontario property (Horizon Centre) has been leased since 2009. This commercial condominium unit was originally intended for another store, but management decided that the location was not suitable for selling wireless products at that time. At the last renewal, this lease was extended for another three years to expire on December 31, 2020. The Company has no intention to open a store at that location and plans to keep the unit as an investment property.

Two of the three British Columbia properties were previously self-occupied stores of the Company's B.C. wireless operations. When the B.C. wireless business was sold in 2014, the two properties were leased to the purchaser, beginning on May 1, 2014.

One store in Burnaby, B.C. (Crystal Mall) is still occupied by the purchaser (tenant) at time of this MD&A, with the lease term recently extended for another five years to expire on April 30, 2024.

The other store in Richmond B.C. (Continental Centre) was leased to another tenant for six years from August 1, 2015 to November 30, 2021, when the purchaser moved out in Q3 2015.

The third B.C. property (Aberdeen Square) was also originally intended for the Company's B.C. wireless business but since that business was sold it was turned into an investment property. This property has two units, both leased with expiry dates of November 30, 2019 and December 31, 2021, respectively.

These four properties have been classified on the condensed interim consolidated statements of financial position as investment properties. The total rent received was \$48,790 in Q3 2019 as compared to \$45,187 in Q3 2018. The

combined market value of these properties is estimated to be \$3,183,000 as at September 30, 2019 (September 30, 2018 - \$3,044,000). The rental income on these investment properties has been presented as rental income on the consolidated interim consolidated statements of income and comprehensive income.

The Company intends to continue leasing these properties at a reasonable return on investment but will also consider selling them at a price that would generate a reasonable return.

Transactions with related parties

Salaries and fees paid to the Company's directors and executive officers in Q3 2019 were \$170,915 (Q3 2018 - \$135,215).

Proposed transactions

The Company's ongoing investment in Adwell continues in Q3 2019.

As it scales down its wireless business, the Company is looking at identifying successor businesses that would make good use of its accumulated cash reserve to create value and return for shareholders, while at the same time also evaluating its dividend payout for the year to provide a reasonable return to its shareholders. No decision has been made as of the date of this MD&A. Management will keep shareholders informed of any new developments in this regard.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at September 30, 2019 (September 30, 2018 - 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company did not issue any stock options during Q3 2019 and there were no stock options outstanding as at September 30, 2019.

Changes in accounting policies

IFRS 16, Leases, was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by International Accounting Standard 17, Leases, and instead introduces a single lessee accounting model. Lessees will

be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the condensed interim consolidated statements of income and comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company adopted IFRS 16 commencing January 1, 2019. The application of this new standard did not have any significant impact on the reported results of the Company.

Critical accounting estimates

The preparation of condensed interim consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

The estimates and assumptions that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities are outlined below.

Impairment of non-financial assets

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of a cash generating unit (CGU), the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the CGU, discounted at an appropriate rate.

In the event an impairment analysis is required, the key assumptions that would be utilized in the determination of future cash flows would represent management's best estimate of the range of economic conditions relating to the CGU, and would be based on historical experience, economic trends and communication with other key stakeholders of the Company. These key assumptions would include the revenue growth rate, margin as a percentage of revenues, capital expenditures, the inflation growth rate and the discount rate. Significant changes in the key assumptions used in the determination of future cash flows could result in an impairment loss or reversal of a previously recognized impairment loss.

Estimated useful lives of non-financial assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of factors including, but not limited to, the expected use of the asset. If the estimated useful lives change, this could result in an increase or decrease in the annual amortization expense and future impairment charges.

Income taxes

Deferred income tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as un-deducted tax losses. Estimates are necessary for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the condensed interim consolidated financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of un-deducted tax losses are based on the applicable income tax legislation, regulations and interpretations.

The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimates of the Company's future financial results.

Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation, will result in adjustments to the expectations of future timing difference reversals, and may require material deferred tax adjustments.

Significant judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements is set out below.

Gross versus net revenue recognition

The Company follows the guidance set out in IFRS 15, Revenue from Contracts with Customers, in determining the presentation of revenue and cost of sales. The guidance requires the Company to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others. To the extent that revenue is earned through the sale of hardware and accessories to customers, the Company has determined that these amounts should be reported on a gross basis in the condensed interim consolidated statements of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction.

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Disclosure controls and procedures and internal controls over financial reporting

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted venture issuers from certifying disclosure controls and procedures as well as internal controls over financial reporting as at December 31, 2007, and thereafter. Since the Company is a venture issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2018. The Company makes no assessment relating to the establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at September 30, 2019.

Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q3 2019. The Company has no plans to use any of these in the foreseeable future.

Risk factors

The 5-year \$800,000 note receivable given by the purchaser of the discontinued operations in B.C. was fully paid off during Q2 2019.

The wireless communications industry is affected by economic conditions and consumer confidence and spending. Phenomena such as recessions, a drop in economic activity and a feeling of economic uncertainty in the populace can erode consumer and business confidence and reduce discretionary spending. Even though wireless cell phones are becoming more and more of a necessity, they are still considered discretionary among a section of the population. Our operating results also are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results, and thus one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

The Company's economic dependence on Rogers is one of the risk factors. The Company is in an industry in which the carrier pays the dealer commissions to bring in new customers and service existing customers. It is also part of an industry in which hardware (mainly wireless handsets) is heavily subsidized by the carrier – phones are sold to consumers at a hefty discount and the dealer recovers the cost of hardware through a back-end hardware subsidy from the carrier. A good example is the Apple iPhone and other Android Smartphones,

where the phone could sell for as little \$499 on a two-year contract or \$1,000+ dollars without a contract.

For the quarter ended September 30, 2019, approximately 83% (2018 - 77%) of the Company's revenue was from Rogers, whereas the remaining approximately 17% (2018 - 23%) was generated through the Company's four retail stores in Ontario (2018 - eleven stores in Ontario) on the Wireless side and Adwell on the Financing side.

Accounts receivable from Rogers were 80% as at September 30, 2019 (82% as at September 30, 2018).

Management has decided that no provision for bad debt is required on the Rogers' receivables as past collection experience and the credit quality of Rogers are good. Unless there is a change in the Canadian model of subsidizing hardware, this economic dependence on Rogers is going to be the same in the future, although highly diminished as a result of the drop in the number of stores. The same diminished danger on the Wireless side also applies in the case of other risks that might develop in the near future.

Canadian wireless companies could face increased competitive pressure because of recent legal changes to foreign ownership of telecommunications companies and control of the wireless licences. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licences or smaller companies that hold such licences. Foreign carriers could also acquire smaller Canadian companies with less than 10% of the spectrum and thereby gain this spectrum and launch fierce competition against companies such as Rogers.

A risk factor that became more tangible was when the previous federal government decided to further open up the Canadian telecommunication services industry to foreign investors by easing foreign ownership rules. Whether and by how much all this will change under the Liberal government of Prime Minister Justin Trudeau remains to be seen at the time of this MD&A.

Spectrum fees (to cover the government's costs of processing applications and regulating use of the spectrum) may increase with the renewal of cellular and PCS spectrum licences, although the timing of fee increases (if any) is unknown.

The media has been headlining reports based on studies that claim alleged links between radio frequency emissions from wireless handsets and health issues; continued media reporting may discourage the use of wireless handsets. Alternatively, authorities could impose more restrictive standards on radio frequency emissions from low powered devices, such as wireless handsets.

A continuing risk factor is the increasing competitiveness of Rogers' three main rivals, Bell Canada, TELUS, and Shaw, who have their own networks. They continue to mount an aggressive marketing campaign. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Risk factors also include technological changes causing product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment. Management reviews all these risk factors regularly and discusses strategies to deal with them if they happen to arise. The Company depends heavily on its service provider, Rogers, to provide innovative and competitive products and services to the marketplace. Indications are that Rogers is not only aware of this but is taking active steps to manage this issue.

Microfinancing business

Credit risk is the risk of loss that arises when a customer fails to pay an amount owing to Adwell. Credit quality of the customer is assessed based on a number of proprietary credit models and individual credit limits are defined in accordance with this assessment and other factors including the ability of the customer to comfortably afford the periodic loan payments. The linear approval flows will ensure a high-quality loan application process. After evaluating the client's information, Adwell will decide the loan terms for each applicant such as the maximum of loan principal.

Adwell will continue to develop underwriting models based on the historical performance of groups of customer loans, which guide its lending decisions. As Adwell continues to grow, management has decided to begin recording a provision for loan loss equal to 5% of its unsecured personal loan portfolio on its books beginning in Q1 2017, which is in line with general industry practice. Adwell has been reviewing and adjusting this provision quarterly since.

Adwell takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of Adwell's merchandise leasing and consumer lending businesses. Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Criminal Code of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on Adwell's financial condition, liquidity and results of operations.

Adwell is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws, which may increase Adwell's cost of compliance. While Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may adversely affect Adwell's reputation and also result in fines or penalties from governmental bodies.