

# **SIYATA MOBILE INC.**

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

As at and for the years ended December 31, 2016 and 2015

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Siyata Mobile Inc.

We have audited the accompanying consolidated financial statements of Siyata Mobile Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Siyata Mobile Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Siyata Mobile Inc.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 28, 2017

**Siyata Mobile Inc.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)  
As at December 31, 2016 and 2015

	December 31 2016	December 31, 2015
<b>Assets</b>		
Current Assets		
Cash	\$ 258,054	\$ 298,313
Trade and other receivables (Note 6)	1,707,968	1,870,623
Advances to suppliers (Note 7)	1,196,110	261,774
Deferred Charge (Note 23)	214,024	-
Due from Related Party (Note 19)	364,430	-
Inventory (Note 7)	2,664,664	3,412,852
	<b>6,405,250</b>	<b>5,843,562</b>
Equipment	50,100	8,000
Intangible assets (Note 8)	3,437,691	2,912,000
Goodwill (Note 5)	1,022,269	-
<b>Total Assets</b>	<b>\$ 10,915,310</b>	<b>\$ 8,763,562</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,843,908	\$ 400,976
Due to related parties (Note 19)	-	1,897,500
Other payables	147,206	315,000
Future purchase consideration (Note 9)	356,308	-
	<b>2,347,422</b>	<b>2,613,476</b>
Future consideration obligation (Note 9)	295,022	-
Deferred tax liability (Note 15)	34,000	-
Long term debt (Note 10)	250,000	-
	<b>579,022</b>	<b>-</b>
<b>Total Liabilities</b>	<b>2,926,444</b>	<b>2,613,476</b>
<b>Shareholders' Equity</b>		
Share capital (Note 11)	13,066,977	9,949,322
Accumulated other comprehensive loss	(449,136)	(668,000)
Reserves (Note 11)	1,403,717	738,748
Deficit	(6,032,692)	(3,869,984)
	<b>7,988,866</b>	<b>6,150,086</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 10,915,310</b>	<b>\$ 8,763,562</b>

Nature of Operations and Going Concern (Note 1)  
Subsequent Event (Note 22)

Approved on April 28, 2017 on behalf of the Board:

"Gil Gurfinkel"  
Gil Gurfinkel – Director

"Marc Seelenfreund"  
Marc Seelenfreund – Director

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

**Siyata Mobile Inc.**

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the years ended December 31, 2016 and 2015

	2016	2015
Revenues	\$ 12,326,414	\$ 9,913,644
Cost of sales (Note 12)	(9,388,857)	(7,873,902)
Gross profit	2,937,557	2,039,742
<b>Expenses:</b>		
Amortization and depreciation (Note 8)	269,905	126,000
Selling and marketing (Note 13)	1,791,607	1,187,396
General and administrative (Note 14)	1,737,313	1,108,841
Share-based payments (Note 11)	585,692	552,167
Total operating expenses	4,384,517	2,974,404
Other expenses:		
Finance expense	192,660	166,898
Foreign exchange	447,416	(794,081)
Transaction costs and listing expense (Note 4 and 5)	41,400	2,838,505
Accretion of contingent consideration (Note 9)	34,272	-
Total other expenses	715,748	2,211,322
Net loss for the year	\$ (2,162,708)	\$ (3,145,984)
Translation Adjustment	218,864	(575,000)
<b>Comprehensive loss for the year</b>	<b>\$ (1,943,844)</b>	<b>\$ (3,720,984)</b>
<b>Weighted average number of shares outstanding</b>	<b>66,886,595</b>	<b>26,121,447</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.12)</b>

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

**Siyata Mobile Inc.**

## Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

For the years ended December 31, 2016 and 2015

	Number of Common Shares	Share Capital Amount	Accumulated other comprehensive income (loss)	Reserves	Deficit	Total Shareholders' Equity (Deficiency)
<b>Balance, December 31, 2014</b>	-	\$ -	\$ (93,000)	\$ -	\$ (724,000)	\$ (817,000)
Contribution from Accel carve out	-	-	-	3,705,000	-	3,705,000
Shares of Siyata Mobile Inc. on RTO date	11,607,755	2,456,591	-	-	-	2,456,591
Shares issued on RTO (Note 4)	33,333,333	3,705,000	-	(3,705,000)	-	-
Finders shares on RTO	300,000	63,490	-	-	-	63,490
Exercise of warrants	3,850	1,155	-	-	-	1,155
Private placement	13,928,300	4,178,490	-	-	-	4,178,490
Share issue costs	417,849	(455,404)	-	186,581	-	(268,823)
Shares issued for incorporation of BC subsidiary	100	-	-	-	-	-
Share-based payments	-	-	-	552,167	-	552,167
Translation adjustment	-	-	(575,000)	-	-	(575,000)
Loss for the year	-	-	-	-	(3,145,984)	(3,145,984)
<b>Balance, December 31, 2015</b>	<b>59,591,187</b>	<b>9,949,322</b>	<b>(668,000)</b>	<b>738,748</b>	<b>(3,869,984)</b>	<b>6,150,086</b>
Private placement	8,299,714	2,904,900	-	-	-	2,904,900
Share issue costs	-	(302,760)	-	84,294	-	(218,466)
Shares issued on acquisition of Signifi (Note 5)	1,000,000	360,000	-	-	-	360,000
Exercise of agents' options	35,577	15,690	-	(5,017)	-	10,673
Shares issued for debt	402,612	139,825	-	-	-	139,825
Share-based payments	-	-	-	585,692	-	585,692
Translation adjustment	-	-	218,864	-	-	218,864
Loss for the year	-	-	-	-	(2,162,708)	(2,162,708)
<b>Balance, December 31, 2016</b>	<b>69,329,090</b>	<b>\$ 13,066,977</b>	<b>\$ (449,136)</b>	<b>\$ 1,403,717</b>	<b>\$ (6,032,692)</b>	<b>\$ 7,988,866</b>

**Siyata Mobile Inc.**

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended December 31, 2016 and 2015

	2016	2015
<b>Cash provided by / (used for):</b>		
<b>Operating Activities:</b>		
Net loss for the year	\$ (2,162,708)	\$ (3,145,984)
Items not affecting cash:		
Amortization and depreciation	269,905	122,000
Finance fees	-	166,898
Listing expense	-	2,838,505
Revaluation of future consideration	34,272	-
Share-based payments	585,692	552,167
Unrealized foreign exchange	-	(564,000)
Net change in non-cash working capital items		
Trade and other receivables and advances to suppliers	(555,785)	(2,659,663)
Inventory	884,158	(3,263,852)
Accounts payable, accrued liabilities and other payables	902,298	388,174
Due to related parties	(2,261,839)	1,781,500
Net cash used in operating activities	(2,304,007)	(3,784,255)
<b>Investing Activities:</b>		
Acquisition of equipment	(15,026)	(7,000)
Cash acquired on RTO Transaction (Note 4)	-	292,552
Acquisition costs – Signifi (Note 5)	(200,000)	-
Development of intangible assets	(708,267)	(154,000)
Transaction costs	-	(639,908)
Net cash used in investing activities	(923,293)	(508,356)
<b>Financing Activities:</b>		
Shares issued for cash	2,915,573	4,179,645
Share issue costs	(218,466)	(268,823)
Deferred costs	(214,024)	-
Loans received	250,000	957,000
Interest paid	-	(166,898)
Net cash provided by financing activities	2,733,083	4,700,924
<b>Foreign exchange effect on cash</b>	<b>453,958</b>	<b>(110,000)</b>
<b>Change in cash for the year</b>	<b>(40,259)</b>	<b>298,313</b>
Cash, beginning of the year	298,313	-
<b>Cash, end of the year</b>	<b>\$ 258,054</b>	<b>\$ 298,313</b>

Supplemental disclosure with respect to cash flows (Note 18)

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

## **Siyata Mobile Inc.**

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Siyata Mobile Inc. (formerly Teslin River Resources Corp.) ("Siyata" or the "Company") was incorporated under the Business Corporations Act, British Columbia on October 15, 1986. The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("TSX-V") under the symbol SIM. As at December 31, 2016, the Company's principal activity is the sale of vehicle mounted, cellular based communications platforms over advanced 3G mobile networks (the "Business"). The corporate office of the Company is located at 1600 - 609 Granville Street, Vancouver, BC V7Y 1C3, and the registered and records office is located at 2200 - 885 West Georgia Street, Vancouver, BC V6C 3E8.

On June 7, 2016, the Company acquired all of the issued and outstanding shares of Signifi Mobile Inc. ("Signifi") (Note 5).

On July 24, 2015, Teslin River Resources Corp. ("Teslin") completed a reverse acquisition (the "Transaction") by way of a three cornered amalgamation, pursuant to which the Company acquired certain telecom operations (the "Acquired Assets") of an Israel-based cellular technology company, Accel Telecom Ltd. ("Accel") and related companies (the "Group"). The former shareholders of Accel were considered to have acquired control of Teslin. Upon closing of the transaction the Company changed its name from Teslin River Resources Corp., to Siyata Mobile Inc (Note 4).

These consolidated financial statements include the carve-out financial statements of a carve-out entity, Siyata Israel, which present the historical financial statements of the Acquired Assets on a carve-out basis up to the date of the Transaction (Note 2). On July 24, 2015, only the intangibles and the business of the Acquired Assets was transferred. All other balances of assets and liabilities as of July 24, 2015 were kept with Accel. Balances as of December 31, 2016 and December 31, 2015 represent actual amounts owned by the Company.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has a history of losses. As at December 31, 2016, the Company has an accumulated deficit of \$6,032,692. Continuing business as a going concern is dependent upon the success of the Company's sale of inventory, the existing cash flows, and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.



## Siyata Mobile Inc.

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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## 2. BASIS OF PRESENTATION

### Statement of compliance

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

### The carve-out financial statements

The consolidated financial statements present the historical carve-out financial position, results of operations and cash flows as if Siyata Israel had been an independent operation during the periods presented. The carve-out statements of comprehensive losses for the year ended December 31, 2015 include direct expenses incurred in the management of the Acquired Assets and an allocation of Accel's selling and marketing expenses and general and administrative expenses incurred in each of the periods presented up to July 24, 2015, which was the date of the Transaction.

The carve-out financial statements may not necessarily be indicative of the Company's financial position, results of operating activities or cash flows had it operated as a separate entity throughout the period presented or for future periods.

As at July 24, 2015, the carrying values of the Acquired Assets contributed to the Company consisted of the following:

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	<b>July 24, 2015</b>
<b>Assets</b>	
Intangibles	\$ 2,695,000
Carrying value	\$ 2,695,000

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The value of the allocated Accel retained earnings, income and expenses, and other comprehensive income (loss) up to the close of the Transaction and the intangible assets contributed and recorded under the continuity of interest accounting was recorded to share capital as the value of the common shares issued as at July 24, 2015 in connection with the Transaction.

## **Siyata Mobile Inc.**

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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## **2. BASIS OF PRESENTATION (cont'd...)**

### *Significant allocations and assumptions*

Until July 24, 2015, the date of the transaction, management has used the following assumptions in developing the carve-out financial statements:

*Allocation of expenses* – The allocation of cost of sales, selling and marketing expenses and general and administrative expenses in the carve-out statements of comprehensive loss which could not be attributed specifically, has been calculated on the basis of the ratio of revenues of the Business in each period presented as compared to the revenues of the Group in each of these periods presented. Management believes the assumptions and allocations underlying the carve-out financial statements are reasonable and appropriate under the circumstances. The amortization expenses of the Group were allocated on the same basis and they constitute the rent of fixed assets by the Business.

*Opening deficit* – The Business' opening deficit as at January 1, 2012 has been calculated by applying the same allocation principles outlined above to the cumulative transactions relating to the net assets transferred.

*Guarantees, cash and loans* – Accel's outstanding guarantees, cash and loans and related finance expenses were not transferred to the Company and therefore were not reflected in the Carve-out Financial Statements. Therefore the funding required for the ongoing business is displayed under the parent company debt and the related finance expenses respectively.

*Deferred tax* – The loss presented in the carve-out financial statements was allocated from the Group. Deferred tax related to the loss presented in the carve-out financial statements have been recognized up to the deferred tax liability.

*Financial expenses* – The financial expenses of the Company are calculated according to the interest rate that Accel paid to its lender.

Management cautions the readers that these carve-out financial statements have been prepared solely to demonstrate the historical results of operations, financial position, and cash flows of the Business for the indicated periods and, accordingly, the allocation of expenses are not necessarily indicative of the costs the Business would have incurred if it had operated on a stand-alone basis or as an entity independent of The Group.

### **Basis of consolidation and presentation**

These consolidated financial statements of the Company have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for the statement of cash flows.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

## Siyata Mobile Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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## 2. BASIS OF PRESENTATION (cont'd...)

### Basis of consolidation and presentation (cont'd...)

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Name of Subsidiary	Place of Incorporation	Ownership
Queensgate Resources Corp. <sup>(i)</sup>	British Columbia, Canada	100%
Queensgate Resources US Corp. <sup>(i)</sup>	Nevada, USA	100%
Siyata Mobile (Canada) Inc. <sup>(i)</sup>	British Columbia, Canada	100%
Siyata Mobile Israel Ltd. <sup>(ii)</sup>	Israel	100%
Signifi Mobile Inc.	Quebec, Canada	100%

- (i) The accounts of these subsidiaries have been included in these consolidated financial statements from July 24, 2015 onwards (Note 4).
- (ii) The accounts of Signifi Mobile Inc. have been included in these consolidated financial statements from June 7, 2016 onwards (Note 5).

These consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

### Foreign currency translation

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") and has been determined for each entity within the Company. The functional currency of Siyata Mobile Inc., and all subsidiaries except Siyata Mobile Israel Ltd. is the Canadian dollar. The functional currency of Siyata Mobile Israel Ltd. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in the statement of loss and comprehensive loss.

### Use of estimates and judgements

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

## **Siyata Mobile Inc.**

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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## **2. BASIS OF PRESENTATION (cont'd...)**

### **Use of estimates and judgements (cont'd...)**

#### **i) Critical accounting 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. Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but not limited to the following:

- **Income taxes** - Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and future periods. Deferred tax assets, if any, are recognized to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.
- **Fair value of stock options and warrants** - Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.
- **Capitalization of development costs and their amortization rate** – Development costs are capitalized in accordance with the accounting policy. To determine the amounts earmarked for capitalization, management estimates the cash flows which are expected to be derived from the asset for which the development is carried out and the expected benefit period.
- **Inventories** - Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.
- **Estimated product returns** - Revenue from product sales is recognized net of estimated sales discounts, credits, returns, rebates and allowances. The return allowance is determined based on an analysis of the historical rate of returns, industry return data, and current market conditions, which is applied directly against sales.
- **Useful life of intangible assets** – The Company estimates the useful life used to amortize intangible assets which relates to the expected future performance of the assets acquired based on management estimate of the sales forecast.
- **Future consideration obligation** - In a business combination, the Company recognizes a contingent consideration at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in profit or loss, or as a change to other comprehensive income ("OCI"). If the contingent consideration is not within the scope of IAS 39, it is measured at fair value in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

## **Siyata Mobile Inc.**

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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## **2. BASIS OF PRESENTATION (cont'd...)**

### **Use of estimates and judgements (cont'd...)**

#### **i) Critical accounting estimates (cont'd...)**

- Impairment of non-financial assets - The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to asset impairment. The recoverable amount of an asset or a cash-generating unit ("CGU") is determined using the greater of fair value less costs to sell and value in use which requires the use of various judgments, estimates, and assumptions. The Company identifies CGUs as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets. Value in use calculations require estimations of discount rates and future cash flows derived from revenue growth, gross margin and operating costs. Fair value less costs to sell calculations require the Company to estimate fair value of an asset or a CGU using market values of similar assets as well as estimations of the related costs to sell.

#### **ii) Critical accounting judgments**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

- Deferred income taxes – judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.
- Functional currency - The functional currency for the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar with the exception of Siyata Israel which has the functional currency of the US dollar. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.
- Business combinations – Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition disclosed in Note 5 did meet the criteria for accounting as a business combination.
- Going concern – As disclosed in Note 1 to the financial statements.

## **Siyata Mobile Inc.**

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Cash**

Cash is comprised of cash on hand.

#### **(b) Impairment of long lived assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, 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 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 (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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 prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **(c) Equipment**

- Computer Equipment Assets are depreciated at the rate of 30% per year on a declining balance basis;
- Website assets which are depreciated at a rate of 33% per year straight line.
- Furniture and Fixtures Assets are depreciated at the rate of 20% per year on a declining balance basis;
- Leasehold improvements are depreciated on a straight line basis over the terms of the lease;

#### **(d) Intangible assets**

##### **(i) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

## **Siyata Mobile Inc.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(d) Intangible assets (cont'd...)**

##### **(i) Research and development**

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Siyata has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred. In subsequent periods, capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

##### **(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### **(iii) Amortization**

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset less its estimated residual value.

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the date they are available for use.

Internally generated intangible assets are not systematically amortized as long as they are not available for use (i.e. they are not yet on site or in working condition for their intended use). Accordingly, these intangible assets, such as development costs, are tested for impairment at least once a year, until such date as they are available for use.

## **Siyata Mobile Inc.**

### **Notes to the Consolidated Financial Statements**

(Expressed in Canadian dollars)

As at and for the years ended December 31, 2016 and 2015

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(e) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in earnings as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.

#### **(f) Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortization but is tested for impairment.

#### **(g) Inventory**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completing and selling expenses.

#### **(h) Revenues**

Revenue from the sale of goods, in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. When the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted.

Revenue is recognized when persuasive evidence exists (usually in the form of an executed sales agreement), that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales on products in Israel, transfer usually occurs when the product is received at the customer's warehouse, but for some international shipments transfer occurs upon loading the goods onto the relevant carrier.



## **Siyata Mobile Inc.**

Notes to the Consolidated Financial Statements

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(i) Financial Instruments**

##### *Non-derivative financial assets*

##### Initial recognition of financial assets

The Company initially recognizes receivables on the date that they are created.

##### Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, trade and other receivables and due from related party.

##### *Non-derivative financial liabilities*

Non-derivative financial liabilities include bank overdrafts, loans and borrowings from bank and others, and trade and other payables.

##### Initial recognition of financial liabilities

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities include accounts payable and accrued liabilities, due to related parties, and other payables.

## **Siyata Mobile Inc.**

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(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(i) Financial instruments (cont'd...)**

##### Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

#### **(j) Loss per share**

The Company presents basic and diluted loss per share data for its common shares. Basic 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 period, adjusted for own shares held. Diluted loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

#### **(k) Share-based payments**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the option is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment, otherwise, share-based payments is measured at the fair value of the services received.

## **Siyata Mobile Inc.**

### **Notes to the Consolidated Financial Statements**

(Expressed in Canadian dollars)

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

##### **(k) Share-based payments (cont'd...)**

The fair value is measured at grant date at each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

##### **(l) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate and the unwinding of the discount is included in the statement of earnings (loss) as interest expense from discounting obligations.

Warranties are handled by the customer. The Company generally provides a 3% discount of the purchase price or 3% more product.

##### **(m) Income taxes**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and 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 not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 assets and liabilities, 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 are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### **(n) Deferred charges**

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

## **Siyata Mobile Inc.**

### **Notes to the Consolidated Financial Statements**

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(o) New accounting pronouncements**

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied when preparing these financial statements:

##### *IFRS 15 Revenues from contracts with customers*

In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Service). IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements and does not plan to early adopt the new requirement.

##### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9). IFRS 9 supersedes IAS 39, IFRIC 9 and earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. This standard provides guidance on the classification and measurement of financial liabilities and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss. When an entity elects to measure a financial liability at fair

value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements and does not plan to early adopt the new requirement.

##### *IFRS 16 Leases*

The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the full impact of IFRS 16.

## Siyata Mobile Inc.

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

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#### 4. REVERSE TAKEOVER

On July 24, 2015, the Company completed a transaction whereby the Company's wholly owned subsidiary amalgamated, through a three cornered amalgamation, with Siyata Mobile (Canada) Inc. ("Siyata Canada"). Pursuant to the Transaction, Siyata Canada, incorporated Siyata Mobile Israel Ltd ("Siyata Israel"), a wholly owned subsidiary incorporated in Israel. Together, Siyata Canada and Siyata Israel acquired certain telecom assets and operations of Israel-based cellular technology company, Accel Telecom Ltd. ("Accel") and its Canadian subsidiary, Truckfone Inc.

The Company acquired the Acquired Assets (Note 1) by the issuance of 33,333,333 common shares to Accel. As a result of the Transaction, the shareholders of Accel will acquire control of the Company. The Transaction is considered a purchase of Teslin's net assets by the shareholders of Accel and is accounted for as a reverse takeover.

The Transaction is accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payments" and IFRS 3 "Business Combinations." As the Transaction did not qualify as a business according to the definition in IFRS 3, this Transaction does not constitute a business combination; rather it is treated as an issuance of shares by Accel for the net assets of Teslin and the Company's listing status.

Prior to the execution of the Transaction, 2,727,273 warrants, being all of the outstanding and issued warrants, were exercised by the shareholders of Siyata for proceeds of \$360,000. The shareholders of Siyata held 11,607,761 common shares at the time of the Transaction. Consideration consists of the following:

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Value of 11,607,761 shares held by Siyata shareholders	\$	2,456,591
Transaction costs <sup>(i)</sup>		703,398
Total consideration	\$	3,159,989

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<sup>(i)</sup> Includes 300,000 finders' shares valued at \$63,490 (Note 11(b)).

The value of the common shares issued is \$2,456,591 and is based on the fair value of the number of shares that Accel would have had to issue shareholders of Teslin to give the shareholders of Teslin the same percentage equity interest in the combined entity that results from the Transaction. The total purchase price of \$3,159,989 is allocated as follows:

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Cash	\$	292,552
Accounts receivable		119,084
Prepaid expenses and deposit		55,650
Accounts payable		(145,802)
Net assets acquired	\$	321,484
Listing expense		2,838,505
	\$	3,159,989

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## Siyata Mobile Inc.

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

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#### 5. ACQUISITION OF SIGNIFI MOBILE INC.

On June 7, 2016, the Company acquired all of the issued and outstanding shares of Signifi Mobile Inc. ("Signifi"). In consideration, the Company paid cash of \$200,000 and issued 1,000,000 common shares at a value of \$360,000.

As further consideration, the Company is required to make the additional following payments:

- a) On June 7, 2017, pay \$150,000 in cash (or less, subject to certain income minimums);
- b) On each of the first three anniversaries of the transaction, at the option of the vendors,
  - a. 1,000,000 common shares;
  - b. \$150,000 in cash; or
  - c. \$75,000 in cash and 500,000 common shares.
- c) In addition to the above, up to an additional 1,400,000 shares are issuable and additional cash payable to the vendors if Signifi meets annual revenue and gross profit targets per the purchase and sale agreement.

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting. To account for the transaction, the Company has determined the fair value of the assets and liabilities of Signifi at the date of the acquisition and a purchase price allocation. These fair value assessments require management to make significant estimates and assumptions as well as applying judgment in selecting the appropriate valuation techniques.

The acquisition of Signifi is consistent with the Company's corporate growth strategy to build distribution and licensing agreements to support expansion in the North American market. The Company plans to leverage Signifi's license agreement (Note 8) in order to build relationships and facilitate sales of other corporate products.

The aggregate amount of the total acquisition consideration is \$1,177,058, comprised as follows:

Consideration	Note	Fair Value
Cash		\$ 200,000
Fair value of 1,000,000 shares at \$0.36 per share	(i)	360,000
Future purchase consideration	(ii)	617,058
Total Consideration		\$ 1,177,058

- (i) The fair value of shares issued was determined by multiplying the number shares issued by the share price of the Company on June 7, 2016.
- (ii) Future consideration represents the expected future payments of cash and common shares. The Company has applied probability estimates to each of the scenarios under the revenue thresholds based on management's projections using a discount rate of 10%, reflecting current market assessments of the time value of money and specific risks.

**Siyata Mobile Inc.**

## Notes to the Consolidated Financial Statements

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**5. ACQUISITION OF SIGNIFI MOBILE INC. (cont'd...)**

The purchase price was allocated as follows:

Purchase price allocation	Fair Value
Purchase price	\$ 1,177,058
Less: Net assets acquired	
Net identifiable tangible assets	43,197
Net identifiable intangible assets	148,592
Deferred tax liability	(37,000)
	(154,789)
Goodwill	\$ 1,022,269

The above acquisition price allocation is considered preliminary and may change before being considered final.

The Company incurred costs related to the acquisition totaling \$41,400 to complete the acquisition which were recorded in the statement of loss and comprehensive loss.

**6. TRADE AND OTHER RECEIVABLES**

	2016	2015
Trade receivables	\$ 1,600,313	\$ 1,134,270
Other receivables	107,655	736,353
<b>Total</b>	<b>\$ 1,707,968</b>	<b>\$ 1,870,623</b>

The Company had a factoring agreement with external funding. According to the agreement, invoices are fully assigned to the funding entity in return for 85% of the invoice amount. The remaining 15% are paid to the Company with the receipt of the payment from the customer. As of December 31, 2016 the deduction of factoring transaction (85% from invoices that fully assigned) was \$1,337,807 (December 31, 2015 - \$Nil).

**7. INVENTORY**

	2016	2015
Finished products	\$ 2,215,664	\$ 2,506,852
Accessories and spare parts	449,000	906,000
<b>Total</b>	<b>\$ 2,664,664</b>	<b>\$ 3,412,852</b>

As at December 31, 2016, the Company had advances to suppliers of \$1,196,110 (2015 - \$261,774), which represents amounts paid to suppliers of inventory for prepayment of goods prior to receipt.

**Siyata Mobile Inc.**

## Notes to the Consolidated Financial Statements

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**8. INTANGIBLE ASSETS**

	Development costs	License agreement	Total
Cost			
Balance at December 31, 2014	\$ 2,771,000	\$ -	\$ 2,771,000
Additions	154,000	-	154,000
Translation adjustment	467,000	-	467,000
Balance at December 31, 2015	3,392,000	-	3,392,000
Acquired with Signifi	-	148,592	148,592
Additions	708,267	-	708,267
Translation adjustment	(65,000)	-	(65,000)
<b>Balance at December 31, 2016</b>	<b>\$ 4,035,267</b>	<b>\$ 148,592</b>	<b>\$ 4,183,859</b>
Accumulated Amortization			
Balance at December 31, 2014	\$ 358,000	\$ -	\$ 358,000
Additions	122,000	-	122,000
Balance at December 31, 2015	480,000	-	480,000
Additions	251,000	15,168	266,168
<b>Balance at December 31, 2016</b>	<b>\$ 731,000</b>	<b>\$ 15,168</b>	<b>\$ 746,168</b>
Net Book Value			
Balance at December 31, 2015	\$ 2,912,000	\$ -	\$ 2,912,000
<b>Balance at December 31, 2016</b>	<b>\$ 3,304,267</b>	<b>\$ 133,424</b>	<b>\$ 3,437,691</b>

The Company acquired a license agreement with Uniden America Corporation (“Uniden”) in conjunction with the Signifi transaction (Note 5). The agreement provides for the Company to use the trademark “Uniden”, along with associated designs and trade dress to distribute, market and sell its cellular signal booster and accessories during its term. The term of the agreement ends on December 31, 2018 with annual renewal options and is subject to certain minimum royalties. The license agreement’s value is directly related to projected sales and operating margins over its term, after applying a tax rate of 25% and at a discount rate of 18%. The license agreement is amortized over its remaining term.

**9. CONTINGENT CONSIDERATION LIABILITY**

	December 31, 2016
Provisions accrued	\$ 617,058
Accretion	34,272
<b>Balance, December 31, 2016</b>	<b>\$ 651,330</b>
Short-term (payable within one year)	\$ 356,308
Long-term	\$ 295,022

Future purchase consideration relates to the acquisition of Signifi (Note 5). At each reporting period, management updates estimates with respect to share price, and probability of payment.



## Siyata Mobile Inc.

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#### 10. LONG TERM DEBT

	<b>Amount</b>
Balance, December 31, 2014 and 2015	\$ -
Borrowings	250,000
<b>Balance, December 31, 2016</b>	<b>\$ 250,000</b>
Short-term (payable within one year)	\$ -
Long -term	<b>\$ 250,000</b>

On September 27, 2016, Signifi borrowed \$250,000 from the Development Bank of Canada for a term of seven years bearing interest only until August 2017 at the bank's base rate + 3.65%. This loan principal is repayable in one payment of \$10,000 in August 2017 and then monthly payments of \$2,000 per month from September 2017 to August 2018, \$4,000 per month from September 2018 to August 2019, \$6,000 per month from September 2019 to August 2020 and \$8,000 per month from September 2020 to August 2021.

Signifi has a one-time right to postpone the principal repayment commencement date to February 2018 by informing the bank. It is the Company's intention as of December 31, 2016 to postpone the repayment until such date. The loan is secured by the assets of Signifi and a guarantee by the Company and its Canadian subsidiaries.

#### 11. SHARE CAPITAL

- (a) **Authorized**      Unlimited number of common shares without par value  
                                 Unlimited number of preferred shares without par value

##### (b) Common share transactions

*Transactions for the year ended December 31, 2016*

- i) During the year ended December 31, 2016, the Company completed a private placement of 8,299,714 units at a price of \$0.35 per unit for gross proceeds of \$2,904,900. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at a price of \$0.50 for a period of two years. In conjunction with the placement, the Company paid finder's fees of \$146,366, incurred other share issuance costs of \$72,100 and issued 417,330 agents' options exercisable at price of \$0.35 per common share for a period of two years (Note 11(d)).
- ii) Issued 35,577 common shares in connection with an exercise of agents' options for proceeds of \$10,673. Upon exercise of the agent's options, \$5,017 was reallocated from reserves to share capital.
- iii) Issued 1,000,000 common shares at a value of \$360,000 for the acquisition of Signifi (Note 5).
- iv) Issued 402,612 common shares to settle accounts payable of \$139,825.

## Siyata Mobile Inc.

### Notes to the Consolidated Financial Statements

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#### 11. SHARE CAPITAL (cont'd...)

##### (b) Common share transactions (cont'd...)

*Transactions for the year ended December 31, 2015*

- i) On July 24, 2015, Siyata consolidated its share capital on a 2.2 old shares for 1 new basis. All share figures have been restated to retroactively reflect this consolidation.
- ii) Issued 33,333,333 common shares in connection with the Transaction (Note 4). All funding provided by Accel for the Company's activities prior to the completion of the Transaction, initially reflected as equity reserves, was allocated to share capital upon the issue of the Company's shares pursuant to the Transaction. Transaction costs included 300,000 common shares issued to finders valued at \$63,490.
- iii) In connection with the Transaction, the Company completed a private placement for total proceeds of \$4,178,490 through the issuance of 13,928,300 subscription receipts. Immediately prior to closing of the Transaction, the subscription receipts automatically converted to 13,928,000 common shares and 6,964,151 share purchase warrants, each warrant exercisable at \$0.60 for a period of two years. A total of 417,849 common shares and 208,925 share purchase warrants exercisable at \$0.60 for a period of two years were issued in settlement of all corporate finance and finders' fees, and the agents in the private placement received agents' options entitling them to acquire 1,192,829 shares of the Company at an exercise price of \$0.30, for a period of two years. The finder's warrants and agents options were valued at \$186,581. The Company also incurred cash share issue costs of \$268,823 on the private placement.
- iv) Issued 3,500 common shares in connection with an exercise of warrants for proceeds of \$1,050.
- v) Issued 100 common shares in connection with the incorporation of a BC subsidiary.

##### (c) Stock options

The Company has a shareholder approved "rolling" stock option plan (the "Plan") in compliance with TSX-V policies. Under the Plan the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the market price of the Company's stock at the date of grant, less a discount of up to 25%. Options can have a maximum term of ten years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

	Number of options	Weighted average exercise price
Outstanding options, December 31, 2014	-	\$ -
Granted	5,475,000	0.31
Outstanding options, December 31, 2015	5,475,000	0.31
Granted	400,000	0.35
Outstanding options, December 31, 2016	5,875,000	\$ 0.31
Exercisable options, December 31, 2016	3,421,875	\$ 0.31

**Siyata Mobile Inc.**

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**11. SHARE CAPITAL (cont'd...)****(c) Stock options**

At December 31, 2016, stock options outstanding and exercisable are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
July 24, 2015	750,000	468,750	\$ 0.30	July 23, 2020	3.56
July 24, 2015	150,000	93,750	0.60	July 23, 2020	3.56
July 28, 2015	250,000	156,250	0.30	July 28, 2020	3.57
August 10, 2015	425,000	265,625	0.30	August 7, 2020	3.60
September 30, 2015	3,900,000	2,437,500	0.30	July 23, 2020	3.56
October 5, 2016	400,000	-	0.35	October 4, 2018	1.75

During the year ended December 31, 2016, the Company granted 400,000 stock options (2015 – 5,475,000) with a weighted average fair value of \$0.35 (2015 - \$0.22) per option. The Company recorded share-based payments during the year ended December 31, 2016 of \$585,692 (2015 - \$552,167) in relation to options vesting. The following weighted average assumptions have been used for the Black-Scholes valuation for the stock options granted:

	2016	2015
Risk free interest rate	0.56%	0.81%
Expected life of options	2 years	5 years
Annualized volatility	146%	146%

**(d) Agents' Options**

	Number of options	Weighted average exercise price
Outstanding, December 31, 2014	-	\$ -
Granted	1,192,829	0.30
Outstanding, December 31, 2015	1,192,829	0.30
Granted	417,330	0.35
Exercised	(35,577)	0.30
Outstanding, December 31, 2016	1,574,582	\$ 0.31

At December 31, 2016, agents' options outstanding and exercisable are as follows:

Grant Date	Number of Options outstanding and exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
July 24, 2015 <sup>(a)</sup>	1,157,252	\$0.30	July 23, 2017	0.56
June 10, 2016 <sup>(b)</sup>	417,330	0.35	June 10, 2018	1.44

**Siyata Mobile Inc.**

## Notes to the Consolidated Financial Statements

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**11. SHARE CAPITAL (cont'd...)****(d) Agents' Options (cont'd...)**

- (a) The fair value of the agent options was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 1.00%, a dividend yield of 0%, an expected volatility of 146% and an expected life of two years. The total fair value of the agent options was \$163,214.
- (b) The fair value of the agent options was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 0.49%, a dividend yield of 0%, an expected volatility of 113% and an expected life of two years. The total fair value of the agent options was \$84,294.

**(e) Share Purchase Warrants**

	Number of options	Weighted average exercise price
Outstanding, December 31, 2014	-	\$ -
Issued	7,173,076	0.60
Exercised	(3,850)	0.30
Outstanding, December 31, 2015	7,169,226	0.60
Issued	8,299,714	0.50
Outstanding, December 31, 2016	15,468,940	\$ 0.55

At December 31, 2016, share purchase warrants outstanding and exercisable are as follows:

Grant Date	Number of Warrants outstanding and exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
July 24, 2015	7,169,226	\$0.60	July 23, 2017	0.56
June 10, 2016	8,299,714	0.50	June 10, 2018	1.44

**12. COST OF SALES**

(in thousands)	2016	2015
Materials and merchandise	\$ 7,393	\$ 9,372
Royalties	378	92
Other expenses	607	364
Change in inventory	1,011	(1,954)
<b>Total</b>	<b>\$ 9,389</b>	<b>\$ 7,874</b>

**Siyata Mobile Inc.**

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**13. SELLING AND MARKETING EXPENSES**

(in thousands)	2016	2015
Salaries and related expenses	\$ 986	\$ 627
Advertising and marketing	669	446
Travel and conferences	137	114
<b>Total</b>	<b>\$ 1,792</b>	<b>\$ 1,187</b>

**14. GENERAL AND ADMINISTRATIVE EXPENSES**

(in thousands)	2016	2015
Salaries and related expenses	\$ 225	\$ 352
Professional services	138	170
Consulting and director fees	568	166
Management fees	298	172
Travel	104	95
Office and general	220	60
Regulatory and filing fees	50	25
Shareholder relations	134	69
<b>Total</b>	<b>\$ 1,737</b>	<b>\$ 1,109</b>

**15. INCOME TAXES**

The reconciliation of income taxes at statutory rates is as follows:

	2016	2015
Expected income tax (recovery)	\$ (562,000)	\$ 818,000
Permanent difference	244,000	828,000
Change in foreign tax, statutory tax, foreign exchange rates and other	2,000	-
Tax benefits acquired on RTO	-	903,000
Unrecognized (recognized) benefit of operating loss carry-forwards	484,000	893,000
Adjustment to prior years provision versus statutory tax returns	(168,000)	-
<b>Actual income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

## Siyata Mobile Inc.

### Notes to the Consolidated Financial Statements

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#### 15. INCOME TAXES (cont'd...)

Significant components of the Company's future income tax assets based on statutory rates are as follows:

	2016	2015
Loss carry forwards	\$ 912,000	\$ 730,000
Allowable capital losses	-	47,000
Financing costs	341,000	110,000
Debt with accretion	34,000	-
Property and equipment	(34,000)	6,000
<b>Unrecognized deferred tax assets</b>	<b>\$ 1,253,000</b>	<b>\$ 893,000</b>

The Company has approximately \$912,000 (2015 - \$730,000) of operating loss carry-forwards which expire through to 2036

#### 16. CAPITAL MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company defines capital as consisting of shareholder's equity. The Company's objectives when managing capital are to support the creation of shareholder value, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at December 31, 2016, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2016.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## **Siyata Mobile Inc.**

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#### **17. FINANCIAL INSTRUMENTS**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The fair value of the Company's trade and other receivable, due from related party, accounts payable and accrued liabilities, and due to related parties and other payables approximate carrying value, which is the amount recorded on the consolidated statement of financial position. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

##### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company places its cash with institutions of high credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances.

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 and country in which customers operate, as these factors may have an influence on credit risk. Approximately 27% of the Company's revenue (2015 - 34%) is attributable to sales transactions with a single customer.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

About 50% of the Company's customers have been active with the Company for over four years, and no impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Company, and future sales are made on a prepayment basis.

The carrying amount of financial assets represents the maximum credit exposure, notwithstanding the carrying amount of security or any other credit enhancements.

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## 17. FINANCIAL INSTRUMENTS (cont'd...)

### *Credit risk (cont'd...)*

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

<b>(in thousands)</b>	<b>2016</b>	<b>2015</b>
Israel	\$ 1,390	\$ 1,421
United Kingdom	19	107
Europe	26	226
Canada	264	117
United States	9	-
<b>Total</b>	<b>\$ 1,708</b>	<b>\$ 1,871</b>

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company examines current forecasts of its liquidity requirements so as to make certain that there is sufficient cash for its operating needs, and it is careful at all times to have enough unused credit facilities so that the Company does not exceed its credit limits and is in compliance with its financial covenants (if any). These forecasts take into consideration matters such as the Company's plan to use debt for financing its activity, compliance with required financial covenants, compliance with certain liquidity ratios, and compliance with external requirements such as laws or regulation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company has a factoring agreement with external funding (Note 6).

With the exception of employee benefits, the Company's accounts payable and accrued liabilities and other payables have contractual terms of 90 days. The employment benefits included in other payables have variable maturities within the coming year.



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**17. FINANCIAL INSTRUMENTS (cont'd...)***Market risk**a) Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of Siyata Israel is the US dollar ("USD"). Revenues are predominantly incurred in the US dollar with expenses in the Israeli New Shekel ("NIS"). As at December 31, 2016, the Company's exposure to foreign currency risk with respect to financial instruments is as follows:

(in CAD thousands)	USD/Other	NIS	CAD	Total
<b>Financial assets and financial liabilities:</b>				
<b>Current assets</b>				
Cash	\$ 56	\$ 129	\$ 73	\$ 258
Trade and other receivables	54	1,390	264	1,708
<b>Current liabilities</b>				
Trade payables	(81)	(1,380)	(383)	(1844)
Other payables	-	-	(147)	(147)
Long-term debt	-	-	(250)	(250)
<b>Total</b>	<b>\$ 29</b>	<b>\$ 139</b>	<b>\$ (443)</b>	<b>\$ (275)</b>

*b) Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates is currently immaterial.

*c) Price Risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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#### 18. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2016, the Company paid \$192,660 (2015 - \$166,898) in interest and \$0 (2015 - \$0) in income taxes.

During the year ended December 31, 2016, the Company incurred the following non-cash investing or financing activities:

- a) Issued 417,330 agents' options at a value of \$84,294 (Note 11).
- b) Reallocated \$5,017 from reserves to share capital on the exercise of warrants (Note 11).
- c) Issued 402,612 common shares to settle accounts payable of \$139,825 (Note 11).
- d) The acquisition of Signifi as disclosed in Note 5.

During the year ended December 31, 2015, the Company had the following non-cash investing or financing activities:

- a) The Transaction as disclosed in Note 4 inclusive of 300,000 finder's shares valued at \$63,490.
- b) The issuance of 1,192,829 agent options with a fair value of \$163,214 and finders' warrants with a fair value of \$23,367.
- c) On the Transaction date, the allocated working capital balances under the carve-out entity were settled through the reduction of the balance due to Accel of \$4,215,000 upon incorporation of Siyata Isreal.

#### 19. RELATED PARTY TRANSACTIONS

##### Key Personnel Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

	2016	2015
Payments to key management personnel:		
Consulting and directors' fees	\$ 568,168	\$ 198,718
Share-based payments	416,972	50,799
Total	\$ 985,140	\$ 249,517

Other related party transactions are as follows:

Type of Service	Nature of Relationship	(in thousands)	
		2016	2015
Sales	Accel (common directors)	\$ 108	\$ --
Cost of sales	Accel (common directors)	\$ 100	3,635
Selling and marketing expenses	VP Technology	124	69
General and administrative expense	Accel (common directors)	298	462
General and administrative expense	Company controlled by the Chairman of the Board of Directors	118	51
General and administrative expense	Company controlled by the CEO and Director	292	121
Interest and financing costs	Accel (common directors)	-	173

## Siyata Mobile Inc.

### Notes to the Consolidated Financial Statements

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As at and for the years ended December 31, 2016 and 2015

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#### 19. RELATED PARTY TRANSACTIONS (cont'd...)

##### *Balances and transactions with Accel Telecom Ltd.*

Included in due from related parties as at December 31, 2016 is a balance payable from Accel of \$364,000 for sales made to Accel throughout the year ended December 31, 2016 (December 31, 2015 – due to Accel \$1,896,000 for management fees and advances to suppliers). The balance is non-interest bearing.

The Company has a management fee agreement with Accel for a monthly fee of USD\$25,000 in exchange for management services and is recorded in general and administrative expenses. In 2016, Accel charged the Company management fees for only 9 months.

#### 20. SEGMENT INFORMATION

The Company is domiciled in Israel and it operates and produces its income primarily in Europe, Australia and North America. All of the non-current assets are located in Israel.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers and is as follows:

<b>External Revenues (in thousands)</b>	<b>2016</b>		<b>2015</b>	
Israel	\$	8,948	\$	8,792
Europe		570		812
U.S.A.		685		130
Canada		2,123		125
Other		-		55
Total	\$	12,326	\$	9,914

#### 21. MAJOR CUSTOMERS

Revenues from five customers of the Company represent approximately \$8,008,000 or 65% (2015 – 7,860,000 or 79%) of the Company's total revenues.

#### 22. SUBSEQUENT EVENTS

- (i) On March 16, 2017, the Company issued 12,835,000 units at a price of \$0.40 per share for total proceeds of \$5,134,000 pursuant to a brokered private placement. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company a price of \$0.50 per share until March 16, 2019. In connection with the private placement, the Company paid share issue costs of \$410,720 and issued 1,126,800 brokers' units.
- (ii) On January 6, 2017 the Company granted 320,000 options to the VP of Sales North America. These options are exercisable at \$0.355 per share and 40,000 will vest every three months from January 6, 2017. The expiry date of these options is January 5, 2022.
- (iii) On January 11, 2017 the Company granted 360,000 options to the Chief Financial Officer. These options are exercisable at \$0.36 per share with 90,000 options vesting immediately and 30,000 will vest every three months from January 11, 2017. The expiry date of these options is January 10, 2022.
- (iv) On April 4, 2017 the Company granted 1,000,000 options to Kin Communications Inc. These options are exercisable at \$0.45 per share with 125,000 options will vest every three months from April 4, 2017. The expiry date of these options is April 3, 2022.
- (v) Subsequent to December 31, 2016, 922,322 brokers' warrants were exercised at \$0.30 per share, 49,224 broker's warrants were exercised at \$0.35 per share and 65,000 warrants at \$0.60 per share for total proceeds of \$332,925.

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Notes to the Consolidated Financial Statements

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**23. DEFERRED CHARGE**

The Company incurred \$214,024 of costs directly attributable to the private placement closed subsequent to December 31, 2016, which has been recorded as a deferred charge.