

Adya Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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For the three and nine months ended September 30, 2023
Dated November 14, 2023

This document provides management's discussion and analysis ("MD&A") of our financial condition as at September 30, 2023, and results of operations for the three and nine months ended September 30, 2023 and 2022. This MD&A is intended to help the readers, including shareholders and stakeholders, understand the dynamics of Adya's business and the key factors underlying its financial results, and should be read together with our unaudited interim consolidated financial statements for the three and nine months ended September 30, 2023 and the audited annual consolidated financial statements and accompanying notes ("Annual Financial Statements") for the year ended December 31, 2022.

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

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

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

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

FORWARD-LOOKING STATEMENTS

This MD&A is dated November 14, 2023 and may contain forward-looking information related to our future financial condition and results of operations and anticipated future events and circumstances. This information is based on our estimates about the conditions in which we operate and our beliefs and assumptions regarding these conditions. Unless otherwise indicated, the forward-looking information in this MD&A describes our expectations on the date of this MD&A. In some cases, forward-looking information may be identified by words such as “anticipate”, “believe”, “could”, “expect”, “plan”, “seek”, “may”, “intend”, “will”, “forecast” and similar expressions.

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

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

COMPANY OVERVIEW

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

The Company has also taken its first major step of many by listing its common shares on OTCQB under trading symbol "ADYIF" effective July 21st, 2022. Adya’s vision is to be able to identify and acquire best in class

products and services that customers can confidently trust in with highly intelligent software platform that enable effective, reliable, affordable communications products and services globally.

As at September 30, 2023, Iris Technologies Inc. (Iristel) owned approximately 90% of the Company's common shares and is the controlling shareholder of the Company.

On May 2, 2023, the Company sold 100% of its subsidiary, Ellora Telecom Philippines Inc. ("Ellora") for cash proceeds of \$420,000.

Telecom Investments

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

FINANCIAL REVIEW

The following discussion of the Company's financial performance is based on the condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022.

As at September 30, 2023, the Company had a cash of \$5,268 (December 31, 2022 – \$57,474) and total current assets of \$520,253 (December 31, 2022 - \$728,275).

Long term assets consisted of right-of-use assets (for leased premises), property and equipment and intangible assets. As at September 30, 2023, long term assets totaled \$82,696 down from \$239,269 at December 31, 2022 as the result of depreciation of ROUs, property and equipment and intangible assets.

Current liabilities increased to \$3,837,630 at September 30, 2023 from \$3,835,151 at December 31, 2022, mainly as a result of an increase in amounts due to Iristel and notes payable to Iristel.

As at September 30, 2023, long term liabilities totaled \$60,000 (December 31, 2022 – \$94,151) and consisted of long term portion of lease liabilities of \$nil (December 31, 2022 - \$34,151) and CEBA (government of Canada) loan obtained of \$60,000 (December 31, 2022 – \$60,000).

Revenue for the three and nine months ended September 30, 2023 was \$448,234 and \$1,709,726, compared to \$1,038,083 and \$3,224,616 for the same periods in 2022. Net loss and comprehensive loss for the three and nine months ended September 30, 2023 was \$208,829 and \$332,923 compared to \$228,455 and \$745,715 for the same periods in 2022.

Revenue

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

The decline in revenue is mainly attributed to the decline in all revenue streams, as these markets have continued to be highly competitive. Customers are receiving strong offers from their existing providers to stay

with low long-distance rate calling offers and there has been a transition to other technologies for long distance communication.

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

Three months ended September 30,	2023	2022
Long distance	\$ 350,075	\$ 860,299
Business and wholesale services	98,159	36,254
Wireless services	-	141,530
	\$ 448,234	\$1,038,083

Nine months ended September 30,	2023	2022
Long distance	\$ 1,358,824	\$ 2,644,296
Business and wholesale services	334,728	110,059
Wireless services	16,174	470,261
	\$ 1,709,726	\$ 3,224,616

Outlook

On the product and marketing side, the Company will focus on growing the business services unit by targeting niche and underserved customers while utilizing the Company's Metaswitch that offers carrier-grade quality services. The Company will also, establish distribution partners outside Ontario and Quebec with an engagement program for agents and wholesalers. The Company is also working to add to other product lines and services to offer more opportunities for additional sales and gross margin in 2023 and beyond.

Additionally, to offset the declines in LD, the Company interconnected with both Bell and Rogers to offer Internet services. Residential product focus for 2022 offered improved Internet (DSL & Cable), along with HomePhone/Internet/IPTV bundle packages, and continues into 2023. The bundle offerings allow the Company to cross-sell to our large embedded customer base in Ontario & Quebec, and attract a different type of customer demographics than our current base.

Gross Margin

	Three months ended September 30			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
Gross margin	\$ 268,259	\$602,076	(55)%	\$895,891	\$1,774,398	(50)%
Gross margin percentage	60%	58%	2%	52%	55%	(3)%

The decrease in gross margin for the nine months ended is mainly due to the decrease in revenue attributed from Ellora (as noted, Ellora was sold May 2023), given Ellora generated higher margin revenue. During the three months ended September 30, 2023, some refunds/credits were issued back to the Company lowering cost of sales for the period and positively impacting gross margin.

Operating expenses

	Three months ended September 30			Nine months ended September 30,		
	2023	2022	%	2023	2022	%
General and administrative	\$ 334,817	\$660,280	(49%)	\$ 1,197,807	\$ 1,926,103	(38%)
Marketing and selling	8,393	14,202	(41%)	30,299	87,144	(65%)
Development and technical support	64,719	76,158	(15%)	211,185	231,639	(9%)
Depreciation and amortization	51,638	62,077	(17%)	156,570	211,591	(26%)
	\$ 459,567	\$ 812,717	(43%)	\$ 1,595,861	\$ 2,456,477	(35%)

General & administration expenses (consisting of corporate costs, management and administrative personnel, legal, audit, rent, business development and office expenses) decreased due to administrative cost cutting measures. Expense also decreased due to the reduction in the expenses related to the operations of Ellora (which was sold at the beginning of May 2023).

The marketing & selling expenses consisted of advertising, marketing and sales commissions decrease due to a decrease in commission on lower revenues, and decrease in sales personnel.

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

Depreciation and amortization, a non-cash expense, relates to depreciation on right-of-use assets, property and equipment and intangible assets.

Other items

On May 2, 2023, the Company sold 100% of its subsidiary, Ellora Telecom Philippines Inc. for cash proceeds of \$420,000, which resulted in a gain on sale of \$420,000.

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

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

DEFINITIONS - ADDITIONAL GAAP MEASURES AND NON-GAAP MEASURES

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

EBITDA and Adjusted EBITDA

We define EBITDA as earnings before interest costs, taxes, depreciation and amortization. Adjusted EBITDA also excludes acquisition costs, settlement charges and impairment charges. EBITDA and Adjusted EBITDA, which are non-GAAP financial measures, are commonly used measures used in the telecommunications industry to assist in understanding and comparing operating results. EBITDA and Adjusted EBITDA are

reviewed regularly by management and our Board of Directors in assessing performance and in making decisions regarding the ongoing operations of the business and the ability to generate cash flows. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. EBITDA and Adjusted EBITDA are not measures of financial performance nor do they have a standardized meaning under IFRS. In evaluating these measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts. We have reconciled EBITDA and Adjusted EBITDA to their most comparable measure calculated in accordance with IFRS, being net income (loss) in the tables below.

Below is a reconciliation of "EBITDA" and Adjusted EBITDA to net loss for the periods presented:

	Three months ended September 30			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
Net loss	\$ (208,829)	\$ (228,455)	(9%)	\$ (332,923)	\$ (745,715)	(55%)
Finance costs, net	19,934	20,153	(1%)	60,428	69,162	(13%)
Depreciation and amortization	51,638	62,077	(17%)	156,570	211,591	(26%)
EBITDA	\$ (137,257)	\$ (146,225)	(6%)	\$ (115,925)	\$ (464,962)	(75%)

	Three months ended September 30			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
Net loss	\$(208,829)	\$(228,455)	(9%)	\$(332,923)	\$(745,715)	(55%)
Finance costs, net	19,934	20,153	(1%)	60,428	69,162	(13%)
Depreciation and amortization	51,638	62,077	(17%)	156,570	211,591	(26%)
Gain on sale of Ellora Telecom Philippines	-	-	n/a	(420,000)	-	n/a
ADJUSTED EBITDA	\$(137,257)	\$(146,225)	(6%)	\$(535,925)	\$(464,962)	(15%)

QUARTERLY RESULTS SUMMARY

The following table sets forth certain information for the quarter ended September 30, 2023, as well as historical periods. The operating results for any quarter are not necessarily indicative of results for any future period:

Summary of results	2023			2022				2021
(\$000's)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	448	546	716	934	1,038	1,067	1,119	1,256
Telecommunication costs	180	327	307	435	436	456	558	580
Gross profit	268	219	409	499	602	611	561	676
Gross margin	60%	40%	57%	53%	58%	57%	50%	54%
Operating expenses								
General and administration	335	371	492	608	660	660	606	553
Marketing and selling	8	10	11	10	14	22	51	68
Development and technical support	64	73	73	71	76	78	77	76
Depreciation and amortization	52	53	52	53	62	71	78	144
	459	507	628	742	812	831	812	841
Operating income (loss)	(191)	(288)	(219)	(243)	(210)	(220)	(251)	(165)
Finance costs, net	20	21	20	21	20	34	15	30
Gain on sale	-	(420)	-	-	-	-	-	-
Other income	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(28)
Loss before income taxes	(209)	113	(237)	(262)	(228)	(252)	(264)	(167)
Income tax (recovery)	-	-	-	-	-	-	-	-
Net loss	(209)	113	(237)	(262)	(228)	(252)	(264)	(167)
EBITDA	(137)	187	(165)	(188)	(146)	(147)	(171)	7
Adjusted EBITDA	(137)	187	(165)	(188)	(146)	(147)	(171)	7

LIQUIDITY AND CAPITAL RESOURCES

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

Nine months ended September 30,	2023	2022	+/-	% Change
	\$	\$		
Cash provided (used) by operating activities	(252,557)	(58,592)	(193,965)	331%
Cash used in investing activities	100,000	(4,326)	104,326	n/a
Cash provided (used) by financing activities	100,351	-	100,351	n/a
Decrease in cash	(52,206)	(62,918)	10,712	(17%)

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

Cash flows used operating activities decreased mainly due to the decrease in net loss offset by the negative impact of changes in non-cash working capital items.

Cash from investing activities of \$100,000 represent the cash proceeds received on the sale of Ellora.

Cash from financing activities of \$100,351 (2022 - \$nil) is comprised of net proceeds from the note payable from Iristel.

The Company's monthly burn rate on average, at its current operating level, will not be sufficient to ongoing operations to cover short-term and long-term operational needs as well as any capital costs. As such, the Company will need additional financing for costs related to operations, and to invest in its growth strategy. The Company is currently addressing its liquidity concerns by proactively planning future financings through related party loans, the sale of debt and (or) equity. The Company has been successful in the past at raising necessary funds but the timing and ability to do so will depend on the liquidity of the financial markets, economic conditions, as well as the acceptance of investors to small cap companies. There can be no guarantee that the Company will be able to secure any required financing.

The primary need for liquidity is to fund working capital requirements of the business. The primary source of liquidity has primarily been through cash generated from operations and loans from its controlling shareholder, Iristel.

The Company has the following financial commitments:

- i. Loan payable of \$60,000 (Canada Emergency Business Account loan). Up to \$20,000 of that amount will be eligible for loan forgiveness if \$40,000 is fully repaid on or before December 31, 2023. If the loan is not repaid by December 31, 2023, it will be extended for an additional 3-year term bearing an interest rate of 5% per annum. The loan can be repaid at any time without penalty and no principal payments are required until December 31, 2025 when the full amount of the loan is due. Monthly interest must be paid during the additional 3-year term.
- ii. Unsecured promissory note ("Grid Notes") in the amount of \$918,986, that bear interest of 7.5% per annum (calculated monthly). The Grid Notes mature on December 31, 2023.

- iii. 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%.

The Company has no capital expenditure commitments and has the ability to reduce or increase other discretionary costs depending on the level of available funds.

Overall, given working capital, the Company will require additional funding to be able to fulfil its operating requirements for 2023 and beyond.

RELATED PARTY TRANSACTIONS

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

Nine months ended September 30,	2023	2022
Management compensation	\$ 12,000	\$ 12,000

The Company rents its head office space from Iris-Tel, Adya's controlling shareholder, for which a Right of Use asset has been recognized, see note 6.

As at September 30, 2023, a total of \$918,986 (December 31, 2022 - \$818,635) was advanced under the grid promissory notes from Iris Technologies Inc, and total Interest accrued under the three grid promissory notes as at September 30, 2023 was \$220,353 (December 31, 2022 - \$169,793).

During the nine months ended September 30, 2023, revenue included \$123,846 (2022 - \$128,435) of Business processing services rendered to Iris Technologies Inc. These services commenced in February 2021. Included in revenue earned from arm's length transactions during the nine months ended September 30, 2023 was approximately \$248,000 (2022 - \$56,000) generated through use of Iris Technologies Inc.'s service carrier lines. As at September 30, 2023, \$nil (2022 - \$53,542) of accounts receivable due from Iris Technologies for these services has been applied against \$878,311 (2022 - \$706,415) due to Iris Technologies Inc. for rent and service costs.

During the nine months ended September 30, 2023, telecommunications costs included \$154,564 of transactions with Iris Technologies Inc.

OFF BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING ESTIMATES

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

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

Key areas requiring judgment and estimation uncertainty include:

- Allowance for doubtful accounts - In developing the estimates for an allowance against existing receivables, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the earnings for the period;
- Useful lives of intangible assets and property and equipment - Management's judgment involves determining the expected useful lives of depreciable assets, to determine depreciation and amortization methods, and the asset's residual value;
- Impairment of non-financial assets - The process to determine whether there are triggering events of impairment of non-financial assets as well as the calculation of value in use requires use of assumptions such as estimates of future cash flows, discount rates and terminal growth rates;
- Share based payments - In valuing stock options granted, the Company uses the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's stock options using the Black-Scholes option pricing model including the expected life of the option, risk-free interest rate and volatility of the underlying stock;
- Provisions - Judgment is required to assess the likelihood of an outflow of the economic benefits to settle contingencies, such as litigations, which may require a liability to be recognized. Significant judgments include assessing estimates of future cash flows and the probability of the occurrence of future events;
- Valuation of deferred income tax assets and liabilities - A deferred tax asset is recognized for unused losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Detailed estimates are required in evaluating the probability that deferred tax assets will be utilized. The Company's assessment is based on existing tax laws, estimates of future profitability, and tax planning strategies; and
- Going concern – the preparation of the consolidated financial statements in accordance with IFRS on a going concern basis assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated revenue and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.
- Notes payable – Judgement applicable to the notes payable include the appropriate risk-adjusted discount rate and repayment term included in the determination of amortized cost.

CAPITALIZATION

As at the date of this MD&A, the Company had 23,613,540 common shares outstanding.

BUSINESS RISKS AND UNCERTAINTIES

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

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

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

Competition

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

Technology

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

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

Reliance on systems and system failures

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

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

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

Regulatory

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

Management team and dependence on key personnel

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

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

Niche Company

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

Currency

The Company's functional currency is the Canadian dollar, but it regularly transacts in U.S. dollars for a portion of its business activities. The Company purchases wholesale long distance minutes in U.S. dollars but a majority of the sales are in Canadian dollars, therefore gross margins are negatively impacted by a weaker Canadian dollar. The assets, liabilities, revenues and expenses denominated in U.S. dollars will be affected by changes in the exchange rate fluctuations in the market between the Canadian and U.S. dollar.

Credit

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

Liquidity

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

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

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

General economic conditions

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

Dependence on service providers

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

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

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

Gross Margin

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

EBITDA

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

Adjusted EBITDA

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

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

See "Results of Operations – Adjusted EBITDA".

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

CONTINGENCIES

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

ADDITIONAL INFORMATION

Additional information about Adya is available:

- At the www.adya.ca website
- At the www.sedar.com website

- Via email to investorrelations@adya.ca, or
- Via phone at 416-499-5463