

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

Management’s discussion and analysis for the year ended December 31, 2023

Effective date of MD&A – April 16, 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 communications industry and the global economy. As a result, the Company’s actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

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Overview

Business Description:

In 2023, the Company operated in two business segments after its Digital health business in Hong Kong was dissolved in Q4 2022.

(1) Wireless through Am-Call Wireless Inc. (Am-Call), a wholly owned subsidiary (Wireless business).

(2) Micro finance through Adwell Financial Services Inc. (Adwell), a 70% owned subsidiary (Micro finance business).

(1) Wireless business

Products: wireless voice and data, high speed internet, digital cable television, home phone, Smart Home Monitoring and Rogers Bank MasterCard.

Number of stores as at December 31, 2023 – 4 stores (2 Rogers & 2 Fido, all in Ontario)

Number of stores as at December 31, 2022 – 4 stores (2 Rogers & 2 Fido, all in Ontario)

The Company did not open or close any store during 2023.

Economic dependence

For the year ended December 31, 2023, approximately 83% (2022 – 96%) of the Company's gross wireless revenue was from Rogers Communications Inc., whereas the remaining approximately 17% (2022 – 4%) was generated through the Company's 4 retail stores (2022 – 4) in Ontario.

Account receivables from Rogers – 88% as at December 31, 2023 (94% as at December 31, 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 Financial Services Inc." ("Adwell"), was incorporated on January 8, 2016. Adwell issued a total of 1,000,000 shares at \$0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%). The two minority shareholders, both with financial and lending experience, assisted in the start-up and continuing operations of the venture and remain so at time of this MD&A.

The Company has committed to invest up to \$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 \$3,820,000 in Adwell, of which \$350,000 was funding for the ongoing operations of Adwell, while \$3,470,000 was funding for advances to Adwell's 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. The Digital health business will be presented as “discontinued operations” in both the 2023 consolidated financial statements and this MD&A.

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.

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 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 of the pandemic was over, the pandemic had not come to an end. As the pandemic had spread across the globe, the virus had left a trail of deaths in its wake. Deaths in Europe and North America now outnumber those in Asia. In Latin America, South America, and the Caribbean, the share of deaths is still rising.

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 the variant BA.2.86 which is still demonstrating growth in Canada have prompted the Canadian Chief Public Health Officer to warn that these new variants continue to pose a challenge to the health system and point to the need for vigilance stepped up precautions.

Then, on December 21, 2023, the variant JN.1 was classified as a variant of interest in Canada. The designation is reserved for variants the Public Health Agency of Canada (PHAC) believes have the potential to replace a dominant lineage, where the impacts are unknown or not expected to be “meaningfully different than current lineages.”

The Canadian retail sector has faced many previously unknown challenges and changes due to the Covid-19 pandemic, but it has, and continues to also show resilience and an ability to adapt. According to Statistics Canada, retail sales had 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. 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.

“We do have an economy getting back on its feet in the first half of next year,” said Dawn Desjardins, chief economist at Deloitte Canada, who co-authored a Deloitte report in September 2023. “The recovery will pick up steam in the second half of 2024 because it’s during the time we anticipate the Bank of Canada will be able to pivot from having high interest rates we are living with today,” she added.

Overall performance

In the Company’s audited consolidated financial statements for the year 2023, the Digital Health business has been presented as “discontinued operations” on the consolidated statements of financial position and consolidated statements of income (loss) and comprehensive income (loss), respectively. Some prior year figures have been updated due to this reclassification.

	2023	2022	+/-	%
Wireless revenue	\$4,726,100	\$4,763,231	-\$37,131	-1%
Financing revenue	960,529	712,184	248,345	35%
Total revenue (excluding other & investment income) -continuing operations	5,686,629	5,475,415	211,214	4%
Digital health revenue - discontinued operations	0	45,097	-45,097	-100%
Total revenue - continuing and discontinued operations	\$5,686,629	\$5,520,512	\$166,117	3%

The Company’s 2023 combined revenue increased by \$166,117 or 3% compared to 2022. This increase was comprised of a decrease in wireless revenue of \$37,131 (1%), an increase in financing revenue of \$248,345 (35%), and a decrease in digital health revenue of \$45,097 (100%).

Revenue contribution in 2023 is wireless business 83% (2022 - 86%), financing business 17% (2022 - 13%) and Digital health business 0% (2022 - <1%).

In 2023, the Canadian wireless industry continued to be characterized by intense competition among major carriers such as Rogers, Bell and Telus, as well as smaller regional players like Freedom Mobile. Competition primarily focused on pricing, network quality, and service offerings. 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 increased challenges in the second half of the year. 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 because Canada accepted fewer overseas students this year, especially from Asian countries like India and China. The Q4 holiday selling period brought back some traffic with the launch of new marquee phones from Apple and Samsung but still could not out-performed the buying frenzy the year before.

The Company’s financing business benefitted from the gradual reopening of the Canadian economy, as consumer confidence increased and economic activities returned to normal. This resulted in an increase in the number of personal instalment loans advanced. The Company also maintained its payday loan and mortgage loan lending in 2023. These loans also generate higher fees which caused overall revenue to increase by 35% in 2023.

As explained in previous MD&As, the Company’s digital health revenue was dissolved in November 2022 and therefore had no revenue in 2023.

Selected annual consolidated financial information

	Dec-23	Dec-22	Dec-21
Revenue (continuing operations)	\$5,686,629	\$5,475,415	\$5,599,798
Income before income taxes	230,298	421,499	477,471
Recovery of / (Provision for) income taxes	(74,152)	(113,139)	(138,603)
Income from continuing operations	156,146	308,360	338,868
Income/(Loss) from discontinued operations	-	(1,203,735)	(1,030,076)
Assets	17,270,649	17,137,773	19,209,983
Liabilities	\$2,987,033	\$2,413,527	\$2,898,399
Basic & diluted earnings (loss) per share	\$0.011	(\$0.078)	(\$0.060)

The Covid-19 pandemic which began in early 2020 has had a significant impact on the Canadian retail sector, as lockdowns, restrictions and consumer behavior changes have affected sales, revenues and operations. However, the Company has shown resilience and adaption in lockstep with the Canadian economy, and has rebounded strongly since the initial lockdowns in 2020.

In the past three years after Covid the Company's overall revenue rebounded from the low of 2020 and got back close to the pre-Covid level of 2019. However, the Company recorded losses in both 2021 and 2022, a direct result of the increase in expenses in its now discontinued Digital Health business in Hong Kong. With the Digital Health business dissolved in late 2022, the Company returned back to a profit position in 2023.

The Company financial position remains strong, with steady, liquid assets and low liabilities. It's liabilities to assets ratio is low at 17% (2023), 14% (2022) and 15% (2021) respectively.

Results of operations – Wireless business

Am-Call operated four stores in 2023, two Rogers and two Fido, which is the same number of stores as of a year earlier.

The Company's Rogers side of the wireless business had a strong year in 2023, recording a 109% increase in new voice activations, 96% increase in new data activations and 8% increase in customer upgrades. This was partly due to the increase in mall traffic following full reopening of the retail industry, and also partly due to Rogers' efforts in strengthening the Rogers brand in advance of the Rogers-Shaw merger. This includes heavy brand advertising and aggressive offerings throughout the country.

However, the same could not be said on the Fido side, as Fido yearly new voice activations and new data activations decreased by 35% and 36% respectively. Customer upgrade also decreased by 29%. Fido's decrease in 2023 is mostly due to an exceptional 2022, especially in Q3 and Q4 when Canada fully re-opened its borders to international students and travellers, which it could not repeat in 2023.

New activations are generally generated from children coming of age, switchers from other service providers, as well as newcomers (immigrants and students) to the country. The Company has a competitive-advantage in gaining new customers with its focus on the Asian ethnic market in which new immigrants and students arrive throughout the year. The Company has concentrated on building personal networks and connections in new-immigrant support groups and student associations in order to capture this share of the new business.

On the Company's customer-upgrade business, customers seem to be holding on to their current devices longer than before, not only because of higher prices, but also because there has not been a significant technological breakthrough in smartphones in recent years. This was even more evident during the pandemic when Canadians were asked to stay home most of the time to mitigate the transmission of the COVID-19 virus, further dampening their desire to upgrade to

the latest devices. This situation improved in 2023 as customer upgrade transactions increased on the Rogers side.

Furthermore, wireless network carriers do not have exclusivity to new phone models and all major carriers now have the same products in their lineup. Launch of new phones used to be a highly anticipated event among phone followers, and for retaining early adopters, who are usually the most loyal customers, is key. The Canadian government also mandated that Canadian carriers sell hardware unlocked and also to unlock customers' phones upon request; both of these mandates further encourage customers to shop around when their existing contracts expire, instead of automatically rolling over their contracts and upgrading to new hardware with their existing carrier. This is welcome news for consumers as Canadian carriers need now to be more aggressive in their pricing in order to retain existing customers and attract new ones. This was evident in Canadian Carriers new plans as they now include much bigger data allowances.

Combining the results of both Rogers and Fido brands, total new voice and data activations were down by 13% and 16% respectively, while customer upgrades went down by 3%. These are reflected in the following Am-Call's revenue streams:

In 2023, Am-Call's phone hardware sales increased by 8%, as the number of phones sold stayed the same from 2,243 in 2022 to 2,244 in 2023. The increase in hardware revenue is caused by the increase in the price of smartphones which is getting higher and higher now. Consequently, a change in the number of phones sold would have a higher impact on the Company's revenue. On the Fido side, the high percentage of BYOD (Bring Your Own Device) activations does not generate additional revenue. Although this does not necessarily mean less profitability, it does depress hardware sales and hence overall wireless revenue.

New activation commissions and customer upgrade commissions decreased by 41% and 12%, respectively, while residual commissions recorded an increase of 12% over a year ago. There was a decrease in both the number of transactions as well as transactional commission in 2023 which caused the overall drop in commission revenue. However, residual commission increased amid a falling subscriber base, the result of existing subscribers now having higher MSF plans.

Bonus commissions decreased by 31% in 2023, when compared to that of 2022. Since 2021, the Company's Carrier changed its compensation structure by increasing transactional compensations while decreasing target bonuses, resulting in bonus commission revenue no longer a major revenue source for the Company.

In the past few years, the Company has been increasingly focusing on non-wireless products such as Rogers TV/internet and Rogers Bank (Mastercard) in order to mitigate the impact of the decrease in wireless transaction volume. This

product is usually sold in stores as an add-on product when customers perform their wireless transactions. It is a highly competitive product and signup incentives are crucial in attracting new customers. This strategy proved to be successful in 2023 as both cable/internet revenue and Rogers Bank (Mastercard) revenue increased by 58% and 1,292% respectively. This revenue source successfully reduced the negative impact on the Company's overall 2023 result.

Going forward, Rogers Bank (Mastercard) will remain the focus of Rogers and thus the Company. Internet and TV will also stay center stage as staying connected via internet and TV-entertainment have proved to be very important revenue streams. With the phasing out of legacy TV and the introduction of Internet TV and concepts such as Rogers' Ignite TV, which offers seamless integration with apps such as Netflix and YouTube, sales of this sector is expected to remain strong in the foreseeable future.

On the new technology front, the arrival of 5G will change the telecommunication landscape of Canada. 5G networks offer faster download, lower latency and better connectivity/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). Major Canadian carriers are all developing their own 5G networks. The Company looks forward to bringing this transformative technology, with its potential to change every aspect of daily lives, to our customers thanks to its partnership with Rogers that has already expanded its 5G network to over 2,000 Canadian communities.

Subscriber base:

December 31, 2023 – 24,818
December 31, 2022 – 26,265
Decrease of 1,447 or - 5.5%

As at December 31, 2023, the Company had 24,818 subscribers, reflecting the subscriber base attached to the four locations (two Rogers and two Fido) of the Company wireless business.

The net decrease in subscriber base of 1,447 is the result of a year to year decrease in the Rogers subscriber base of 1,210 and a decrease in the Fido subscriber base of 237. The Company's subscriber base is mostly consumer customers who are more price-sensitive and are therefore more likely to churn.

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

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

Results of operations – Micro Financing business

In 2023, Adwell's revenue recorded an increase of \$248,345 or 35% over 2022.

	2023	2022	+/-	%
Financing revenue	\$960,529	\$712,184	\$248,345	35%

Throughout the year, Adwell's main business continued to comprise of unsecured personal short-term instalment loans to individuals in amounts ranging from \$1,500 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 expertise in customer service, Adwell aims to reduce customers' stress and help rebuild their financial wellness.

Adwell's main income is interest generated from these instalment loans. In 2023, Adwell advanced a total of 736 instalment loans to customers, vs 558 in 2022, a 32% increase.

Even though the number of personal instalment loans increased in 2023, Adwell management continued to adopt a conservative approach to personal lending because many of these customers work in industries most affected by the economic slowdown brought on by the pandemic, including restaurants, retail shops, hotels and homes for seniors.

In addition to unsecured personal loans, Adwell has expanded its offerings to other loan products in the past few years.

- 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 revenue because of their larger amounts.
- Pay-day loans - This is a loan product offered to customers who have a regular income but cannot 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 B.C. market where Adwell operates. In 2023, Adwell advanced 416 payday loans, a 14% decrease over 482 advanced in 2022.

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

	2023	2022	+/-	%
Interest income	\$863,973	\$585,303	\$278,670	48%
Fee income/Other income	96,556	126,881	-30,325	-24%
Interest cost	197,766	72,440	125,326	173%
General & administration	492,526	409,375	83,151	20%
Advertising & promotion	1,297	1,000	297	n/a
Amortization of property, plant & equipment	1,907	1,436	471	33%
Provision for loan loss	194,373	71,353	123,020	172%
Income from operations before income taxes	\$72,660	\$156,580	-\$83,920	-54%

In 2023, Adwell recorded an income from operations of \$72,660, a 54% decrease over 2022. The decrease was a result of increases in interest income (48%) from a larger loan portfolio earning higher interest rate, offset by a decrease in fee income (24%) generated from loan applications, and increases in interest cost (173%) and loan loss provision (172%) for the year.

In 2023, Adwell used a higher percentage in calculating the loan loss provision for the year, resulted in a 172% increase over that of 2022, which Adwell thinks is prudent. Adwell reviews and makes adjustments to this provision on a quarterly basis.

Results of operations – Digital Health business (discontinued operations)

The Company's Digital Health business was dissolved in November 2022 and therefore had no business transaction in 2023.

Gross profit margin

2023 - 52%

2022 - 54%

Gross profit margin for the year was 52%, when compared to 54% last year. The slight decrease in margin was due to a decrease in total commission, coupled with an increase in hardware revenue.

Hardware revenue continued to cause profit margin to fluctuate 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, especially on the FIDO side of the business, as BYOD activations generate commission revenue but no hardware sales. Other non- margin based transactions such as internet and Mastercard activation also generate commission revenue with no hardware cost involved.

These components of the Company's revenue mix mean that the following factors will now 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 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.
- Internet 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 keep pace with and 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.

2023 General and administration expenses - \$3,041,340

2022 General and administration expenses - \$2,504,026

Increase of \$537,314, or 21%

In 2023, both the Company's wireless and financing business incurred more G&A expenses than 2022 as overall transactions increased. That resulted in an increase in payroll expenses such as salaries and commissions, as well as general office expenses, professional expenses and loan loss provision.

2023 Advertisement and promotion expenses - \$12,443

2022 Advertisement and promotion expenses - \$13,465

Decrease of \$1,022, or 8%

The Company's Wireless business 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. 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 the overall cost for customers. This initiative can be very effective for short term "hit & run" type promotions as competitors will have difficulty matching it.

In addition to receiving co-op subsidy from Rogers on advertising and promotion activities, the Company may also receive marketing funds support from Rogers

throughout the year, thus further reducing its overall advertising and promotion costs. However, the availability of these funds depends on Rogers' budget availability and promotion timing, and therefore are not repeatable nor guaranteed.

The Adwell business is not a heavy user of advertisements and promotions as its customers are mostly attracted to Adwell via referrals.

2023 Amortization of Right-of-use assets - \$175,160

2022 Amortization of Right-of-use assets - \$173,327

Increase of \$1,833 or 1%

Commencing January 1, 2019, as a result of the Company adopting *International Financial Reporting Standard 16, Leases*, certain leases that were previously operating leases are now capitalized as right-of-use-assets, which are depreciated over their respective terms. The Company terminated one lease and renewed three leases in 2023. At the end of 2023, the Company has six leases with expiry dates ranging from 2024 to 2028.

2023 Amortization of property and equipment - \$22,908

2022 Amortization of property and equipment - \$22,549

Increase of \$359, or 2%

2023 Amortization of investment properties - \$35,892

2022 Amortization of investment properties - \$35,892

The number of investment properties remained the same in 2023.

2023 Rental income - \$104,972

2022 Rental income - \$77,081

Increase of \$27,891 or 36%

The Company continues to receive rental income from its two investment properties. Starting in 2023, the Company also leases out part of its warehouse space in Ontario to reduce overall occupancy cost, resulting in the increase in rental income.

2023 Income before income taxes - \$230,298

2022 Income before income taxes - \$421,499

Decrease of \$191,201 or 45%

2023 Loss from discontinued operations - \$0

2022 Loss from discontinued operations - (\$1,203,735)

2023 Total net income and comprehensive income after taxes - \$156,146
 2022 Total net loss and comprehensive loss after taxes - (\$990,562)

2023 Net income attributable to non-controlling interest - \$21,799
 2022 Net income attributable to non-controlling interest - \$34,050

2023 EPS - \$0.011
 2022 LPS - (\$0.078)

Summary of consolidated quarterly results

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Wireless revenue	\$749,622	\$843,902	\$1,474,143	\$1,695,564	\$987,500	\$885,870	\$1,127,888	\$1,724,842
Financing revenue	143,278	233,636	162,067	173,203	210,570	239,962	267,730	242,267
Digital Health revenue	\$2,388	\$31,538	\$34,940	\$8,231	\$0	\$0	\$0	\$0
Gross margin	51%	51%	56%	57%	48%	58%	55%	48%
Net income (loss)	(\$243,596)	(\$165,418)	\$205,707	(\$787,255)	(\$3,944)	\$26,597	\$70,923	\$62,570
Basic and diluted earnings (loss) per share	(\$0.032)	(\$0.013)	\$0.027	(\$0.06)	\$0.002	\$0.0002	\$0.0041	\$0.0036

On the wireless side of the business, the historical trend in 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 business trend in 2020 of 2021, the normal trend seems to have returned in 2022 and 2023 as Covid-19 restrictions are being lifted and Canadians are getting back to their normal lives. Helped by the traditional “back to school” and “Black Friday/Christmas holiday” selling periods, the Company’s Q3 and Q4 wireless revenue have been much higher than Q1 and Q2 of the same year. This trend continued in 2023 as the Company Q3 revenue moved 27% higher than Q2, and Q4 revenue moved up a further 53% over Q3.

Financing revenue, on the other hand, trended upwards from 2022 and stayed quite steady throughout 2023 as economic activities picked up in the Province of British Columbia. Adwell remained active in the lending market and the numbers of new loans grew, especially in personal instalment loans. The increase in interest rate also pushed interest revenue higher.

In addition to the general historic retail trend, there are other factors unique to the Company’s industry that can affect overall sales and revenue, including:

The focus of the wireless industry on attaining higher ARPU (Average Revenue per Unit) and ARPA (Average Revenue per Account) might have favoured some dealers but has not been favourable for the Company’s business, which leans heavily towards the consumer segment of the market and is inherently price sensitive. However, management has seen Rogers discounting more heavily

during the end of each quarter when volume targets must be met, especially on the FIDO side of the business.

The launch of marquee phone models from manufacturers like Apple, Samsung and Google normally helps generate more business, especially in customer upgrades. However, the timing and availability of these products are outside the Company's control, and thus difficult to predict.

Carrier promotions directly affect the Company's business. The Canadian telecommunications market is highly competitive, with carriers fighting hard to retain customers and to attract customers from competitors, especially towards the end of each quarter.

BYOD has become more and more prevalent in the Company's business and continues to depress phone sales revenue. As discussed in previous MD&As, Rogers encourages customers to utilize their existing devices on sharing plans. While this is an excellent tactic to reduce churn, it does not generate hardware revenue. Additionally, we have observed that with this tactic consumers use their smartphones for longer periods; while smartphones are getting more expensive, they do not offer any ground-breaking technology in the new devices.

Smartphones are becoming more and more expensive with many models costing over \$1,500. This would normally alleviate the downward pressure on revenue caused by BYOD but, as explained in previous MD&As, it does not necessarily affect the bottom line in the Company's business as the margin on hardware revenue is nominal. Rogers is trying to entice BYOD customers to convert to a new phone by introducing more affordable models in its hardware lineup. In order to entice customers into new phones, devices are now mostly financed by the carrier over 24 months at no interest. This will help generate more hardware revenue.

The Company's micro financing business represents a profitable revenue source and has shown steady contribution to sales since its inception. Its revenue represented 17% of the total revenue of the Company in 2023 (13% in 2022). The Company has committed up to \$4,000,000 to finance this venture.

Fourth Quarter discussion

In Q4 of 2023, Canadian wireless carriers were in "full battle mode", launching aggressive priced plans during Black Friday, pricing that continued into the Holiday selling period in December. The launch of new phones such as the Apple iPhone 15 and the Samsung S24 models also helped generate enthusiasm in the marketplace, especially for customers whose purchases are driven by the latest and best devices.

The Rogers brand was the focus In Q4 2023, new voice and data activations increased by 339% and 307% respectively over Q4 2022, while customer upgrades stayed the same as Q4 2022. Whereas on the Fido side, new voice and data activations decreased by 42% and 43% respectively, while customer upgrades decreased by 61% over 2022. The decrease in Fido transactions was largely because of an exceptional Q4 in 2022 which could not be repeated in 2023.

Combining the results of Rogers and Fido, total new voice and data activations were down by 12% and 14% in this quarter, while customer upgrades decreased by 18%. These were reflected in the Company's revenue streams as follows:

New activation commission and customer upgrade commission decreased by 42% and 25% respectively in Q4 2023. Hardware revenue and residual commission, on the other hand, increased by 18% and 12%. Rogers Bank and internet commission also recorded quarterly increases of 2,249% and 2%. All in all, total wireless revenue recorded a slight increase of 2% in Q4 2023, thanks to the now more expensive smart phones and the increase in non-wireless revenue in the quarter.

In Q4, Adwell generated \$242,267 in financing revenue, which is a 40% increase over Q4 2022. The increase is a result of a 46% increase in interest income, offset by a 28% decrease in fee income.

Adwell recorded a loss from operations of \$121,010 in the quarter, compared to a loss of \$48,552 a year earlier, a 149% decrease. The loss is mainly the result of a year-end loan loss provision adjustment.

	Q4 2023	Q4 2022	+/-	%
Interest income	\$232,300	\$159,316	\$72,984	46%
Fee income/Other income	9,967	13,887	-3,920	-28%
Total income	242,267	173,203	69,064	40%
General & administration (including interest cost & provision for loan loss)	361,693	221,378	140,315	63%
Advertising and promotion	1,100	0	1,100	n/a
Amortization of property, plant & equipment	484	377	107	28%
Income from operations	(\$121,010)	(\$48,552)	(\$72,458)	149%

Liquidity

Cash and cash equivalents & short-term investments as at December 31, 2023 - \$11,034,238

Cash and cash equivalents & short-term investments as at December 31, 2022 - \$12,489,189

Decrease of \$1,454,951 or 12%

Working capital as at December 31, 2023 - \$12,683,741

Working capital as at December 31, 2022 - \$13,084,481

Decrease of \$400,740 or 3%

During the past year, the Company used internally available cash to fund its dividend payment as well as the investment in and ongoing funding of Adwell. These payments did not have any material impact on the operating cash flows of the Company.

The company's liquidity has always been generated from the Company's operations. The Company has no line of credit arrangement with any bank. Maintaining this conservative financial management continues to be one of the Company's core objectives.

Summary of contractual obligations

Wireless business

Number of leases at December 31, 2023 - 4 (December 31, 2022 - 5)

One of the five leases at year end 2022 expired in 2023. The Company is still negotiating with the landlord to renew the lease. It is therefore considered to be on a month to month basis.

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

2024	\$153,037
2025	\$139,983
2026	\$146,617
2027	\$151,283
2028	\$113,977
Total	\$704,897

Micro Finance business

Adwell has one office lease which expires in 2024. Its future minimum operating lease commitment is as follows:

2024	\$23,898
Total	\$23,898

The Company's total lease commitments are therefore:

Year	Total
2024	\$176,935
2025	\$139,983
2026	\$146,617
2027	\$151,283
2028	\$113,977
	\$728,795

Digital Health business (discontinued operations)

ATMC terminated and settled its lease with the landlord in November 2022 when the company was dissolved. There is no future lease commitment remaining.

Capital resources

The Company has no credit facility arrangement with any bank.

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 for the Company's wireless business, but later determined that the location was not suitable for selling wireless products at that time. At last renewal, this lease was extended for one year to expire on May 31, 2024. 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 lease is expected to be renewed.

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.

As at December 31, 2023, these two properties were classified on the consolidated statement of financial position as investment properties. Total rent received was \$104,971 in 2022 (2022 - \$77,081). The combined market value of these properties is estimated to be \$1,409,614 as at December 31, 2023 (December 31, 2022 - \$1,586,850). The rental income on these investment properties has been presented as rental income on the 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.

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.

Transactions with related parties

Salaries and fees paid and accrued to the Company's directors and executive officers in 2023 were \$813,166 (2022 - \$855,821).

Proposed transactions

In order to support Adwell's future business expansion, the Company agreed, on March 1, 2024, to increase the line of credit used to fund Adwell's loans to customers from \$3,000,000 to \$4,000,000. This increased commitment to Adwell will be in effect until June 30, 2028. The Company will use internal cash flow for its funding.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at December 31, 2023 (December 31, 2022 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company issued no stock option during 2023 and there was no stock option outstanding as at December 31, 2023.

Changes in accounting policies

New accounting pronouncement

The new and amended standards and interpretations that have been issued up to the date of issuance of the Company's consolidated financial statements are disclosed below.

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. These amendments do not 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. These amendments do not have a material impact on the Company.

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. These amendments do not have a material impact on the Company.

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. Critical accounting estimates include, but are not limited to, expected credit loss provisions for loans receivable, and the discount rate used in measuring ROU assets and lease liabilities. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

Impairment of financial assets

The expected credit loss (“ECL”) model applies to financial assets measured at amortized cost. The Company’s financial assets measured at amortized cost and subject to the ECL model consist primarily of accounts receivable and loans receivable. In determining the ECLs, management makes estimates related to the probability-weighted amount of ECLs based on information available as of the reporting date relating to past events, current conditions and forecasts regarding future economic conditions.

Leases

Judgments Made in Relation to Accounting Policies Applied: The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's consolidated statements of financial position.

Key Sources of Estimation: The critical assumptions and estimates used in determining the present value of future lease payments require the Company to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

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 undeducted 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 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 undeducted 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, 2023. The Company makes no assessment relating to the establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at December 31, 2023.

Financial instruments

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

Risk factors

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 rising potential of a second Donald Trump presidency in the November U.S. elections.

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.

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. In an environment of severe restriction placed by 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 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? And what will be the impact on the Company's business?

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.

The third major risk to the Company's business may arise from the upcoming U.S. presidential elections. The Republican contender, Donald Trump, has preannounced a raft of global trade restrictions including an across the board ten percent tariff on all imports into the United States. What might this mean for the telecom business in Canada, and for the Company's retail customers, most of whom work for companies that export their products to the United States?

Chatham House, one of the world's best known geopolitical think-tank wrote recently 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. Given Trump's impulsiveness and deeply protectionist instincts, Canada's business and political leaders are understandably nervous, the think tank added.

In the face of these multiple business threats, 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 preparing 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 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 year ended December 31, 2023, approximately 90% (2022 - 96%) of the Company's gross wireless revenue was from Rogers Communications Inc., whereas the remaining approximately 10% (2022 - 4%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 88% as at December 31, 2023 (94% as at December 31, 2022)

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 Financing 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.

A continuing risk factor is the increasing competitiveness of Rogers' two main rivals, Bell Canada and TELUS, 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 the three itemized 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 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.

