

Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.) “the Company”

Management’s discussion and analysis for the year ended December 31, 2020

Effective date of MD&A – April 27, 2021

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.

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Overview

The Company operates in three business segments:

- (1) Wireless through Am-Call Wireless Inc. (Am-Call), a wholly owned subsidiary.
- (2) Micro finance through Adwell Financial Services Inc.(Adwell), a 70% owned subsidiary.
- (3) Digital health through Advent TeleMedicare Ltd. (ATMC), 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 December 31, 2020 – 4 stores (2 Rogers & 2 Fido, all in Ontario)

Number of stores as at December 31, 2019 – 4 stores (2 Rogers & 2 Fido, all in Ontario)

The Company did not open nor close any store during 2020.

The Company's Dealer Agreement with Rogers, which has an original expiry date of September 30, 2020, was extended to a new expiry date of June 30, 2023.

The Company did not retrofit any store during 2020.

### Economic dependence

For the year ended December 31, 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 4 retail stores (2019 – 4) in Ontario.

Account receivable from Rogers – 88% as at December 31, 2020 (86% as at December 31, 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 Financial Services Inc." ("Adwell"), was incorporated on January 8, 2016. Adwell issued a total of 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 continuing operations of the venture and remain so at time of this MD&A.

The Company has committed to invest 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 \$1,368,000 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$1,018,500 was funding for Adwell's advances to customers.

### (3) Digital Health business

On June 12, 2020, the Company issued a press release announcing that it has entered into a commercial agreement with Dynosense Corp. ("Dynosense"), a California-based company, pursuant to which the Company, through a wholly owned Hong Kong subsidiary, will sell and distribute certain health products and services (defined and further described below) in Hong Kong and Macau (the Territory) under a licence granted to it by DynoSense. Under the terms of the Commercial Agreement, the Company will pay CAD\$1,000,000 to DynoSense on or before June 30, 2020, half of which constitutes the advance payment for inventory of certain Products. The initial term of the Commercial Agreement will be five years, and may be renewed for an additional five 1-year terms thereafter, subject to certain revenue targets being met at the time of each renewal.

DynoSense has created digital therapeutics which smartly apply clinical data technologies to modify behavior and improve health outcomes for its users. The Products and Services licenced to the Company and the HK Subsidiary are comprised of handheld health scanners which are wirelessly connected with cloud- based artificial intelligence via user-friendly and channel-customized software and mobile applications, which in turn are supported by personalized, care-centric services. The devices monitor certain vital signs and health conditions of the user (e.g., heart rate, blood pressure, blood oxygen saturation levels, respiratory lung analysis, body temperature and body composition) and send the information via the Cloud to the user's medical care professionals who are then able to read and interpret the user's medical information, and from that provide advice and guidance to the user with respect to their medical condition at any given time. The Products and Services licenced to the Company and the HK Subsidiary include the products and technology described above as well as corresponding IT support services.

It is a term of the Commercial Agreement that in the event the business is successful in the Territory, as reasonably determined by DynoSense, then DynoSense may grant the Company a priority over establishing a separate, but similar, arrangement in Canada for the purpose of conducting a business similar to the business in Hong Kong.

The TSX Venture Exchange accepted the Commercial Agreement on June 26, 2020. Pursuant to the agreement, CAD\$1,000,000 was released to Dynosense on June 30, 2020 and the Company's new digital health business commenced operations in Hong Kong in the second half of 2020.

### Declaration of dividend

On May 28, 2020, the Company announced that a special dividend of \$0.15 per common share would be paid on June 25, 2020, to all shareholders of record as at the close of business on June 11, 2020. This dividend payment was completed as announced.

### 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 present, 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, 2020. All four locations have since reopened (two on May 25, 2020 and two on July 27, 2020), 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 the third wave of the Covid-19 pandemic. The government has 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 this time, it is not possible to predict if this situation will improve or deteriorate over the remainder of 2021. The Company is cautiously optimistic

that with the rolling out of Covid-19 vaccination in Canada, the situation will be gradually brought under control in the remainder of the year.

### Overall performance

	2020	2019	+/-	%
<b>Wireless revenue</b>	3,512,140	5,548,215	-2,036,075	-37%
<b>Financing revenue (including other revenue)</b>	635,005	772,447	-137,442	-18%
<b>Total revenue (excluding other &amp; investment income)</b>	4,147,145	6,320,662	-2,173,517	-34%

The Company's Digital Health business was still in its start-up stage in 2020 and therefore did not report any income for the year.

The Company's 2020 combined revenue decreased by \$2,173,517 or 34% compared to 2019. This reduction was comprised of a decrease in wireless income of \$2,036,075 (-37%), and a decrease in financing income of \$137,442 (-18%).

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 Q3/2020, the business focus was more on providing essential services to keep customers connected, rather than to promote new product and services. Mall traffic was also significantly reduced as the general public heeded government advice to stay home and to venture out only for essential services.

On the Wireless side of the business, the two biggest selling periods of the year, the Q3 "back to school" and Q4 "Christmas season" did not materialize in 2020, as consumers stayed away from shopping malls and turned to online shopping instead. Overseas students who are the major source of the Company's customers in Q3 were not allowed to enter Canada, while students already here were restricted to mostly attending classes online from their home. Also contributing to the reduction sales in Q4, the holiday gift giving tradition of Christmas was greatly reduced as gatherings were banned.

Likewise, on the Financing side, revenue was negatively affected by Covid-19 as lending transaction volume decreased throughout the year, especially in Q2 when the entire country was shut down. When businesses gradually reopened in Q3, it was actually Adwell's decision to be more conservative and tighten up its lending policy in view of the economic uncertainty.

At time of this MD&A, Canada is experiencing the third wave of the Covid-19 pandemic. With the approval of four Covid-19 vaccines and the rolling out of a national immunization program Canada seems to be heading towards in the right direction. However, it is still not possible to predict when business will return to pre-Covid levels and therefore the Company is not able to offer guidance as to its business trends for the remainder of 2021.

### Selected annual consolidated financial information

	Dec-20	Dec-19	Dec-18
Revenue	4,147,145	6,320,662	9,158,899
Income before income taxes	927,982	1,006,508	3,076,043
Provision for income taxes	67,730	159,414	816,883
Net income	860,252	847,094	2,259,160
Assets	20,206,813	21,119,787	22,923,363
Liabilities	2,700,415	2,683,314	3,543,657
Basic & diluted earnings per share	0.069	0.069	0.188

Total revenue has been on the decline for the past three years; this is caused by:

- Decrease in total wireless business transaction volume, resulting from the closure of seven stores at the end of 2018, which led to a drop in both hardware revenue and commission revenue.
- Decrease in subscriber base, again resulting from the closure of the Company's stores (four in Q4 2017 and seven in Q4 2018), which led to a drop in recurring residual revenue.
- In 2020, the decrease in transaction volume caused by the Covid-19 pandemic.

The addition of the micro finance business generates financing income and has contributed to overall revenue in the past three years. However, after years of growth since its inception in 2015, the micro finance business experienced its first year of revenue decrease in 2020, no doubt affected by the Covid-19 pandemic.

### Results of operations – Wireless business

The Company operated four stores in 2020, two Rogers and two Fido, which is the same number of stores as of a year earlier.

In 2020, Rogers new voice activations, data activations and customer upgrades dropped by 45%, 47% and 42% respectively, while Fido's new activations, data activations and customer upgrades also registered a drop of 46%, 46% and 51% respectively.

This across the board decrease in business transactions at both Rogers and Fido was the result of the Covid-19 pandemic which had a big negative impact on the Canadian economy and other economies around the world in 2020.

New activations are generally generated from children coming of age, switchers from other service providers, as well as newcomers (immigrants and students) to the country. The Company has an advantage in gaining new customers with its

focus on the Asian ethnic market in which new immigrants and students arrive throughout the year. The Company has concentrated on building networks and connections in new-immigrant support groups and student associations in order to capture this share of the new business. In 2020, the Covid-19 pandemic disrupted the normal yearly arrival of new immigrants and students from abroad which in turn led to an across the board decrease in the Company's new activation numbers.

On the customer upgrade side, customers seem to be holding on to their current devices longer than before, not only because of higher prices, but also because there has not been a significant technological breakthrough in smartphones in recent years. This was even more so in 2020 when Canadians were asked to stay home most of the time to mitigate the transmission of the COVID-19 virus, further dampening their desire to upgrade to the latest devices. Unlike prior years, wireless network carriers do not have exclusivity to new phone models and all major carriers now have the same products in their lineup. Launch of new phones used to be a highly anticipated event among phone followers, and retaining early adopters, who are usually the most loyal customers, is key. The part of the CRTC Wireless Code which came into effect in Q4 2017 mandated that Canadian carriers sell hardware unlocked and also to unlock customers' phones upon request; both of these mandates further encourage customers to shop around when their existing contracts expire, instead of automatically rolling over their contracts and upgrading to new hardware with their existing carrier.

Another factor for the decrease in transaction volume is the incumbent carriers' focus on higher average revenue per user (ARPU) customers, which did not help the Company gain volume. For the Company, which leans heavily on the more price sensitive consumer segment of the market, both new and upgrade transactions were adversely affected by the higher tier monthly service fee plans that customers had to sign up for in order to get their desired hardware.

Combining Rogers and Fido, new voice, data activations and customer upgrades in the year went down by 46%, 46% and 45%, respectively, over 2019. This drop in transaction volume translated into a corresponding decrease in various income streams.

Phone hardware sales decreased by 41%, as the number of phones sold dropped by 49%, from 4,476 in 2019 to 2,303 in 2020. The cost of smartphones is much higher now (more than \$1,000 each) and consequently a drop in the volume of hardware sales has a higher impact on the Company's revenue. Compounding this is the high percentage of BYOD activations on the Fido side, which do not contribute any hardware revenue. Although this does not necessarily mean less profitability, it does depress hardware sales and hence overall wireless revenue.

New activation commissions and customer upgrade commissions decreased by 41% and 36%, respectively. Residual commissions was the least affected and recorded a small decrease of 4% over 2019.

Bonus commissions decreased by 50% in 2020, when compared with 2019. Bonus payout is based on an array of target metrics determined at the Carrier's discretion and is therefore not guaranteed.

Rogers and Fido Bank (Mastercard) commissions decreased by 67%. 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 product is usually sold in stores as an add-on product when customers perform their Wireless transactions. Credit cards are also a highly competitive product and signup incentives are critical in attracting new customers. Lacking both customer traffic and strong incentives the decrease in commissions was inevitable. Nevertheless, selling Mastercard remains the focus of the Company in 2021.

Cable and other commissions decreased by 33% over 2019. With the phasing out of legacy TV and the introduction of Internet TV and concepts such as Rogers' Ignite TV, which offers seamless integration with apps such as Netflix and YouTube, this sector is more than likely to improve in the future. Similarly, the transition in wireless telecommunications infrastructure from 4G to 5G, as well as strength in demand for Advanced Mobility applications is projected to boost the Wireless side of the business in the near future.

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 and Internet of Things (IoT). 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 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.

Subscriber base:

December 31, 2020 – 24,834

December 31, 2019 – 24,530

Increase of 304 or 1.24%

As at December 31, 2020, the Company had 24,834 subscribers, representing the subscriber base attached to the four locations (two Rogers and two Fido) the Company had entering 2019.

The increase in subscriber base is a net increase and is made up of a decrease in the Rogers subscriber base of 510 and an increase in the Fido subscriber

base of 814. This is consistent with past years with Rogers being a premium brand and Fido being a value brand and a volume driver.

In order to maintain its subscriber base, the Company needs to keep adding new customers, while at the same time trying to prevent them from leaving. The key now is to give customers good reasons to sign up and stay with Rogers, instead of going to the competition. Given this, the “why Rogers” and the Rogers “value propositions” continue to remain front and centre in all the Company’s messaging.

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

### Results of operations – Micro Financing business

In 2020, Adwell’s revenue recorded a decrease of \$137,442, or 18% over 2019.

	2020	2019	+/-	%
<b>Financing revenue</b>	635,005	772,447	-137,442	-18%

Throughout the year, Adwell’s main business continued to comprise of unsecured personal short-term instalment loans in amounts ranging from \$1,000 to \$7,500, with 9 to 36-month flexible repayment terms and no early repayment penalties to individuals. These loans are alternatives to payday loans, which are usually more expensive and stressful to individual consumers. With more flexible repayment terms and its expertise in customer service, Adwell aims to reduce customers’ stress and help rebuild their financial wellness.

Adwell’s main income is generated from interest on these instalment loans. In 2020, Adwell sold a total of 553 instalment loans to customers, vs 934 in 2019, a 41% decrease.

After a few years of rapid expansion, Adwell has created a stable customer base and development channel. Moving forward, Adwell’s strategy is to focus on telephone and online marketing as well as participation and sponsorships in local community events and functions in order to maintain and further develop its customer base. In late 2019, it became clear that the existence of a Toronto office as a physical location no longer fits in with Adwell’s future e-business strategy. Consequently, Adwell terminated the operation of its Toronto office in December 2019.

Besides unsecured personal loans, Adwell has also ventured into the following types of loan products to widen its portfolio offerings, customer base, as well as to spread out risks. These loan products also generate fee income for Adwell.

- Secured loans - this product is similar to Adwell's existing micro loan offering but is secured by real property. The 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 product. This arrangement will allow Adwell to enter the mortgage loan market, while spreading its default risk.
- Pay-day loan - Adwell offers this type of loan 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 2019 and has directed additional resources into this business segment.

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

	2020	2019	+/-	%
<b>Interest income</b>	558,828	694,179	-135,351	-19%
<b>Fee income/Other income</b>	76,177	78,268	-2,091	-3%
<b>Interest cost</b>	68,223	89,493	-21,270	-24%
<b>General &amp; administration</b>	356,289	527,297	-171,008	-32%
<b>Advertising &amp; promotion</b>	150	1,950	-1,800	-92%
<b>Amortization of property, plant &amp; equipment</b>	3,367	17,057	-13,690	-80%
<b>Provision for loan loss</b>	60,171	45,386	14,785	33%
<b>Income from operations</b>	146,805	91,264	55,541	61%
<b>Gain (loss) on sale of assets</b>	0	-3,424	3,424	-100%
<b>Income before income taxes</b>	146,805	87,840	58,965	67%

In 2020, despite a 19% decline in interest income, Adwell still recorded income from operations (before income taxes) of \$146,805, a 67% increase over income of \$87,840 a year earlier. The increase in income was the result of maintaining a similar level of fee income for the year, while reducing the general and administration expenses through closure of the Toronto office as well as factoring in receipts from the government's pandemic relief wage and rent subsidy program.

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 new calculation method resulted in a 33% increase in loan loss provisions in 2020, which Adwell thinks is prudent, especially in light of the Covid-19 pandemic. Adwell reviews and makes adjustments to this provision on a quarterly basis.

## Results of operations – Digital Health business

The new Digital Health business reported a loss from operations of \$417,286 for the year 2020. No income was reported as the new subsidiary was still in its start-up stage.

Since commencing operations in Q2 of 2020, ATMC has executed its operations along three key directions:

Customizing the Dynosense service model 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. A full round of consultations with numerous reputable professionals in the medical and elderly care service industry has been completed. The consultations focused on making amendments to adapt to the Hong Kong market environment in the areas of operation flow, user interface and customer support.
3. The resulted recommendations have been provided to Dynosense and the software improvement and customization are expected to be completed by Q2 2021.

Establishing strategic sales channels and building synergistic business cooperation:

1. ATMC has been establishing business connections with industry leaders in medical care, telecom, insurance, senior home solutions and nursing care companies, with a view to building a strategic B2B2C business model. This model will enable ATMC to market its services to hundreds of thousands of potential customers down the road. The goal is to grow ATMC as a knowledge-based industry leader, whose core value lies in its ability to develop pioneering remote medicare solutions.
2. ATMC is also building an ecosystem to facilitate Dynosense sales, while creating new revenue streams - ATMC is partnering with kiosk and system integration experts to develop a unique product in Hong Kong, "Professional Remote Consultation System", to create a synergistic revenue channel alongside Dynosense's remote monitoring solutions, for cross-selling as well as sustainable growth planning.

Securing product supply:

1. At time of this MD&A, ATMC has received a small shipment of products in Q1 2021; and been informed Dynosense that full-scale production will

commence shortly and Dynosense should expect to receive a substantial supply of products by Q2 to match the product's soft launch at that time.

#### Gross profit margin

2020 – 51%

2019 – 47%

Gross profit margin for the year is 51%, compared to 47% in 2019.

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 (internet/TV), Mastercard and phone hardware insurance.

The following factors could have an impact on profit margins:

- New activation commissions 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 retain customers amid heavy competition and the government's objective of increasing competition in the future.
- Commissions generated from Cable, Rogers Mastercard and hardware device insurance are now important revenue sources to make up the loss in wireless commission due to loss of volume.
- Loan interest income is affected by interest rate trends and the number of loans advanced.

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

2020 General and administration expenses—\$2,547,001

2019 General and administration expenses—\$3,171,960

Decrease of \$624,959, or 20%

In 2020, there was an overall decreased in transaction related payroll and office expenses such as sales commission and credit card charges. During the year, the Company participated in newly introduced government payroll and rent subsidy programs designed to assist Canadian businesses weather the Covid-10 pandemic. This helped reduced overall general and administration expenses for the year. The new Digital Health Business in Hong Kong started incurring expenses in the areas of payroll and professional fees in the latter part of the year.

2020 Advertisement and promotion expenses—\$70,052

2019 Advertisement and promotion expenses—\$56,433

Increase of \$13,619, or 24%

The Company's Wireless business 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 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 the overall cost for customers. This tactic can be very effective for short term "hit & run" promotions and to close transactions because competitors 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 Company does not anticipate that Adwell will be a heavy user of advertisements and promotions because its customers are mostly attracted to Adwell via referrals.

The new Digital business incurred some advertising and promotion expenses in Q4 of 2020 as it planned to launch its new product in the Hong Kong market. The increase in advertisement and promotion expenses in 2020 was from this business segment.

2020 Depreciation—Right-of-use assets—\$174,230

2019 Depreciation—Right-of-use assets—\$134,523

Increase of \$39,707 or 30%

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. The Company has six leases under this classification, with expiry dates ranging from 2020 to 2023.

The increase is due to renewal of three leases during the year.

2020 Amortization of property and equipment—\$44,177

2019 Amortization of property and equipment—\$64,858

Decrease of \$20,681, or 32%

The decrease is the result of leasehold improvement fully written off on three of the leases which expired in 2020 and since renewed.

2020 Amortization of investment properties—\$36,400

2019 Amortization of investment properties—\$45,986

Decrease of \$9,586 or 21%

The company sold two investment properties in 2020.

2020 Rental income—\$77,162

2019 Rental income—\$189,589

Decrease of \$112,427 or 59%

The Company sold two income generating investment properties in early 2020, causing the decrease. The Company also participated in the government sponsored rent subsidy program which requires landlords to give some rent concession to their tenants during the pandemic.

2020 Gain on sale of assets—\$1,483,121

2019 Gain on sale of assets—\$1,029,022

The sale of the two investment properties in 2020 generated this total gain of \$1,483,121.

2020 income before income taxes—\$927,982

2019 income before income taxes—\$1,006,508

Decrease of \$78,526 or 8%

2020 net income after taxes—\$860,252

2019 net income after taxes—\$847,094

Increase of \$13,158, or 2%

2020 income attributable to non-controlling interest—\$32,345

2019 income attributable to non-controlling interest—\$19,070

2020 EPS—\$0.069

2019 EPS—\$0.069

## Summary of consolidated quarterly results

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
<b>Wireless revenue</b>	1,124,034	1,178,469	1,527,606	1,718,106	750,824	332,307	1,069,803	1,359,206
<b>Financing revenue</b>	181,114	190,896	199,909	200,528	199,394	156,008	142,166	137,437
<b>Gross margin</b>	46%	53%	51%	40%	55%	72%	47%	42%
<b>Net income (loss) before income taxes</b>	(160,710)	942,338	277,106	(52,226)	1,448,537	(80,606)	(281,410)	(110,508)
<b>Basic and diluted earnings (loss) per share</b>	(0.010)	0.062	0.012	(0.024)	0.088	(0.006)	(0.017)	(0.007)

The general trend in retail sales in Canada is that Q1 revenue is normally the lowest, then gradually moving up in Q2 and Q3, and finally peaking in Q4. The Company in general followed this trend in 2019.

This trend was disrupted in 2020 with the arrival of Covid-19 in Q1. The Company's Wireless business was hit the hardest in Q2, as all of its retail locations were closed and Canada was in lock down mode for pretty much that entire quarter.

Wireless income rebounded in Q3 and Q4 when total lockdown was lifted and essential services like telecommunications were allowed to open with restrictions.

Financing income, on the other hand, trended downwards in 2020 as the numbers of new loans dropped throughout the year.

Besides the negative impact of the Covid-19 pandemic, there are still many factors that can affect overall sales and revenue, including:

The focus on transactions ARPU and ARPA 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 must be met.

The launch of new hardware such as marquee phones including Apple, Samsung and Google models will help generate more business, especially in customer upgrades. 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, with carriers fighting hard to retain customers and to attract customers from competitors, especially towards the end of each quarter.

BYOD (bring your own device) has become more and more prevalent in the Company's business and continues to depress phone sales revenue. As

discussed in previous MD&As, 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 the Company's business as the margin on hardware revenue is nominal. Rogers is trying to entice BYOD customers to convert to a new phone by introducing more affordable models in its hardware lineup. Starting in Q3 2019, Rogers also rolled out financing options to let customers pay off their new devices over 24 months. This will help generate more hardware revenue.

The Company's micro financing business represents a new revenue source and has shown steady quarter to quarter growth since its inception. Its revenue represented 15% of the total revenue of the Company in 2019 (12% in 2019). As mentioned earlier in this MD&A, the Company has committed up to \$3,000,000 to finance this venture.

The new Digital Health business is one of the world's fastest growing business segments. Covid-19 only accelerates its development and acceptance in the marketplace. The Company is now well positioned to leverage this business and expects, shortly, to add incremental revenue from this new business segment.

#### Fourth Quarter discussion

Even though sales have not returned to pre-Covid levels. Building on the momentum of Q3, the Company continued to improve trading in Q4 from a near complete shutdown of business transactions in Q2.

Carriers are gradually getting back to "sales" mode, and the launching of new phones like the Apple iPhone 12 and the Samsung S20 models help generated enthusiasm in the marketplace, especially for the customers whose purchases are driven by the latest and best devices.

However, customer upgrades are still depressed as most customers do not feel the urgency to upgrade to a new hardware at this point, and choose to wait it out for the time being.

Rogers new voice and data activations decreased by 17% and 36% respectively, while customer upgrades decreased by 36%. Fido new voice and data, on the other hand, dropped 3% and 19% respectively, while customer upgrades

decreased by 27%. Combined, total new and data activations decreased by 8% and 26% respectively in Q4, while customer upgrades dropped by 36% in Q4.

Looking at revenue, Q4 total wireless revenue decreased by 21% over the same quarter last year. New activation and customer upgrade commissions dropped by 16% and 28% as transaction volume decreased. Residual commission decreased by 7%. Rogers and Fido Bank (Mastercard) commissions also decreased by 55%.

Cable revenue is the only revenue item that registered an increase of 22%, showing that the need for people to remain connected during the pandemic is stronger than ever.

In Q4, Adwell generated \$121,897 in interest income, which is a 31% decrease over Q4 2019. Part of Adwell's strategy during the pandemic is to manage its loan portfolio conservatively, leading to a reduced loan portfolio and thus decrease in interest. Fee income also decreased by 37% during the quarter.

This reduction in overall income led to a loss from operations of \$55,784, compared to loss of \$7,518 a year earlier.

	Q4 2020	Q4 2019	+/-	%
<b>Interest income</b>	121,897	175,697	-53,800	-31%
<b>Fee income</b>	15,540	24,831	-9,291	-37%
<b>Total income</b>	137,437	200,528	-63,091	-31%
<b>General &amp; administration (including interest cost &amp; provision for loan loss)</b>	192,229	199,654	-7,425	-4%
<b>Advertising and promotion</b>	150	1,950	-1,800	-92%
<b>Amortization of property, plant &amp; equipment</b>	842	3,018	-2,176	-72%
<b>Loss on sale of assets</b>	0	3,424	-3,424	-100%
<b>Income from operations</b>	-55,784	-7,518	-48,266	642%

### Liquidity

Cash and cash equivalents & short-term investments as at December 31, 2020—  
\$14,060,683

Cash and cash equivalents & short-term investments as at December 31, 2019—  
\$14,881,313

Decrease of \$820,630 or 5.5%

Working capital as at December 31, 2020—\$14,741,313

Working capital as at December 31, 2019—\$15,584,002

Decrease of \$842,689 or 5.4%

During the past year, the Company used its internally available funds to fund its dividend payment as well as the investment in and ongoing funding of both Adwell and the new Hong Kong digital health venture. These payments did not have any major impact on the operating cash flows of the Company.

The liquidity of the company has always been generated from the Company's operations. The bank line of credit, which was for standby purpose and not used, was cancelled when the Company sold the property used as collateral in January 2020.

### Summary of contractual obligations

#### Wireless business

Number of leases at December 31, 2020–5 (December 31, 2019–5)

The number of leases remains at five at yearend 2020, same as 2019. During the year, the Company renewed three leases through to 2023, which is in line with the Company's Dealer Agreement expiry date with Rogers.

Future minimum operating lease commitments are as follows:

2021	\$156,486
2022	\$160,147
2023	\$107,409
Total	\$424,041

#### Financing business

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

2021	\$24,984
2022	\$0
2023	\$0
Total	\$24,984

In sum, total future minimum operating lease commitments of the Company as at December 31, 2020 are as follows:

2021	\$181,470
2022	\$160,147
2023	\$107,409
Total	\$449,025

### Capital resources

The Company used to have a \$250,000 line of credit but it was cancelled in January 2020 when the Company sold the property used to secure it.

### Off balance sheet arrangements

In 2020, the Company sold two of the four investment properties it had in 2019, leaving it with two investment properties as at December 31, 2020, one in Ontario and one in B.C.

The Ontario property (Horizon Centre) has been leased since 2009. This commercial condominium unit was originally intended for another store, but it was decided that the location was not suitable for selling wireless products at that time. The lease from the last renewal expired on December 31, 2020 and was not officially renewed, but is still leased by the tenant on a month to month basis for the time being. Both parties agreed to finalize a formal renewal once the pandemic is under control. 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.

During Q4 2019 the Company decided to put two of its three B.C. properties up for sale. The Vancouver commercial real estate market expects an increase in commercial strata unit supply in the next few years and it seemed the right time to sell when the supply was still relatively low.

Both units were sold at a gain posted after yearend 2019, one in January and the other in February 2020, respectively. The gain is reflected in the Company's 2020 financial statements.

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 December 15, 2021 and December 31, 2021, respectively.

As at December 31, 2020, these two properties were classified on the consolidated statement of financial position as investment properties. Total rent received was \$77,162 in 2020 (2019-\$189,589). The combined market value of these properties is estimated to be \$1,376,952 as at December 31, 2020

(December 31, 2019–\$3,681,000). The rental income on these investment properties has been presented as rental income on the consolidated statement of income and comprehensive income.

It is the Company's intention to sell them at a reasonable return as and when decided by management.

#### Transactions with related parties

Salaries and fees paid to the Company's directors and executive offices in 2020 were \$729,500 (2019–\$741,000).

#### Proposed transactions

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

As outlined in the Company's previous MD&As, the Company's new digital health business ("ATMC") was established in Hong Kong and commenced operations in Q3, 2020.

#### Outstanding share data

There were 11,935,513 common shares issued and outstanding as at December 31, 2020 (December 31, 2019 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company issued no stock option during 2020 and there was no stock option outstanding as at December 31, 2020

#### Changes in accounting policies

Effective January 1, 2019, the Company adopted the new accounting standard IFRS 16– Leases (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, 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 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 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 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. 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 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 consolidated statement of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction, including inventory and pricing risk.

The preparation of the 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, 2020. 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 December 31, 2020.

#### Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in 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 third wave of Covid-19 would emerge in the summer. Unfortunately, this third 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 in 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 year ended December 31, 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.

Account receivable from Rogers was 88% as at December 31, 2020 (86% as at December 31, 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. 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, as well as the growing contribution from the Micro Finance and Digital Health businesses.

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.

#### Digital Health business

The Company is starting up a new business venture outside of Canada and as such the new venture (ATMC) is subject to risk factors such as market availability, supply continuity and foreign exchange fluctuation. The Company has devoted both financial and human resources into this new venture and has recruited a management team with good local market experience to operate the business.

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