Adya Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2019

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Dated November 18, 2019

This document provides management's discussion and analysis ("MD&A") of our financial condition as at, and results of operations for, the three and nine months ended September 30, 2019. This MD&A is intended to help the readers, including shareholders and stakeholders, understand the dynamics of Adya's business and the key factors underlying its financial results, and should be read together with our unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 ("Interim Financial Statements") and the audited annual consolidated financial statements and accompanying notes ("Annual Financial Statements") for the year ended December 31, 2018.

The Interim Financial Statements, along with the comparative periods presented in them, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts in this document are in Canadian dollars.

Throughout this document, unless otherwise specified or the context otherwise indicates, the "Company", "Adya", "we", "us" and "our" refer to Adya Inc. and its subsidiaries.

Additional information on Adya is available and can be found on Adya's website at www.adya.ca or through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's other recent financial reports, securities and continuous disclosure documents.

The Annual Financial Statements and information and analysis in the MD&A includes amounts and conclusions based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration as to materiality. In addition, in preparing the financial information, management must interpret the financial information, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information.

FORWARD-LOOKING STATEMENTS

This MD&A is dated November 18, 2019 and may contain forward-looking information related to our future financial condition and results of operations and anticipated future events and circumstances. This information is based on our estimates about the conditions in which we operate and our beliefs and assumptions regarding these conditions. Unless otherwise indicated, the forward-looking information in this MD&A describes our expectations on the date of this MD&A. In some cases, forward-looking information may be identified by words such as “anticipate”, “believe”, “could”, “expect”, “plan”, “seek”, “may”, “intend”, “will”, “forecast” and similar expressions.

This information is subject to important risks and uncertainties, which are difficult to predict, and is based on and subject to assumptions, which may prove to be inaccurate. Some of the risk factors that could cause results or events to differ materially from current expectations include but are not limited to: increasing competition; ability to achieve strategies and plans; timing of product introductions; ability to manage our cost structure; general economic and business conditions; demographic changes; reliance on systems; changing technology; demand for our products and services; changing regulations; dependence on key suppliers; reliance on key personnel; legal contingencies and changes in laws; and tax related risks. Some of these risk factors are largely beyond our control. Should any risk factor affect us in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking information does not take into account the effect that transactions, non-recurring or other special items, announced or occurring after this information is provided may have on our business. All of the forward-looking information reflected in this document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for us. Except as may be required by Canadian securities laws, we disclaim any intention and assume no obligation to update or revise any forward-looking information, even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking information as various factors could cause actual future results, conditions or events to differ materially from expectations or estimates expressed in these forward-looking statements.

See the section titled “Definitions – Additional GAAP Measures and Non-GAAP Measures” for descriptions of Operating Income (loss), EBITDA, Adjusted EBITDA and the reconciliation of EBITDA and Adjusted EBITDA to net income (loss) for the periods presented. These items do not have a standardized meaning under IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. EBITDA and Adjusted EBITDA are non-GAAP measures which should not be considered as a substitute or alternative for GAAP measures.

COMPANY OVERVIEW

Adya Inc. ("Adya" or the "Company") is a publicly traded holding company and is currently a strategic shareholder in telecommunications and technology companies. With offices located in Toronto, Canada, the Company is focused on diversifying its portfolio through the acquisition of accretive businesses, with recurring revenue, high shareholder value, and annuity revenue streams. Adya has been publicly traded on the TSX Venture Exchange (TSX.V: ADYA) since 1997.

Telecom Investments

Adya's telecommunication investments services include full-service long distance, internet, business services and re-sale wireless services. It is one of the largest alternative telecommunications providers to both residential and business customers. Adya's wholly owned subsidiaries are registered with the Canadian Radio-Television and Telecommunications Commission ("CRTC") as a licensed Class "A" Telecom Carrier and with the American Federal Communications Commission ("FCC").

SUBSEQUENT EVENT

On October 23, 2019 the Company announced that it intends to close a private placement offering ("Private Placement") of 21,249,936 common shares of the Company ("Shares") to Iris Technologies Inc. ("Iristel") at a price per Share equal to $0.07647, for aggregate gross proceeds of $1,625,000 to the Company (the "Proceeds"). There are currently 2,363,604 Shares issued and outstanding and with the issuance of 21,249,936 Shares to Iristel, the Company will have a total of 23,613,540 Shares issued and outstanding, of which Iristel will hold approximately 90%.

The Proceeds of the Private Placement are to be immediately used by the Company to effect the settlement and payment to the holders of $2,250,000 aggregate principal amount of 7.5% debentures of the Company ("Debentures") issued February 28, 2014, pursuant to an amended & restated debenture indenture (the "Indenture") entered into concurrently therewith between the Company and TSX Trust Company, the trustee pursuant to the Indenture. The payment of the Proceeds to TSX Trust Company, on behalf of the holders of Debentures, is to be made in addition to a payment made concurrently thereto by the Company of its cash-on-hand on the date thereof. In consideration for the payments thereto, TSX Trust Company, on behalf of the holders of Debentures, will then agree to terminate the debentures as fully-paid and cancelled.

As part of this transaction, effective on the date the Private Placement is closed (the "Closing Date"), Adya's current Board members will have resigned and the new directors, set out below, are to be appointed. The following current directors will be resigning: Rajan Arora, Eamon Hoey, Rajiv Jagota, Robert Stikeman, and Pankaj Varma. The new board of directors is to be composed as follows:

• Samer Bishay • Magdi Wanis • Robert Khoury • Eric Rothschild • Steve Gregory

Also effective the Closing Date, Mr. Rajiv Jagota will resign as Adya's Chief Executive Officer and is to be replaced by Mr. Samer Bishay. The Company wishes to thank Rajiv for his service and dedication to Adya. Rajiv will continue as an advisor to Adya during a short transition period. Mr. Kyle Appleby, the current Chief Financial Officer of Adya will remain with the Company and Mr. Robert Khoury will be appointed as Secretary.

FINANCIAL REVIEW

The following discussion of the Company's financial performance is based on the consolidated financial statements for the three and nine months ended September 30, 2019 and June 30, 2018.

As at September 30, 2019, the Company had a cash and cash equivalents balance of $435,441 (December 31, 2018- $624,027) and total current assets of $1,423,032 (December 31, 2018 - $1,705,781).

Long term assets consist of equipment and intangible assets. As at September 30, 2019, long term assets totalled $372,456 down from $412,202 at December 31, 2018 due to depreciation/amortization on the assets. The depreciation/amortization was offset by a revaluation of IP addresses owned by the Company in the amount of $40,960. This increased the value of intangible assets created a gain on the statement of loss, as a change in the fair value of intangible assets. The revaluation of these IP addresses was based on market prices.

Current liabilities decreased to $1,672,871 at September 30, 2019 from $1,765,732 at December 31, 2018 due to a decrease in accounts payable.

As at September 30, 2019, long term liabilities totaled $2,200,000 (December 31, 2018 – $2,190,454) and consisted of $1,800,000 of debentures (December 31, 2018 - $1,790,454), and $400,000 of notes payable to directors of the Company (December 31, 2018 - $400,000). $450,000 of the debentures became a current liability at December 31, 2018.

Revenue for the three and nine months ended September 30, 2019 was $1,734,724 and $2,021,043 compared to $5,420,238 and $6,442,072 for the three and nine months ended September 30, 2018. Net loss and comprehensive loss for the three and nine months ended September 30, 2019 was $99,967 and $239,180 compared to a net loss of $85,635 and $198,831 for the three and nine months ended September 30, 2018.

On August 2, 2019, the Company completed a consolidation of its common shares on the basis of one post consolidation common share for every twenty pre-consolidation common shares.

Revenue

Revenues are earned from the access to, and the use of, Adya's telecommunications network and infrastructure. Numerous types of telecommunications services are sold and packaged in different forms, which includes casual calling, subscriptions, wireless solutions, wholesale, Business Services, VoIP Home Phone, and prepaid calling cards.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
Revenue	$1,734,724	$2,021,043	-14%	$5,420,238	$6,442,072	-16%

During Q2 2018, one of our wireless service providers ceased providing this service to us, resulting in a decrease in wireless revenue in Q1 and Q2 of 2019 compared to 2018. In addition, the casual calling and long-distance markets have continued to be highly competitive, which also attributed to the decline in revenue. Customers are receiving strong offers from their existing providers to stay with low long-distance rate calling offers and there has been a transition to other technologies for long distance communication. The decrease is in line with market trends.

The Company is also working to add to other product lines and services to offer more opportunities for additional sales and gross margin in 2019 and beyond.

Outlook

On the product and marketing side, the Company will continue to focus on growing the business services unit by targeting niche and underserved customers while utilizing the Company's Metaswitch that offers carrier-grade quality services. The Company is, establishing distribution partners outside Ontario and Quebec with an engagement program for agents and wholesalers.

Additionally, to offset the declines in LD, the Company has interconnected with both Bell and Rogers to offer Internet services. Residential product focus for 2019 will be offering improved Internet (DSL & Cable), along with HomePhone/Internet/IPTV bundle packages. The bundle offerings allow us cross-sell to our large embedded customer base in Ontario & Quebec, and attract a different type of customer demographics than our current base.

By leveraging the Company's Philippines call centre in 2019, the Company will be increasing focus on providing onshore and offshore outsourcing for inbound and outbound call center services. This includes customer service, telemarketing, customer retention, billing collection, and technical support.

The Company continues to focus on expanding beyond telecommunications into other accretive businesses and other M&A opportunities.

Gross Margin

	Three months ended September 30,			**Nine months ended September 30,**		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Gross margin	796,405	885,495	-10%	2,463,118	2,725,555	-10%
Gross margin percentage	46%	44%	2%	45%	42%	3%

Operating expenses

	Three months ended September 30,			**Nine months ended September 30,**		
	2019	**2018**	**%**	**2019**	**2018**	**%**
General and administrative	$ 667,446	$ 688,890	(3%)	$ 2,021,564	$ 2,100,587	(4%)
Marketing and selling	75,737	100,056	(24%)	238,071	314,970	(24%)
Development and technical support	80,473	91,492	(12%)	255,531	354,407	(28%)
Depreciation and amortization	26,154	37,584	(30%)	83,463	112,104	(26%)
	$ 849,810	$ 918,022	(7%)	$ 2,598,629	$ 2,882,068	(10%)

General & administration expenses (consisting of corporate costs, management and administrative personnel, legal, audit, rent, and office expenses) decreased during the three and nine months ended September 30, 2019 compared to the same periods ended in 2018 as a result of administrative cost cutting measures.

The decrease in Marketing & selling expenses (consisting of advertising, marketing and sales commissions) was the result of reduction in marketing personnel and a reduction of online advertising initiatives.

Development & technical support (consisting of IT wages and technical support) changes are due to the number of customer service representatives required to support the business.

Depreciation and amortization, a non-cash expense, decreased compared to prior periods due to the reduction of intangible assets compared to 2018.

Other items

Finance charges primarily consists of interest and accretion expense on the debentures and notes payable.

As noted earlier, in the three and nine months ended September 30, 2019, the Company reported a gain of $40,960 on the change in the fair value of intangible assets related to IP addresses that are owned by the Company.

[1] See “Definitions – Additional GAAP Measures and Non-GAAP Measures” for descriptions of Operating Income (loss), EBITDA and Adjusted EBITDA, and a reconciliation of EBITDA and Adjusted EBITDA to net income (loss) for the periods presented.

DEFINITIONS - ADDITIONAL GAAP MEASURES AND NON-GAAP MEASURES

The Company measures the success of its strategy through certain key performance indicators, which are outlined below. The following key performance indicators are not measurements in accordance with IFRS and should not be used as an alternative to net income or any other measure of performance under IFRS.

EBITDA and Adjusted EBITDA

We define EBITDA as earnings before interest costs, taxes, depreciation and amortization. Adjusted EBITDA also excludes acquisition costs, settlement charges and impairment charges. EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, are commonly used measures used in the telecommunications industry to assist in understanding and comparing operating results. EBITDA and Adjusted EBITDA are reviewed regularly by management and our Board of Directors in assessing performance and in making decisions regarding the ongoing operations of the business and the ability to generate cash flows. Generally, a non-GAAP financial measure is a numerical measure of a company’s performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. EBITDA and Adjusted EBITDA are not measures of financial performance nor do they have a standardized meaning under IFRS. In evaluating these measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts. We have reconciled EBITDA and Adjusted EBITDA to their most comparable measure calculated in accordance with IFRS, being net income (loss) in the tables below.

Below is a reconciliation of “EBITDA” and “Adjusted EBITDA” to net loss for the years presented:

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
Net loss	$ (99,967)	$ (85,635)	17%	$(239,180)	$(198,831)	20%
Finance costs, net	46,808	56,507	-17%	149,482	189,255	(21%)
Income tax expense (recovery)	-	-	n/a	-	(137,088)	n/a
Depreciation and amortization	26,154	37,584	-30%	83,463	112,104	(26%)
EBITDA	$ (27,005)	$ 8,456	-419%	$ (6,235)	$ (34,560)	(82%)

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
Net loss	$ (99,967)	$ (85,635)	17%	$(239,180)	$(198,831)	20%
Finance costs, net	46,808	56,507	-17%	149,482	189,255	-21%
Income tax expense (recovery)	-	-	n/a	-	(137,088)	n/a
Depreciation and amortization	26,154	37,584	-30%	83,463	112,104	-26%
Revaluation of intangible assets	-	-	n/a	(40,960)	-	n/a
ADJUSTED EBITDA	$ (27,005)	$ 8,456	-419%	$ (47,195)	$ (34,560)	37%

QUARTERLY RESULTS SUMMARY

The following table sets forth certain information for Q3 2019, as well as historical periods. The operating results for any quarter are not necessarily indicative of results for any future period:

Summary of results	2019			2018				2017	
($000's)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	1,735	1,830	1,855	2,066	2,021	2,158	2,263	2,541	2,610
Telecommunication costs	939	985	1,033	1,081	1,135	1,246	1,335	1,461	1,540
Gross profit	796	845	822	985	886	912	928	1,080	1,070
Gross margin	46%	46%	44%	48%	44%	42%	41%	43%	41%
Operating expenses									
General and administration	667	673	681	698	689	734	678	716	757
Marketing and selling	76	77	86	97	100	102	113	127	134
Development and technical support	80	81	94	114	92	123	140	153	151
Depreciation and amortization	26	26	31	39	37	37	37	37	39
Impairment of goodwill and other intangible assets	-	-	-	-	-	-	-	-	-
	849	857	892	948	918	996	968	1,033	1,081
Operating income (loss)	(53)	(12)	(70)	37	(32)	(84)	(40)	47	(11)
Finance costs, net	46	46	56	74	57	68	69	134	67
Change in fair value of intangible assets	-	(40)	-	-	-	-	-	-	-
Other income	-	(1)	(3)	(4)	(3)	(3)	(3)	(4)	(12)
Loss before income taxes	(99)	(17)	(123)	(33)	(86)	(149)	(106)	(83)	(66)
Income tax (recovery)	-	-	-	(177)	-	-	(137)	120	-
Net loss	(99)	(17)	(123)	144	(86)	(149)	31	(203)	(66)
Loss per share	(0.000)	(0.000)	(0.003)	0.003	(0.002)	(0.003)	0.001	(0.002)	(0.002)
EBITDA	(27)	56	(35)	79	8	(44)	-	88	40
Adjusted EBITDA	(27)	56	(35)	79	8	(44)	-	70	40

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash flows from operating, investing and financing activities, as presented in the consolidated statements of cash flows, are summarized in the following table:

Nine months ended September 30,	2019	2018	+/-	% Change
	$	$		
Cash provided (used) by operating activities	(44,219)	(157,985)	113,767	(72%)
Cash provided (used) by investing activities	(2,758)	(8,378)	5,620	(67%)
Cash provided (used) by financing activities	(141,609)	(147,778)	6,169	(4%)
Increase (decrease) in cash	(188,586)	(314,141)	125,555	(40%)

	As at September 30, 2019	As at December 31, 2018		
Cash and cash equivalents	435,441	624,027	(188,586)	(30%)
Current assets	1,423,032	1,705,781	(282,749)	(17%)
Current liabilities	1,672,871	1,765,732	(117,859)	(7%)
Working capital	(249,839)	(59,951)	(164,889)	275%
Current ratio	0.9	1.0		

**Working capital is defined as current assets less current liabilities, and current ratio is calculated as current assets as compared to current liabilities.*

Cash flows from operating activities decreased mainly due to the negative impact of changes in non-cash working capital items.

Cash used investing activities for 2018 consisted of purchases of software and equipment.

Cash used in financing activities relates to interest on debentures and notes payable in the amount of $139,936 (2018 - $146,299) and equipment lease payments of $1,673 (2018 - $1,479).

The Company has the following financial commitments:

(i) Unsecured promissory notes in the amount of $400,000, that bear interest of 7.5% per annum (calculated monthly) and are due on December 31, 2020.

(ii) Unsecured debentures in the amount of $2,250,000, bearing interest at 7.5%. $450,000 principal on December 31, 2019, and the balance of the principal outstanding on December 31, 2020.

The Company manages liquidity risk to maintain sufficient liquid financial resources to fund our balance sheet and meet our commitments and obligations in the most cost-effective manner possible. The Company does not currently foresee any working capital restrictions for 2019.

RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its CEO, CFO and directors. Key management personnel compensation is as follows for the nine months ended September 30:

	2019	2018
Wages, salaries and other benefits	**$ 248,389**	$ 238,425
	$ 248,389	$ 238,425

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 nine months. Upon resignation at the Company's request, they are entitled to certain termination benefits, either cash or a percentage of gross salary.

The 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, 2019 in the amount of $117,621 (nine months ended September 30, 2018 - $133,500).

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 received amounts totaling $35,086 (2018 - $19,694), 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. Total Interest accrued and paid on the loans during the nine months ended September 30, 2019 was $22,500 (nine months ended September 30, 2018 - $22,500).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key areas requiring judgment and estimation uncertainty include:

- Allowance for doubtful accounts - In developing the estimates for an allowance against existing receivables, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the earnings for the period;

- Useful lives of intangible assets and property and equipment - Management's judgment involves determining the expected useful lives of depreciable assets, to determine depreciation and amortization methods, and the asset's residual value;

- Impairment of non-financial assets - The process to determine whether there are triggering events of impairment of non-financial assets as well as the calculation of value in use requires use of assumptions such as estimates of future cash flows, discount rates and terminal growth rates;

- Share based payments - In valuing stock options granted, the Company uses the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's stock options using the Black-Scholes option pricing model including the expected life of the option, risk-free interest rate and volatility of the underlying stock;

- Provisions - Judgment is required to assess the likelihood of an outflow of the economic benefits to settle contingencies, such as litigations, which may require a liability to be recognized. Significant judgments include assessing estimates of future cash flows and the probability of the occurrence of future events;

- Valuation of deferred income tax assets and liabilities - A deferred tax asset is recognized for unused losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Detailed estimates are required in evaluating the probability that deferred tax assets will be utilized. The Company's assessment is based on existing tax laws, estimates of future profitability, and tax planning strategies; and

- Going concern – the preparation of the consolidated financial statements in accordance with IFRS on a going concern basis assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated revenue and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies for 2019

(i) 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. The adoption of this standard had no impact on the consolidated financial statements given the company had no material lease agreements.

CAPITALIZATION

As at the date of this MD&A, the Company had 2,363,604 (47,272,083 pre-consolidation) common shares outstanding and 98,950 share options, which are exercisable at an average strike price of $1.23 per share at various dates prior to January 2022.

BUSINESS RISKS AND UNCERTAINTIES

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

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.

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.

The following areas summarize the principal risks and uncertainties that could affect Adya's future results.

Competition

Telecommunications providers are continually increasing the range of services they offer as well as lowering their long-distance rates to become more competitive. There can be no assurance that our current or future competitors will not provide services superior to those we provide, or at lower prices, adapt more quickly to evolving industry trends or changing market requirements, enter the market in which we operate, or introduce competing services. Any of these factors could decrease our revenue, lower our subscriber base or increase churn. Adya intends on mitigating these risks through offering more innovative solutions that will remove itself from the price sensitive market, and further optimize its cost structure in anticipation of future price declines and drive more aggressive pricing.

Technology

The market for the Company's services is characterized by rapid change and technological improvements. Failure to respond in a timely and cost-effective way to these technological developments could result in serious harm to the Company's business and operating results. A substantial portion of the Company's revenues are derived and expected to continue to be derived from providing telecommunications services that are based upon today's leading technologies and that are capable of adapting to future technologies.

In addition, the day-to-day operations of our business are highly dependent on their information technology systems. An inability to enhance information technology systems to accommodate additional customer growth and support new products and services could have an adverse impact on our ability to acquire new subscribers, manage subscriber churn, produce accurate and timely subscriber invoices, generate revenue growth and manage operating expenses, all of which could adversely impact our financial results and position.

Reliance on systems and system failures

We rely on various complex systems that are used in the provision of services to customers and the management of customer relationships and billings. These systems are made up of many integrated parts consisting of cable, equipment, buildings and towers, IT equipment, IT software and related data. The success of our operations depends on how well these components are protected against damage from fire, adverse weather, natural disasters, power loss, hacking, computer viruses, disabling devices, vandalism, acts of war or terrorism, and other events. Any of these things could cause operations to be shut down indefinitely and adversely affect our revenues and costs.

Our operations also depend on timely replacement and maintenance of our networks and equipment. To mitigate the effect of this risk, we have business continuity and disaster recovery plans, including certain redundancies that have been built into our network to reduce downtime arising from natural and other disasters; however, there can be no assurance that these plans will be effective.

In addition, many aspects of our business depend to a large extent on various IT systems and software, which must be improved and upgraded regularly and replaced from time to time, sometimes at significant cost. Implementing system and software upgrades and conversions is a very complex process, which may cause adverse consequences including billing errors and delays in customer service. Should these consequences occur, these events could significantly damage our customer relationships and business and have a material adverse effect on our operating results.

Regulatory

Regulatory changes issued by the Canadian Radio-television and Telecommunications Commission (CRTC) could have a material adverse impact on Adya's procedures, costs and revenues. The Company is federally regulated by the CRTC and Industry Canada. The CRTC regulates certain tariff charges in which Adya pays to certain local carrier exchanges and may issue changes that may have a material unfavorable impact on the Company's financial results. To mitigate these risks, the Company monitors industry developments very closely through industry advisors.

Management team and dependence on key personnel

Adya operates with a small but effective and experienced management team that strives to oversee all aspects of operations, and by calling upon the services of financial, industry and technology experts in areas when deemed appropriate.

The success of the Company is heavily dependent on its management team and key personnel and on its ability to motivate, retain and attract highly skilled persons. There can be no assurance that the Company will successfully attract and retain additional qualified personnel to manage its current needs and anticipated growth. The failure to attract such qualified personnel to manage growth effectively and/or the replacement of any management team member or key personnel could have a material adverse effect on the Company's business, financial condition or results of operations. All team members are encouraged to document each of their key tasks and responsibilities as a means of mitigating this risk.

Niche Company

As a niche telecommunications long-distance provider serving primarily ethnic communities, the Company at this time does not have the full diversification in services compared to other larger telecommunications companies. Therefore, the Company is exposed to unforeseen changes in the long-distance market that could adversely affect the Company's future financial results. To mitigate these risks steps have been taken toward being a more diversified company by offering not only long-distance services but as a provider of additional telecommunications services such as wireless.

Integration risk

On February 28, 2014 and May 1, 2014, the Company closed the acquisition of the G3 Telecom business and iRoam assets respectively. Integration of these acquisitions and any future acquisitions involves a number of special risks, including the following: failure to integrate successfully the personnel, information systems, technology, and operations of the acquired business; failure to maximize the potential financial and strategic benefits of the transaction; failure to realize the expected synergies from acquired businesses; possible impairment of relationships with employees and customers as a result of any integration of new businesses and management personnel; possible losses from liabilities assumed in customer contracts; impairment of goodwill and intangible assets; and reductions in future operating results from amortization of intangible assets.

Currency

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 Company purchases wholesale long distance minutes in U.S. dollars but a majority of the sales are in Canadian dollars, therefore gross margins are negatively impacted by a weaker Canadian dollar. The assets, liabilities, revenues and expenses 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.

Credit

The Company is subject to credit risk through trade and other receivables, which consists of amounts represented by the large number of subscription services customers that are invoiced directly, and amounts owed from a large number of customers through various LECs from casual calling revenues.

Liquidity

The Company derives most of its liquidity from cash from operating activities. The Company may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Adya.

Where Adya issues shares in the future, such issuance will result in the then existing shareholders of Adya sustaining dilution to their relative proportion of the equity in the Company.

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or securities convertible into common shares. The articles of the Company allow it to issue, among other things, an unlimited number of common shares for such consideration and on such terms and conditions established by its directors without the approval of its shareholders. The Company cannot predict the size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of the common shares will have on the price of the common shares. Any transaction involving the issue of previously authorized but unissued common shares or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

General economic conditions

Our businesses are affected by general economic conditions, consumer confidence and spending. Recessions or declines in economic activity or economic uncertainty generally cause an erosion of consumer and business confidence and may materially reduce discretionary consumer spending. Any reduction in discretionary spending by consumers and businesses or weak economic conditions may materially negatively affect us through decreased demand for our products and services including decreased revenue and profitability, higher churn and higher bad debt expense.

Dependence on service providers

A number of service providers provide certain essential components of our business operations to our employees and customers, including network, payroll, call center support, certain information technology functions, and invoice printing and facilitation. Our network systems are connected to the systems of other telecommunications carriers, and we rely on them to deliver some of our services. Interruptions in these services can adversely affect our ability to provide services to our customers. To mitigate this risk, we have contracted with a number of service providers to enable redundancies in critical areas.

KEY PERFORMANCE INDICATORS (KPI's) AND NON-IFRS MEASURES

The Company uses a number of key performance indicators as measurement tools, which are outlined below. The following key performance indicators are not measurements in accordance with IFRS and should not be used as an alternative to net income (loss) or any other measure of performance under IFRS.

Gross Margin

Gross margin is determined by deducting all telecommunications-related expenses from revenue. Telecommunications expenses include fixed and variable carrier costs, billing and collections charges to local exchange carriers and support costs for all telecommunications facilities. Gross margin is an indicator of the Company's profit directly tied to its services before general operating expenses.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) are commonly used in the telecommunications industry to assist in understanding and comparing operating results. The Company believes that this measure is important in assessing its profitability before the impact of depreciation and amortization and non-operating factors. EBITDA is also a useful measure of the Company's ability to service debt, invest in capital equipment or distribute dividends to its shareholders.

Adjusted EBITDA

The term "Adjusted EBITDA" refers to the net income (loss) before adjusting for depreciation and amortization, impairment charge on non-financial assets, settlement charges, acquisition costs, finance income, finance costs, and income taxes. "Adjusted EBITDA margin" refers to the percentage that Adjusted EBITDA for any period represents as portion of total revenues for that period.

We believe EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are useful supplemental information as they provide an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration expenses related to impairment charge on non-financial assets, acquisition costs and other items listed above. Accordingly, we believe that these measures may also be useful to investors in enhancing their understanding of the Company's operating performance.

See “Results of Operations – Adjusted EBITDA”.

EBITDA, Adjusted EVITA, and Adjusted EBITDA margin are not measures recognized by IFRS and do not have standardized meaning prescribed by IFRS. Therefore, EBITDA, Adjusted EBITDA, Adjusted EBIDTA margin and may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA, Adjusted EBITDA and Adjusted EBITDA margin should not be construed as an alternative to the net income (loss) as determined in accordance with IFRS

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.

ADDITIONAL INFORMATION

Additional information about Adya is available:

- At the www.adya.ca website
- At the www.sedar.com website
- Via email to investorrelations@adya.ca, or
- Via phone at 416-499-5463