

Advent-AWI Holdings Inc.

Management's discussion and analysis for the quarter ended September 30, 2023

Effective date of MD&A – November 27, 2023

Forward-looking statements

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

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forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this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

Overview

Business Description:

The Company operates in two business segments in Q3 2023 after its Digital health business in Hong Kong was discontinued in Q4 2022.

- (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.

(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, 2023 – four stores (two Rogers & two FIDO, all in Ontario)

Number of stores as at September 30, 2022 – four stores (two Rogers & two FIDO, all in Ontario)

Economic dependence

For the three months ended September 30, 2023, approximately 97% (2022 - 99%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 3% (2022 - 1%) was generated through the Company's four retail stores in Ontario (2022 - four stores in Ontario) on the wireless side and Adwell Financial Services Inc. ("Adwell") on the financing side.

Account Receivable from Rogers – 80% at September 30, 2023 (91% at September 30, 2022).

(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 \$3,050,000 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$2,700,000 was funding for Adwell's advances to customers.

(3) Digital health business (discontinued operations)

The Company started a Digital health business in Hong Kong (ATMC) in the second half of 2020. It was dissolved in November of 2022. Throughout this

MD&A, the Digital health business will be presented as “discontinued operations”.

Covid-19 pandemic

On May 5, 2023, the World Health Organization (WHO) declared that COVID-19 no longer qualifies as a global emergency, marking a symbolic end to the devastating coronavirus pandemic that triggered once-unthinkable lockdowns, upended economies worldwide and killed at least seven million people worldwide.

“It’s with great hope that I declare COVID-19 over as a global health emergency.” WHO Director-General Tedros Adhanom Ghebreyesus said. “That does not mean COVID-19 is over as a global health threat”.

WHO said that even though the emergency phase was over, the pandemic has not come to an end, noting recent spikes in cases in Southeast Asia (for instance, over 10,000 people in Hong Kong are contracting Covid-19 everyday, according to the South China Morning Post, 20 May 2023) and the Middle East. The United Nations health agency says that thousands of people are still dying from the virus every week.

At time of this MD&A, Canada has eased most of its Covid restrictions, as the country has achieved high vaccination rates and low case numbers. However, an emergence of new Omicron variants, in particular EG.5 which has become the dominant variant in Canada and BA.2.86 which has just started appearing in Canada have prompted the Canadian Chief Public Health Officer to warn that these new variants, together with an upswing in seasonal influenza cases during the winter months, are posing a challenge to the health system and points to the need for stepped up precautions.

The Canadian retail sector has faced many challenges and changes due to the Covid-19 pandemic, but it has also shown resilience and an ability to adapt. According to Statistics Canada, retail sales have rebounded strongly since the initial lockdowns in 2020, reaching a record high of \$62.6 billion in November 2022.

However, some challenges and uncertainties still remain for the Canadian retail sector as it emerges from Covid-19. These include supply chain disruptions, labour shortages, rising costs of inputs and inventory management issues. Retailers also have to cope with changing consumer preferences and behaviours, such as increased demand for locally sourced products, sustainability and social responsibility. The retail sector will need to continue to adapt and innovate to meet these challenges and opportunities in 2023 and beyond, especially as the use of masks for COVID protection are deemed unnecessary by populations in crowded venues such as shopping malls, and entertainment gathering places.

Declaration of dividend

On July 11, 2023, the Company announced that a special dividend of \$0.05 per common share would be paid to all shareholders of record as at the close of business on July 27, 2023. The dividend was paid out on August 10, 2023.

Overall performance

In the Company's unaudited condensed interim consolidated financial statements for the period ended September 30, 2023, the Digital Health business has been presented as "discontinued operations". Some prior period figures have been updated as a result of this reclassification.

	Q3 2023	Q3 2022	+/-	%
Wireless revenue	1,127,888	1,474,143	-346,255	-23%
Financing revenue (including other revenue)	267,730	162,067	105,663	65%
Digital Health revenue (discontinued operations)	0	34,940	-34,940	-100%
Total revenue (excluding investment income and gain(loss) on sale of assets)	1,395,618	1,671,150	-275,532	-16%

Third quarter combined revenue decreased by \$275,532 or 16% compared to the same quarter last year. This was comprised of a decrease in wireless revenue of \$346,255 (23%), an increase in financing revenue of \$105,663 (65%), and a decrease in Digital Health revenue of \$34,940 (100%).

Revenue contribution in Q3 2023 is Wireless business 81% (Q3 2022 - 88%), Financing business 19% (Q3 2022 - 10%) and Digital health business (discontinued) 0% (Q3 2022 - 2%).

As the economy continued to respond to higher interest rates and the negative effects of elevated commodity prices caused by supply chain interruptions, the Canadian economy faced challenges in the third quarter of 2023 compared to the same period in 2022. The decline in the housing market also led to a decrease in the net worth of Canadians which could have future negative implications for consumer spending and confidence. The Q3 "Back-to-school" selling period did not bring in the same volume of transactions this year because Canada accepted fewer overseas students this year, especially from Asian countries like India and China.

Amid these challenging economic conditions, the Company's Wireless business saw a decline in transaction volumes and recorded a year-to-year decrease in revenue of 23%. The launch of the new Apple iPhone 15 did not take place until the end of the quarter and therefore had little impact on Q3 results.

On the financing side of the business, Adwell generated \$267,730 in Q3 revenue (Q3 2022 - \$162,067), a quarter-to-quarter increase of 65%. Adwell had an

increase in unsecured personal loans in the quarter but saw a decrease in pay-day loans. The increase in revenue was a result of fee income generated from these new unsecured personal loans and also from Canadian interest rates which moved higher compared to last year.

The Company's digital health revenue was dissolved in November 2022 and therefore had no revenue in Q3 2023.

Summary of consolidated quarterly results

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Wireless revenue	1,994,037	749,622	843,902	1,474,143	1,695,564	987,500	885,870	1,127,888
Financing revenue	158,308	143,278	233,636	162,067	173,203	210,570	239,962	267,730
Digital Health revenue	6,758	2,388	31,538	34,940	8,231	0	0	0
Gross margin	45%	51%	51%	56%	57%	48%	58%	55%
Net income (loss)	(381,951)	(243,596)	(165,418)	205,707	(787,255)	(3,944)	26,597	68,423
Basic and diluted earnings (loss) per share	(0.036)	(0.032)	(0.013)	0.027	(0.060)	(0.002)	0.0002	0.0041

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

The Company had a good start in Q1 2023 revenue, a momentum it was unable to maintain in Q2, due probably to rising interest rates and disturbing economic news during the quarter which held back consumer spending. Wireless revenue did pick back up in Q3 but at a slower pace than last year. The Company is hopeful that consumer spending will increase in the 4th quarter of the year, especially with the launch of the new iPhone 15 in late September and the Christmas holiday shopping season around the corner.

Financing revenue has steadily increased in the last four quarters, as Adwell cautiously increased its advances to customers beginning in the second half of last year. Interest revenue has been on the rise as the Canadian lending rate has been steadily trending upwards in an effort to combat inflation. Fee income, on the other hand, is subject to higher fluctuation as it depends on the number and size of the loans advanced.

In response to the potential increase in credit risk posed by Covid-19, Adwell continues to monitor the quality of its loan portfolio closely to make sure enough provision is made to weather any potential fluctuation in the business.

Results of operations – Wireless business

In Q3, 2023, the number of Rogers' new voice and new data activations increased by 68% and 66% respectively over Q3 2022, while customer upgrades decreased by 31%.

On the other hand, FIDO new voice activations and data activations both decreased by 49% and 50% respectively over Q3 2022. Customer upgrades also decreased by 42%.

Since FIDO is the volume driver of the Company's wireless business, the increase in the Rogers transaction volume could not offset the decrease on the FIDO side, causing combined Rogers and FIDO new voice and data activations to drop by 30% and 32% respectively, while customer upgrades had a combined decrease of 35%.

All these are reflected in the following revenue streams of the Company:

Phone hardware sales decreased by 24% as the number of phones sold also dropped by 21%. The cost of Smartphones is much higher now, at more than \$1,000 each on average, and a change in the volume of hardware sales will consequently now have a higher impact on the Company's revenue.

The decrease in transaction volume on the FIDO side caused new voice and data commission to decrease by 54% over the same quarter last year. Customer upgrade commission followed the same trend and dropped by 36% over Q3 2022.

Residual commissions, however, increased by 16% over Q3 2022, the result of a 5% increase in the residual subscriber base and a slight increase in the average monthly service fee. No bonus was earned during the quarter, although bonus revenue is now no longer a big component of the overall compensation structure.

Rogers Bank (Rogers Mastercard) activations had a strong quarter this year and recorded a 100 time increase in commission. Rogers has repositioned this "Connections" Mastercard as a differentiator among its competitors and has put new features into this card (like 5 days of free Roam-like-home) to boost new customer sign-ups. Mastercard is mostly an add-on sale item and is expected to trend up as retail traffic and transaction volume return to pre-pandemic levels during 2023. The Company has always been a strong promoter of this product and will continue to do so.

Cable/internet and other commissions increased by 84% over Q3 2022, also due to the return of mall traffic and attractive Rogers promotions during the quarter.

Although the Covid-19 pandemic negatively impacted the Company's result in 2021 and 2022, management is encouraged by the rate of post-pandemic recovery since reopening and remains optimistic that the Company's business will continue to improve in the remainder of 2023.

The arrival of 5G is beginning to change the telecommunication landscape of Canada. 5G networks offer faster downloads, lower latency and better performance on more devices including smart cars, home appliances and remote

medical devices as part of what is now called the Internet of Things (IoT). Therefore, major Canadian carriers are all developing their own 5G networks. At the time of this MD&A, Rogers has already rolled out its 5G network in most major cities across Canada, and other Canadian carriers are doing the same.

On April 3, 2023, Rogers completed its acquisition of Shaw Communications, another major player in the industry. This acquisition will allow Rogers to expand its 5G coverage and network service across Canada, especially in western Canada where Shaw has a strong presence. The Company looks forward to bringing this transformative technology, with its potential to change every aspect of daily lives, to its customers. We would also emphasize that “5G” is now also a marketing differentiator. Competitors who do not display “5G” will increasingly be at a disadvantage.

Subscriber Base:

September 30, 2023 - 29,181

September 30, 2022 - 27,787

Increase of 1,394 or 5%

This net increase in subscriber base of 1,394 is the result of a year-to-year decrease in the Rogers subscriber base of 1,551 on one hand, and an increase of the FIDO subscriber base of 2,945 on the other. This is in keeping with the consumer-centric nature of the Company’s wireless business which is driven by the more affordable FIDO brand.

In order to maintain its subscriber base, the Company’s strategy is to keep adding new customers, while at the same time try 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 Company believes that the keys to maintaining its 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, in turn, gives the Company a steady flow of income. This was particularly apparent during this year's Covid-19 pandemic, as the Company received a steady level of residual income even as transactional income suffered.

Results of operations – Financing business

In Q3 2023, Adwell's financing income increased by \$105,663, or 65% compared to Q3 2022.

	Q3 2023	Q3 2022	+/-	%
Financing income	267,730	162,067	105,663	65%

Adwell's main business continued to be unsecured personal short-term instalment loans to individuals in amounts ranging from \$1,000 to \$5,000, with 9 to 36-month flexible repayment terms and no early repayment penalties. These loans require guarantor(s) and are alternatives to payday loans, which are usually more expensive and stressful for consumers. With more flexible repayment terms and its customer service expertise, Adwell aims to help reduce customers' stress and help rebuild their financial wellness.

Adwell's main income is interest generated from these instalment loans. With the lifting of most COVID-19 restrictions and Canadian business activities returning to pre-COVID levels, Adwell saw an increase in loan applications in Q3 2023 and as a result, advanced 20% more of these unsecured instalment loans to customers over that of Q3 2022.

Besides unsecured personal loans, Adwell also carried the following loan products in Q3 2023:

- Secured mortgage 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. These loans generate higher fee income because of their larger amounts.
- Pay-day loans - this is a loan product offered for customers who have a regular income but are unable to find guarantor(s) to qualify for Adwell's lower interest personal instalment loan. Pay-day loans are smaller in amount, but generate higher fees, and have become more and more popular in the BC market where Adwell operates. Adwell pay-day loan advances decreased by 16% in Q3 2023 over Q3 2022.

The table below shows the income and expense breakdown of the Company's financing business in Q3 2023 and Q3 2022:

	Q3 2023	Q3 2022	+/-	%
Interest income	231,688	149,204	82,484	55%
Fee income/Other income	36,042	12,863	23,179	180%
Total income	267,730	162,067	105,663	65%
General & administration (including interest cost & provision for loan loss)	202,918	146,015	56,903	39%
Advertising and promotion	0	700	-700	n/a
Amortization of property, plant & equipment	485	240	245	102%
Income from operations before income taxes	64,327	15,112	49,215	326%

In Q3 2023, Adwell recorded an income from operations of \$64,327, a 326% increase over the same period last year. The rise was the result of both increases in interest income on the loan portfolio and fee income collected from new loans advanced 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 has been using since 2017. Adwell believes it is prudent, especially given its experience during the Covid-19 pandemic. Adwell reviews and makes adjustments to this provision on a quarterly basis.

Results of operations – Digital Health business (discontinued operations)

As indicated in the Company's Year End 2022 MD&A, the Company decided to dissolve its Digital Health Business (ATMC) in November 2022, as it became clear that it is no longer viable.

Gross Profit Margin

Q3 2023 – 55%

Q3 2022 – 56%

Gross profit margin for the quarter was 55%, as compared to 56% in the same quarter last year. During this quarter, the Company was able to maintain the same margin as last year despite reduced wireless commissions by increasing non-margin-based commissions such as residual, cable and Mastercard.

Hardware revenue has continued to impact profit margin in the past few years as the price of hardware keeps increasing. Another factor which affects margins 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 generate commission with no hardware cost. All 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 used to be a major revenue stream but following a change in dealer compensation structure has become a non-factor.
- Residual commissions are a steady source of income, but it is becoming more and more challenging to maintain customers amid heavy competition and the government's objective of increasing competition in the future.
- Cable commissions and Rogers Mastercard commission are now important revenue sources to make up the loss in wireless commission due to loss of volume.

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

Q3 2023 General and administration expenses - \$696,278
 Q3 2022 General and administration expenses - \$615,641
 Increase of \$80,637 or 13%

The increase in general and administration expenses were mainly due to increases in general office expenses, bank charges, professional fees and payroll expenses.

Q3 2023 Advertisement and promotion expenses - \$184
 Q3 2022 Advertisement and promotion expenses - \$8,706
 Decrease of \$8,522 or 98%

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 continues to be more tactical in nature and will hopefully yield faster results.

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

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

The Company had few advertising and promotion activities during Q3 2023.

Q3 2023 Depreciation - right-of-use assets - \$23,129

Q3 2022 Depreciation - right-of-use assets - \$43,794

Decrease of \$20,665 or 47%

The decrease is caused by one lease that expired in Q3. The Company is working with the landlord for the lease's extension and expects an agreement to be finalized in Q4.

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

Q3 2023 Amortization of property, plant and equipment - \$5,739

Q3 2022 Amortization of property, plant and equipment - \$5,511

Increase of \$228 or 4%

There was no significant change in property, plant and equipment during the quarter.

Q3 2023 Amortization of investment properties - \$8,973

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

The Company's investment properties remained the same in Q3 2023.

Q3 2023 Rental income - \$27,500

Q3 2022 Rental income - \$20,271

Increase of \$7,229 or 36%

In addition to rental income from its two investment properties, the Company leased out part of its warehouse space at Head office starting in Q2 2023 on a short-term basis. The increase was due to the additional rent received from this arrangement.

Q3 2023 Income before income taxes (continuing operations) - \$87,290

Q3 2022 income before income taxes (continuing operations) - \$267,412

Q3 2023 Loss from discontinued operations - \$0

Q3 2022 Income from discontinued operations - \$77,276

Q3 2023 Net income and comprehensive income after income taxes - \$68,423

Q3 2022 Net income and comprehensive income after income taxes - \$205,707

Q3 2023 Net income attributable to non-controlling interests - \$19,298

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

Q3 2023 EPS - 0.0041
Q3 2022 EPS - 0.0275

Liquidity

Cash and cash equivalents & short-term investments as at September 30, 2023 - \$10,237,373

Cash and cash equivalents & short-term investments as at September 30, 2022 - \$11,715,037

Decrease of \$1,477,664 or 13%

Working capital as at September 30, 2023 - \$12,620,491

Working capital as at September 30, 2022 - \$12,451,934

Increase of \$168,557 or 1%

During the past year, the Company used internally generated funds for the dividend payment, for the ongoing funding of Adwell, and for investing in its (now dissolved) business venture ATMC in Hong Kong. These payments did not have any 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 credit facility arrangement with any financial institutions.

Summary of contractual obligations

Wireless business

Number of leases at September 30, 2023 - five (September 30, 2022 - five).

Future minimum operating lease commitments of the Wireless business are as follows:

Wireless	
2023 (remaining)	\$30,207
2024	\$77,992
2025	\$60,272
2026	\$62,240
2027	\$62,240
2028	\$28,433
Total	\$321,385

Financing business

Number of leases at September 30, 2023 - one (September 30, 2022 - one)

Adwell's single lease was extended for three more years from November 2021 until 2024. Its remaining future minimum operating lease commitment is as follows:

Financing	
2023 (remaining)	\$6,518
2024	\$23,898
Total	\$30,415

Digital Health business (discontinued operations)

Number of leases at September 30, 2023 - none (September 30, 2022 - one)

The Company's Digital health business, ATMC, signed a one-year lease for office space in Hong Kong during Q1 2022. The lease was terminated when ATMC ceased operations in Q4 2022.

In sum, total future minimum operating lease commitment of the Company's six leases as at September 30, 2023 is as follows:

2023 (remaining)	\$36,725
2024	\$101,890
2025	\$60,272
2026	\$62,240
2027	\$62,240
2028	\$28,433
Total	\$351,800

Capital resources

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

Off balance sheet arrangements

As at September 30, 2023, the Company has two properties in its portfolio, one each in Ontario and British Columbia. These two properties were classified on the unaudited condensed interim consolidated statement of financial position as investment properties.

The Ontario property (Horizon Centre) has been leased to the same tenant since 2009. This commercial condominium unit was originally intended for use as a store for the Company's wireless business, but management later decided that the location was not suitable for selling wireless products. 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 current lease will expire on May 31, 2024.

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. Beginning in Q2, 2023, the Company also sub-leased out part of its warehouse space at head office on a short-term basis to a third party. This generates additional rental income for the Company.

Total rent received was \$27,500 in Q3 2023 (Q3 2022 - \$20,271). The combined market value of the two investment properties is estimated to be \$1,586,850 as at September 30, 2023 (September 30, 2022 - \$1,351,765). The rental income on these 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 the two investment properties at a reasonable rate of 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 2023 were \$173,177 (Q3 2022 - \$172,277).

Proposed transactions

The Company's ongoing investment in Adwell continues in Q3 2023.

The Company's Dealer Agreement with Rogers, its wireless service provider, has been renewed for five years from July 1, 2023, to June 30, 2028.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at September 30, 2023 (September 30, 2022 – 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 2023, and there were no stock options outstanding as at September 30, 2023.

Changes in accounting policies

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

Disclosure controls and procedures and internal controls over financial reporting

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted venture issuers from certifying disclosure controls and procedures as well as internal controls over financial reporting as at December 31, 2007, and thereafter. Since the Company is a venture issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2022. 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, 2023.

Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q3 2023. The Company has no plans to use any of these in the foreseeable future.

Risk factors

The impact of Covid-19 is still being felt by businesses throughout North America and the world. The pandemic's unknowns have significantly impacted the retail sector in which the Company operates. The Company's management realizes it will now need to deal with a broad range of interrelated issues and risks for the immediate future. These 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.

The risks inherent in the Company's business planning for the future include:

- While the COVID pandemic seems now to be under control, the discovery of new Omicron variants may trigger yet another pandemic wave. And as the *Wall Street Journal* points out, "The continued [evolution of the virus](#) is a reminder that Covid-19 remains a nuisance for many and a [serious risk](#) for some, even though the disease is far less disruptive than it once was. A rising tide of virus concentrations in wastewater and [infections in hospitals](#) shows that Covid-19 remains unpredictable.
- Will customers once again stand in line to enter a retail store? Were this wave to materialize, would it accelerate the transition away from retail stores?
- Given the unemployment that still persists, albeit at a reduced level from last year, in the Canadian economy and the permanent loss of some jobs, together with a change in working patterns as the economy adjusts to a home versus office environment, will customers want to spend the same amount of 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.
- The shortage of chips and other specialty items in 5G products now face additional shortages due to the Ukraine/Russia war and related business sanctions. The consequences of these developments for the Company's business are difficult if not impossible for Management to predict but bear illumination in this MD&A.
- Will there be additional help for small/medium businesses from the government if the Covid-19 impact, including the effect of variants and breakthrough infections continues in 2023? 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 for disruptions caused by the Ukraine/Russia war?
- 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 the Covid-19 crisis, the Ukraine/Russia war, and now the Mid-East war, the Company will have to act quickly to optimize its resilience, rebalancing for risk and liquidity, while assessing opportunities for growth coming out of the downturn. Quick 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 Carriers. 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 much as \$1,000+ each.

For the quarter ended September 30, 2023, approximately 97% (2022 - 99%) of the Company's wireless revenue was from Rogers Communications Inc., whereas the remaining approximately 3% (2022 - 1%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 80% as at September 30, 2023 (September 30, 2022 - 91%).

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 for the foreseeable 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 licenses. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licenses or smaller companies that hold such licenses. 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.

Previous MD&As have pointed out that a continuing risk factor to the Company's business is the increasing competitiveness of Rogers' three main rivals, Bell Canada, TELUS and Shaw, who have their own networks and continue to mount an aggressive marketing campaign. In late 2022, the Federal Government finally approved the \$26 billion merger of Rogers Communications Inc. and Shaw communications which closed in April 2023.

It took two years for the Federal Government to approve this transaction, and it was only approved with twenty-one conditions including financial penalties if wireless prices do not come down because of the merger. One of Company management's objectives for 2023 is to identify and quantify the business risk(s) posed by the merger, and especially by this mandate to reduce wireless costs.

Risk factors also include technological change driven by product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment.

The Cloud offers new opportunities but also a heightened level of risk; and Cyber intrusions from malevolent actors continue to enter the wireless domain, presenting another serious and unquantifiable spectrum of threats, such as the recent ransomware attack on China's biggest bank, CIBC, which disrupted trading in the \$25tn market for U.S. Treasuries.

On the opportunity side, the Internet of Things (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 market opportunities but also pose additional risks.

Additionally, management is aware of the continuing potential risks from the Covid-19 pandemic now compounded by the Ukraine/Russia war and by the substantial unknowns of the Mid-East war.

Management reviews these risk factors to the best of its abilities 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.