SIYATA MOBILE INC.

Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

As at and for three and nine months ended September 30, 2018 and 2017

Siyata Mobile Inc.

(the "Company" or "Siyata")

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDTED FINANCIAL STATEMENTS

The Management of the Company is responsible for the preparation of the accompanying unaudited consolidated interim financial statements. The unaudited consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of consolidated interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Siyata Mobile Inc.
Consolidated Interim Statements of Financial Position
(Unaudited-Prepared by Management)
(Expressed in Canadian dollars)
As at Sept 30, 2018

	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	**$ 1,339,600**	$ 4,384,596
Trade and Other Receivables (Note 6)	**2,876,672**	1,955,050
Prepaid expenses	**872,786**	497,910
Inventory (Note 7)	**4,917,595**	4,161,406
Due from Related Party (Note 18)	**(14,264)**	776,000
Advance to suppliers	**1,448,075**	1,437,261
	11,440,464	13,212,223
Equipment	**52,041**	65,191
Intangible assets (Note 8)	**9,084,460**	7,577,930
Goodwill (Note 5)	**1,022,269**	1,022,269
Total assets	**21,599,234**	$ 21,877,613
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts Payable and Accrued Liabilities	**3,895,972**	2,604,592
Other Payables	**53,821**	-
Future Purchase Consideration (Note 9)	**140,521**	954,929
Current Portion of Long Term Debt (Note 10)	**34,000**	-
	4,124,314	3,559,521
Future Purchase Consideration (Note 9)	**-**	130,852
Long Term Debt (Note 10)	**4,011,718**	3,553,901
		3,684,753
Total liabilities	**8,136,032**	7,244,274
Shareholders' equity		
Share capital (Note 11)	**24,714,044**	23,336,596
Reserves	**3,365,600**	2,996,875
Accumulated other comprehensive loss	**(661,905)**	(608,945)
Deficit	**(13,954,537)**	(11,091,187)
	13,463,202	14,633,339
Total liabilities and shareholders' equity	**$ 21,599,234**	$ 21,877,613

The accompanying notes are an integral part of these consolidated interim financial statements.
Nature of Operations and Going Concern (Note 1)
Approved on Nov 27, 2018 on behalf of the Board:

"Michael Kron"
Michael Kron – Director

"Marc Seelenfreund"
Marc Seelenfreund – Director

Siyata Mobile Inc.
Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited-Prepared by Management)
(Expressed in Canadian dollars)
For the three and nine months ended Sept 30, 2018 and 2017

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017**	**2018**	2017
Revenues	**3,151,217**	4,917,978	**11,462,934**	14,990,793
Cost of Sales (Note 12)	**(2,332,117)**	(3,503,750)	**(8,251,180)**	(10,848,014)
Gross profit	**819,100**	1,414,228	**3,211,754**	4,142,779
EXPENSES				
Amortization and Depreciation (Note 8)	**120,233**	78,541	**310,934**	230,194
Selling and marketing (Note 13)	**1,086,273**	788,353	**2,944,438**	2,147,308
General and administrative (Note 14)	**631,038**	527,614	**1,889,148**	1,576,395
Share-based payments (Note 11)	**199,872**	200,879	**726,387**	300,216
Total Operating Expenses	**2,037,416**	1,595,387	**5,870,907**	4,254,113
Net operating profit (loss)	**(1,218,316)**	(181,159)	**(2,659,153)**	(111,334)
OTHER EXPENSES				
Finance expense	**253,065**	49,846	**718,835**	142,500
Foreign exchange	**309,189**	19,875	**(744,307)**	43,558
Accretion and change in value of future purchase consideration (Note 9)	**3,336**	7,520	**229,669**	515,491
Total Other Expenses	**565,590**	77,241	**204,197**	701,549
Net income (loss) for the period	**(1,783,906)**	(258,400)	**(2,863,350)**	(812,883)
Other comprehensive income (loss)				
Translation Adjustment	**117,846**	(1,202,637)	**(52,960)**	(808,366)
Comprehensive loss for the period	**(1,666,060)**	(1,461,037)	**(2,916,310)**	(1,621,249)
Weighted Average number of common shares	**94,533,858**	90,256,153	**(94,076,432)**	82,054,242
Basic and diluted loss per share	**$(0.02)**	$0.00	**$(0.03)**	$(0.01)

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

Siyata Mobile Inc.

Consolidated Interim Statement of Changes in Shareholders' Equity

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended Sept 30, 2018 and for the year ended December 31, 2017

	Number of Common Shares	Share Capital Amount	Accumulated other comprehensive loss	Reserves	Deficit	Total Shareholders' Equity
Balance, December 31, 2016	**$ 69,329,090**	**$ 13,066,997**	**$ (449,136)**	**$ 1,403,717**	**$ (6,032,692)**	**$ 7,988,866**
Private placement	12,935,000	5,174,000	-	-	-	5,174,000
Share issue costs	-	(1,662,800)	-	422,335	-	(1,240,465)
Exercise of agents' options	1,251,285	600,022	-	(212,480)	-	387,542
Exercise of warrants	6,644,246	3,921,107	-	-	-	3,921,107
Share-based payments	-	-	-	1,070,464	-	1,070,464
Shares issued on acquisition of Signifi	1,000,000	700,000	-	-	-	700,000
Exercise of stock options	650,000	338,260	-	(133,260)	-	205,000
Shares issued on acquisition of license (Note 8)	1,403,248	877,030	-	-	-	877,030
Debenture finder fee units	536,666	322,000	-	-	-	322,000
Equity component of debenture, net of transaction costs (Note 10)	-	-	-	446,099	-	446,099
Translation adjustment	-	-	(159,809)	-	-	(159,809)
Loss for the year	-	-	-	-	(5,058,495)	(5,058,495)
-						
Balance, December 31 ,2017	**$ 93,749,535**	**$ 23,336,596**	**$ (608,945)**	**$ 2,996,875**	**$ (11,091,187)**	**$ 14,633,339**
Share-based payments				726,387		726,387
Exercise of agents' options	370,867	205,152		(85,366)		119,786
Exercise of stock options	1,300,000	682,296		(272,296)		410,000
Share issuance on acquisition of Signifi	1,000,000	370,000				370,000
Translation adjustment			(52,960)			(52,960)
Loss for the year					(2,863,350)	(2,863,350)
Exercise of Warrants	240,000	120,000				120,000
Exercise of stock options	1,300,000	682,296		(272,296)		410,000
Balance, Sept 30, 2018	**$ 96,660,402**	**$ 24,714,044**	**$ (661,905)**	**$ 3,365,600**	**$ (13,954,537)**	**$ 13,463,202**

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

Siyata Mobile Inc.
Consolidated Interim Statements of Cash Flows
(Unaudited-Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended September 30, 2018 and 2017

	2018	2017
Cash provided by / (used for):		
Operating Activities:		
Net loss for the period	**$(2,863,350)**	$ (812,883)
Items not affecting cash:		
Amortization and Depreciation	**310,934**	230,194
Share-based payments	**726,387**	300,216
Finance Fees	**255,817**	-
Accretion and change in value of future purchase consideration (Note 9)	**229,669**	515,491
Unrealized foreign Exchange	**72,688**	-
Net change in non-cash working capital items:		
Trade-other receivables, prepaid and advances to suppliers	**(1,189,996)**	(2,953,297)
Inventory	**(611,039)**	(1,401,020)
Deferred Charges	**-**	(98,649)
Accounts payable and accrued liabilities	**390,703**	(256,037)
Due from related party	**809,965**	-
Net cash used in operating activities	**(1,868,222)**	(4,475,985)
Investing Activities:		
Acquisition of equipment	**(2,300)**	(17,757)
Acquisition costs-Signifi	**-**	(150,000)
Development of intangible assets	**(1,576,820)**	(1,890,715)
Net cash used in investing activities	**(1,579,120**	(2,058,472)
Financing Activities:		
Private Placement	**-**	5,134,000
Share issue costs	**-**	(1,487,924)
Loans received	**236,000**	-
Exercise of stock options	**410,000**	142,650
Exercise of warrants	**120,000**	3,871,107
Exercise of agents' options	**119,786**	369,623
Net cash provided by financing activities	**885,786**	8,029,456
Foreign exchange effect on cash	**(483,440)**	(522,392)
Change in cash end of the period	**(3,044,996)**	972,607
Cash, beginning of the period	**4,384,596**	258,054
Cash, end of the period	**$ 1,339,600**	$ 1,230,661

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

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 September 30, 2018, 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 1001 Lenoir Street Suite A-414, Montreal, Quebec, Canada H4C-2Z6, 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 interim 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 September 30, 2018, the Company has an accumulated deficit of $13,954,537. 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.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim 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 consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

These consolidated interim financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended December 31, 2017.

Basis of consolidation and presentation

These consolidated interim 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 interim 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 interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

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

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

[i] The accounts of this subsidiary has been included in these consolidated financial statements from June 8, 2016 onwards.

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

Certain amounts in prior periods have been reclassified to conform to the current period presentation2.

2. BASIS OF PREPARATION (cont'd…)

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. is the Canadian dollar which is also the functional currency of all its subsidiaries except Siyata Mobile Israel Ltd. which 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.

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 interim 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.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgements (cont'd…)

- Inventory - Inventory is 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.

- 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.

- 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 purchase consideration - 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.

- Contingent consideration from an asset acquisition is recognized when: the conditions associated with the contingency are met; the Company has a present legal or constructive obligation that can be estimated reliably; and it is probably that an outflow of economic benefits will be required to settle the obligation.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgements (cont'd…)

ii) Critical accounting judgments 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.

- Going concern – As disclosed in Note 1 to the consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(b) Impairment of long-lived assets (cont'd…)

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;
- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

d) Intangible assets (cont'd…)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(i) Financial instruments (cont'd…)

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, long term debt, and debentures.

Financial liabilities at fair value through profit or loss include future purchase consideration.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(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 are measured at the fair value of the services received.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(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 profit or 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.

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 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The Company has performed a preliminary analysis and expects no material impact from adopting this standard.

- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company has performed a preliminary analysis and expects no material impact from adopting this standard.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard.

(Expressed in Canadian dollars)

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:

Value of 11,607,761 shares held by Siyata shareholders	$	2,456,591
Transaction costs[(i)]		703,398
Total consideration	$	3,159,989

(i) 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:

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

(Expressed in Canadian dollars)

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.

The Company is also required to make the additional following payments:

On the first anniversary of the closing date, a cash payment of $150,000 (paid on June 7, 2017).

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.

On June 7, 2017 the Company issued 1,000,000 common shares at a value of $700,000.

There were further potential payments of cash and common shares which were contingent on specific gross profit targets for Signifi in 2016 and 2017. None of the targets were achived and therefore none of these payments were made.

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 common shares at $0.36 per share	(i)	360,000
Future purchase consideration	(ii)	617,058
Total Consideration		$ 1,177,058

(i) the fair value fair value of shares issued was determined by multiplying the number of common 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.

(Expressed in Canadian dollars)

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)
Total net assets acquired:	(154,789)
Goodwill	$ 1,022,269

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

	September 30, 2018	December 31, 2017
Trade receivables	**$ 2,543,780**	$ 1,955,050
VAT and other receivables	**332,892**	-
Total	**$ 2,876,672**	$ 1,955,050

The Company has a factoring agreement with external funding. According to the agreement, invoices are fully assigned to the funding entity in return for 80%-85% of the invoice amount. The remaining 15-20% are paid to the Company with the receipt of the payment from the customer. As of September 30, 2018 the deduction of factoring transaction (80%-85% from invoices that fully assigned) was $1,589,243 (December 31, 2017 - $1,310,131).

7. INVENTORY

	September 30, 2018	December 31, 2017
Finished products	**$ 4,129,897**	$ 3,516,274
Accessories and spare parts	**787,698**	645,132
Total	**$ 4,917,595**	$ 4,161,406

As at September 30, 2018 the Company had advances to suppliers of $1,448,075 (December 31, 2017: $1,437,261), which represents amounts paid to suppliers of inventory for prepayment of goods prior to receipt and the prepayment for certification costs of new products.

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

	Development Costs	License Agreement	E-Wave License	Total
At Cost:				
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)
Balance at December 31, 2016	4,035,267	148,592	-	$ 4,183,859
Additions	3,014,725	-	1,681,959	4,696,684
Translation adjustment	(279,737)	-	-	(279,737)
Balance at December 31, 2017	**$ 6,770,255**	**$ 148,592**	**$ 1,681,959**	**$ 8,600,806**
Additions	**1,432,842**	**-**	**-**	**1,432,842**
Translation adjustment	**369,172**	**--**	**-**	**369,172**
Balance at September 30, 2018	**8,572,269**	**148,592**	**1,681,959**	**10,402,820**
Accumulated Amortization:				
Balance at December 31, 2015	$ 480,000	$ -	$ -	$ 480,000
Additions	251,000	15,168	-	266,168
Balance at December 31, 2016	731,000	15,168	-	746,168
Additions	249,000	27,708	-	276,708
Balance at December 31, 2017	**$ 980,000**	**$ 42,876**	**$ -**	**$ 1,022,876**
Additions	**275,479**	**20,005**	**-**	**295,484**
Balance at September 30, 2018	**1,255,479**	**62,881**	**-**	**1,318,360**
Net Book Value:				
Balance at December 31, 2017	$ 5,790,255	$ 105,716	$ 1,681,959	$7,577,930
Balance at September 30, 2018	**$ 7,316,790**	**$ 85,711**	**$ 1,681,959**	**$9,084,460**

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 agreement includes renewal options up to December 31, 2022 and is subject to certain minimum royalties. The license agreement is amortized on a straight-line basis over its five year term.

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS (CONT'D)

On October 19, 2017 the Company acquired from E-Wave Inc. ("E-Wave") distribution rights for certain products. As consideration for the distribution rights, the Company issued 1,000,000 common shares to E-Wave with a value of $877,030. As part of the purchase consideration, the Company is required to make future payments to E-Wave based on the actual sales of the products sold under the distribution rights. The Company has estimated these payments and included them in future purchase consideration in the amount of $804,929 (Note 9) at December 31, 2017, which is based on current purchase orders received, less estimated costs to complete the purchase orders, as stated in the contract. As at September 30, 2018 the future consideration of the E-Wave future payments has been drawn down to zero based on amounts required to be paid according to the distribution agreement. As the distribution rights have an unlimited term, the Company does not amortize them, but tests them for impairment on an annual basis.

9. FUTURE PURCHASE CONSIDERATION

	September 30, 2018	December 31, 2017
Balance as at beginning of the period	**$ 1,085,781**	**$ 651,330**
Provisions accrued during the period	**-**	**804,929**
Payment of common shares and cash (Note 5)	**(370,000)**	**(850,000)**
Accretion and change in value of future purchase consideration	**(575,260)**	**479,522**
Balance as at end of the year	**$ 140,521**	**$ 1,085,781**
Short-term (payable within one year)	**$ 140,521**	**$ 954,929**
Long-term	**$ 0**	**$ 130,852**

Future purchase consideration accrued in the year ended December 31, 2016 relates to the acquisition of Signifi (Note 5). It is estimated as the present value of future purchase consideration payments using either the cash payment agreed upon (Note 5) or the Company's share price as quoted in active markets, depending on which payment form the vendor is considered most probably to request.

Future purchase consideration accrued in the year ended December 31, 2017 relates to the acquisition of distribution rights from E-Wave (Note 8). It is estimated based on current purchase orders received, less estimated costs to complete the purchase orders, as stated in the contract. In the current period the full $804,929 was reversed based on sales less costs to complete as outlined as stated in the contract.

At each reporting period, management updates estimates with respect to probability of payment form and recognizes changes in the estimated value of future purchase consideration in profit or loss

(Expressed in Canadian dollars)

10. Long Term Debt

	September 30, 2018	December 31, 2017
Balance, Beginning of Period	**$ 3,553,901**	**$250,000**
Debenture Issued	**-**	**3,553,901**
Acretion of debt measurement	**255,817**	**-**
Proceeds (Repayment) of Development Bank of Canada loan	**236,000**	**(250,000)**
Balance-End of Period	**4,045,718**	**$ 3,553,901**
Short-Term (payable within one year)	**$34,000**	**-**
Long-Term	**$4,011,718**	**$ 3,553,901**

a) On June 28, 2018 Signifi borrowed $250,000 from the Development Bank of Canada for a term of four years payable in monthly instalments of principal and interest. This loan bears interest at the bank's base rate + 3.65%. The loan must be fully repaid by July 23, 2022. The loan is secured by the assets of Signifi and a guarantee by the Company and its Canadian subsidiaries.

b) On December 28, 2017 the Company issued $4,600,000 of unsecured convertible debentures (the "Convertible Debenture"). In connection with the issuance, the Company issued 46,000 units of unsecured convertible debenture at a price of $1,000 per unit convertible into 1,667 common shares of the Company at $0.60 (the "Conversion Price") per common share, subject to adjustment in certain events, with a 30 months expiry period after the date of issuance. Each Convertible Debenture unit bears an interest rate of 10.5% per annum from the date of issue, payable in cash quarterly in arrears. Any unpaid interest payments will accrue and be added to the principal amount of the Convertible Debenture. The Convertible Debentures will mature on June 28, 2020 (the "Maturity Date") and are convertible into common shares at the Conversion Price, at the option of the holder, at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date, and (ii) the date fixed for redemption in the event of a change of control. Each purchaser also received one (1) non-transferrable share purchase warrant (each, a "Warrant") for each CDN$1.00 principal amount of Convertible Debentures purchased by such purchaser. Each Warrant entitles the holder to acquire one further common share (each, a "Warrant Share") at an exercise price of CDN$0.70 per Warrant Share for a period of two years. Total transaction costs related to this transaction were $600,000, which includes $278,000 cash costs and 536,666 common shares issued to agents valued at $322,000.

Face Value of the Debenture on December 28, 2017	$ 4,600,000
Transaction costs	(600,000)
Net proceeds	4,000,000
Amount classified as equity (net of transaction costs of $66,915)	($446,099)
Accreted interest	-
Carrying Value of the Debenture-December 31, 2017	3,553,901
Acretion and Change in Value of the Debenture during the period	255,817
Carrying Value of the Debenture September30, 2018	**$3,809,718**

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 nine months ended September 30, 2018 are as follows:

i) Issued 370,867 common shares in connection with exercises of agents' options for proceeds of $119,786.
ii) Issued 1,000,000 common shares in connection with purchase consideration for Signifi (Note 5) with the value of the shares as $370,000.
iii) Issued 240,000 common shares in connection with exercise of share purchase warrants for proceeds of $120,000.
iv) Issued 1,300,000 common shares in connection with the exercise of stock options for proceeds of $410,000.

(c) Common share transactions

Transactions for the year ended December 31, 2017

v) During the year ended December 31, 2017, the Company completed a private placement of 12,835,000 units at a price of $0.40 per unit for gross proceeds of $5,134,000. 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 incurred finders' fees and other cash share issuance costs of $1,200,465 and issued 100,000 agents' units valued at $40,000 (consisting of one common share and one agent's option at $0.50/unit) and 1,026,800 agents' options exercisable at a price of $0.40 per common share for a period of two years (Note 11(d)) valued at $422,355.
vi) Issued 1,251,285 common shares in connection with exercises of agents' options for proceeds of $387,542.
vii) Issued 6,644,246 common shares in connection with exercises of warrants for proceeds of $3,921,107.
viii) Issued 1,000,000 common shares in connection with purchase consideration for Signifi (Note 5) with the value of the shares of $700,000.
ix) Issued 650,000 common shares in connection with the exercise of stock options for proceeds of $205,000.
x) Issued 1,403,248 common shares as consideration in the acquisition of distribution rights (Note 8) with a value of $877,030.
xi) Issued 536,666 common shares as a finders' fee relating to the issuance of debentures (Note 10) with a value of $322,000.

Transactions for the year ended December 31, 2016

xii) 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.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd…)

(c) December 31, 2016 Common share transactions (cont'd…)

xiii) 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.

xiv) Issued 1,000,000 common shares at a value of $360,000 for the acquisition of Signifi (Note 5).

xv) Issued 402,612 common shares to settle accounts payable of $139,825.

(d) 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.

A summary of the Company's stock option activity is as follows:

	Number of Stock Options	Weighted Average Exercise Price
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
Granted	3,355,000	$0.58
Exercised	(650,000)	$0.30
Outstanding options, December 31, 2017	**8,580,000**	**$0.42**
Exercisable options, December 31, 2017	**6,100,000**	**$0.41**
Granted	-	-
Exercised	**1,300,000**	**$0.32**
Outstanding options, September 30, 2018	**7,280,000**	**$0.42**
Exercisable options, September 30, 2018	**6,022,500**	**$0.40**

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd…)

At September 30, 2018 stock options outstanding are as follows:

Grant Date	Number of options outstanding	Weighted Average Exercise Price	Expiry date	Remaining contractual life (years)
July 24, 2015	400,000	$0.30	July 23, 2020	1.81
July 24, 2015	150,000	$0.60	July 23, 2020	1.81
July 28, 2015	250,000	$0.30	July 28, 2020	1.83
August 10, 2015	425,000	$0.30	August 7, 2020	1.85
September 30, 2015	2,700,000	$0.30	July 23, 2020	1.81
January 1, 2017	320,000	$0.36	January 1, 2019	0.5
January 11, 2017	360,000	$0.36	January 11, 2020	3.28
April 4, 2017	1,000,000	$0.45	April 4, 2022	3.52
July 24, 2017	1,600,000	$0.69	July 24, 2022	3.82
October 1, 2017	75,000	$0.64	April 1, 2019	0.5
Total	**7,280,000**	**$0.42**		**2.30**

During the nine months ended September 30, 2018 1,300,000 stock options were exercised at an average price of $0.32 per share for total proceeds of $410,000. The Company recorded share-based payments during the nine month period ended September 30, 2018 of $726,387 (for the year ended December 31, 2017- $1,070,464) in relation to options vesting

During the year ended December 31, 2017 the Company granted 3,355,000 stock options with a weighted average fair value of $0.59 per option (2016 – 400,000 options granted with a weighted average fair value of $0.35 per option). The following weighted average assumptions have been used for the Black-Scholes valuation for the stock options granted:

	2017	2016
Risk-free interest rate	1.31%	0.56%
Expected life	4.62	2.00
Annualized volatility	245%	146%
Dividend rate	0.00%	0.00%

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd…)

d) Agents' Options

A summary of the Company's agents' options activity is as follows:

	Number of options	Weighted average exercise price
Outstanding agent options, Dec 31, 2016	**1,574,582**	**$ 0.31**
Granted	1,126,800	$0.41
Exercised	(1,251,285)	$0.31
Expired	(59,147)	$0.30
Outstanding agent options, December 31, 2017	1,390,950	$ 0.39
Granted	-	-
Exercised	(370,867)	$0.36
Expired	(55,443)	$0.35
Outstanding agent options, September 30, 2018	964,640	$ 0.41

During Q2 2018, 370,867 agents' options were exercised at $0.35 and $0.40 for proceeds of $119,786 and 55,443 agent's options expired on June 10, 2018 with a face value of $0.35 per option.

The fair value of the agent options was estimated using the Black-Scholes pricing model using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.82%	0.86%
Expected life	2.00	2.00
Annualized volatility	226%	137%
Dividend rate	0.00%	0.00%

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd…)

(e) Share Purchase Warrants

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2016	**15,468,940**	**$ 0.55**
Granted	**17,435,000**	**$0.50**
Exercised	**(6,644,246)**	**$0.59**
Expired	**(1,181,387)**	**$0.60**
Outstanding, December 31, 2017	**25,078,307**	**$ 0.54**
Granted	**-**	**-**
Exercised	**(240,000)**	**$0.50**
Outstanding, September 30, 2018	**24,838,307**	**$ 0.54**

During Q3 2018 240,000 share purchase warrants were exercised for total proceeds of $120,000.
Subsequent to the year end, 1,619,928 share purchase warrants were exercised for proceeds of $809,964.

At September 30, 2018, share purchase warrants outstanding and exercisable are as follows:

Grant Date	Number of Warrants outstanding and exercisable	Exercise Price	Expiry date
June 10, 2016	7,559,358	$0.50	December 10, 2018
March 16, 2017	12,678,949	$0.50	March 16, 2019
December 28, 2017	4,600,000	$0.70	December 28, 2019

The Company with the approval of the regulatory authorities extended the expiry date of the 7,559,358 outstanding purchase warrants from June 10, 2018 to six months subsequent, to expire on December 10, 2018.

12. COST OF SALES

(in thousands)	For the three months ending September 30, 2018	For the three months ending September 30, 2017	For the nine months ending September 30, 2018	For the nine months ending September 30, 2017
Materials and merchandise	$ 2,093	$ 2,601	$ 7,250	$11,015
Royalties	83	111	211	362
Other expenses	238	380	1,365	927
Change in inventory	(82)	412	(575)	(1,456)
Total	$ 2,332	$ 3,504	$ 8,251	$10,848

13. SELLING AND MARKETING EXPENSES

(in thousands)	For the three months ending September 30, 2018	For the three months ending September 30, 2017	For the nine months ending September 30, 2018	For the nine months ending September 30, 2017
Salaries and related expenses	$ 442	$ 330	$ 1,250	$ 945
Advertising and marketing	535	446	1,451	1,096
License agreement (Note 8)	-	-	-	2
Travel and conferences	109	12	243	104
Total	$ 1,086	$ 788	$ 2,944	$ 2,147

14. GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands)	For the three months ending September 30, 2018	For the three months ending September 30, 2017	For the nine months ending September 30, 2018	For the nine months ending September 30, 2017
Salaries and related expenses	$ 165	$ 99	$ 525	$ 158
Professional services	29	87	175	230
Consulting and director fees	151	119	442	372
Management fees	96	84	290	394
Travel	34	8	114	75
Office and general	47	96	148	235
Regulatory and filing fees	1	2	24	20
Shareholder relations	108	33	171	92
Total	$ 631	$ 528	$ 1,889	$1,576

(Expressed in Canadian dollars)

15. INCOME TAXES

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

	September 30, 2018	December 31, 2017
Net loss before taxes	$ 2,863,350	$ 5,092,495
Expected income tax (recovery)	(744,000)	(1,324,000)
Impact of difference in statutory tax rates on earnings of subsidiaries	9,400	18,000
Impact of future income tax rates applied versus current statutory rate and changes in future tax rate from prior year	(9,400)	(18,000)
Permanent differences	-	(379,000)
Unrecognized (recognized) benefit of operating loss carry-forwards	744,000	2,655,000
Share issue costs and transaction costs for convertible debentures	-	(479,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	(507,000)
Total income tax expense (recovery)	**$ -**	**$ (34,000)**
Current income tax	**$ -**	**$ -**
Deferred tax recovery	**$ -**	**$ (34,000)**

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

	2018	2017
Loss carry forwards	**$ 12,303,000**	**$ 9,440,000**
Allowable capital losses	**254,000**	**254,000**
Share issue costs and transaction costs for convertible debentures	**1,714,000**	**1,714,000**
Convertible Debentures and Debt with accretion	**-**	**-**
Equipment and Intangible assets	**-**	**-**
Unrecognized deferred tax assets	**$ 14,271,000**	**$ 11,408,000**

The Company has approximately $12,303,000 (2017 - $9,440,000) of operating loss carry-forwards. Of these, $6,000,000 arise from Israel (2017 - $5,500,000) which do not expire, and the remaining balance arise from Canada which expire through to 2037.

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 September 30, 2018, the Company is subject to any externally imposed capital requirements or debt covenants other than the quarterly payment of interest on the debenture as described in Note 10 as well as the loan to the BDC that has monthly principal and interest payments.

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

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.

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's cash, trade and other receivables, due from related party, and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the consolidated statement of financial position.

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (cont'd…)

Credit risk (cont'd)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2018 and December 31, 2017:

	Level 1	Level 2	Level 3
December 31, 2017:			
Future purchase consideration	$ 280,852	$ -	$ 804,929
September 30, 2018:			
Future purchase consideration	$ 140,521	$ -	-

The balance of future purchase consideration above is the current portion, plus the present value of the non-current portion presented on the consolidated statements of financial position.

The input used in Level 1 for the nine months ended September 30, 2018 and for the year ended December 31, 2017 is either the cash the Company is obligated to pay as an anniversary payment or the Company's share price quoted on active markets, or a combination thereof, depending on which payment form is considered most probable to be chosen by the vendor (Notes 5 and 9). The inputs used in Level 3 for the nine months ended September 30, 2018 and for the year ended December 31, 2017 is current purchase orders received, less estimated costs to complete the purchase orders, as stated in the contract (Note 9).

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 for the nine months ended September 30, 2018 (September 30, 2017 -33%) 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.

17. FINANCIAL INSTRUMENTS (cont'd…)

Credit risk (cont'd

More than 62% 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.

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

(in thousands)	**Sept 30, 2018**	**December 31, 2017**
Israel	$ 2,494	$ 1,808
Europe	124	-
North America	259	147
Total	$ 2,877	$ 1,955

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.

17. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk (cont'd)

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 have contractual terms of 90 days. The employment benefits included in accrued liabilities have variable maturities within the coming year.

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 Sheqel ("NIS"). As at September 30, 2018, the Company's exposure to foreign currency risk with respect to financial instruments is as follows:

(in CAD thousands)	USD	NIS	EUR	CAD	Total
Financial assets and financial liabilities:					
Current assets					
Cash	$ 52	$ 763	$ 1	$ 525	$ 1,340
Trade and other receivables	140	2,524	-	213	2,877
Advances to suppliers	1,441	7	-	-	1,448
Due from related party	-	(14)	-	-	(14)
Current liabilities					
Accounts payable and accrued liabilities	(60)	(3,522)		(314)	(3,896)
Long term debt	-	-		(4,046)	(4,046)
Future purchase consideration	-	-		(140)	(140)
Total	**$ 1,573**	**$ (243)**	**$ 1**	**$ (3,762)**	**$ (2,431)**

17. FINANCIAL INSTRUMENTS (cont'd…)

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 sensitively to interest rates is currently immaterial as the Company's debt bears interest at fixed rates.

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.

18. 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:

	2018	2017
Payments to key management personnel:		
Salaries, Consulting and directors' fees	$778,700	$ 677,860
Share-based payments	212,592	102,436
Total	$ 991,292	$ 780,296

Other related party transactions are as follows:

Type of Service	Nature of Relationship	(in thousands) 2018	2017
Sales	Accel (common directors)	$479	$-
Cost of sales	Accel (common directors)	335	-
Selling and marketing expenses	VP Technology	136	29
General and administrative expense	Accel (common directors)	290	294
General and administrative expense	Company controlled by the former Chairman of the Board of Directors	-	62
General and administrative expense	Companies controlled by the CEO, and Directors	507	348

18. RELATED PARTY TRANSACTIONS (cont'd…)

Balances and transactions with Accel Telecom Ltd.

Included in due from related party as at September 30, 2018 is a balance receivable from Accel of $14,264 (December 31, 2017 –$776,000). 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.

19. SEGMENTED INFORMATION

The Company is domiciled in Canada and it operates and produces its income primarily in Israel, Europe and North America.
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers and is as follows:

External Revenues (in thousands)	**Sept 30, 2018**	**Sept 30, 2017**
Israel	$ 8,561	$ 10,988
Europe	289	220
Australia	-	98
New Zealand	51	-
Canada	1,591	2,579
USA	971	1,106
Total	$ 11,463	$ 14,991

20. MAJOR CUSTOMERS

Revenues from four customers of the Company for the period January 1, 2018 to September 30, 2018 represent approximately $8,217,000 or 72% of the Company's total revenues (nine months ended September 30, 2017 - $11,367,000 or 76% of total revenues).