

CONSOLIDATED FINANCIAL STATEMENTS OF

ADYA INC.

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**

(EXPRESSED IN CANADIAN DOLLARS)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Adya Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Adya Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$783,648 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 30, 2021

Adya Inc.

Consolidated Statements of Financial Position

(In Canadian Dollars)

As at December 31, 2020 and 2019

	Note	December 31, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents	4	\$ 93,067	\$ 87,728
Trade and other receivables, net of allowance for doubtful accounts	5	346,687	442,285
Inventory		35,606	28,610
Prepaid expenses and other		492,706	529,336
Total current assets		968,066	1,087,959
Non-current assets:			
Right-of-use assets	6	607,695	471,775
Property and equipment	7	210,426	290,386
Intangible assets	8	7,947	14,910
Total non-current assets		826,068	777,071
Total assets		\$ 1,794,134	\$ 1,865,030
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities	14	\$ 771,937	\$ 628,998
Lease liabilities - current	9	224,906	124,766
Due to related party	19	219,763	-
Deferred revenue		547,157	626,534
Notes payable – current	10	500,000	200,000
Total current liabilities		2,263,763	1,580,298
Non-current liabilities:			
Lease liabilities	9	438,576	360,713
Notes payable - long term	10	261,423	350,000
Long term loan		40,000	-
Total non-current liabilities		739,999	710,713
Total liabilities		3,003,762	2,291,011
Shareholders' equity (deficiency):			
Share capital	11(a)	5,634,247	5,634,247
Contributed surplus	11(b)	621,402	621,402
Deficit		(7,465,278)	(6,681,630)
Total shareholders' equity (deficiency)		(1,209,629)	(425,981)
Total equity and liabilities		\$ 1,794,134	\$ 1,865,030

Contingencies 17

Subsequent events 20

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.

Consolidated Statements of Operations and Comprehensive Loss

(In Canadian Dollars)

Years ended December 31, 2020 and 2019

	Notes	2020	2019
Revenue		\$ 5,730,374	\$ 7,017,833
Telecommunications costs		3,321,004	3,855,581
Gross margin		2,409,370	3,162,252
Operating expenses			
General and administrative		2,167,893	2,635,652
Marketing and selling		310,422	312,828
Development and technical support		327,915	335,542
Depreciation and amortization	6,7,8	294,527	171,035
		3,100,757	3,455,057
Operating loss before finance costs and other income		(691,387)	(292,805)
Finance costs, net		(99,391)	(167,075)
Other income		8,588	17,230
Gain on settlement of debt		-	253,728
		(90,803)	103,883
Loss before income taxes		(782,190)	(188,922)
Income tax (expense) recovery	3	(1,458)	(3,838)
Net loss and comprehensive loss		\$ (783,648)	\$ (192,760)
Loss per share:			
Basic and diluted ¹	12	\$ (0.033)	\$ (0.040)

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.

Consolidated Statements of Shareholders' deficiency

(In Canadian Dollars)

Years ended December 31, 2020 and 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)
Private placement financing	1,625,000	-	-	1,625,000
Share issue cost	(20,018)	-	-	(20,018)
Net loss for the year	-	-	(192,760)	(192,760)
Balance, December 31, 2019	\$ 5,634,247	\$ 621,402	\$ (6,681,630)	\$ (425,981)
Net loss for the year	-	-	(783,648)	(783,648)
Balance, December 31, 2020	\$ 5,634,247	\$ 621,402	\$ (7,465,278)	\$ (1,209,629)

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

Adya Inc.

Consolidated Statements of Cash Flows

(In Canadian Dollars)

Years ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (783,648)	\$ (192,760)
Adjustment for non-cash items:		
Depreciation and amortization (Note 6,7,8)	246,952	171,035
Finance costs, net	99,391	195,620
Gain on settlement of debentures	-	(253,728)
Change in non-cash operating working capital:		
Trade and other receivables	95,598	69,476
Inventory	(6,996)	11,025
Prepaid expenses and other	36,630	1,022
Accounts payable and accrued liabilities and provisions	167,740	(8,407)
Lease payments	(270,542)	(71,055)
Due to related party	219,762	-
Deferred revenue	(79,377)	(50,119)
	(226,914)	(127,891)
Financing activities:		
Proceeds from notes payable	411,423	350,000
Proceeds from long term loan	40,000	-
Repayment of notes payable	(200,000)	(200,000)
Proceeds from the issuance of common shares	-	1,625,000
Common share issuance costs	-	(20,018)
Payments of obligations under finance lease	-	(1,673)
Repayment of debentures	-	(1,996,815)
Finance costs paid	-	(162,144)
	251,423	(405,650)
Investing activities:		
Acquisition of property and equipment (Note 7)	(19,170)	(2,758)
	(19,170)	(2,759)
Increase (decrease in cash and cash equivalents)	5,339	(536,299)
Cash and cash equivalents, beginning of year	87,728	624,027
Cash and cash equivalents, end of year	\$ 93,067	87,728

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

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1. Nature of business and going concern:

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-Six-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 December 31, 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".

On August 2, 2019, the Company completed the consolidation of its common shares on the basis of one post-consolidation common share for every twenty (20) pre-consolidation common shares. As a result, all outstanding common shares and stock option information presented in these consolidated financial statements has been retroactively adjusted on this basis.

As at December 31, 2020, the Company had working capital deficiency of \$1,295,697 (December 31, 2019 - \$492,339), had not yet achieved profitable operations, had accumulated losses of \$7,465,278 (December 31, 2019 - \$6,681,630), and currently expects to incur further losses in the development of its business. There is no assurance that the operations of the Company and any future operations will be successful and profitable. These conditions raise material uncertainties as to the use of the going concern assumption in these consolidated financial statements.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1. Nature of business (continued):

In March 2020, the outbreak of the novel strain of coronavirus, 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.

Adya has managed the impacts on its operations related to the COVID-19 crisis to ensure that it could pursue its operations and serve its customers as an essential service provider in the areas to where it operates. Given the quick spread of COVID-19 and an increase in countries imposing restrictions on movement, business and personnel required more time at home and more usage of data for work and leisure, resulting in less impact on the Telecom sector than others given the need to stay connected remotely. Short term negative impact has been on the travel segment of the Company’s business (Iroam) however this has partially been offset by an increase in revenue from Casual Calling to stay connected while maintaining social distance. The Company is also undertaking to launch new products and services to replace lost revenues. As a technology company, Adya already had in place the ability for its workforce to work remotely. However, the Company’s staff do require access to data centers and network for maintenance. Additionally, customer equipment needs to be configured and tested before it is shipped. These activities are now either performed through staff rotation to minimize contact or at employee homes.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies set out below are based on IFRS issued and outstanding as of April 29, 2021, 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) 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.

(ii) Transactions eliminated on consolidation:

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

(d) Revenue:

The Company earns its revenues from access to, and usage of, its telecommunications network by its customers. Its main service is to provide long-distance services through access to its network, which has the capability to track pertinent data for each individual call to a particular country destination. This allows the Company to rate each call by applying predetermined long-distance rates by country to the volume of minutes provided. The Company recognizes revenues at the fair value of the consideration received or receivable when a performance obligation is satisfied. The Company's services are provided on both a contract and usage basis.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

The Company accounts for revenue from a contract with a customer only when the following criteria are met:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Revenue from usage-based services is accounted for when it is probable that the consideration will be collected and that the associated service has been completed as described below.

Amounts billed to customers, but not yet earned, are recorded and presented as deferred revenue. Costs associated with these amounts are also deferred and recognized in the same period as the revenue is earned. Deferred revenues are usually recognized as revenues in the subsequent year.

The Company's revenue is defined into the following revenue streams as follows:

(i) Long distance:

These services are provided through casual calling access codes, calling cards, monthly subscriptions and home phone VoIP services.

Casual calling - This service allows customers to access the Company's network without the need to subscribe to a service contract or pay any direct fees. Customers can complete a long-distance call by dialing one of the Company's carrier identification codes ("CIC") owned by the Company or dialling a local access code. Revenue is recognized when a customer dials a CIC code or local access code and completes a connected long-distance call. As at this point, the Company has no further performance obligation.

Prepaid calling cards - The Company offers prepaid long-distance calling cards, where the customers dial a toll free number to make their long distance call through the Company's network. Proceeds on the sale of cards are deferred and revenue is recognized when a customer completes a connected long-distance call or at the time allotment on the card has expired.

Subscriptions - This service allows a customer to directly dial their long-distance number, by dialing "1+" or "011+". The customer subscribes to this long-distance service and is required to transfer carriers upon entering into a contract with the Company. For monthly block plans, the customer is provided a fixed number of minutes per month for a flat monthly fee, and revenue is recognized during the month of service. For per minute plans, customers are charged a fixed rate per minute for each call. Performance obligation is recognized over the time of the subscription and revenue is recognized when a customer completes a long-distance call as access and usage of the Company's network has occurred.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

Home phone - The Company markets a VoIP (voice-over-internet-protocol) service under its Home Phone brand. This service allows a customer to place local and long-distance calls through a high-speed Internet connection allowing the customers to replace their home phone line with the Company's network for a stated monthly fee. Performance obligation is recognized when the service is provided, and revenue is recognized monthly over the term of the contract.

(ii) Telehop Business and Wholesale Services:

Business services - The Company offers hosted PBX (Private Branch Exchange) business services that target small businesses and provide the customer with business telephone services for a stated monthly fee per line. Revenue is recognized when the services are provided and revenue is recognized monthly over the term of the contract and as additional services are used.

Wholesale services - The Company offers discounted rates to high volume resellers to carry their calls through the Company's network. Bulk minutes are sold by destination. Revenue is recognized when the resellers' customers make long-distance calls through the Company's network.

(iii) Wireless services:

The Company provides global cellular phone communications services, SIM cards, roaming devices and worldwide Wi-Fi roaming solutions that are sold directly and through distributors for use around the world. Revenue is recognized over the term of the contract as the contracted services are performed and provided collectability is reasonably assured.

(e) Share-based payment transactions:

Equity-settled share-based payments granted to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 13.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche of the award, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(f) Income taxes:

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, as well as any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Foreign currency translation:

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

(h) Financial instruments:

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). Financial liabilities are classified in the following measurement categories: FVTPL or amortized cost.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

The following table summarizes the changes in the classification of the Company's financial instruments:

Financial instruments	Category under IFRS 9
Cash and cash equivalents	FVTPL
Trade and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Deferred revenue	Amortized cost
Notes payable	Amortized cost
Long term loan	Amortized cost
Leases	Amortized cost
Debentures	Amortized cost

Financial assets

The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

For trade and other receivables, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no reasonable expectation of recovery.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable, other liabilities notes payable, long term loan and lease liability do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

(j) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate an employee's employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(k) Property and equipment:

(i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss.

(ii) Cost of replacements:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized on replacement. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each major component of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Switch equipment	10 years
Telecommunication equipment	5 years
Furniture and fixtures	5 years
Computer and customer equipment	3 years

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(l) Intangible assets:

(i) Recognition and measurement:

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Amortization:

Amortization is calculated over the cost of the asset less its estimated residual value, if any.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of intangible assets for the current and comparative periods is as follows:

Software	5 years
Website development	3 years
Customer lists	3 years

Intangible assets that are deemed to have indefinite lives and intangible assets that are not yet ready for use are not amortized; they are reviewed annually for impairment.

The Company considers that intangible assets have indefinite lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Company. Indefinite life intangible assets include wireless spectrum licenses, trademarks, and FCC licenses and registration. The factors considered in making this determination include the existence of contractual rights for unlimited terms; or evidence that renewal of the contractual rights without significant incremental cost can be expected for indefinite future periods in view of the Company's investment intentions. The life cycles of the products and processes that depend on the asset are also considered.

(m) Leases and right-of-use assets:

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to comprehensive loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments.

The lease payments over the lease term are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or comprehensive loss if the right-of-use asset is already reduced to zero.

In determining the lease term, management considers all the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The extension option is only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within management's control.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Any restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

(n) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and indefinite life intangible assets, the recoverable amount is estimated annually on December 31 of each fiscal year.

Adya Inc.

Notes to the Consolidated Financial Statements
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2. Significant accounting policies (continued):

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the Company uses discounted cash flows which are determined using a pre-tax discount rate specific to the asset or CGU. The discount rate used reflects current market conditions including risks specific to the assets. Significant estimates within the cash flows include recurring revenue growth rates and operating expenses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, which for the Company's purposes is typically representative of the business unit level within the corporate and management structure. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

(o) 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.

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;

Adya Inc.

Notes to the Consolidated Financial Statements
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2. Significant accounting policies (continued):

- 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.

(p) Cash and cash equivalents:

Cash and cash equivalents are defined as cash on deposit and short-term investments having an original maturity of three months or less.

(q) Loss per share:

The Company presents basic and diluted income (loss) per share data for its common shares. Basic income (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding and for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

Adya Inc.

Notes to the Consolidated Financial Statements
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2. Significant accounting policies (continued):

(r) Segmented reporting:

A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO"), being the chief operating decision maker ("CODM"), to make decisions about the allocation of resources and to assess their performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's corporate office), head office expenses, personnel costs, depreciation and amortization, finance income and finance costs, net, other income and income tax expenses. As at December 31, 2019 and 2018, the Company had only one reportable segment.

(s) Revenue from Contracts with Customers:

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer in accordance with IFRS 15, Revenue from Contracts with Customers, which specify how and when an entity should recognize revenue, and which also require the entity to provide users of financial statements with more informative disclosures.

The standard provides a single, principles-based, five-step model to apply to each contract with a customer and requires the disclosure of revenue from contracts with customers disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In addition, under IFRS 15, certain costs to obtain a contract must be recognized as an asset and amortized as operating expenses over the period of time the customer is expected to maintain its service or over the contract term, if the entity expects to recover those costs. However, those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained. Such costs were not incurred by the Company and therefore, there was no impact to the Company on this change.

Under IFRS 15, the total consideration from a contract with multiple deliverables is now allocated to all performance obligations in the contract, based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The telecommunications segment provides services under contracts with multiple deliverables and for a fixed period of time. With the adoption of IFRS 15 the timing of the recognition of these revenues changes under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract remains the same as under the previous rules. The adoption of IFRS 15 had no impact on cash flows from operating, investing and financing activities.

Adya Inc.

Notes to the Consolidated Financial Statements
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3. Income Taxes:

(a) Income taxes recognized in profit or loss:

	2020	2019
Current income tax expense (recovery)	\$ (1,458)	\$ (3,838)
Deferred income tax recovery	-	-
Total income tax expense (recovery)	\$ (1,458)	\$ (3,839)

(b) Unrecognized deferred income tax asset:

The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	December 31, 2020	December 31, 2019
Financing costs	\$ -	\$ -
Accounts receivable reserve	14,170	9,780
Tax losses carried forward	1,745,610	1,542,050
Non-current assets	140,110	128,330
Goodwill	49,220	52,920
Deferred tax asset	1,949,110	1,733,080
Less: deferred tax assets not recognized	(1,949,110)	(1,733,080)
Net deferred tax asset	\$ -	\$ -

The potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

As at December 31, 2020, the Company has income tax losses of a non-capital nature of approximately \$6,717,100 (2019 - \$5,918,700) available to reduce taxable income in future years expiring between 2031 and 2040.

(c) Reconciliation of income tax expense:

	2020	2019
Loss before income taxes	\$ (783,648)	\$ (192,760)
Income taxes at statutory tax rate 26.5% (2019 - 26.5%)	(207,667)	(51,081)
Difference in foreign tax rates	7,872	7,354
Prior year true-up and other adjustments	(14,805)	9,214
Non-deductible expenses	42	(67,031)
Current year tax losses not recognized	216,016	105,387
Total effective taxes recognized in net loss	\$ (1,458)	\$ (3,843)

Adya Inc.

Notes to the Consolidated Financial Statements
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4. Cash and cash equivalents:

The Company's exposure to interest rate risk for the year ended December 31, 2020 and 2019, in respect of cash balances, was not considered significant and is disclosed in Note 15.

5. Trade and other receivables:

	December 31, 2020	December 31, 2019
Trade and other receivables	\$ 400,142	\$ 479,196
Allowance for doubtful accounts	(53,455)	(36,911)
	\$ 346,687	\$ 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 (see Note 15).

6. 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
Additions	-	364,179	364,180
Depreciation	(74,677)	(153,582)	(228,259)
Balance, December 31, 2020	121,351	486,344	607,695

Leases are depreciated over their term.

Premises Lease #1 is leased from a related party, Iris Technologies Inc. (see Note 19).

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

7. 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	-	-	-	19,170	-	19,170
Balance, December 31, 2020	\$ 941,524	\$ 642,577	\$ 121,515	\$ 504,042	\$ 37,280	\$ 2,246,938
Accumulated Depreciation						
Balance, December 31, 2018	\$ 566,258	\$ 638,266	\$ 119,800	\$ 474,435	\$ 36,038	\$ 1,834,797
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	94,152	525	-	4,453	-	99,130
Dispositions	-	-	-	-	-	-
Balance, December 31, 2020	\$ 754,563	\$ 641,291	\$ 121,515	\$ 481,863	\$ 37,280	\$ 2,036,512
Carrying amount						
As at December 31, 2019	\$ 281,114	\$ 1,811	\$ -	\$ 7,462	\$ -	\$ 290,387
As at December 31, 2020	\$ 186,961	\$ 1,286	\$ -	\$ 22,179	\$ -	\$ 210,426

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

8. 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, December 31, 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	-	-	6,963	6,963
Balance, December 31, 2020	\$ 1,074,500	\$ 30,101	\$ 417,369	\$ 1,521,970
Carrying amount				
As at December 31, 2019	\$ -	\$ -	\$ 14,910	\$ 14,910
As at December 31, 2020	\$ -	\$ -	\$ 7,947	\$ 7,947

9. Lease liabilities:

As at December 31,	2020
Balance, January 1, 2019	\$ -
Additions	533,147
Interest expense	23,387
Lease payments	(71,055)
Balance, December 31, 2019	\$ 485,479
Additions	380,733
Interest expense	67,812
Lease payments	(270,542)
Balance December 31, 2020	663,482

Adya Inc.

Notes to the Consolidated Financial Statements
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9. Lease liabilities (continued):

Allocated as:	2020
Current	\$ 224,906
Long term	438,576
Balance December 31, 2020	\$ 663,482

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 represents 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 \$14,993, with an annual increase of 2%. 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 represents the Company's incremental borrowing rate in Canada. Effective interest rate is 8.36%.

10. 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. As at December 31, 2020 the promissory note has been repaid in full.

(ii) On November 19, 2019, the Company issued a grid promissory note up to \$500,000 to a Iristel. During 2019, \$350,000 was advanced under this note. The note is unsecured, bearing interest at 7.5% per annum (calculated monthly), and matures November 19, 2021. On September 9, 2020, the Company issued a second grid promissory note up to \$500,000 to Iristel. During 2020, an additional \$150,000 was advanced under the original grid promissory and \$261,423 was advanced under the second grid promissory note. A further \$63,906 was advanced subsequent to year end. The second promissory note is also unsecured and bears interest at 7.5% per annum (calculated monthly), and matures on September 9, 2022.

The promissory notes are due to related parties (see Note 19).

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

11. 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".

	December 31, 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:

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 621,402	\$ 621,402
Stock-based compensation expense	-	-
Balance, end of year	\$ 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 Consolidated Financial Statements
Years ended December 31, 2020 and 2019

12. Loss per share:

Year ending December 31,	2020	2019
Loss for the year	\$ (757,653)	\$ (192,760)
Basic and diluted - loss per share	\$ (0.032)	\$ (0.040)

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

Year ending December 31,	2020	2019
Weighted average number of shares, end of year	23,613,540	4,808,802

At December 31, 2020 and 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.

13. 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 December 31, 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 Consolidated Financial Statements
Years ended December 31, 2020 and 2019

13. Share-based payment transactions:

The following share-based payment arrangements were outstanding at December 31, 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	1.09

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%
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:

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

Adya Inc.

Notes to the Consolidated Financial Statements
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14. Accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
Trade payables and accruals	\$ 665,192	\$ 566,965
Personnel related accruals	106,743	62,033
	\$ 771,935	\$ 628,998

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

15. 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.

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Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

15. 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:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 93,067	\$ 87,728
Trade and other receivables, before allowance	400,142	479,196
	\$ 493,209	\$ 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.

Allowance for doubtful accounts:

The Company maintains an allowance for doubtful accounts that is assessed on an ongoing basis. The aging of accounts receivable and the related allowance at the reporting date is as follows:

	Trade and other receivables December 31, 2020	December 31, 2019	Allowance for doubtful accounts December 31, 2020	December 31, 2019
Current	\$ 192,811	\$ 295,062	\$ -	\$ -
Past due greater than 30 days	121,051	97,578	-	-
Past due greater than 60 days	17,650	18,742	-	-
Past due greater than 90 days	68,630	67,814	53,455	36,911
	\$ 400,142	\$ 479,196	\$ 53,455	\$ 36,911

The movement in the allowance for doubtful accounts during the year in respect to trade receivables was as follows:

	2020	2019
Balance, beginning of year	\$ 36,911	\$ 52,387
Provision for new bad debts	25,827	11,424
Accounts written off	(9,283)	(26,900)
	\$ 53,455	\$ 36,911

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

15. 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 December 31, 2020, the Company had cash and cash equivalents of \$93,067 (December 31, 2019 - \$87,728 to settle current liabilities of \$2,177,850 (December 31, 2019 - \$1,580,298). The following are the contractual maturities of financial liabilities as at December 31, 2020:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
Accounts payable and accrued liabilities	\$ 991,698	\$ 991,698	\$ 991,698	\$ -	\$ -
Notes payable	801,423	801,423	-	500,000	301,423
	\$ 1,793,121	\$ 1,793,121	\$ 991,698	\$ 500,000	\$ 301,423

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 December 31, 2020 and 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.

Adya Inc.

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Years ended December 31, 2020 and 2019

15. Financial risk management (continued):

(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.

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.

Adya Inc.

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15. Financial risk management (continued):

- 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.

16. 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 year.

17. 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.

Adya Inc.

Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019

18. Operating segments and revenue:

Sales attributable to geographic location for years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Canada	\$ 4,595,549	\$ 5,605,118
United States	1,188,270	1,412,715
	\$ 5,783,819	\$ 7,017,833

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

Sales attributable to each major revenue stream documented in Note 2 is as follows:

	2020	2019
Long distance	\$ 4,663,435	\$ 5,414,205
Business and wholesale services	873,489	1,054,094
Wireless services	246,895	549,534
	\$ 5,783,819	\$ 7,017,833

19. Related party transactions and balances:

The Company rented its former head office space from a company owned by a former Director of the Company and a vendor of G3 Telecom, and paid rent in the year ended December 31, 2020 in the amount of \$nil (2019 - \$145,000).

The Company defines key management personnel as its CEO, CFO and directors. Key management personnel compensation is as follows:

	2020	2019
Wages, salaries, director fees and other benefits	\$ 23,167	\$ 290,514
	\$ 23,167	\$ 290,514

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 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 - \$36,134), which is the amount agreed to by the parties.

Adya Inc.

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Years ended December 31, 2020 and 2019

19. Related party transactions and balances (continued):

The Company rented its former head office space from a company owned by a former Director of the Company, and incurred rent in the year end December 31, 2020 in the amount of \$nil (2019 - \$148,500). 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 6.

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 year ended December 31, 2020 was \$9,400 (2019 - \$27,500). During 2020, the second note payable (with accrued interest) was repaid.

Effective November 19, 2019, Iris Technologies Inc., subscribed for an unsecured grid note payable of up to \$500,000. During 2019 and 2020, \$350,000 and \$150,000 respectively were advanced under this note. The notes payable bear interest at 7.5% per annum (calculated monthly) and is due November 19, 2021. On September 30, 2020, the Company issued a second grid promissory note up to \$500,000 to Iris Technologies Inc. The notes payable bears interest at 7.5% per annum (calculated monthly) and is due September 30, 2020. As at December 31, 2020, \$261,423 was advanced under the second grid promissory note. A further \$63,906 was advanced subsequent to year end. Total Interest accrued under the two grid promissory notes as at December 31, 2020 was \$38,692 (2019 - \$2,897).

Included in revenue earned from arms length transactions during the year ended December 31, 2020 was approximately \$250,000 generated through use of Iris Technology Inc.'s service carrier lines. The Company owed Iris Technology Inc. \$219,763 as at December 31, 2020 (2019 - \$8,475) for rent and service costs.

20. Subsequent events

Subsequent to December 31, 2020, the Company drew an additional \$63,906 from its grid note payable (note 10(a)(ii)).

21. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation. These changes had no impact on the prior year's reported net income or retained earnings.