

ADYA INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020
(EXPRESSED IN CANADIAN DOLLARS)

TO THE SHAREHOLDERS OF ADYA INC.

The unaudited condensed interim consolidated statements of financial position of Adya Inc. at September 30, 2020, the unaudited condensed interim consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2020 and September 30, 2019, and the unaudited condensed interim consolidated statements of shareholders' equity and cash flows for the nine months ended September 30, 2020 and September 30, 2019 have not been reviewed by the Company's auditors.

These unaudited condensed 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.

Adya Inc.

Unaudited Condensed Interim Consolidated Statements of Financial Position

(In Canadian Dollars)

As at September 30, 2020 and December 31, 2019

	Note	September 30, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents	3	\$ 90,460	\$ 87,728
Trade and other receivables, net of allowance for doubtful accounts	4	333,776	442,285
Inventory		34,790	28,610
Prepaid expenses and other		530,507	529,336
Total current assets		989,533	1,087,959
Non-current assets:			
Right-of-use assets	5	366,133	471,775
Property and equipment	6	234,265	290,386
Intangible assets	7	9,688	14,910
Total non-current assets		610,085	777,071
Total assets		\$ 1,599,618	\$ 1,865,030
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities	13	\$ 1,501,510	\$ 628,998
Lease liabilities - current	8	124,766	124,766
Deferred revenue		613,416	626,534
Notes payable – current	9	115,000	200,000
Total current liabilities		2,354,692	1,580,298
Non-current liabilities:			
Lease liabilities	8	268,298	360,713
Notes payable - long term	9	470,000	350,000
Total non-current liabilities		738,298	710,713
Total liabilities		3,092,990	2,291,011
Shareholders' equity (deficiency):			
Share capital	10(a)	5,634,247	5,634,247
Contributed surplus	10(b)	621,402	621,402
Deficit		(7,749,021)	(6,681,630)
Total shareholders' equity (deficiency)		(1,493,372)	(425,981)
Contingencies	16		
Subsequent events	19		
Total equity and liabilities		\$ 1,599,618	\$ 1,865,030

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

"Samer Bishay" Director

"Magdi Wanis" Director

Adya Inc.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(In Canadian Dollars)

Three and nine months ended September 30, 2020 and September 30, 2019

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenue	17	\$ 1,356,270	\$ 1,734,724	\$ 4,432,158	\$ 5,420,238
Telecommunications costs		821,392	938,319	2,604,124	2,957,120
Gross margin		534,878	796,405	1,828,034	2,463,118
Operating expenses					
General and administrative		514,119	667,446	2,176,083	2,021,564
Marketing and selling		81,484	75,737	231,111	238,071
Development and technical support		80,922	80,473	248,297	255,531
Depreciation and amortization	5,6,7	61,866	26,154	184,694	83,463
		738,391	849,810	2,840,185	2,598,629
Operating loss before finance costs and other income		(203,513)	(53,405)	(1,012,151)	(135,511)
Finance costs, net		(17,549)	(46,808)	(55,888)	(149,482)
Other income		233	246	647	4,853
Change in fair value of intangible assets		-	-	-	40,960
		(17,316)	(46,562)	(55,241)	(103,669)
Net loss and comprehensive loss		\$ (220,829)	\$ (99,967)	\$ (1,067,392)	\$ (239,180)
Loss per share:					
Basic and diluted ¹	11	\$ (0.009)	\$ (0.042)	\$ (0.045)	\$ (0.101)

¹ Adjusted for 20:1 share consolidation effective August 2, 2019

The accompanying notes are an integral part of these consolidated financial statements

Adya Inc.

Unaudited Condensed Interim Consolidated Statements of Shareholders' deficiency

(In Canadian Dollars)

Nine months ended September 30, 2020 and September 30, 2019

	Share capital	Contributed surplus	Deficit	Total shareholders' equity (deficiency)
Balance, December 31, 2018	\$ 4,029,265	\$ 621,402	\$ (6,488,870)	\$ (1,838,203)
Net loss	-	-	(239,180)	(239,180)
Balance, September 30, 2019	\$ 4,029,265	\$ 621,402	\$ (6,728,050)	\$ (2,077,383)
Balance, December 31, 2019	\$ 5,634,247	\$ 621,402	\$ (6,681,630)	\$ (425,981)
Net loss	-	-	(1,067,392)	(1,067,392)
Balance, September 30, 2020	\$ 5,634,247	\$ 621,402	\$ (7,749,022)	\$ (1,493,373)

The accompanying notes are an integral part of these consolidated financial statements

Adya Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(In Canadian Dollars)

Nine months ended September 30, 2020 and September 30, 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,067,392)	\$ (239,180)
Adjustment for non-cash items:		
Depreciation and amortization (Note 5,6,7)	184,694	83,463
Change in fair value of intangible asset	-	(40,960)
Finance costs, net	29,579	149,482
Change in non-cash operating working capital:		
Trade and other receivables	108,509	98,687
Inventory	(6,180)	6,109
Prepaid expenses and other	(1,171)	(10,633)
Accounts payable and accrued liabilities and provisions	809,512	(48,848)
Lease payments	(42,030)	-
Deferred revenue	(13,118)	(42,339)
	2,403	(44,219)
Investing activities:		
Acquisition of equipment	(17,707)	(2,758)
	(17,707)	(2,758)
Financing activities:		
Proceeds from notes payable	120,000	-
Repayment of debentures	(85,000)	-
Payment of obligations under lease	-	(1,673)
Finance costs paid	(16,964)	(139,936)
	18,036	(141,609)
Decrease in cash and cash equivalents	2,732	(188,586)
Cash and cash equivalents, beginning of period	87,728	624,027
Cash and cash equivalents, end of period	\$ 90,460	\$ 435,441

The accompanying notes are an integral part of these consolidated financial statements

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

1. Nature of business:

Adya 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 675 Cochrane Dr, Markham, 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., 179766 Ontario 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-Nine-Twenty Ltd. The Company is a full-service telecommunication provider and is registered with the Canadian Radio-Television and Telecommunications Commission as a licensed Class "A" Telecom Carrier. As at September 30, 2020, Iris Technologies Inc. owned approximately 90% of the Company's common shares and is the controlling shareholder of the Company. The Company's common shares trade on the TSX Venture Exchange under the symbol "ADYA".

2. Significant accounting policies and basis of presentation:

(a) Statement of compliance:

These unaudited condensed interim consolidated 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, 2020 and the Company's financial performance, comprehensive income and cash flows for the nine months ended September 30, 2020. The policies set out below are based on IFRS issued and outstanding as of November 30, 2020, being the date, the consolidated financial statements were approved by the Board of Directors and authorized for issuance.

(b) Basis of preparation:

The 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) Use of estimates and critical judgments:

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.

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

2. Significant accounting policies (continued):

(c) Use of estimates and critical judgments (continued):

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;
- Stock-based compensation - 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 - These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which 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.

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

3. Cash and cash equivalents:

The Company's exposure to interest rate risk for the nine months ended September 30, 2020, in respect of cash balances, was not considered significant and is disclosed in Note 14.

4. Trade and other receivables:

	September 30, 2020	December 31, 2019
Trade and other receivables	\$ 378,197	\$ 479,196
Allowance for doubtful accounts	(44,421)	(36,911)
	\$ 333,776	\$ 442,285

(a) 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.

(b) Allowance for doubtful accounts:

The Company has recognized an allowance for doubtful accounts of 100% against receivables over 90 days except for certain accounts that are deemed collectible or have been collected subsequent to year end. Allowance for doubtful accounts is also recognized against current and under 90 days receivables based on account status at the end of the reporting period. The concentration of credit risk is limited due to the large and unrelated customer base serviced by the Company. Refer to Note 14.

5. Right-of-use asset:

	Premises Lease #1	Premises Lease #2	Total
Balance, January 1, 2019	\$ -	\$ -	\$ -
Additions	202,251	330,896	533,147
Depreciation	(6,223)	(55,149)	(61,372)
Balance, December 31, 2019	\$ 196,028	\$ 275,747	\$ 471,775
Depreciation	(56,008)	(49,634)	(105,642)
Balance, September 30, 2020	\$ 140,020	\$ 226,113	\$ 366,133

Leases are depreciated over their term.

Premises Lease #1 is leased from a related party, Iris Technologies Inc. see note 1.

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(In Canadian Dollars)

Three and nine months ended September 30, 2020 and 2019

6. Property and equipment:

	Switch equipment	Telecom equipment	Furniture and fixtures	Computer and customer equipment	Leasehold improvements	Total
Cost						
Balance, December 31, 2018	\$ 941,524	\$ 642,577	\$ 121,515	\$ 482,114	\$ 37,280	\$ 2,225,010
Additions	-	-	-	2,758	-	2,758
Balance, December 31, 2019	941,524	642,577	121,515	484,872	37,280	2,227,768
Additions	-	-	-	17,707	-	17,707
Balance, September 30, 2020	\$ 941,524	\$ 642,577	\$ 121,515	\$ 502,579	\$ 37,280	\$ 2,245,475
Accumulated Depreciation						
Balance, December 31, 2018	\$ 566,259	\$ 638,266	\$ 119,800	\$ 474,435	\$ 36,038	\$ 1,834,798
Depreciation	94,152	2,500	1,715	2,975	1,242	102,584
Balance, December 31, 2019	660,411	640,766	121,515	477,410	37,280	1,937,382
Depreciation	70,614	392	-	2,820	-	73,827
Balance, September 30, 2020	\$ 731,025	\$ 641,158	\$ 121,515	\$ 480,230	\$ 37,280	\$ 2,011,209
Carrying amount						
As at December 31, 2019	\$ 281,113	\$ 1,811	\$ -	\$ 7,462	\$ -	\$ 290,386
As at September 30, 2020	\$ 210,499	\$ 1,419	\$ -	\$ 22,348	\$ -	\$ 234,265

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(In Canadian Dollars)

Three and nine months ended September 30, 2020 and 2019

7. Intangible assets:

	Customer lists	Website development	Software	Total
Cost				
Balance, December 31, 2018	\$ 1,074,500	\$ 30,101	\$ 425,316	\$ 1,529,917
Additions	-	-	-	-
Balance, December 31, 2019	1,074,500	30,101	425,316	1,529,917
Additions	-	-	-	-
Balance, September 30, 2020	\$ 1,074,500	\$ 30,101	\$ 425,316	\$ 1,529,917
Accumulated Amortization				
Balance, December 31, 2018	\$ 1,074,500	\$ 30,101	\$ 403,327	\$ 1,507,928
Amortization	-	-	7,079	7,079
Balance, December 31, 2019	1,074,500	30,101	410,406	1,515,007
Amortization	-	-	5,223	5,223
Balance, September 30, 2020	\$ 1,074,500	\$ 30,101	\$ 415,629	\$ 1,520,230
Carrying amount				
As at December 31, 2019	\$ -	\$ -	\$ 14,910	\$ 14,910
As at September 30, 2020	\$ -	\$ -	\$ 9,687	\$ 9,687

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

8. Lease liabilities:

	September 30, 2020	December 31, 2019
Opening Balance	\$ 485,479	\$ -
Additions	-	533,147
Interest expense	29,579	23,387
Lease payments	(121,994)	(71,055)
Ending Balance	\$ 393,064	\$ 485,479

Allocated as:	September 30, 2020	December 31, 2019
Current	\$ 124,766	\$ 124,766
Long term	268,298	360,713
Balance	\$ 393,064	\$ 485,479

On December 1, 2019, the Company entered into a 33-month lease agreement for office space. Under the lease, the Company is required to pay a monthly rent based on the number of desks occupied (currently \$7,000/month). At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 8.62%, which are the Company's incremental borrowing rate in Canada. Effective interest rate is 10%.

On January 22, 2019, the Company renewed an existing lease for a further 5 years, commencing March 1, 2019. Under the lease, the Company is required to pay an initial monthly rent of \$6,405, with an annual increase of 3%. At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 8.62%, which are the Company's incremental borrowing rate in Canada. Effective interest rate is 8.36%.

9. Notes payable:

(a) Notes payable

(i) 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. On November 19, 2019, one of the promissory notes was repaid in full for \$200,000. The repayment terms of the remaining promissory note was amended to be payable in 8 equal \$25,000 monthly installments commencing May 15, 2020, repayable in full on or before December 15, 2020.

(ii) On November 19, 2019, the Company issued a grid promissory note up to \$500,000 to a Iristel, As at September 30, 2020, \$470,000 was advanced under this note. The note is unsecured, bearing interest at 7.5% per annum (calculated monthly), and matures November 19, 2021.

The promissory notes are due to related parties (see Note 18).

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

10. 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: "Adjusted for 20:1 share consolidation effective August 2, 2019".

	September 30, 2020		December 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
Shares issued and outstanding, beginning of year	23,613,540	\$ 5,634,247	2,363,604	\$ 4,029,265
Share issuance (i)	-	-	21,249,936	1,625,000
Share issue cost	-	-	-	(20,018)
Shares issued and outstanding, end of year	23,613,540	\$ 5,634,247	23,613,540	\$ 5,634,247

On November 19, 2019, the Company closed a private placement offering of 21,249,936 common shares of the Company 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 Company has issued 21,249,936 Shares to Iristel, being approximately 90% of the issued and outstanding shares. Issuance costs in connection with this private placement were \$20,018.

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) Contributed surplus:

	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 621,402	\$ 621,402
Stock-based compensation expense	-	-
Balance, end of period	\$ 621,402	\$ 621,402

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

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

11. Loss per share:

Three and nine months ended September 30,	2020	2019	2020	2019
Loss for the period	\$ (220,829)	\$ (99,967)	\$ (1,067,392)	\$ (239,180)
Basic and diluted - loss per share	\$ (0.009)	\$ (0.042)	\$ (0.045)	\$ (0.101)

The weighted average number of common shares used in the calculation of basic and diluted earnings per share is as follows:

Three and nine months ended September 30,	2020	2019	2020	2019
Weighted average number of shares, end of period	23,613,540	2,363,604	23,613,540	2,363,604

At September 30, 2020 and December 31, 2019, there is no effect of potentially dilutive securities. All 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.

12. 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 90,000 options could be granted. Under the 2011 Plan, the aggregate number of optioned shares to 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, 2020, there are 23,250 options outstanding and the Company can issue 2,338,104 additional options under the 2011 Plan.

Each employee share's 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 has the discretion to prescribe vesting restrictions for options granted.

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

12. Share-based payment transactions (continued):

The following share-based payment arrangements were outstanding at September 30, 2020:

Option series	Number of options	Grant date	Expiry date	Exercise price	Fair value at grant date	Weighted average remaining life
	#			\$	\$	# of years
1	23,250	1/31/2017	1/31/2022	1.00	0.40	1.35

The weighted average exercise price of the options is \$1.00.

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
Grant date share price	\$ 0.70
Exercise price	\$ 1.00
Expected volatility	93.0%
Expected life	5 years
Dividend yield	0%
Risk-free interest rate	1.1%

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

	September 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	95,750	\$ 1.21	110,950	\$ 1.40
Expired	(72,500)	1.24	(15,200)	2.61
Options outstanding, end of period	23,250	\$ 1.00	95,750	\$ 1.21
Options exercisable, end of period	23,250	\$ 1.00	95,750	\$ 1.21

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(In Canadian Dollars)
Three and nine months ended September 30, 2020 and 2019

13. Accounts payable and accrued liabilities:

	September 30, 2020	December 31, 2019
Trade payables and accruals	\$ 1,421,781	\$ 566,965
Personnel related accruals	79,729	62,033
	\$ 1,501,510	\$ 628,998

The Company's standard term for trade payable is 30 - 60 days.

14. 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.

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.

Adya Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

(In Canadian Dollars)

Three and nine months ended September 30, 2020 and 2019

14. Financial risk management (continued):

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.

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

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 90,460	\$ 87,728
Trade and other receivables, before allowance	378,197	479,196
	\$ 468,657	\$ 566,924

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.

(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, 2020, the Company had cash and cash equivalents of \$90,460 (December 31, 2019 - \$87,728), to settle current liabilities of \$2,354,692 (December 31, 2019 - \$1,580,298). The following are the contractual maturities of financial liabilities as at September 30, 2020:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
Accounts payable and accrued liabilities	\$ 1,501,510	\$ 1,501,510	\$ 1,501,510	\$ -	\$ -
Notes payable	585,000	585,000	50,000	65,000	470,000
	\$ 2,086,510	\$ 2,086,510	\$ 1,551,510	\$ 65,000	\$ 410,000

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.

Adya Inc.

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14. Financial risk management (continued):

(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, 2020 and December 31, 2019, 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.

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;

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14. Financial risk management (continued):

- 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.

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.

15. 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' deficiency, which consists of issued share capital, contributed surplus 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. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

There were no changes in the Company's approach to capital management during the period.

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16. 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.

17. Operating segments and revenue:

Sales attributable to geographic location for nine months ended September 30, 2020 and September 30, 2019 are as follows:

	2020	2019
Canada	\$ 3,496,342	\$ 2,934,174
United States	935,816	751,340
	\$ 4,432,158	\$ 3,685,514

All of the Company's assets as at September 30, 2020 and December 31, 2019 are located in Canada.

Sales attributable to each major revenue stream documented in Note 2 to the audited financial statements for the year ended December 31, 2019 is as follows:

Nine months ended September 30,	2020	2019
Long distance	\$ 3,558,885	\$ 4,213,463
Business and wholesale services	660,407	796,753
Wireless services	212,866	410,022
	\$ 4,432,158	\$ 5,420,238

18. Related party transactions and balances:

The Company defines key management personnel as its CEO, CFO and directors. For the nine months ended September 30, 2020 and September 30, 2019, key management personnel compensation is as follows:

	2020	2019
Wages, salaries and other benefits	\$ 13,500	\$ 248,389
Share-based compensation	-	-
	\$ 13,500	\$ 248,389

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.

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18. Related party transactions and balances (continued):

During the nine months ended September 30, 2020, no directors' fees were charged. In 2019, 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 former directors or companies affiliated with these former directors also participated in transactions with the Company for legal services and received amounts totaling \$nil (2019 - \$35,086), which is the amount agreed to by the parties.

The Company rented its former head office space from a company owned by a former Director of the Company, and incurred rent in the nine months ended September 30, 2019 in the amount of \$117,621. Effective December 1, 2019, the Company rents its head office from another related party, Iris-Tel, Adya's controlling shareholder, for which a Right of Use asset has been recognized, see note 5.

Effective December 31, 2016, companies owned by two former directors of the Company (both resigned in November 2019), subscribed for notes payable in the amount of \$200,000 each for a total of \$400,000 as described in Note 10(a). The notes payable bear interest at 7.5% per annum (calculated monthly) and are due December 31, 2020. On November 19, 2019, one of the notes payable was repaid in full. Total Interest accrued and paid on the loans during the nine months ended September 30, 2020 was \$8,953 (nine months ended September 30, 2019 - \$22,500).

Effective November 19, 2019, Iristel, subscribed for an unsecured grid note payable of up to \$500,000 (\$470,000 outstanding at September 30, 2020). The grid note was increased to \$1,000,000, in September 2020. The notes payable bear interest at 7.5% per annum (calculated monthly) and are due November 19, 2021. Total Interest charged on the loan during the nine months ended September 30, 2020 was \$23,433 (2019 - \$nil).

During the nine months ended September 30, 2020, \$443,000 (2019 - \$nil) was charged by Iristel for monthly management services. Included in accounts payable and accrued liabilities at September 30, 2020 is \$656,050 (December 31, 2019 - \$31,898) owing to Iristel for monthly management fees and rent.

19. Subsequent events

Subsequent to September 30, 2020, the Company drew an additional \$202,614 from its grid note payable (note 10(a)(ii)).

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20. COVID-19

The outbreak of the novel strain of corona virus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.