

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

Management's discussion and analysis for the quarter ended September 30, 2022

Effective date of MD&A – November 28, 2022

### 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 Company's business segments 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forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this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. (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 September 30, 2022 – four stores (two Rogers & two Fido, all in Ontario)

Number of stores as at September 30, 2021 – four stores (two Rogers & two Fido, all in Ontario)

### Economic dependence

For the three months ended September 30, 2022, approximately 99% (2021 - 97%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 1% (2021 - 3%) was generated through the Company's four retail stores in Ontario (2021 - four stores in Ontario) on the wireless side and Adwell Financial Services Inc. ("Adwell") on the financing side.

Account Receivable from Rogers - 91% at September 30, 2022 (85% at September 30, 2021).

## (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 \$1,810,000 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$1,460,000 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 was required to 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 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 to a cloud- based artificial intelligence platform 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 tailored 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 (ATMC) commenced operations in Hong Kong in the second half of 2020.

In Q3 2022, the Company was informed by Dynosense that they have decided to shut down their U.S. operations, and thus future server support of ATMC. Since Dynosense's cloud based AI system is an integral part of the ATMC business it is

essential that the Company can find a replacement system in order to continue with this business venture.

Unfortunately due to the proprietary nature of Dynosense's system a replacement could not be found and therefore the Company had no choice but to begin dissolving ATMC at time of this MD&A. This process is expected to be completed before end of the year.

### Covid-19 pandemic

The Covid-19 pandemic, declared by the WHO in March 2020, has shown little sign of going away and continues to impact the Canadian and global economies throughout 2021 and into 2022, as governments worldwide keep enacting various measures to combat the spread of this virus since its outbreak in the first quarter of 2020.

These measures include the implementation of travel bans, self-imposed quarantine periods, closure 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 businesses globally, resulting in an economic downturn throughout 2020 and 2021.

After briefly lifting certain public health restrictions in early 2021, several Canadian provinces, including Ontario and British Columbia, declared a third wave of the Covid-19 pandemic in March and re-implemented those restrictions. In August 2021, Canada entered a fourth wave of Covid-19 and many provinces implemented proof of vaccination requirements to access non-essential businesses and services.

Late in the third quarter of 2021, provinces began relaxing certain of these public health restrictions as vaccines became more widely available and vaccination rates increased across the country. However, the arrival of the Omicron variant in late 2021 re-accelerated the spread of Covid-19 and prompted provinces to reintroduce various restrictions again.

At the time of this MD&A, many of these restrictions have been lifted as vaccination rates remain high and hospitalization rates low. Although a recent surge of Covid-19 since July seem to have plateaued, an emergence of new Omicron variants BQ.1.1 and BF.7 are on the rise which prompted the Canadian Chief Public Health Officer to warn that these new variants, together with an upswing in seasonal influenza cases, are posing a challenge to the health system and points to the need for stepped up precautions in the upcoming months.

Since the future evolution and impact of Covid-19 is still unknown, it is not possible to predict the overall impact on the Company's operations

and financial results for the remainder of the year.

### Overall performance

	Q3 2022	Q3 2021	+/-	%
<b>Wireless revenue</b>	1,474,143	1,380,997	93,146	7%
<b>Financing revenue (including other revenue)</b>	162,067	136,982	25,085	18%
<b>Digital Health revenue</b>	34,940	4,095	30,845	753%
<b>Total revenue (excluding investment income and gain(loss) on sale of assets)</b>	1,671,150	1,522,074	149,076	10%

Third quarter combined revenue increased by \$149,076 or 10% compared to the same quarter last year. This was comprised of an increase in wireless revenue of \$93,146 (7%), an increase in financing revenue of \$25,085 (18%), and an increase in digital health revenue of \$30,845 (753%)

For a third year, the Covid-19 pandemic continued to disrupt the Canadian economy. Then, arrival of the Omicron variant in late 2021 reaccelerated the spread of Covid-19 and prompted provinces to reintroduce restrictions in November 2021 and into Q1 2022. However, with the number of Covid-19 cases trending down and vaccination rates increasing, restrictions were gradually lifted in the first half of 2022 and by Q3 2022, the Canadian economy seemed to be on the road to recovery as Canadians began returning to their work places, shopping at their favorite Malls, and travelling to their favorite vacation destinations.

In Q3 2022, wireless revenue increased by \$93,146 or 7% over Q3 2021. The wireless business had a strong “back to school” selling season this year, thanks to customers returning to malls for their traditional “back to school” shopping, aided by aggressive consumer marketing by Canadian wireless carriers during this period.

The Company’s financing business, Adwell generated \$162,067 in Q3 revenues (Q3 2021 - \$136,982), a quarter to quarter increase of 18%. Adwell had an active quarter in Q3 2022, recording increases in lending activities on both personal instalment loans and payday loans, resulting in increases in both interest and fee income.

Financing income now represents 10% of the combined revenue of the Company as of Q3 2022 (Q3 2021 - 8%).

The Digital Health Business recorded revenue of \$34,940 in Q3, 2022 (Q3 2021 - \$4,095).

## Summary of consolidated quarterly results

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
<b>Wireless revenue</b>	1,359,206	860,692	800,965	1,380,997	1,994,037	749,622	843,902	1,474,143
<b>Financing revenue</b>	137,437	131,443	136,374	136,982	158,308	143,278	233,636	162,067
<b>Digital Health revenue</b>	0	2,285	0	4,095	6,758	2,388	31,538	34,940
<b>Gross margin</b>	42%	46%	56%	48%	45%	51%	51%	56%
<b>Net income (loss) before income taxes</b>	(389,867)	(197,671)	(205,647)	23,300	(381,951)	(389,076)	(123,279)	353,245
<b>Basic and diluted earnings (loss) per share</b>	(0.033)	(0.012)	(0.012)	0.001	(0.036)	(0.032)	(0.013)	0.027

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

While Covid-19 disrupted this trend in 2020 and 2021, the normal trend seems to have returned in 2022 as Covid-19 restrictions are being lifted and Canadians are getting back to their normal lives. Helped by a strong “back to school” selling period, the Company’s Q3 2022 wireless revenue increased by 75% over that of Q2 2022. It was also 7% higher than that of Q3 2021, showing signs that wireless revenues are on the road to a steady recovery.

However, even with these encouraging signs there remains a degree of uncertainty down the road, including concerns that a resurgence of the virus could be on the horizon, especially with the winter months approaching.

Financing revenue increased by 18% in Q3 2022 over Q3 2021, thanks to increases in both interest income and fee income from Adwell’s personal instalment loans and pay day loans. Financing income is subject to smaller fluctuations than wireless income as interest is accrued on its existing loan portfolio. In response to the potential increase in credit risk posted by Covid-19, Adwell has tightened its lending policies compared to last year, especially for unsecured installment-loans and is closely monitoring the quality of its loan portfolio.

### Results of operations – Wireless business

In Q3, 2022, Rogers’ new voice activations and data activations increased by 1% and 10% respectively over Q3 2021, while customer upgrades also recorded an increase of 4%.

On the Fido side of the business, new voice activations and data activations increased by 44% and 33% respectively over Q3 2021, while customer upgrades decreased by 3%.

This overall improvement shows that the wireless industry in general is recovering from the damage caused by the Covid-19 pandemic two years ago, and customers are returning to malls to shop for wireless products and services.

In Q3 2022, the Company's Fido business is leading the charge as all the Carriers came out with aggressive "back to school" promotions, aiming to capture the biggest market share possible.

Combining Rogers' and Fido's business streams, total new voice and data activations in this quarter went up by 34% and 28%, while customer upgrades also went up by 1%, as reflected in the Company's business results.

Phone hardware sales decreased by 4% reflecting a 41% decrease in the number of phones sold. In Q3 2022, the increase in wireless transactions was largely from the Fido brand and the majority of these are BYOD (Bring your own device) transactions which do not generate hardware sales.

New activation commissions and customer upgrade commissions increased by 34% and 13% respectively over the same quarter last year due to increases in both the number of transactions and the amount of commission per transaction. Residual commissions held steady with a slight decrease of 3% over Q3 2021.

Rogers and Fido Bank (Mastercard) commissions decreased by 95% in Q3 2022. Mastercard is an add-on sale item and the Q3 2022 higher than normal wireless and cable transactions probably left less selling time for this peripheral item. Cable and other commissions, on the other hand, increased by 27% over Q3 2021, mainly due to some attractive internet promotions during the "back to school" season.

Management is encouraged by the rate of recovery since the economy's post-Covid reopening and remains optimistic that the Company's business will remain strong during the remainder of 2022.

On the technology front, 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 have all rolled out their own 5G networks. At the time of this MD&A, Rogers has already rolled out its 5G network in 1,800 communities across Canada reaching over 27 million Canadians. The Company looks forward to bringing this transformative technology, with its potential to change every aspect of daily lives, to its customers.

#### Subscriber Base:

September 30, 2022 - 27,787  
September 30, 2021 - 25,244  
Increase of 2,543 or 9%

This net increase in subscriber base of 2,543 is the result of a year to year decrease in the Rogers subscriber base of 1,151 and an increase in the FIDO subscriber base of 3,694. This has been the trend for the past two years as FIDO has become the volume generator in the price sensitive consumer market.

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, which gives the Company a steady flow of income. This was particularly apparent during the Covid-19 pandemic, as the Company was able to maintain a steady level of residual income even though transactional income suffered.

Results of operations – Financing business

In Q3 2022, Adwell’s financing income increased by \$25,085, or 18% compared to Q3 2021.

	Q3 2022	Q3 2021	+/-	%
<b>Financing income</b>	162,067	136,982	25,085	18%

Adwell’s main business continues to be unsecured personal short-term instalment loans to individuals in amounts ranging from \$1,500 to \$5,000, with nine to 36-month flexible repayment terms and no early repayment penalties. These loans are made with an average interest rate of 41% 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 2022, Adwell made 161 of these personal short-term instalment loans to customers, as compared to 137 in Q3 2021.

Even with the increased volume of these loans Adwell management continued to adopt a conservative approach to personal lending as many of its 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.

Besides unsecured personal loans, Adwell has been gradually adding other loan products into its portfolio including:

- 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 (average 12 months) financing. This type of loan carries lower risk and generates an upfront application fee.
- Pay-day loans - this is a loan product offered to customers who have a regular income but could not find guarantor(s) to qualify for Adwell's lower interest personal instalment loans. Pay-day loans are usually smaller in amount (less than \$1,000), but generate higher fees and have become increasingly popular in the BC market where Adwell operates. In Q3 2022, Adwell advanced 128 pay-day loans to customers in Q3 2022 compared to 116 in Q3 2021, a 10% increase.

The table below shows the income and expense breakdown of the Company's financing business in Q3 2022 and Q3 2021:

	Q3 2022	Q3 2021	+/-	%
<b>Interest income</b>	149,204	115,325	33,879	29%
<b>Fee income/Other income</b>	12,863	21,657	-8,794	-41%
<b>Total income</b>	162,067	136,982	25,085	18%
<b>General &amp; administration (including interest cost &amp; provision for loan loss)</b>	146,015	97,312	48,703	50%
<b>Advertising and promotion</b>	700	0	700	n/a
<b>Amortization of property, plant &amp; equipment</b>	240	842	-602	-71%
<b>Income from operations</b>	15,112	38,828	-23,716	-61%

In Q3 2022, Adwell recorded an income from operations of \$15,112, a 61% decrease over the same period last year. The decrease was caused by a reduction in fee income, and an increase in the provision for loan loss in the quarter.

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 had previously been using. A change Adwell believes is prudent, especially in light of the Covid-19 pandemic. Adwell reviews and makes adjustments to the loan loss provision on a quarterly basis.

#### Results of operations – Digital Health business

The Digital Health business reported a loss from operations of \$85,833 for the quarter. A non-recurring other-revenue adjustment of \$34,940 was posted for this period.

ATMC's business activities were adversely affected since the beginning of the year due to the Omicron outbreak in Hong Kong, which has shown no signs of improvement in Q3. In particular, ATMC was unable to continue with its pilot programs at senior homes which had been forced to operate under a 'closed-loop' environment.

In spite of this difficult business environment, ATMC was still trying to advance its marketing efforts through various channels including, senior homes, hospitals, the medical practitioners community, and consumer retail outlets. However, all these activities will now cease as explained below.

Since August 2022, ATMC's operations have been suspended because of Dynosense's decision to terminate its U.S. operations and thus future support of ATMC. Accordingly, as of this MD&A, the Company has determined that ATMC cannot continue to remain in business and has decided to dissolve its operations. The wind up of ATMC is expected to be completed before end of the year.

#### Gross Profit Margin

Q3 2022 - 56%

Q3 2021 - 48%

Gross profit margin for the quarter was 56%, when compared to 48% in the same quarter last year. The increase in margin was due to an increase in commission revenue resulting from an increase in all transaction types in the quarter, and a corresponding decrease in hardware revenue.

Hardware revenue continued to negatively impact profit margins in the past few years as the price of hardware keeps increasing. Another factor which affects margin is the Company's BYOD (Bring Your Own Device) mix, as BYOD activations only generate commissions but no hardware revenue. The Company has also been focused on increasing its non-margin based products such as cable and Mastercard, which also generate commissions with no hardware cost.

These components of the Company's revenue mix mean 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 has become more and more challenging to retain customers amid heavy competition and the Canadian government's objective of increasing competition in the future.
- Cable commission and Rogers Mastercard commission are now important revenue sources to make up the loss in wireless commissions due to loss of volume.

In short, the Company has to rapidly adopt and adjust to the rapidly changing environment in which it operates, in order to maximize opportunities to generate revenue and reduce business risk.

Q3 2022 General and administration expenses - \$533,158  
Q3 2021 General and administration expenses - \$635,313  
Decrease of \$102,155 or 16%

The decrease in G&A expenses is a result of foreign exchange translation adjustment of ATMC, rather than reduction in actual G&A expenses, which held relatively steady in the quarter compared to the same quarter last year.

Q3 2022 Advertisement and promotion expenses - \$10,038  
Q3 2021 Advertisement and promotion expenses - \$7,630  
Increase of \$2,408 or 32%

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 now more tactical in nature and will hopefully yield faster results.

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

In addition to 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 on Rogers' budget and the timing of promotions, and these reductions may therefore not be repeated in the future.

The Company purchased additional promotion bill credits for its back to school campaign in Q3 2022.

Q3 2022 Depreciation - right-of-use assets - \$43,794  
Q3 2021 Depreciation - right-of-use assets - \$44,530  
Decrease of \$736 or 2%

Commencing January 1, 2019, as a result of the Company's adoption of the International Financial Reporting Standard (IFRS) 16, Leases, certain leases that were previously operating leases are now capitalized as right-of-use-assets, which are depreciated over their respective terms.

Q3 2022 Amortization of property, plant and equipment - \$7,757  
Q3 2021 Amortization of property, plant and equipment - \$8,312  
Decrease of \$555 or 7%

The decrease was the result of leasehold improvement and signage being written off from the leases which were terminated.

Q3 2022 Amortization of investment properties - \$8,973  
Q3 2021 Amortization of investment properties - \$8,973

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

Q3 2022 Amortization of intangible assets - \$23,669  
Q3 2021 Amortization of intangible assets - \$25,000

The Company started to amortize the \$500,000 it paid to Dynosense for the exclusive distributorship in Hong Kong. This was being recorded as an intangible asset on the company's financial statements over a five-year period beginning in Q4 of 2020. This intangible asset is expected to be written off ATMC is dissolved.

Q3 2022 Rental income - \$20,978  
Q3 2021 Rental income - \$19,370  
Increase of \$1,608 or 8%

The Company continues to receive rental income from its two investment properties.

Q3 2022 Income before income taxes - \$353,245  
Q3 2021 Income before income taxes - \$23,300

Q3 2022 Net Income after income taxes - \$205,707  
Q3 2021 Net Income after income taxes - \$18,300

Q3 2022 Net income attributable to non-controlling interests - \$4,534  
Q3 2021 Net income attributable to non-controlling interests - \$10,899

Q3 2022 EPS - \$0.027  
Q3 2021 EPS - \$0.001

### Liquidity

Cash and cash equivalents & short-term investments as at September 30, 2022 - \$11,715,037  
Cash and cash equivalents & short-term investments as at September 30, 2021 - \$13,128,346  
Decrease of \$1,413,309 or 11%

Working capital as at September 30, 2022 - \$12,451,934  
Working capital as at September 30, 2021 - \$13,827,809  
Decrease of \$1,375,875 or 10%

During the past year, the Company used internally generated funds for the dividend payment, for the ongoing funding of Adwell and ATMC. These payments had no significant impact on the operating cash flow of the Company.

The Company's liquidity has always been generated from the result of its operations. The Company has no line of credit arrangement with any bank.

### Summary of contractual obligations

#### Wireless business

Number of leases at September 30, 2022 - five (September 30, 2021 - five).

Future minimum operating lease commitments are as follows:

2022 (remaining)	\$38,218
2023	\$107,409
2024	\$0
Total	\$145,627

#### Financing business

Number of leases at September 30, 2022 - one (September 30, 2021 - one)

Adwell's single lease was extended for three more years from November 2021. Its remaining future minimum operating lease commitment is as follows:

Financing	
2022 (remaining)	\$6,518
2023	\$26,070
2024	\$23,898
Total	\$56,486

### Digital Health business

Number of leases at September 30, 2022 - one (September 30, 2021 - none)

ATMC signed a one year lease for office space in Hong Kong during Q1 2022. Its remaining future minimum operating lease commitment is as follows:

Digital Health	
2022 (remaining)	\$17,043
2023	\$14,202
2024	\$0.00
Total	\$31,245

In sum, total future minimum operating lease commitment of the Company's seven leases as at September 30, 2022 is as follows:

2022 (remaining)	\$61,779
2023	\$147,681
2024	\$23,898
Total	\$233,358

### Capital resources

The Company has no credit facility arrangement with any financial institutions.

### Off balance sheet arrangements

The Company has two investment properties 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 a store, but proved unsuitable for selling wireless products at that time. At last renewal, this lease was extended for one year to expire on May 31, 2023. 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, 2023 and December 31, 2026 respectively.

As at September 30, 2022, the two properties were classified on the unaudited condensed interim consolidated statement of financial position as investment properties. Total rent received was \$20,271 in Q3 2022 (Q3 2021 - \$19,370). The combined market value of the two remaining investment properties is estimated to be \$1,351,765 as at September 30, 2022 (September 30, 2021 - \$1,376,952). 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 2022 were \$172,277 (Q3 2021 - \$109,315).

#### Proposed transactions

The Company's ongoing investment in Adwell and ATMC continues in Q3 2022.

On August 10, 2022, the Company was informed by Dynosense that they were no longer able to financially sustain their business and have decided to shut down their U.S. operations. As a result they can only provide server support to ATMC until October 31, 2022.

Since the Dynosense cloud based AI server system is an integral part of ATMC's business, it cannot go forward unless a compatible replacement system can be found. At time of this MD&A, no replacement system has been found and with the termination of Dynosense server support, the Company has no choice but to notify its customer of the situation and began dissolution of the ATMC business.

#### Outstanding share data

There were 11,935,513 common shares issued and outstanding as at September 30, 2022 (September 30, 2021 - 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 2022, and there were no stock options outstanding as at September 30, 2022.

## Changes in accounting policies

### New accounting pronouncement

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the International Accounting Standards Board issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial statements. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company.

### IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

### IAS 12 Income Taxes (Amendment)

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

## 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.

#### 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.

#### 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.

#### 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.

#### 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 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, 2021. 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, 2022.

### Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q3 2022. The Company has no plans to use any of these in the foreseeable future.

### Risk factors

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, including the redesign of stores to accommodate social distancing requirements, to incorporate contactless transactions 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. As a recent Harvard University report titled "The Pandemic Is Rewriting the Rules of Retail," pointed out "Retailers have to make sure their sites are mobile-responsive, offer integrated services such as "buy online pick up in store" (BOPIS), and deliver a consistent, reliable digital experience across devices and channels."

There is no specific guidance available as to what post Covid-19 retail environment might look like as the Canadian economy emerges from the various restrictions that are now in effect. This lack of guidance is reflected in the following quotation from [JAMA \(Journal of American Medical Association\)](#) that illuminates some of the serious obstacles facing Company management's business planning:

*Canada remains vulnerable in several areas. Children younger than 12 years are not yet eligible for vaccination and could be a potential source of outbreaks in the fall, and governments have done little to expand relatively limited ICU capacity so far. The next year will see Canada addressing new challenges that will require some difficult government decisions and individual choices, including implementing vaccine mandates, vaccine "passports," and the upcoming campaign to vaccinate children. Canada's significant access to and uptake of vaccines will most likely help lessen the effects of a fourth or subsequent waves of COVID-19, but disparate interprovincial public health policies and limited critical care capacity continue to pose challenges.*

The risks inherent in the Company's business planning for the future 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 and implementing end to end contactless transactions. Onset of winter will only exacerbate this requirement. Will customers stand in line to enter a retail store?
- Worse, many experts predicted another wave of Covid-19 winter months. Unfortunately, this fourth wave seems to have arrived quicker than and is already leading to talks about another round of possible close downs, and accelerating the transition away from retail stores.
- 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?
- 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? Especially given the global supply chain driven shortages of high-density chips required for 5G products. The CEO of Intel predicts 5G chip shortages may stretch through 2023. If correct this forecast will have a material impact on the Company's business.
- Will there be additional help for small/medium businesses from the government if the Covid-19 impact, including the affect of variants and breakthrough infections continues in 2022? Will the Federal and Provincial governments continue to assist retail merchants to transition their business to an online-centric business model? Will they offer any assistance at all?
- Last but not least are the relatively new business threats from the geopolitical fault-lines resulting from the United States/China stand-off, especially the threat from a further contraction in the delivery of advanced computer chips required for devices at the heart of all of the Company's hardware including handsets and remote medical measurement and analysis technologies.

In the face of these multiple business threats due to Covid-19 crisis, the Company will have to act quickly to optimize its resilience, rebalancing for risk and liquidity, while assessing opportunities for future growth. 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 with zero upfront payment and dealers are reimbursed 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, 2021, approximately 97% (2020 - 95%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 3% (2020 - 5%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 85% as at September 30, 2021 (82% as at September 30, 2020)

Management has decided that no provision for bad debt is required on Rogers' receivables due to past collection experience and Rogers' continuing 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 continued to publish 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 beyond those arising from the Covid-19 pandemic, 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 lending business. 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 and continue to increasingly adopt new privacy information security and data protection laws, which may increase Adwell's cost of compliance. An example of this development is the increasing convergence of restrictive European Union regulations with the more liberal North American models. 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 was in the process of starting a new business venture outside of Canada that depended on proprietary remote-medical technology developed by Dynosense, a California, USA company. During the quarter, Dynosense informed the Company that it is liquidating its business and will no longer support its proprietary technology, without which ATMC would no longer be viable. Consequently, the Company has commenced dissolving ATMC and this process is expected to be completed by the end of the year.

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