

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF  
ADYA INC.**

**(FORMERLY TELEHOP COMMUNICATIONS INC.)**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND  
SEPTEMBER 30, 2016**

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**TO THE SHAREHOLDERS OF ADYA INC.**

The interim consolidated statement of financial position of Adya Inc. at September 30, 2017, the interim consolidated statements of operations and comprehensive income (loss) for the three and nine-month periods ended September 30, 2017 and September 30, 2016, and the interim consolidated statements of shareholders' equity and cash flows for the three and nine-month periods ended September 30, 2017 and September 30, 2016 have not been reviewed by the Company's auditors.

These interim consolidated financial statements are the responsibility of management and have been reviewed and approved by the Company's Audit Committee and Board of Directors.

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# Adya Inc. (Formerly Telehop Communications Inc.)

Condensed Interim Consolidated Statements of Financial Position (unaudited)

(In Canadian Dollars)

As at September 30, 2017 and December 31, 2016

	Note	September 30, 2017	December 31, 2016
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	3	\$1,337,220	\$1,374,380
Trade and other receivables, net of allowance for doubtful accounts	4	730,989	975,838
Inventory		51,193	61,416
Prepaid expenses and other		514,373	495,769
		2,633,775	2,907,403
Non-current assets:			
Property and equipment	5	541,432	655,530
Intangible assets	6	44,110	59,618
		585,542	715,148
		<b>\$3,219,317</b>	<b>\$3,622,551</b>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>			
Current liabilities:			
Accounts payable and accrued liabilities	11	\$ 596,168	\$ 912,621
Income taxes payable		194,311	194,954
Deferred revenue		913,192	912,783
Obligations under finance lease - current		6,082	5,759
		1,709,753	2,026,117
Non-current liabilities:			
Obligations under finance lease		3,211	7,813
Notes payable - long term	7(a)	400,000	400,000
Debentures	7(b)	2,168,860	2,125,904
		2,572,071	2,533,717
		<b>4,281,824</b>	<b>4,559,834</b>
Shareholders' equity (deficiency):			
Share capital	8(a)	4,029,265	4,029,265
Contributed surplus	8(d)	678,251	566,792
Deficit		(5,770,023)	(5,533,340)
		(1,082,507)	(937,283)
Commitments	13		
Contingencies	15		
		<b>\$ 3,219,317</b>	<b>\$ 3,622,551</b>

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

**"RAJAN ARORA"**      **DIRECTOR**

**"RAJIV JAGOTA"**      **DIRECTOR**

# Adya Inc. (Formerly Telehop Communications Inc.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (unaudited)

(In Canadian Dollars)

Three and nine months ended September 30, 2017 and September 30, 2016

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Revenue		\$ 2,609,948	3,600,803	\$ 8,452,841	\$ 11,386,718
Telecommunications costs		1,540,049	2,074,659	4,907,454	6,909,141
Gross margin		1,069,899	1,526,144	3,545,387	4,477,577
Operating expenses					
General and administrative		756,753	952,529	2,395,021	2,828,966
Marketing and selling		133,881	284,976	446,247	810,240
Development and technical support		151,359	171,336	485,700	482,216
Depreciation and amortization	5,6	39,294	94,158	162,975	330,797
Share based payments	8(d)	-	1,828	111,459	7,347
Gain on disposal of assets			-	-	(30,000)
		1,081,287	1,504,827	3,601,402	4,429,566
Operating income (loss) before finance costs		(11,388)	21,317	(56,015)	48,011
Finance costs, net		(67,589)	(87,710)	(196,130)	(260,716)
Other income		12,655	446	15,462	1,370
		(54,934)	(87,264)	(180,668)	(259,346)
Net loss and comprehensive loss		\$ (66,322)	\$ (65,947)	\$ (236,683)	\$ (211,335)
Loss per share:					
Basic and diluted	9	\$ (0.002)	\$ (0.002)	\$ (0.005)	\$ (0.005)
Weighted average number of shares outstanding- basic and diluted	9	47,272,083	32,272,083	47,272,083	32,272,083

See accompanying notes to the consolidated financial statements.

# Adya Inc. (Formerly Telehop Communications Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' equity (deficiency)(unaudited)

(In Canadian Dollars)

Nine months ended September 30, 2017 and September 30, 2016

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2015	\$ 3,279,265	\$ 373,035	\$ 185,625	\$ (2,920,438)	\$ 917,487
Stock-based compensation (Note 8(d))	-	7,347	-	-	7,347
Net loss	-	-	-	(221,335)	(221,335)
Balance, September 30, 2016	3,279,265	380,382	185,625	(3,141,773)	703,499
Balance, December 31, 2016	\$ 4,029,265	\$ 566,792	\$ -	\$ (5,533,340)	\$ (937,283)
Stock-based compensation (Note 8(d))	-	111,459	-	-	111,459
Net loss	-	-	-	(236,683)	(236,683)
Balance, September 30, 2017	\$ 4,029,265	\$ 678,251	\$ -	\$ (5,770,023)	\$ (1,062,507)

See accompanying notes to the consolidated financial statements

# Adya Inc. (Formerly Telehop Communications Inc.)

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(In Canadian Dollars)

Nine months ended September 30, 2017 and September 30, 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (236,683)	\$ (221,335)
Adjustment for non-cash items:		
Depreciation and amortization (Note 5,6)	162,975	330,797
Finance income and finance costs, net	196,130	267,957
Gain on sale of assets	-	(30,000)
Stock-based compensation (Note 8(d))	111,459	7,347
	233,881	354,766
Change in non-cash operating working capital:		
Trade and other receivables	244,849	235,109
Inventory	10,223	-
Prepaid expenses and other	(18,604)	(136,799)
Accounts payable and accrued liabilities and provisions	(316,451)	(512,767)
Income taxes payable	(643)	-
Deferred revenue	409	(164,023)
	153,664	(223,714)
Financing activities:		
Payments of obligations under finance lease	(4,279)	(2,629)
Finance income and finance costs paid/received, net	(153,175)	(150,000)
	(157,454)	(152,629)
Investing activities:		
Acquisition of property and equipment	(3,147)	(9,473)
Proceeds on disposal of assets	-	780,000
Acquisition of intangible assets (Note 6)	(30,223)	(40,500)
	(33,370)	730,027
Decrease in cash and cash equivalents	(37,160)	353,685
Cash and cash equivalents, beginning of period	1,374,380	712,410
Cash and cash equivalents, end of period	\$ 1,337,220	\$ 1,066,095

See accompanying notes to the consolidated financial statements

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

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## 1. Nature of business:

Adya Inc. (formerly Telehop Communications Inc.) (the "Company") was incorporated under the laws of the Province of Ontario. The Company's registered office and its head office is located at 1039 McNicoll Ave., Toronto, Ontario. The consolidated financial statements of the Company comprise the Company and its wholly-owned subsidiaries International Telehop Network Systems Inc., G3 Telecom USA Inc., 7140282 Canada Inc., Telehop Agencies Inc., iRoam Mobile Solutions Ltd., Telehop Global Israel Inc., Telehop Management Inc., Telehop Rebillers Limited, The Friend Network Inc., The Friend Network Services Inc., ALO Telecom Inc., Ellora Phillipines Telecom Inc., Communications Interlink Inc., Elite Communications Inc., Telehop Carrier Services Inc., Worldhop.Com Inc., and Ten-Ten-Six-Twenty Ltd. Adya is a holding company. Its current investment operates as a full-service telecommunication provider and is registered with the Canadian Radio-Television and Telecommunications Commission as a licensed Class "A" Telecom Carrier.

## 2. Significant accounting policies:

### (a) Statement of compliance:

These unaudited consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and the accounting policies we have adopted in accordance with International Financial Reporting Standards (IFRS). These unaudited interim consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the Company's financial position as at September 30, 2017 and the Company's financial performance, comprehensive income and cash flows for the three and nine months ended September 30, 2017.

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on November 23, 2017.

### (b) Basis of preparation:

The unaudited consolidated interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the accounting policies. The consolidated financial statements are prepared in Canadian dollars, which is the Company's functional currency.

### (c) Basis of consolidation:

#### (i) Subsidiaries:

Subsidiaries are entities controlled by the Company where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements. All subsidiaries of the Company are wholly owned and controlled by the Company.

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

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## 2. Significant accounting policies (continued):

### (c) Basis of consolidation (continued):

#### (ii) Transactions eliminated on consolidation:

Inter-company balances and transactions between subsidiaries are eliminated in preparing the consolidated financial statements.

### (d) Accounting policies:

The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation and described in Note 2 of the annual financial statements as at and for the year ended December 31, 2016, with the exception of new and revised standards along with any consequential amendments, effective January 1, 2017. Accordingly, these interim financial statements for the three and nine-month periods ended September 30, 2017 and 2016 should be read together with the annual financial statements as at and for the year ended December 31, 2016.

### (e) Recent accounting pronouncements:

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standards impacted that may be applicable to the Company are as follows:

#### (i) IFRS 15, Revenue from Contracts with Customers:

In May 2014, the IASB issued this standard which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2018 and allow early adoption. The Company does not intend to adopt this standard early and are currently evaluating the anticipated impact of adopting this standard on the consolidated financial statements.

#### (ii) IFRS 9, Financial Instruments:

In July 2014, the IASB issued this standard which replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, and allows earlier adoption. The standard introduces a new model for the classification and measurement of financial assets, a single expected credit loss model for the measurement of the impairment of financial assets, and a new model for hedge accounting that is aligned with a company's risk management activities. The Company does not intend to adopt this standard early and is currently evaluating the anticipated impact of adopting this standard on the consolidated financial statements.

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

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## 2. Significant accounting policies (continued):

### (iii) IFRS 16 Leases:

In January 2016, the IASB issued this standard, which brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases and requires all leases, including operating and financing to be reported on a company's balance sheet. IFRS 16 supersedes IAS 17, Leases, and related interpretations and is effective for periods beginning on or after January 1, 2019, which earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company does not intend to adopt this standard early and is currently evaluating the anticipated impact on adopting this standard on the consolidated financial statements.

## 3. Cash and cash equivalents:

The Company's cash and cash equivalents comprise of cash in bank as at September 30, 2017 and December 31, 2016. The Company had \$400,000 cash held in trust as at December 31, 2016, which was included in cash and cash equivalents balance on the statement of financial position.

The Company's exposure to interest rate risk for the nine months ended September 30, 2017 and the year ended December 31, 2016, in respect of cash balances, was not considered significant.

## 4. Trade and other receivables:

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	September 30, 2017	December 31, 2016
Trade receivables	\$ 730,989	\$ 975,838

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### Trade receivables:

The average credit period for receivables is 30 days. Interest and late payment charges are charged thereafter at 2% per month on the outstanding balance.

The Company has credit evaluation, approval and monitoring processes to assess new customers' credit quality that mitigate potential credit risks. Credit limits are imposed on each customer, which are reviewed annually.

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

## 5. Property and equipment:

	Switch	Telecom	Furniture	Computer and	Leasehold	Total
<b>Cost</b>						
Balance, December 31, 2015	\$941,524	\$636,409	\$121,515	\$454,990	\$37,280	\$2,191,718
Additions	-	3,541	-	17,237	-	20,778
Dispositions	-	-	-	-	-	-
Balance, December 31, 2016	941,524	639,950	121,515	472,227	37,280	2,212,496
Additions	-	-	-	3,147	-	3,147
Balance, September 30, 2017	\$941,524	\$639,950	\$121,515	\$475,374	\$37,280	\$2,215,643
<b>Accumulated Depreciation</b>						
Balance, December 31, 2015	\$283,801	\$589,087	\$89,524	\$396,833	\$13,668	\$1,372,913
Depreciation	94,153	19,428	9,702	53,312	7,458	184,053
Dispositions	-	-	-	-	-	-
Balance, December 31, 2016	377,954	608,515	99,226	450,145	21,126	1,556,966
Depreciation	70,614	10,979	7,715	22,344	5,592	117,245
Dispositions	-	-	-	-	-	-
Balance, September 30, 2017	\$448,568	\$619,494	\$106,941	\$472,489	\$26,718	\$1,674,211
<b>Carrying amount</b>						
As at December 31, 2016	563,570	31,435	22,289	22,082	16,154	655,530
As at September 30, 2017	492,956	20,456	14,574	-	10,562	541,432

## Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

### 6. Intangible assets and goodwill:

	Spectrum	Trademarks	Licenses	Customer	Website	Software	Total
<b>Cost</b>							
Balance, December 31, 2015	\$1,000,000	\$712,500	\$50,000	\$1,034,000	\$30,101	\$390,499	\$4,585,100
Additions	-	-	-	40,500	-	-	40,500
Dispositions	(1,000,000)	-	-	-	-	-	(1,000,000)
Impairment	-	(712,500)	(50,000)	-	-	-	(2,130,500)
Balance, December 31, 2016	-	-	-	1,074,500	30,101	390,499	1,495,100
Additions	-	-	-	-	-	30,223	30,223
Dispositions	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance, September 30, 2017	\$-	\$-	\$-	\$1,074,500	\$30,101	\$420,722	\$1,525,323
<b>Accumulated Amortization</b>							
Balance, December 31, 2015	\$-	\$-	\$-	\$806,667	\$30,101	\$359,002	\$1,195,770
Amortization	-	-	-	217,111	-	22,601	239,712
Balance, December 31, 2016	-	-	-	1,023,778	30,101	381,603	1,435,482
Amortization	-	-	-	33,847	-	11,884	45,731
Balance, September 30, 2017	\$-	\$-	\$-	\$1,057,625	\$30,101	\$393,487	\$1,481,213
<b>Carrying amount</b>							
As at December 31, 2016	\$-	\$-	\$-	\$50,722	\$-	\$ 8,896	\$59,618
Balance, September 30, 2017	\$-	\$-	\$-	\$16,875	\$-	\$27,235	\$44,110

## **Adya Inc. (Formerly Telehop Communications Inc.)**

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

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During the year ended December 31, 2016, the Company sold one of its spectrum licenses for \$780,000, with a carrying value of \$750,000, resulting in a gain of \$30,000.

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

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## 6. Intangible assets and goodwill (continued):

Impairment testing:

The Company tested goodwill and indefinite life intangible assets for impairment as at December 31, 2016. When assessing whether there is impairment, the recoverable amount is determined based on value-in-use calculation. Key estimates and assumptions include:

- (a) Discounting estimated future cash flows over a period of 5 years to their present value, along with a terminal value;
- (b) The future cash flows are based on estimates and expected future operating results of the Company after considering future business plans, economic conditions and a general outlook for the industry in which the Company operates;
- (c) The pre-tax discount rate of 25.4% (17.4% - after tax), which is determined based on market rates of return, debt to equity ratios and certain risk premiums, among other things; and
- (d) The terminal growth rate of nil, which is the value attributed to the Company's operations used to determine recoverable amounts.

These assumptions are subjective judgments and estimates based on the Company's experience and knowledge of the economic environment in which it operates. The impairment loss was allocated to goodwill, trademarks and licenses.

Impairment charge:

At December 31, 2016, the recoverable amount of the Company was determined to be \$522,054 as compared to the carrying value of \$2,652,554. As a result, for the year ended December 31, 2016, the Company recorded an impairment charge of \$2,130,500 (2015 – 245,500) against the carrying value of the allocated goodwill and indefinite life intangible assets.

The impairment charge was determined due to the discontinuance of a major roaming wireless agreement and due to an industry decline in long distance services. In addition, the Company does not expect to invest further funds into the wireless business.

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

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## 7. Notes and debentures payable:

### (a) Notes payable

On December 31, 2016, the Company issued two promissory notes in the aggregate principal amount of \$400,000. The promissory notes are unsecured, bearing interest of 7.5% per annum (calculated monthly) and are due on December 31, 2020.

### (b) Debentures:

On February 24, 2014, the Company completed a private placement of \$3,000,000 of unsecured, five-year debentures. The debentures had a maturity date of five years from the date of closing of the offering of February 28, 2014 and bore interest at a rate of 10% per annum, payable semi-annually in cash on June 30 and December 31 in each year, commencing on June 30, 2014, with the final payment due on the maturity date.

Each debenture was priced at a 2% discount, namely at \$980 per \$1,000 of the principal amount thereof. On and after June 30, 2016, and at any time prior to the maturity date, the debentures are redeemable at the option of the Company at a price equal to \$1,000 per debenture plus accrued and unpaid interest thereon up to but excluding the date of redemption. The Company engaged Jones, Gable & Company Ltd. ("Jones Gable") to act as finder in connection with the offering and paid Jones Gable a \$195,000 fee equal to 6.5% of the gross proceeds raised from the sale of the debentures.

Total transaction costs including the discount related to the debenture offering were \$286,375 and were recorded as an offset to the carrying value of the debentures. During the year ended December 31, 2016, the Company recorded \$57,275 (2015 - \$57,275) of amortization of these transaction costs in finance costs.

Effective December 19, 2016, the Company entered into an agreement with its debenture holders to restructure the debt as follows:

- (i) The interest rate on the debentures was reduced from 10% per annum to 7.5% per annum;
- (ii) That the Company be required to pay \$150,000 of principal on December 31, 2018, and a further \$300,000 principal on December 31, 2019, and the balance of the principal outstanding on December 31, 2020;
- (iii) That any prepayment of principal other than as set out in the above paragraph be accompanied by penalty payment of 2% of the amount of principal prepaid;

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

## 7. Notes and debentures payable (continued):

### (b) Debentures (continued):

- (iv) That the repayment of the principal by the Company be secured by a general security agreement on all of its assets, subject to postponement in favour of any prior general security agreement that may hereafter be issued by the Company in favour of the Company's institutional banker up to \$500,000;
- (v) That 25% of the principal amount of \$3,000,000, excluding accrued interest, namely \$750,000 be converted pro rata among all debenture holders into common shares of the Company at a price of \$0.05 per share, resulting in the issuance of 15 million common shares of the Company; interest shall accrue on the converted portion of the debentures to the date of conversion and be paid at such time of conversion.
- (vi) The common shares were subject to a 4 month hold period that expired on May 1, 2017.

Under IAS 39, *Financial Instruments: Recognition and Measurement*, the change in the terms of the debt instrument resulted in a modification of the original debentures as the change in the fair value of the present value of the revised cash flows, plus any fees paid, did not differ by 10% or more from the present value of the remaining cash flows of the existing debt.

The Company accounted for the partial settlement of debentures with common shares in accordance with IFRIC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*, and determined that the carrying value of the portion of debentures settled is equal to the fair value of the common shares issued and therefore, no gain or loss was recorded in the statement of operations and comprehensive loss.

The carrying value of the debentures as at September 30, 2017 is \$2,168,860 (December 31, 2016 - \$2,125,904).

## 8. Capital and other components of equity:

### (a) Share capital:

The Company is authorized to issue an unlimited number of common shares. The numbers of outstanding common shares are as follows:

	September 30, 2017		December 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
Shares issued and outstanding, beginning of year	47,272,083	\$ 4,029,265	32,272,083	\$ 3,279,265
Share issuance	-	-	15,000,000	750,000
Shares issued and outstanding, end of period	47,272,083	\$ 4,029,265	47,272,083	\$ 4,029,265

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

## 8. Capital and other components of equity (continued):

### (a) Share capital (continued):

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### (b) Issuance of common shares:

In accordance with the restructuring of the debenture (note 7(b)) the Company issued 15,000,000 common shares valued at \$0.05 per share for a total of \$750,000.

### (c) Issuance of share options:

As at September 30, 2017, directors and senior employees held 1,875,000 (December 31, 2016 – 1,487,875) options of the Company, with variable expiration dates from 2017 to 2022. Share options granted under the Company's Employee Share Option Plan carry no rights to dividends and no voting rights.

### (d) Contributed surplus:

	September 30, 2017	December 31, 2016
Balance, beginning of period	\$ 566,792	\$ 373,035
Stock-based compensation expense	111,459	8,132
Expiry of warrants	-	185,625
Balance, end of period	\$ 678,251	\$ 566,792

The contributed surplus comprises the impact of stock option expense, net of the impact of any related exercises and expiry of warrants.

### (e) Warrants:

The following is a summary of the activity of warrants:

	September 30, 2017		December 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	-	\$ -	3,750,000	\$ 0.15
Expired February 1, 2016	-	\$ -	(3,650,000)	(0.15)
Balance, end of period	-	\$ -	-	\$ -
Warrants exercisable, end of period	-	\$ -	-	\$ -

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

## 8. Capital and other components of equity (continued):

(e) Warrants (continued):

The following is a summary of warrants outstanding at September 30, 2017 and December 31, 2016:

	Number	Value
Balance, December 31, 2015	3,750,000	\$ 185,625
Expired February 1, 2016	(3,750,000)	(185,625)
Balance, December 31, 2016 and September 30, 2017	-	\$ -

## 9. Loss per share:

For the three and nine months ended September 30, 2017 and September 30, 2016, there is no effect of potentially dilutive securities. All warrants and outstanding stock options were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive. If applicable, the average market value of the Company's shares for purposes of calculating the dilutive effect of share options would be based on quoted market prices for the period during which the options were outstanding.

## 10. Share-based payment transactions:

Employee Share Option Plan of the Company:

The Company has a share option plan (the "2005 Plan") for directors, officers, employees and consultants under written contract of the Company and its subsidiaries, as approved by the shareholders of the Company.

In 2011, the Company adopted a new 10% rolling Incentive Stock Option Plan (the "2011 Plan"), which replaced the fixed 2005 Plan where only a maximum of 1,800,000 options could be granted. Under the 2011 Plan, the

Employee Share Option Plan of the Company aggregate number of optioned shares that may be issued will not exceed 10% of the number of issued and outstanding shares of the company at the time of the granting of options.

As at September 30, 2017, there are 2,979,000 (December 31, 2016 - 1,487,875) options outstanding and the Company can issue 1,748,208 additional options under the 2011 Plan.

Each employee share option converts into one ordinary common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Board of Directors administers the granting of all options under the 2011 Plan and 2005 Plan and has the discretion to prescribe vesting restrictions for options granted.

# Adya Inc. (Formerly Telehop Communications Inc.)

Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
Three and nine months ended September 30, 2017

## 10. Share-based payment transactions (continued):

The following share-based payment arrangements were outstanding at September 30, 2017:

Option series	Number of options	Grant date	Expiry date	Exercise price	Fair value at grant date	Weighted average remaining life
	#			\$	\$	# of years
1	-	8/27/2012	8/27/2017	0.12	0.11	0.00
2	160,000	4/4/2013	4/4/2018	0.10	0.07	0.03
3	200,000	2/27/2014	2/27/2019	0.12	0.10	0.09
4	79,000	9/30/2014	9/30/2019	0.15	0.11	0.05
5	50,000	11/25/2014	11/25/2019	0.15	0.11	0.04
6	50,000	5/29/2015	5/29/2020	0.10	0.06	0.04
7	1,840,000	1/31/2017	1/31/2022	0.05	0.05	2.68
8	600,000	1/31/2017	1/31/2022	0.08	0.05	0.87
	2,979,000					3.81

The weighted average remaining life of the options is 3.81 years.

Options granted vest over a period not to exceed five years and expire 90 days after a recipient ceases to qualify as a director, officer, employee or consultant under written contract.

The fair value of share options granted were priced using the Black Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past five years. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Option Series	1	2	3	4	5	6	7	8
Grant date share price	\$0.12	\$0.08	\$0.12	\$0.14	\$0.14	\$0.09	\$0.05	\$0.05
Exercise price	\$0.12	\$0.10	\$0.12	\$0.15	\$0.15	\$0.10	\$0.05	\$0.08
Expected volatility	147%	151%	114%	110%	109%	82%	155%	155%
Expected life	5 years							
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.5%	1.5%	1.6%	1.6%	1.5%	0.9%	1.1%	1.1%

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## 10. Share-based payment transactions (continued):

The following table presents information concerning stock options movement under the Plan:

	September 30, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	1,487,875	\$ 0.11	2,252,875	\$ 0.12
Granted	2,440,000	0.05	-	-
Expired	(948,875)	0.12	(765,000)	0.12
Options outstanding, end of period	2,979,000	\$ 0.07	1,487,875	\$ 0.11
Options exercisable, end of period	2,979,000	\$ 0.07	1,303,208	\$ 0.11

## 11. Accounts payable and accrued liabilities:

	September 30, 2017	December 31, 2016
Trade payables and accruals	\$ 479,731	\$ 741,487
Personnel related accruals	111,113	137,494
Other	5,324	33,640
	\$ 596,168	\$ 921,621

## 12. Financial risk management:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk

Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

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## 12. Financial risk management (continued):

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

### (a) Credit risk:

Trade and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

A credit policy is established under which each new customer is analyzed individually or in groups for creditworthiness and given appropriate credit limits. The Company's review includes agent review, external ratings when available, and in some cases, bank references. Credit limits are established for each customer and these limits are reviewed on an ongoing basis. Customers that fail to meet the Company's creditworthiness benchmark may transact with the Company only on a prepayment basis. Trade and other receivables relate mainly to the Company's retail customers.

The Company establishes an allowance for doubtful accounts that represents its estimate of uncollectible accounts in respect of trade and other receivables. The allowance for doubtful accounts is used to record potential impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at which point the amounts are written off against the financial asset directly. The Company makes significant estimates pertaining to allowance for doubtful accounts.

### (a) Credit risk (continued):

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$1,337,220	\$1,374,380
Trade and other receivables, before allowance	814,181	1,024,198
	<u>\$2,151,401</u>	<u>\$2,224,225</u>

Credit risk associated with cash and cash equivalents are minimized significantly by ensuring that these financial instruments are placed with major financial institutions. Credit risk associated with trade and other receivables is mitigated by the Company's large and unrelated customer base and the application of its credit evaluation, control and monitoring processes.

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## 12. Financial risk management (continued):

### (b) Liquidity risk:

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. As at September 30, 2017, the Company had cash and cash equivalents of \$1,337,220 (December 31, 2016 - \$1,374,380), to settle current liabilities of \$1,709,753 (December 31, 2016 - \$2,026,117). The following are the contractual maturities of financial liabilities as at September 30, 2017:

	Carrying amount	Contractual cash flows	Less than 1 year	More than 1 year
Accounts payable and accrued liabilities	\$ 596,168	\$ 596,168	\$ 596,168	\$ -
Provisions	-	-	-	-
Income taxes payable	194,311	194,311	194,311	-
Finance leases	9,293	9,293	6,082	3,211
Debentures and notes payable	2,568,860	2,650,000	-	2,650,000
	\$ 3,368,632	\$ 3,449,772	\$ 796,561	\$ 2,653,211

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. The Company does not currently believe it will encounter difficulty in meeting its obligations associated with its financial liabilities.

### (c) Market risk:

#### (i) Currency risk:

The Company's functional currency is the Canadian dollar, but it regularly transacts in U.S. dollars for a portion of its business activities. The value of financial instruments or cash flows associated with the instruments denominated in U.S. dollars will be affected by changes in the exchange rate fluctuations in the market between the Canadian and U.S. dollar.

On occasion, the Company utilizes a hedging program to mitigate a portion of its currency risks. As at September 30, 2017 and December 31, 2016, the Company does not hold any derivative instrument or cash flow hedges.

A sensitivity analysis of the Canadian dollar against the U.S. dollar was performed as at December 31 of each year based on the Company's currency risk exposure. The results of the sensitivity analysis resulting in an increase or decrease on the Company's profit or loss and equity was not considered significant.

#### (ii) Interest rate risk:

The Company's primary interest rate risk consists of interest rate fluctuations, which may affect the Company's notes payable, debentures and lease obligations. The Company does not currently use derivative instruments to limit interest rate risks.

# Adya Inc. (Formerly Telehop Communications Inc.)

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## 12. Financial risk management (continued):

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured from the prior year.

### (d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

Compliance with Company standards is supported by a program of periodic reviews undertaken by senior management. The results are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee.

# Adya Inc. (Formerly Telehop Communications Inc.)

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## 12. Financial risk management (continued):

Fair value of financial instruments:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies. The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, Financial Instruments - Disclosures.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability which are supported by little or no market activity.

The fair values of short-term financial assets and liabilities, including trade and other receivables, and accounts payable and accrued liabilities as presented in the consolidated statements of financial position, approximate their carrying amounts due to their short-term maturities. The fair value of finance leases, debentures and notes payable approximates their carrying value because management believes the interest rates approximate the market interest rate for similar debt with similar security. There are no financial assets or liabilities measured using Level 3.

## 13. Commitments:

The Company has entered into lease agreements for premises expiring at various periods up to 2019. The future minimum annual rental payments on the non-cancellable operating leases are payable as follows:

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2017	\$	261,103
2018	\$	269,267
2019	\$	111,438

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The Company leases its corporate office that expires in 2019. During the nine months ended September 30, 2017, the Company recognized \$141,000 (2016 - \$126,800) as an expense in profit or loss as part of general and administrative cost in respect to this operating lease.

In December 2011, the Company entered into an operating lease for its switch facility that includes hosting and connectivity service, which expired in October 2015. During the nine months ended September 30, 2017, the Company recognized rent expense in the amount of \$68,400 (2016 - \$56,400) as part of telecommunication costs in respect to the operating lease for the switch facility. The Company also assumed additional switch facility space as part of the acquisition of G3 Telecom. The term for this leased space is from March 2014 to February 2019. The Company recognized \$117,825 in expense for the nine months ended September 30, 2017 (2016 - \$114,240).

# Adya Inc. (Formerly Telehop Communications Inc.)

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## 14. Capital management:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, so that it can provide above average returns for its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which consists of issued capital, warrants, reserves and deficit.

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business that may include various acquisition proposals, as well as capital and operating budgets.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2017.

## 15. Contingencies:

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the Company's financial condition or results of operations.

## 16. Operating segments:

Sales attributable to geographic location for the nine months ended September 30, 2017 and September 30, 2016 are as follows:

	2017	2016
Canada	\$ 6,459,563	\$ 8,478,045
United States	1,993,277	2,908,673
	\$ 8,452,841	\$ 11,386,718

All of the Company's assets as at September 30, 2017 and December 31, 2016 are located in Canada.

# Adya Inc. (Formerly Telehop Communications Inc.)

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## 17. Related party transactions and balances:

On February 28, 2014, the Company completed the acquisition of a combination of shares and assets of G3 Telecom. One of the individuals who had beneficial ownership of G3 Telecom, subsequently joined the Board of Directors of the Company in the first quarter of 2014 and became a related party.

This director was entitled to 5% of gross wireless sales for thirty-six months after the closing date of February 28, 2014. The royalty was paid quarterly as it is earned. For the nine months ended September 30, 2017, the total royalty expense was \$nil (2016 - \$44,665). As at September 30, 2017, \$nil (December 31, 2016 - \$13,715) was owed and included in accounts payable and accrued liabilities.

Company rents its head office space from a company owned by a Director of the Company and the vendor of G3 Telecom, and paid rent in the nine months ended September 30, 2017 in the amount of \$141,000 (2016 - \$126,800).

Key management personnel compensation:

Nine months ended September 30,	2017	2016
Wages, salaries and other benefits	\$ 268,442	\$ 319,916
Canada Pension Plan, employment insurance and other remittances	5,290	7,393
Share-based compensation	63,800	5,968
	<u>\$ 337,532</u>	<u>\$ 333,277</u>

In addition to their salaries and allowances, key management personnel also participate in the Company's share option program and short-term health and dental benefits.

Certain executive officers are subject to a mutual term of notice of six months. Upon resignation at the Company's request, they are entitled to certain termination benefits, either cash or a percentage of gross salary.

Directors received compensation for their services as directors of the Company. Additionally, the directors are able to participate in the Company's share option program. Outside of directors' fees, certain directors or companies affiliated with these directors also participated in transactions with the Company for legal services and for the nine months ended September 30, 2017 charged amounts totaling \$20,048 (2016 - \$14,500), which is the amount agreed to by the parties.

Effective December 31, 2016, companies owned by two directors of the Company, subscribed for notes payable in the amount of \$200,000 each for a total of \$400,000 as described in Note 7(a). The notes payable bear interest at 7.5% per annum (calculated monthly) and are due December 31, 2020.