

## Advent-AWI Holdings Inc.

Management's discussion and analysis for the quarter ended September 30, 2024

Effective date of MD&A – November 28, 2024

### 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 and financing industries 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forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this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 2024.

- (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, 2024 – four stores (two Rogers & two FIDO, all in Ontario)

Number of stores as at September 30, 2023 – four stores (two Rogers & two FIDO, all in Ontario)

#### Economic dependence

For the three months ended September 30, 2024, approximately 98% (2023 - 97%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 2% (2023 - 3%) was generated through the Company's four retail stores in Ontario (2023 - four stores in Ontario) on the wireless side and Adwell Financial Services Inc. ("Adwell") on the financing side.

Account Receivable from Rogers – 64% at September 30, 2024 (80% at September 30, 2023).

#### (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 \$4,375,000 in Adwell, of which \$375,000 is for ongoing operations and the remaining \$4,000,000, in the form of a line of credit, is for advances to customers.

At the time of this MD&A, the Company had invested \$3,980,000 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$3,630,000 was funding for Adwell's advances to customers.

#### 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.

WHO said that even though the emergency phase of the pandemic was over, the pandemic had not come to an end. At time of this MD&A, a new coronavirus variant known as KP.3.1.1 has been rising in recent weeks, according to the latest data from the Government of Canada and the U.S. Centers for Disease Control and Prevention. However, vaccines to protect against the strain will be available this Fall, and neither country believes the variant will result in dangerous levels of the epidemic.

Accordingly, management will remove the impact of COVID from its business plan but remain alert to further news from health authorities.

### Declaration of dividend

On July 10, 2024, the Company announced that a special dividend of \$0.10 per common share would be paid to all shareholders of record as at the close of business on July 24, 2024. The dividend was paid out on August 7, 2024.

### Overall performance

	Q3 2024	Q3 2023	+/-	%
<b>Wireless revenue</b>	977,634	1,127,888	-150,254	-13%
<b>Financing revenue (including other revenue)</b>	272,586	267,730	4,856	2%
<b>Total revenue (excluding investment income and gain(loss) on sale of assets)</b>	1,250,220	1,395,618	-145,398	9%

Third quarter combined revenue decreased by \$145,398 or 9% compared to the same quarter last year. This was comprised of a decrease in wireless revenue of \$150,254 (13%) and an increase in financing revenue of \$4,856 (2%).

Revenue contribution in Q3 2024 between the Wireless business and Financing business is 78% (Q3 2023 - 81%) and 22% (Q3 2023 - 19%) respectively. There has been an increase in the revenue contribution of the Financing business after the Company increased its line of credit support to Adwell.

As the economy continued to respond to the negative effects of elevated commodity prices caused by supply chain interruptions, the Canadian economy faced very similar challenges in the third quarter of 2024 compared to the same period in 2023. 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. Like 2023, the Q3 “Back-to-school” selling period did not bring in the same volume of transactions 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 13%. The launch of the new Apple iPhone 16 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 \$272,586 in Q3 revenue (Q3 2023 - \$267,730), a slight quarter-to-quarter increase of 2%. Adwell advanced fewer unsecured personal loans in the quarter but saw increases in both pay-day loans and mortgage loan advanced.

### Summary of consolidated quarterly results

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
<b>Wireless revenue</b>	\$1,695,564	\$987,500	\$885,870	\$1,127,888	\$1,724,842	\$1,070,942	\$898,563	\$977,634
<b>Financing revenue</b>	173,203	210,570	239,962	267,730	242,267	271,823	323,214	272,586
<b>Digital Health revenue</b>	\$8,231	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Gross margin</b>	57%	48%	58%	55%	48%	57%	66%	60%
<b>Net income (loss)</b>	(\$787,255)	(\$3,944)	\$26,597	\$68,423	\$62,570	\$173,426	\$84,805	\$87,255
<b>Basic and diluted earnings (loss) per share</b>	(\$0.06)	\$0.002	\$0.0002	\$0.0041	\$0.0036	\$0.012	\$0.0032	\$0.005

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 2024 revenue, a momentum it was unable to maintain in Q2, due probably to unfavorable 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, as the traditional Back-to-school selling period did not generate the expected sales volume this year. With the launch of new models from Apple and Samsung such as the iPhone 16 series and the Samsung S24 series, the Company is hopeful that consumer spending will bounce back in the 4<sup>th</sup> quarter, especially around Black Friday and the Christmas holiday shopping season.

Financing revenue has been generally trending upwards during the last eight quarters, as Adwell cautiously increased its advances to customers beginning in Q2 2023. 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, 2024, the number of Rogers' new voice and new data activations decreased by 17% and 14% respectively over Q3 2023, while customer upgrades increased by 4%.

On the other hand, FIDO new voice activations and data activations both decreased by 36% and 39% respectively over Q3 2023. Customer upgrades, on the other hand, increased by 143%.

The decrease in both Rogers and FIDO transaction volumes caused combined new voice and data activations to drop by 32% and 30% respectively, while customer upgrades also had a combined decrease of 12%.

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

Phone hardware sales decreased by 8% as the number of phones sold dropped by 19%. 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 drop in transaction volume caused new voice and data commissions to decrease by 30% over the same quarter last year. Customer upgrade commission followed the same trend and dropped by 18% over Q3 2023.

Residual commissions decreased by 12% over Q3 2023, the result of an 11% decrease in the residual subscriber base and a slight decrease 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.

Even though Rogers Bank (Mastercard) commissions decreased by 14%, it continues to be a key revenue generator in Q3. By increasing benefits like free Roam-like-home days and bonus cash back in its card offerings Rogers Mastercard has become better known and better accepted in the highly competitive Canadian credit card market space. The Company will continue to promote this product to its customers.

Cable/internet and other commissions decreased slightly by 4% over Q3 2023. Rogers has been quite aggressive in the aftermath of the Rogers/Shaw merger in terms of its internet offerings, and has also rolled out the new 5G Home Internet products which allow customers in non-cable coverage areas to sign up with Rogers.

The arrival of 5G may well change the telecommunication landscape of Canada. 5G networks offer faster downloads, lower latency and better performance on more devices including smart cars, home appliances and remote medical devices as part of what is now called the Internet of Things (IoT). Therefore, major Canadian carriers are all developing their own 5G networks. At the time of this MD&A, Rogers has already rolled out its 5G network in most major cities across Canada, and other Canadian carriers are doing the same.

Subscriber Base:

September 30, 2024 - 25,945  
September 30, 2023 - 29,181  
Decrease of 3,236 or 11%

This net decrease in subscriber base of 3,236 is the result of a year-to-year increase in the Rogers subscriber base of 893 on one hand, and a decrease of the FIDO subscriber base of 4,129 on the other. Rogers has been enticing FIDO customers to switch to the Rogers brand and the increase in the Rogers subscriber base showed the success of this strategy. However, the higher decrease in the FIDO subscriber base indicates that while some might have moved over to Rogers, others have either chose to switch to CHATR, Rogers' prepaid brand, or churn out to other Canadian carriers.

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 the Company's four Rogers & FIDO locations to provide as wide a choice of brand selection as possible to prospective customers. The addition of this entry level CHATR brand means full coverage over the entire spectrum of customers, which provides each customer a clear path for upward migration in the future.

Retention of its customer base is a key management objective because the Company receives residual income on the subscriber base every month which, in turn, gives the Company a steady and predictable income flow.

#### Results of operations – Financing business

In Q3 2024, Adwell's financing income increased by \$4,856, or 2% compared to Q3 2023.

	Q3 2024	Q3 2023	+/-	%
<b>Financing income</b>	272,586	267,730	4,856	2%

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. In Q3 2024, Adwell advanced 11% less of these unsecured instalment loans to customers compared to Q3 2023.

Besides unsecured personal loans, Adwell also has the following loan products in Q3 2024:

- 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. Adwell advanced one such loan in Q3, 2024.
- 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. In Q3 2024, Adwell advanced 4% more pay-day loans to customers compared to Q3 2023.

The table below shows the income and expense breakdown of the Company's financing business in Q3 2024 and Q3 2023:

	Q3 2024	Q3 2023	+/-	%
<b>Interest income</b>	261,591	231,688	29,902	13%
<b>Fee income/Other income</b>	10,995	36,042	-25,047	-69%
<b>Total income</b>	272,586	267,730	4,856	2%
<b>General &amp; administration (including interest cost &amp; provision for loan loss)</b>	177,805	201,668	-23,863	-12%
<b>Advertising and promotion</b>	950	0	950	n/a
<b>Amortization of property, plant &amp; equipment</b>	562	485	77	16%
<b>Income from operations before income taxes</b>	93,269	65,577	27,692	42%

In Q3 2024, Adwell recorded an income from operations of \$93,269, a 42% increase over the same period last year. The increase was the result of higher interest income from a larger loan portfolio, and a reduction in general and administration expenses.

Adwell now reviews and makes adjustments to its loan loss provision on a quarterly basis based on the aging of its loan portfolio and actual loan loss experience.

### Gross Profit Margin

Q3 2024 – 60%

Q3 2023 – 55%

Gross profit margin for the quarter was 60%, as compared to 55% in the same quarter last year. The increase in margin is attributable to an increase in non-margin based income such as Rogers Mastercard commissions, cable/internet commissions and loan fee income in the overall revenue mix.

Hardware revenue has continued to adversely 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 commission and Rogers Mastercard commission are now increasingly important revenue sources with which to make up for the loss in wireless commission due to a reduction of sales volume.

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

Q3 2024 General and administration expenses - \$626,290

Q3 2023 General and administration expenses - \$696,278

Decrease of \$69,988 or 10%

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

Q3 2024 Advertisement and promotion expenses - \$801  
Q3 2023 Advertisement and promotion expenses - \$184  
Increase of \$617 or 335%

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 2024.

Q3 2024 Depreciation - right-of-use assets - \$43,955  
Q3 2023 Depreciation - right-of-use assets - \$23,129  
Increase of \$20,826 or 90%

The increase is the result of two leases that were extended during the quarter.

Commencing January 1, 2019, as the result of the Company's adoption of 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 2024 Amortization of property, plant and equipment - \$5,820  
Q3 2023 Amortization of property, plant and equipment - \$5,739  
Increase of \$81 or 1%

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

Q3 2024 Amortization of investment properties - \$8,973  
Q3 2023 Amortization of investment properties - \$8,973

The Company's investment properties remained the same in Q3 2024.

Q3 2024 Rental income - \$38,181  
Q3 2023 Rental income - \$27,500  
Increase of \$10,681 or 39%

In addition to rental income from its two investment properties, the Company sub-leased part of its warehouse space at head office starting in Q2 2023. The increase was due to the additional rent received from this arrangement.

Q3 2024 Income before income taxes - \$110,663  
Q3 2023 income before income taxes - \$87,290

Q3 2024 Net income and comprehensive income after income taxes - \$87,255  
Q3 2023 Net income and comprehensive income after income taxes - \$68,423

Q3 2024 Net income attributable to non-controlling interests - \$27,983  
Q3 2023 Net income attributable to non-controlling interests - \$19,298

Q3 2024 EPS - 0.0050  
Q3 2023 EPS - 0.0041

### Liquidity

Cash and cash equivalents & short-term investments as at September 30, 2024 - \$8,491,933  
Cash and cash equivalents & short-term investments as at September 30, 2023 - \$10,237,373  
Decrease of \$1,745,440 or 17%

Working capital as at September 30, 2024 - \$11,886,192  
Working capital as at September 30, 2023 - \$12,620,491  
Decrease of \$734,299 or 6%

During the past year, the Company used internally generated funds for the dividend payment and for the ongoing funding of Adwell. 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, 2024 - five (September 30, 2023 - five).

During Q3 2024, one of the store leases was renewed. Future minimum operating lease commitments of the Wireless business are as follows:

Wireless	
2024 (remaining)	\$41,842
2025	\$175,233
2026	\$181,867
2027	\$186,533
2028	\$134,539
Total	\$720,014

### Financing business

Number of leases at September 30, 2024 - one (September 30, 2023 - one)

During Q3 2024, Adwell's single lease was extended for four more years from November 2024 to 2028. Its remaining future minimum operating lease commitment is as follows:

Financing	
2024 (remaining)	\$6,567
2025	\$26,663
2026	\$26,761
2027	\$27,848
2028	\$25,527
Total	\$113,365

In sum, total future minimum operating lease commitment of the Company's six leases as at September 30, 2024 is as follows:

AWI	
2024 (remaining)	\$48,408
2025	\$201,896
2026	\$208,628
2027	\$214,380
2028	\$160,066
Total	\$833,379

### Capital resources

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

### Off-balance sheet arrangements

As at September 30, 2024, 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 since 2009. This commercial condominium unit was originally intended for use as a store for the Company's wireless business, but later determined 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 unit as an investment property. The current lease will expire on May 31, 2025.

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, 2025 and December 31, 2026, respectively.

Beginning in Q2, 2023, the Company also sub-leased out part of its warehouse space at its head office, to a third party to generate additional rental income.

Total rent received was \$38,181 in Q3 2024 (Q3 2023 - \$27,500). The combined market value of the two investment properties is estimated to be \$1,409,614 as at September 30, 2024 (September 30, 2023 - \$1,586,850). The rental income on these properties has been presented as rental income on the condensed interim consolidated statement of income and comprehensive income.

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 2024 were \$173,177 (Q3 2023 - \$173,177).

### Proposed transactions

The Company's ongoing investment in Adwell continues in Q3 2024.

### Outstanding share data

There were 11,935,513 common shares issued and outstanding as at September 30, 2024 (September 30, 2023 – 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 2024, and there were no stock options outstanding as at September 30, 2024.

### 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, 2024.

### Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q3 2024. The Company has no plans to use any of these in the foreseeable future.

### Risk factors

Wireless business -

Even as the business risks from the impact of COVID-19 recede, Management believes there are three other significant influencers that will impact the Company's business in the coming year: the Rogers/Shaw merger; Bank of Canada's interest rate management; and the upcoming second Donald Trump presidency after the November U.S. elections. In particular it is as yet impossible to predict the impact of the new financial tariffs and duties that may be generated by the new Trump presidency, and what they will mean for Canada.

On April 3, 2023, Rogers Communications Inc. closed its \$26 billion merger of Shaw Communications Inc. after receiving final approval from the Federal Government.

It took two years for the Federal Government to approve this transaction which was only approved with twenty one conditions including financial commitment by both companies to reduce consumer wireless prices. One of Company management's objectives for 2024 is to identify and quantify the business opportunities potentially posed by the merger, especially the emphasis by Rogers and Shaw on projections of across the board lower wireless costs in Canada. At this point the impact on the Company's performance has been benign.

But the global business environment has rapidly slide into unknown territory given the U.S., Canada, and European Union's determination to reduce reliance on products and services that originate in the People's Republic of China. Many of these items that could be on the restriction list are critical inputs into the products and services provided by the Company.

In an environment of severe restriction placed on China's technically advanced and competitively priced 5G telecom equipment maker Huawei, will the promised wireless price reductions in Canada that the Rogers/Shaw merger promised survive? What will the elimination of Huawei from Canada's 5G marketplace and the threat posed by the new Trump presidency on the United States-Mexico-Canada Agreement (USMCA) mean for the speed with which 5G can be

deployed in Canada and the costs for Canadian customers that want to move to this technology?

The operations and profitability of the Company's business are tied to the Bank of Canada's interest rate movements. Another risk factor for the Company's business is the direction of interest rates. Will the Bank of Canada hold interest rates steady or reduce them, seeing that inflation in Canada appears to be levelling off. Especially now, given that the U.S. Federal Reserve appears to be sending mixed signals on its interest rate direction and the pressures emanating from the American presidential elections in November 2024 on American interest rates given that U.S. is Canada's biggest trading partner.

Chatham House, one of the world's best known geopolitical think-tank has pointed out that three-quarters of Canada's goods exports, accounting for more than one-quarter of the country's gross domestic product, go to the United States. So, what might the potential elimination of preferential treatment for Canadian business agreed under the USMCA mean for the telecom business in Canada, and for the Company's retail customer

In the face of these multiple potential business threats that may emerge under the new Trump presidency, the Company will have to act quickly to optimize its resilience, rebalancing for risk and liquidity, finding ways to preserve its business while at the same time prepare the Company to leverage opportunities for future growth.

Immediate action may be needed to address short-term liquidity challenges, but also to generate funding to invest in potential 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 are also subject to seasonal fluctuations that may 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 an additional risk factor. The Company operates 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, 2024, approximately 98% (2023 - 97%) of the Company's gross wireless revenue was from Rogers Communications Inc., whereas the remaining approximately 2% (2023 - 3%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 64% as at September 30, 2024 (80% as at September 30, 2023)

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 will continue in the future, albeit in diminished form, as a result of the reduction in the number of stores, as well as the growing contribution from the financing businesses.

Canadian wireless companies could face increased competitive pressure because of recent legal changes in 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 possession of this spectrum, then compete aggressively against Canadian companies such as Rogers.

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 personal communication services (PCS) spectrum licenses, although the timing of fee increases (if any) is unknown.

A continuing risk factor is the increasing competitiveness of Rogers' two main rivals, Bell Canada and TELUS, who have their own networks and continue to mount aggressive marketing campaigns. 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 mentioned above. 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 by 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 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.

Microfinance business -

Credit risk, the risk of loss that arises when a customer fails to pay an amount due, is the primary risk faced by Adwell.

Credit quality of Adwell's customer is assessed based on a number of proprietary credit models, and individual credit limits for each potential customer are derived in accordance with this assessment, and by other factors such as the ability of the customer to comfortably make the periodic loan payments. This standardized approval process ensures a standardized high-quality loan application flow.

After evaluating the potential client's credit profile, 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 and refine underwriting models based on the historical performance of groups of customer loans and industry best practices, which guide its lending decisions. As Adwell has grown, management began recording a provision for loan loss on its books beginning in Q1 2017, which is based on historical loss experience and loan aging in line with general industry best practices. Adwell reviews and adjusts this provision quarterly.

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 such as truth-in-lending disclosures. These requirements impose specific statutory liabilities upon creditors who fail to comply with these 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.

In addition, 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 occur due to unforeseen circumstances. Such an incident might adversely affect Adwell's reputation and also result in fines or penalties from government authorities. Management is committed to protecting the privacy and confidentiality of its customers' personal information by using industry best practices.