

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

Management's discussion and analysis for the quarter ended September 30, 2020

Effective date of MD&A – November 26, 2020

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forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this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 three business segments:

- (1) Wireless through Am-Call Wireless Inc., a wholly owned subsidiary.
- (2) Micro finance through Adwell Financial Services Inc., a 70% owned subsidiary.
- (3) Digital health through Advent TeleMedicare Ltd., a wholly 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 as at September 30, 2020 – four stores (two Rogers & two Fido, all in Ontario)

Number of stores as at September 30, 2019 – four stores (two Rogers & two Fido, all in Ontario)

Economic dependence

For the three months ended September 30, 2020, approximately 95% (2019 - 84%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 5% (2019 - 16%) was generated through the Company's four retail stores in Ontario (2019 - four stores in Ontario) on the wireless side and Adwell Financial Services Inc. ("Adwell") on the financing side.

Account Receivable from Rogers - 82% at September 30, 2020 (83% at September 30, 2019).

(2) Micro finance 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 and commenced operations in Q1 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, assisted in the start-up and assist in the continuing operations of the venture.

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, is for advances to customers.

At the time of this MD&A, the Company had invested \$1,290,000 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$940,000 was funding for Adwell's advances to customers.

(3) Digital health business

As we have previously disclosed in our Q2 2020 MD&A and public announcements, the Company had obtained conditional approval from TSXV to enter into a new and synergistic business segment, digital health, and planned to fast-track the business by acquiring exclusive distribution rights for the Hong Kong and Macau markets from DynoSense Corp. (“Dynosense”), a San Jose based inventor of an FDA-cleared, patented Remote Patient Monitoring system.

During the past quarter, this new digital health business has commenced operations and accomplished certain milestones in its development:

A. Structured corporate, legal and regulatory matters

1. The Company has satisfied TSXV’s outstanding conditions and obtained full approval to enter this digital health business.
2. A wholly owned subsidiary, known as Advent TeleMedicare Ltd (“ATMC”), has been established in Hong Kong to conduct the business.
3. The Company has recruited Mr. Francis Mak (FCA CPA CA), an experienced business strategist on technology projects, to the Board of ATMC to spearhead our business building in Hong Kong.

B. Customizing DynoSense deployment for the Hong Kong market

1. User Interface and User Experience are among ATMC’s primary focus. ATMC has engaged local design and engineering support to add custom enhancements.
2. In addition, ATMC is in consultation with an influential group of physicians on their preferences regarding Remote Patient Monitoring (“RPM”) practices and procedures – a core area where our products will fit in.
3. ATMC expects customizations and improvements to be substantially completed by the end of 2020.

C. Penetrate specific market segments via Strategic Cooperation

1. ATMC has been actively consulting with doctors who operate private clinics to implement a Business to Business to customers (“B2B2C”) business model. We selected this model because we sell a medical product and patients naturally trust their doctors. The B2B2C business model would fully respect the doctors’ professional judgment and let the

- physicians decide to which of their patients they would recommend our products.
2. We are discussing setting up a strategic cooperation agreement with major senior home operators in Hong Kong on cross-selling and service bundling, to create a quick market penetration opportunity for ATMC.

D. Securing product supply

1. ATMC has learned from DynoSense that full-scale production will commence shortly and expects to receive a meaningful quantity of products by December 2020 to match our soft launch schedule in Q1 2021.
2. The specific user interface for doctors and the user-app for patients for the Hong Kong market are also expected to be completed before the end of 2020.

Covid-19 pandemic

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as Covid-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods, shut-down of retail stores and restaurants, a total ban on business meetings, conferences and trade-shows and social distancing, all of which have caused material disruption to business globally, resulting in an economic slowdown. The Conference Board of Canada estimates that the economy since February 2020 has shed three million jobs. This is the largest monthly decline ever in Canada. Job losses were steepest in the retail sector (-374,000), not surprising given that many retailers, including the Company, were closed across the country.

Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the Covid-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. Nor does management know the regulations under which retail stores will be allowed to operate. For all these reasons it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

In response to the Covid-19 pandemic, the Company's four wireless retail locations were temporary closed on March 17. All four locations have since reopened (two on May 25 and two on July 27), with strict adherence to government safety and social distancing guidelines.

At the time of this MD&A, Canada and the Province of Ontario are experiencing a second wave of the Covid-19 pandemic. The government has re-implemented restrictive measures, ranging from limiting the number of customers that are present within business establishments at one time to total shutdown, depending on the severity of the pandemic. While the Company's four retail locations remain open at time of this MD&A, it is not possible to predict if this situation will continue in Q4 and even into 2021.

Overall performance

	Q3 2020	Q3 2019	+/-	%
Wireless income	1,069,803	1,527,605	-457,802	-30%
Financing income	142,166	199,909	-57,743	-29%
Total revenue (excluding investment income and gain (loss) on sale of assets)	1,211,969	1,727,514	-515,545	-30%

Third quarter combined revenue decreased by \$515,545 or 30% compared to the same quarter last year. This was comprised of a decrease in wireless income of \$457,802 (-30%) and a decrease in financing income of \$57,743 (-29%).

Although Q3 2020 wireless income decreased by 30% over the same quarter last year, it was in fact an improvement over Q2 2020, which had a much higher 72% quarter to quarter decrease over the same quarter in 2019. The reopening of the company's four locations in Q3 brought back much needed retail business transactions. However, mall shopping traffic was still significantly down as Canadians were largely heeding the Government's advice to stay inside and work from home, and to only venture out for essential matters. This inevitably had a negative impact on the traditional Q3 "back to school" selling period, as parents and students held back their purchasing decisions amid the pandemic. International students who make up a good percentage of the Company's "back to school" business were not allowed to enter the country this year, further depressing Q3 income.

On the financing side of the business, Adwell generated \$142,166 in Q3 income (Q3 2019 - \$199,909), a quarter to quarter decrease of 29%. Following Q2 2020, Adwell continued to take a more cautious approach to its personal lending approvals during Q3 as many personal loan customers work in industries most affected by the pandemic. Consequently, the number of new personal loans granted decreased from 179 in Q3 2019 to 123 in Q3 2020.

Due to the reduction in size of the wireless business, financing income represented 12% of the combined revenue of the Company in Q3 2020 (Q3 2019 - 12%).

Subscriber Base:

September 30, 2020 - 25,851

September 30, 2019 - 24,597

Increase of 1,254 or 5%

Subscriber base of both Q3 2019 and 2020 reflect subscribers attached to the remaining four locations of the Company and recorded an increase of 1,254 or 5% year over year.

In order to maintain its subscriber base, the Company must keep adding new customers, 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 to 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 front and centre of the Company’s marketing strategy.
- Multi products 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.
- Multi brand 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. This was particularly apparent during this year’s Covid-19 pandemic, as the Company still received a steady level of residual income while transactional income suffered.

Summary of consolidated quarterly results

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Wireless income	2,364,620	1,124,034	1,178,469	1,527,606	1,718,106	750,824	332,307	1,069,803
Financing income	193,840	181,114	190,896	199,909	200,528	199,394	156,008	142,166
Gross margin	41%	46%	53%	51%	40%	55%	72%	52%
Net income (loss) before income taxes	2,940,487	(160,710)	942,338	277,106	(52,226)	1,448,537	(80,606)	(50,082)
Basic and diluted earnings (loss) per share	0.180	(0.010)	0.062	0.012	(0.024)	0.088	(0.006)	(0.003)

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 2020 wireless income rebounded over Q2 as its four retail locations reopened during the entire Q3, although wireless income still dropped by 30% when compared to the same quarter last year.

The Covid-19 pandemic caused major shutdowns of retail businesses throughout Canada. The Company's four retail stores were closed on March 17, 2020. Even with the reopening of all four stores in Q3, it is uncertain how long it will take for business to return to pre-closing level. At time of this MD&A, Canada is experiencing a second wave of Covid-19, and with winter approaching the general-consensus is that the pandemic will likely get worse before getting better. As such the Company is not able to offer guidance as to its business trends for the remainder of 2020.

Financing income in Q3 2020 decreased by 29% over Q3 2019. Financing income is subject to lesser fluctuation than wireless income as interest is accrued on its existing loan portfolio. Nevertheless, Covid-19 has had a negative impact on the quality of the loan portfolio as the Canadian economy suffers a major downturn, resulting in higher loan loss experience in Q3. In response to this potential increase in credit risk posted by Covid-19, Adwell has tightened up its lending policy which led to a reduction in the number of new advances made in Q3 2020.

Results of operations – Wireless business

In response to the Covid-19 pandemic, the Company's four wireless retail locations were closed on March 17. Two inline locations were subsequently reopened on May 25 and the remaining two kiosk locations were also reopened on July 27.

In Q3 2020, the decrease in Wireless income was the result of an across the board decrease in business transaction volume resulting from the Covid-19 pandemic shutdown. Although the Company's four locations were reopened in Q3 (two for the entire quarter and two from July 27), retail traffic was significantly down at the malls with consumers staying home and only venturing out for essential matters.

Nevertheless, telecommunication services which the Company provides are essential services during the pandemic and the reopening enabled the Company to resume serving customers who are in need throughout the quarter. Even though business transaction volume was much lower than that of last year, the Company rebounded from a near complete shutdown of business transactions in Q2.

Rogers' new voice activations, data activations and customer upgrades decreased by 56%, 47% and 22%, respectively, whereas Fido's new voice, data activations and hardware upgrades also dropped by 42%, 40% and 49% respectively over the same quarter last year.

Combining Rogers and Fido, total new voice, data activations and customer upgrades in this quarter were down 48%, 43% and 32%, respectively, over Q3 2020. This drop in transaction volumes translated into a corresponding decrease in the Company's income streams.

Phone hardware sales decreased by 30% as the number of phones sold dropped by 35%, from 1,165 in Q3 2019 to 753 in Q3 2020. The cost of Smartphones is much higher now at more than \$1,000 each and a drop in the volume of hardware sales will consequently now have a higher negative 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 translate to decreased profitability, it does depress hardware sales and hence overall revenue.

New activation commissions and customer upgrade commissions decreased by 46% and 20% respectively compared to Q3 2019. Residual commissions also decreased by 21% over Q3 2019, caused by a decrease in residual earning percentage. The Company, however, was able to achieve its quarterly bonus targets amid the pandemic which resulted in a 6% increase of bonus commission over the same quarter last year.

Similarly, Rogers and Fido Bank (Mastercard) commissions decreased by 88%, while cable and other commissions decreased by 44% over Q3 2019.

Although the Covid-19 pandemic negatively impacted the Company's result in Q3 and will likely have the same negative impact throughout the rest of the year, management is encouraged by the rate of recovery since reopening and remains optimistic that the Company's business will gradually improve beginning in 2021.

The arrival of 5G may well change the telecommunication landscape of Canada. 5G networks offer faster downloads, lower latency and better performance on more devices including smart cars, home appliances and remote medical devices as part of what is now called the Internet of Things (IoT). Therefore, major Canadian carriers are all developing their own 5G networks. At the time of this MD&A, Rogers has already rolled out its 5G network in Toronto, Vancouver, Montreal and Ottawa, and other Canadian carriers are expected to follow suit within the year. The Company looks forward to bringing this transformative technology, with its potential to change every aspect of daily lives, to its customers.

Results of operations – Financing business

In Q3 2020, Adwell's financing income decreased by \$57,743, or 29% compared to Q3 2019.

	Q3 2020	Q3 2019	+/-	%
Financing income	142,166	199,909	-57,743	-29%

Adwell's main business continued to be unsecured personal short-term instalment loans to individuals in amounts ranging from \$1,000 to \$7,500, with nine to 36-month flexible repayment terms and no early repayment penalties. These loans are made with an average interest rate of 43% per annum. The loans are alternatives to the so-called payday loans, which are usually more expensive and stressful for consumers. With more flexible repayment term and its expertise in customer service, Adwell aims to help reduce customers' stress and rebuild their financial health.

Adwell's main income is interest that is generated from these loans. In Q3 2020, Adwell made loans to only 123 personal loan customers, as compared to 179 in Q3 2019. Adwell management determined that a conservative approach to personal lending was prudent during this uncertain time as many of these customers are workers employed in industries most affected by the economic slowdown brought on by the pandemic, including restaurants, retail shops, hotels and senior homes.

Although there was a decrease in the number of unsecured personal loans beginning in 2019, Adwell has put more emphasis on other loan products to counterbalance the decrease in personal loans. These products are:

- Secured loans - this product is similar to Adwell's existing micro loan offering but is secured by real property. This product particularly targets homeowners who have a stable working income and need short-term financing.
- Syndication loans - these are generally larger mortgage loans that are also secured by real properties. In undertaking such projects, Adwell intends to act as syndication leader and select qualified participants to invest in the project. This arrangement will allow Adwell to enter the mortgage loan market, while spreading its default risk.
- Pay-day loans - 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 licence

in Q3 2019 and has directed additional resources into this business segment.

The table below shows the income and expense breakdown of the Company's financing business in Q3 2020 and Q3 2019:

	Q3 2020	Q3 2019	+/-	%
Interest income	128,509	170,476	-41,967	-25%
Fee income	13,657	29,433	-15,776	-54%
Total income	142,166	199,909	-57,743	-29%
General & administration (including interest cost & provision for loan loss)	74,336	147,311	-75,246	-50%
Advertising and promotion	0	0	0	n/a
Amortization of property, plant & equipment	841	4,507	-3,666	-81%
Income from operations	66,989	48,091	21,169	39%

In Q3 2020, Adwell recorded an income from operations of \$142,166, a 29% decrease over the same period last year. The decrease was caused by a reduction in interest income generated from fewer new personal loans, as well as less fee income collected.

The reduction in the number of loans also caused Adwell's line of credit to drop correspondingly, resulting in a decrease of interest cost by 16% comparing with the same period of last year. Fewer loans also led to a decrease in the provision for loan loss.

Starting in 2020, Adwell decided to calculate its loan loss provision based on actual loan loss experience, instead of the fixed percentage method that it has been using since 2017. This proved to be prudent as the loan loss experience in 2020 will inevitably rise as a result of the Covid-19 pandemic. Adwell intends review and make adjustments to this provision on a quarterly basis.

Gross Profit Margin

Q3 2020 – 52%

Q3 2019 – 51%

Gross profit margin for the quarter is 52%, which is in line with 51% last year.

Hardware revenue has been decreasing in the past few years as the Company has focused on increasing its non-margin based products such as cable and Mastercard. This change in revenue mix means the following factors will have a greater impact on profit margin:

- New activation commissions and upgrade commissions that 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 commissions are 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 commission 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 2020 General and administration expenses - \$626,238

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

Decrease of \$82,053 or 12%

Although there was an increase in professional fees and other expenses incurred in the planning, formation and start-up operations of ATMC in Hong Kong, it was more than offset by the decrease in payroll and general office expenses in the wireless and financing businesses.

Q3 2020 Advertisement and promotion expenses - \$5,638

Q3 2019 Advertisement and promotion expenses - \$9,024

Decrease of \$3,386 or 38%

The Company has been doing less brand advertising 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, and 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 the use of 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 & 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 Company had very little advertising and promotion activities during Q3 2010.

Q3 2020 Depreciation - right-of-use assets - \$47,683
Q3 2019 Depreciation - right-of-use assets - \$31,944
Increase of \$15,739 or 49%

Commencing January 1, 2019, as a result of the Company adopting the International Financial Reporting Standard (IFRS) 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.

The increase was the result of extension of several leases during Q3 2020.

Q3 2020 Amortization of property, plant and equipment - \$11,473
Q3 2019 Amortization of property, plant and equipment - \$16,194
Decrease of \$4,721 or 29%

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

Q3 2020 Amortization of investment properties - \$8,972
Q3 2019 Amortization of investment properties - \$10,172
Decrease of \$1,200 or 12%

The decrease was the result of two investment properties sold in Q1 2020.

Q3 2020 Rental income - \$13,689
Q3 2019 Rental income - \$48,790
Decrease of \$35,101 or 72%

The decrease was the result of two investment properties sold in Q1 2020.

Q3 2020 Gain on sale of assets - \$0
Q3 2019 Gain on sale of assets - \$48,988

The Company did not sell any investment property in Q3 2020.

Q3 2020 Loss before income taxes - (\$50,082)
Q3 2019 Income before income taxes - \$277,106

Q3 2020 Net loss after income taxes - (\$32,082)
Q3 2019 Net income after income taxes - \$208,106

Q3 2020 Net income attributable to non-controlling interests - \$20,097
Q3 2019 Net income attributable to non-controlling interests - \$14,428

Q3 2020 LPS - (0.003)
Q3 2019 EPS - 0.017

Liquidity

Cash and cash equivalents & short-term investments as at September 30, 2020 - \$13,196,381

Cash and cash equivalents & short-term investments as at September 30, 2019 - \$15,032,257

Decrease of \$1,835,876 or 12%

Working capital as at September 30, 2020 - \$14,683,245

Working capital as at September 30, 2019 - \$15,519,510

Decrease of \$836,265 or 5%

During the past year, the Company used internally generated funds for dividend payments, for the ongoing funding of Adwell, and for investing in its new business venture ATMC. These payments did not have any major impact on the operating cash flow of the Company.

The Company's liquidity has always been the result of its operations. The line of credit available to the Company was not used and was cancelled in Q1 2020.

Summary of contractual obligations

Wireless business

Number of leases at September 30, 2020 - five (September 30, 2019 - four).

During Q3, the Company extended three leases to 2023 while formalizing one short-term month-to-month lease to a new term lease, also expiring in 2023.

Future minimum operating lease commitments are as follows:

2020 (remaining)	\$36,337
2021	\$156,486
2022	\$160,147
2023	\$107,409
Total	\$460,379

Financing business

Adwell has one lease remaining after the termination of its Toronto office lease at the end of 2019. Its future minimum operating lease commitment is as follows:

2020 (remaining)	\$6,616
2021	\$24,984
Total	\$31,600

In sum, total future minimum operating lease commitment of the Company's six leases as at September 30, 2020 is as follows:

2020 (remaining)	\$42,953
2021	\$181,470
2022	\$160,147
2023	\$107,409
Total	\$491,979

Capital resources

The Company's \$250,000 line of credit was cancelled in January 2020 when the property used as collateral for this line of credit was sold.

Off balance sheet arrangements

After the sale of two investment properties in Q1 2020, the Company has two investment properties left in its portfolio, one each in Ontario and British Columbia.

The Ontario property (Horizon Centre) has been leased since 2009. This commercial condominium unit was originally intended for use as another store, but proved unsuitable for selling wireless products at that time. At 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 in the immediate future and will keep the asset as an investment property.

The 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 converted into an investment property. This property has two units, both leased with expiry dates of December 15, 2021 and December 31, 2021, respectively.

As at September 30, 2020, the two properties were classified on the unaudited condensed interim consolidated statement of financial position as investment properties. Total rent received was \$13,689 in Q3 2020 (Q3 2019 - \$48,790 from four investment properties). The combined market value of the two remaining investment properties is estimated to be \$1,393,624 as at September 30, 2020 (September 30, 2019 - \$1,319,600). The rental income on these investment properties has been presented as rental income on the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

It is the Company's intention to sell these remaining two investment properties for a reasonable return as and when decided by management.

Transaction with related parties

Salaries and fees paid to the Company's directors and executive officers in Q3 2020 were \$267,515 (Q3 2019 - \$170,915).

Proposed transactions

The Company's ongoing investment in Adwell continues in Q3 2020.

As outlined in the Company's Q2 2020 and in an earlier section of this MD&A, the Company's new Hong Kong subsidiary, ATMC ("Advent TeleMedicare Ltd."), was established and commenced operations in Q3.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at September 30, 2020 (September 30, 2019 – 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 2020, and there were no stock options outstanding as at September 30, 2020.

Changes in accounting policies

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments (IFRS 9). The first quarter 2018 condensed interim consolidated financial statements are the first financial statements issued in accordance with IFRS 9. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in International Accounting Standard (IAS) 39 (IAS 39) that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through the condensed interim consolidated statement of income (loss) and comprehensive income (loss). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in the Company's own

credit risk in OCI for liabilities designated at fair value. The adoption of IFRS 9 did not have any impact on the reported results.

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers (IFRS 15). The Q1 2018 condensed interim consolidated financial statements are the first financial statements issued in accordance with IFRS 15. IFRS 15 supersedes the current accounting standard for revenues, IAS 18, Revenue. IFRS 15 introduces a single model for recognizing revenue from contracts with customers. 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 contract with customer
- 2) identify performance obligations in the contract
- 3) determine the transaction price
- 4) allocate transaction price to the performance obligations in the contract
- 5) recognize revenue when (or as) the Company satisfies a performance obligation.

The application of this new standard did not have any impact on the reported results, as the performance obligations of the Company's revenue streams are satisfied at either the point of sale, or when the transaction price is received, consistent with note 3, revenue recognition accounting policies. The application of IFRS 15 does not affect the cash flows from operations or the methods and underlying economics through which the Company transacts with its customers.

Effective January 1, 2019, the Company adopted the new accounting standard IFRS 16 using the modified retrospective approach, and comparative figures have not been restated. The new set of standards set 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 IAS 17, Leases (IAS 17), and instead introduces a single lessee accounting model. 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.

Lease liabilities are recorded on the present value of the non-cancellable lease payments over the lease term and discounted at the Company's incremental borrowing rate. Lease payments include fixed payments only. The right-of-use assets are measured initially at cost and subsequently at amortized cost. The assets are depreciated over the term of the lease using the straight-line method.

Extension and termination options exist for a number of the leases, and the Company has assessed all facts and circumstances available in determining the probability of exercising available extension and termination options. The Company includes the extension option in calculating the lease term when it determines that it is reasonably certain that the Company will exercise the available extension option. The Company reassesses whether an extension option is included in the lease term when there is a change in events and circumstances that affects that decision and re-measures the lease liability upon change in assessment

On adoption, the Company chose the practical expedient to grandfather any contracts that were previously considered to be leases. As part of the initial application of IFRS 16, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability at adoption date.

Critical accounting estimates

The preparation of the 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 consolidated interim 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. Estimation is required 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 estimations 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 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 statement of income (loss) and comprehensive income (loss) 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, 2019. 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, 2020.

Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q3 2020. The Company has no plans to use any of these in the foreseeable future.

Risk factors

The wireless communications industry is affected by economic conditions, consumer confidence and spending. Phenomena such as recessions, reduced economic activity and a feeling of economic uncertainty due to natural events such as pandemics can erode consumer and business confidence and reduce discretionary spending.

The impact of Covid-19 is being felt by businesses throughout North America and the world. The pandemic has significantly impacted the retail sector in which the Company operates. The Company's management realizes it has now to deal with a broad range of interrelated issues and risks that include a new operating paradigm encompassing the safety of employees and customers, redesigning stores to accommodate social distancing requirements and online operations and identifying a myriad of complicated government support programs while simultaneously preserving cash and liquidity.

Perhaps the most difficult issue for the Company is not being able to identify either the pandemic's duration or what the full impact of the Covid-19 will be on

the Company's business model and its customers. Identifying risk factors in this environment, much less developing operating plans to mitigate the risks while maintaining profitability, will be challenging.

For instance, there is no specific guidance available as to what a retail environment might look like as the Canadian economy emerges from the forced close downs that are now in effect. The risks inherent in the unknowns that management has to deal with include:

- Never in Canadian business history have retail stores operated with two-meter distancing regulations and limits on how many customers can enter a store at the same time. Onset of winter will only exacerbate this requirement. Will customers stand in line to enter a retail store?
- Worse, many experts predicted a second wave of Covid-19 would emerge in the winter. Unfortunately, this second wave seems to have arrived quicker than anticipated, and is already leading to another round of forced close downs.
- Given the large unemployment that the Canadian economy will have to work through and the permanent loss of some jobs, will customers want to spend money on the Company's products?
- What will be the Canadian authorities' view of the post-Covid-19 retail operating environment?
- 5G was supposed to position Canada as a world leader in the Telecom industry and was part of the Company's plan for generating future revenue streams. How might Rogers, our prime-vendor, reorient its 5G business plans going forward?
- Will there be additional help for small/medium businesses from the government if the Covid-19 impact continues into 2021?

In the face of the Covid-19 crisis, the Company must act quickly to optimize its resilience, rebalancing for risk and liquidity, while assessing opportunities for growth coming out of the downturn. Immediate action will be needed to address short-term liquidity challenges, but also to generate funding to invest in new opportunities. Management intends to keep in close touch with its service provider, Rogers Communications Inc., to help it quantify these and other risk factors and to become knowledgeable in the best-practices that will surely emerge to help companies survive and grow in the new business environment.

The Company's 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 the Company's future performance.

Economic dependence on Rogers is one of the risk factors. The Company is in an industry in which carriers pay 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 financed by the carrier. Phones are sold to consumers upfront at no cost and dealers recover 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 may cost dealers as high as \$1,000+ each.

For the quarter ended September 30, 2020, approximately 95% (2019 - 84%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 6% (2019 - 16%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 82% as at September 30, 2020 (83% as at September 30, 2019)

Management has decided that no provision for bad debt is required on Rogers' receivables due to past collection experience and Rogers' good credit quality. Absent a change in the Canadian model of financing or subsidizing hardware, this economic dependence on Rogers is going to continue in the future, albeit diminished as a result of the drop in the number of stores.

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 Canadian companies such as Rogers.

A new risk factor emerged when the previous federal government decided to further open the Canadian telecommunication services industry to foreign investors by easing foreign ownership rules. Whether and by how much 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 change driven by product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment.

Management is aware of new risks that have become evident in the last one to two years. These include the Cloud, which offers new opportunities but also a heightened level of risk. Cyber intrusions from malevolent actors have begun to enter the wireless domain, presenting another spectrum of threats. On the opportunity side, the IoT in which the Internet will be used to get information and to control, for example, household items such as refrigerators, burglar alarms and home climate controls through wireless handsets, will open up additional risks.

Management reviews all these risk factors regularly and discusses strategies to deal with them as they 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 continuously innovating to stay ahead of its competition.

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 I ensure a high-quality loan application process. After evaluating the client's information, Adwell makes a decision on the loan terms for each applicant, these include the maximum loan principal that the applicant may borrow.

Adwell will continue to develop underwriting models based on the historical performance of groups of customer loans, which guide its lending decisions. As Adwell has grown, management began recording a provision for loan loss on its books beginning in Q1 2017; this now is also based on historical loss experience 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 such requirements. Legislators and regulators have increasingly adopted new privacy information security and data protection laws, which may increase Adwell's cost of compliance. Even though Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may still adversely affect Adwell's reputation and also result in fines or penalties from government authorities.
