

SIYATA MOBILE INC.

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

As at and for the three and six months ended June 30, 2019 and 2018

Siyata Mobile Inc.
(the “Company” or “Siyata”)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three and six months ended June 30, 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED 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)

For the period ended June 30, 2019 and for the year ended December 31, 2018

	June 30, 2019	December 31, 2018
ASSETS		
Current		
Cash	851,699	\$ 2,420,205
Trade and other receivables (Note 4)	694,016	925,355
Prepaid expenses	688,478	413,114
Inventory (Note 5)	4,462,298	4,981,467
Advances to suppliers	1,145,167	478,517
	7,841,658	9,218,658
Loan to Director	262,000	-
Equipment	50,316	54,392
Intangible assets (Note 6)	8,748,501	7,489,023
Goodwill	1,022,269	1,022,269
Total assets	17,924,744	\$ 17,784,342
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,895,235	\$ 3,991,081
Due to related party (Note 17)	76,666	198,362
Future purchase consideration (Note 7)	-	430,000
Current portion of long term debt (Note 8)	48,000	34,000
	2,019,901	4,653,443
Convertible Debenture (Note 9)	4,111,531	3,904,831
Long term debt (Note 8)	176,000	196,000
Total liabilities	6,307,432	8,754,274
Shareholders' equity		
Share capital (Note 10)	34,225,023	27,638,100
Reserves (Note 10)	4,676,130	3,750,999
Accumulated other comprehensive loss	(97,732)	260,137
Deficit	(27,186,109)	(22,619,168)
	11,617,312	9,030,068
Total liabilities and shareholders' equity	17,924,744	\$ 17,784,342

Nature of operations and going concern (Note 1)

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

Approved on August 29, 2019 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 six months ended June 30, 2019 and 2018

	For the six months ended	June 30,	For the three months ended June	
	2019	2018	30,	2018
Revenues	\$5,040,400	\$8,311,717	\$ 2,004,157	\$ 5,284,544
Cost of Sales (Note 11)	(3,659,160)	(5,919,063)	(1,472,301)	3,733,190
Gross profit	1,381,240	2,392,654	531,856	1,551,354
EXPENSES				
Amortization and Depreciation (Note 6)	492,627	190,701	243,564	120,079
Selling and marketing (Note 12)	2,705,796	1,858,165	1,429,112	777,634
General and administrative (Note 13)	1,016,987	1,258,110	514,955	663,566
Share-based payments (Note 10)	1,070,858	526,515	374,292	238,452
Total Operating Expenses	5,286,268	3,833,491	2,561,923	1,799,731
Net operating profit (loss)	(3,905,028)	(1,440,837)	(2,030,067)	(248,377)
OTHER EXPENSES				
Finance expense	514,759	465,770	250,400	250,257
Foreign exchange	113,030	(1,053,496)	96,909	(805,581)
Accretion and change in value of future purchase consideration (Note 7)	30,000	226,333	30,000	223,221
Total Other Expenses	657,789	(361,393)	377,309	(332,103)
Net income (loss) for the period	(4,566,941)	(1,079,444)	(2,407,376)	83,726
Other comprehensive income (loss)				
Translation Adjustment	(357,869)	(170,806)	(214,051)	(484,614)
Comprehensive loss for the period	\$(4,924,810)	\$(1,250,250)	\$ (2,621,427)	\$ (400,888)
Weighted Average number of common shares	111,536,833	94,142,269	116,521,447	93,945,902
Basic and diluted loss per share	(\$0.04)	\$(0.01)	\$(0.02)	\$(0.00)

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 six months ended June 30, 2019 and for the year ended December 31, 2018

	Number of Common Shares	Share Capital Amount	Reserves	Accumulated other comprehensive loss	Deficit	Total Shareholders' Equity
Balance, December 31, 2017	93,749,535	\$ 23,336,596	\$ 2,996,875	\$ (608,945)	\$ (11,091,187)	\$ 14,633,339
Private placement	4,623,800	2,080,710	-	-	-	2,080,710
Share issue costs	-	(375,423)	-	-	-	(375,423)
Exercise of warrants	2,648,928	1,324,464	-	-	-	1,324,464
Exercise of stock options	1,300,000	682,442	(272,442)	-	-	410,000
Exercise of agents' options	396,242	219,311	(75,747)	-	-	143,564
Shares issued on acquisition of Signifi	1,000,000	370,000	-	-	-	370,000
Share-based payments	-	-	1,102,313	-	-	1,102,313
Translation adjustment	-	-	-	869,082	-	869,082
Loss for the year	-	-	-	-	(11,527,981)	(11,527,981)
Balance, December 31, 2018	103,718,505	\$ 27,638,100	\$ 3,750,999	\$ 260,137	\$ (22,619,168)	\$ 9,030,068
Exercise of Warrants	11,725,490	5,862,745	-	-	-	5,862,745
Shares issued on acquisition of Signifi	1,000,000	460,000	-	-	-	460,000
Exercise of agents' options	821,896	458,885	(130,127)	-	-	328,758
Share Issuance costs on capital raise	-	(210,307)	-	-	-	(210,307)
Expiry of agent's options	-	15,600	(15,600)	-	-	-
Share based payments	-	-	1,070,858	-	-	1,070,858
Translation adjustment	-	-	-	(357,869)	-	(357,869)
Loss for the period	-	-	-	-	(4,566,941)	(4,566,941)
Balance, June 30, 2019	117,265,891	34,225,023	4,676,130	(97,732)	(27,186,109)	11,617,312

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 six months ended June 30, 2019 and 2018

	2019	2018
Cash provided by / (used for):		
Operating activities:		
Net loss for the period	\$(4,566,941)	\$ (1,079,444)
Items not affecting cash:		
Amortization and depreciation	492,627	190,701
Accretion and change in value of future purchase consideration	30,000	226,333
Finance expense	206,700	165,804
Share-based payments	1,070,858	526,515
Net change in non-cash working capital items:		
Trade and other receivables, prepaids, and advances to suppliers	(761,516)	(1,221,365)
Inventory	362,923	(1,411,428)
Accounts payable and accrued liabilities	(2,016,484)	717,376
Due to/from related party	(135,766)	165,868
Net cash used in operating activities	(5,317,599)	(1,719,640)
Investing activities:		
Acquisition of equipment	(2,935)	(1,706)
Development costs included in intangible assets	(1,992,028)	(1,086,623)
Net cash used in investing activities	(1,994,963)	(1,088,329)
Financing activities:		
Loan received net of repayments	(6,000)	250,000
Share issue costs	(210,307)	-
Loan to Director	(262,000)	-
Exercise of warrants	5,862,745	-
Exercise of agents' options	328,758	119,786
Net cash from financing activities	5,713,196	369,786
Effect of foreign exchange on cash	(30,860)	(651,557)
Change in cash for the period	(1,568,506)	(3,089,740)
Cash, beginning of period	2,420,205	4,384,596
Cash, end of period	851,699	\$ 1,294,856

Supplemental disclosure with respect to cash flows (Note 20)

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

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

Siyata Mobile Inc. ("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 March 31, 2019, the Company's principal activity is the sale of vehicle mounted, cellular based communications platforms over advanced 4G mobile networks. 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").

These consolidated interim 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 interim 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 incurred a net loss of \$4,566,941 during the six month period ended June 30, 2019 (six month ended June 30, 2018- (\$1,079,444) and, as of that date, the Company's total deficit was \$27,186,109. The Company's continuation 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").

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 interim 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

2. BASIS OF PREPARATION (cont'd)

Basis of consolidation and presentation (cont'd)

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.	Quebec, Canada	100%

These consolidated interim 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. 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 interim 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgements (cont'd)

- 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.
- 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgements (cont'd)

- 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.

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 interim 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 its 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) 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

(b) 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

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

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. The Company has classified its cash and trade and other receivables at amortized cost.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (cont'd)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL.

The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. . The Company has classified its accounts payable and accrued liabilities, due to related party, convertible debentures and long term debt as other financial liabilities and carried on the balance sheet at amortized cost. Future purchase consideration is classified as FVTPL.

As at June 30, 2019, the Company does not have any derivative financial liabilities.

(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.

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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 profit or loss as interest expense from discounting obligations.

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) New accounting pronouncements

The following new accounting policies were adopted by the Company during the year ended December 31, 2018:

- IFRS 9 - Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit and loss (FVTPL), fair value through OCI or amortized cost.

For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company has adopted IFRS 9 effective January 1, 2018. Adopting IFRS 9 did not result in any material impact to the financial statements

- IFRS 15 - Revenues from Contracts with Customers supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company adopted IFRS 15 using the full retrospective method of adoption which did not result in any material impact to the financial statements

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) New accounting pronouncements (cont'd)

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 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 has completed an evaluation and does not anticipate any material impact from adopting this standard.
- IFRIC 23 - Uncertainty over Income Tax Treatments: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. The Company does not expect a material impact from adopting IFRIC 23 on its consolidated statements.

4. TRADE AND OTHER RECEIVABLES

	June 30, 2019	December 31, 2018
Trade receivables	\$ 508,090	\$ 479,156
Taxes receivable	135,495	315,047
Other receivables	50,431	131,152
Total	\$ 694,016	\$ 925,355

Siyata Mobile Israel (“SMI”) has a factoring agreement on its trade receivables, whereby invoices are fully assigned to a funding entity in return for 80%-85% of the total sale to be paid to SMI by the funding entity in advance. The remaining 15-20% is paid to SMI when the funding entity receives payment from the customer.

SMI incurs a financing charge of 3.1% – 3.5% on advances received, and is subject to certain covenants.

The 80-85% received upfront remains a liability from SMI to the funding entity until final settlement, however all such balances are fully insured in case of non-payment. As SMI has both the legally enforceable right and the intention to settle the receivable and liability on a net basis in accordance with IAS 32, trade receivables are presented net of the liability for amounts advanced. As at June 30, 2019 the total offset for amounts extended by the funding entity was \$1,161,384 (December 31, 2018 - \$1,178,841).

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5. INVENTORY

	June 30, 2019	December 31, 2018
Finished products	\$ 3,541,262	\$ 4,124,977
Accessories and spare parts	921,036	856,490
Total	\$ 4,462,298	\$ 4,981,467

6. INTANGIBLE ASSETS

	Development Costs	Uniden License	E-Wave License	Total
Cost:				
Balance at December 31, 2017	6,770,255	148,592	1,681,959	8,600,806
Additions	2,070,265	-	-	2,070,265
Translation adjustment	644,442	-	-	644,442
Balance at December 31, 2018	9,484,962	148,592	1,681,959	11,315,513
Additions	1,992,028	-	-	1,991,928
Translation adjustment	(364,000)	-	-	(364,000)
Balance at June 30, 2019	11,112,990	148,592	1,681,959	12,943,541
Accumulated Amortization:				
Balance at December 31, 2017	980,000	42,876	-	1,022,876
Additions	249,000	26,745	420,490	696,235
Impairment	1,954,000	-	-	1,954,000
Translation adjustment	153,380	-	-	153,380
Balance at December 31, 2018	3,336,380	69,621	420,490	3,826,491
Additions	263,978	13,660	210,246	487,884
Translation adjustment	(119,335)	-	-	(119,335)
Balance at June 30, 2019	3,481,023	83,281	630,736	4,195,040
Net Book Value:				
Balance at December 31, 2018	\$ 6,148,582	\$ 79,971	\$ 1,261,469	\$ 7,489,023
Balance at June 30, 2019	\$ 7,631,967	\$ 65,311	\$ 1,051,223	\$ 8,748,501

Development Costs

Development costs are amortized on a straight-line basis over the useful life of the related product. During the year ended December 31, 2018 the Company determined there were sufficient indicators of impairment on one of the legacy 3G products to record an impairment of \$1,954,000 (2017 - \$Nil), since the majority of sales moving forwards will be 4G technology. There was no impairment in the six month period ended June 30, 2019.

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6. INTANGIBLE ASSETS (Cont'd)

Uniden License

During 2016, the Company acquired a license agreement with Uniden America Corporation ("Uniden"). 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.

E-Wave License

On October 19, 2017 the Company acquired from E-Wave Inc. ("E-Wave") distribution rights for certain products. The distribution rights have an unlimited term, but the Company has estimated their useful life to be four years and is amortizing them on a straight-line basis over that period.

7. FUTURE PURCHASE CONSIDERATION

	June 30, 2019	December 31, 2018
Balance, beginning of the period	\$ 430,000	\$ 1,085,781
E-wave future purchase consideration paid	-	(804,929)
Signifi future purchase consideration paid	(460,000)	(370,000)
Accretion and change in value of future purchase consideration	30,000	519,148
Balance, end of the period	\$ -	\$ 430,000
<u>Classification:</u>		
Short-term (payable within one year)	\$ -	\$ 430,000

Future Purchase Consideration Signifi

On June 7, 2016, the Company acquired all of the issued and outstanding shares of Signifi Mobile Inc. ("Signifi"). A portion of the consideration consisted of future payments, which were classified as future purchase consideration ("FPC").

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; or
- b. \$150,000 in cash; or
- c. \$75,000 in cash and 500,000 common shares.

On each of June 7, 2019, 2018 and 2017 the Company issued 1,000,000 common shares at a value of \$460,000, \$370,000 and \$700,000 respectively. As at June 30, 2019 the Company has completed its obligations under the FPC. The FPC is estimated as the present value of FPC payments in the form that the vendor is judged by the Company as most likely to request. 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.

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8. LONG TERM DEBT

On June 28, 2018 Signifi borrowed \$250,000 from the Business Development Bank of Canada (“BDC”) for a term of four years, payable in monthly instalments of principal and interest. This loan bears interest at the bank’s base rate + 3.2%. 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.

9. CONVERTIBLE DEBENTURES

	June 30, 2019	December 31, 2018
Balance, Beginning of Period	\$ 3,904,831	\$ 3,553,901
Issuance of convertible debentures	-	-
Interest and accretion expense	448,200	833,930
Interest paid or accrued	(241,500)	(483,000)
Balance, End of Period	\$ 4,111,531	\$ 3,904,831

On December 28, 2017 the Company issued 46,000 unsecured convertible debentures 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.

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. During the six months’ ended June 30, 2019 the Company paid or accrued \$241,500 (year ended December 31, 2018-\$483,000) in interest related to the convertible debentures, included within finance expense in profit and loss.

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.

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10. 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 six month period ended June 30, 2019 are as follows:

- i) Issued 821,896 common shares in connection with exercised of agents' options for proceeds of \$328,758.
- ii) Issued 11,725,490 common shares in connection with exercise of warrants for proceeds of \$5,862,745.
- iii) Issued 1,000,000 common shares in connection with purchase consideration for Signifi (Note 5) with the value of the shares as \$460,000.

Transactions subsequent to the six month period ended June 30, 2019 are as follows:

- i) Issued 7,500,000 common shares in connection with a non-brokered private placement for proceeds of \$3,000,000 as more full described in Note 21.

Transactions for the year ended December 31, 2018 are as follows:

- ii) Issued 396,242 common shares in connection with exercised of agents' options for proceeds of \$143,564.
- iii) Issued 1,000,000 common shares in connection with purchase consideration for Signifi (Note 7) with the value of the shares as \$370,000.
- iv) Issued 2,648,948 common shares in connection with exercise of warrants for proceeds of \$1,324,464.
- v) Issued 1,300,000 common shares in connection with the exercise of options for proceeds of \$410,000.
- vi) Closed a private placement of 4,623,800 units at a price of \$0.45 per unit for gross proceeds of \$2,080,710. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at a price of \$0.60 for a period of three years. In conjunction with the placement, the Company incurred finders' fees and other cash share issuance costs of \$375,423 and issued 227,976 agents' options exercisable at a price of \$0.60 per common share for a period of three years.

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10. SHARE CAPITAL (cont'd)**(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.

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

	Number of Stock Options	Weighted Average Exercise Price
Outstanding options, December 31, 2017	8,580,000	0.42
Granted	2,210,000	0.50
Exercised	(1,300,000)	0.32
Outstanding options, December 31, 2018	9,490,000	\$0.44
Granted	2,110,000	0.54
Expired	(75,000)	0.60
Exercised	-	0.00
Outstanding options, June 30, 2019	11,525,000	\$0.47

At June 30, 2019 stock options outstanding are as follows:

Grant Date	Number of options outstanding	Number of options exercisable	Weighted Average Exercise Price	Expiry date	Remaining contractual life (years)
July 24, 2015	400,000	400,000	\$0.30	July 23, 2020	1.07
July 24, 2015	150,000	150,000	0.60	July 23, 2020	1.07
July 28, 2015	250,000	250,000	0.30	July 28, 2020	1.08
August 10, 2015	425,000	425,000	0.30	August 7, 2020	1.11
September 30, 2015	2,700,000	2,700,000	0.30	July 23, 2020	1.07
January 1, 2017	320,000	320,000	0.36	January 1, 2022	2.51
January 11, 2017	360,000	330,000	0.36	January 11, 2022	2.54
April 4, 2017	1,000,000	1,000,000	0.45	April 4, 2022	2.77
July 24, 2017	1,600,000	1,400,000	0.69	July 24, 2022	3.07
December 24, 2018	2,210,000	693,334	0.50	December 24, 2023	4.49
January 15, 2019	200,000	16,667	0.50	January 15, 2023	3.55
January 15, 2019	120,000	10,000	0.50	January 15, 2024	4.55
March 21, 2019	1,180,000	590,000	0.55	March 21, 2024	4.73
March 21, 2019	610,000	50,833	0.55	March 21, 2024	4.73
Total	11,525,000	8,335,834	\$0.47		2.88

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

During the six months ended June 30, 2019, the Company recorded share-based payments expense of \$1,070,857 (six months ended June 30, 2018- \$526,515) in relation to options vesting.

The following weighted average assumptions have been used for the Black-Scholes valuation for the stock options granted:

	2019	2018
Stock price	\$ 0.47	\$ 0.43
Risk-free interest rate	1.9%	1.9%
Expected life	5	5
Annualized volatility	148%	148%
Dividend rate	0.00%	0.00%

(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, December 31, 2017	1,390,950	0.39
Granted	227,976	0.60
Exercised	(396,242)	0.36
Expired	(55,443)	0.35
Outstanding agent options, December 31, 2018	1,167,241	\$ 0.45
Granted	-	0.00
Exercised	(821,896)	0.40
Expired	(117,369)	0.48
Outstanding agent options, June 30, 2019	227,976	\$ 0.60

At June 30, 2019 agents' options outstanding are as follows:

Grant Date	Number of options outstanding	Number of options exercisable	Weighted Average Exercise Price	Expiry date	Remaining contractual life (years)
December 24, 2018	227,976	227,976	0.60	December 24, 2021	2.48
Total	227,976	227,976	\$0.60		2.48

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10. SHARE CAPITAL (cont'd)**(e) Share purchase warrants**

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

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2017	25,078,307	0.54
Granted	4,623,800	0.60
Exercised	(2,648,928)	0.50
Expired	(5,350,430)	0.50
Outstanding, December 31, 2018	21,702,749	\$ 0.56
Granted	-	0.00
Exercised	(11,725,490)	0.50
Expired	(753,459)	0.50
Outstanding, June 30, 2019	9,223,800	\$ 0.65

At June 30, 2019, share purchase warrants outstanding and exercisable are as follows:

Grant Date	Number of Warrants outstanding and exercisable	Exercise Price	Expiry date
December 28, 2017	4,600,000	\$0.70	December 28, 2019
December 24, 2018	4,623,800	\$0.60	December 24, 2021

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11. COST OF SALES

(in thousands)	For the three months ending		For the six months ending	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Materials and merchandise	\$ 1,850	\$ 3,646	\$ 2,786	\$ 5,157
Royalties	100	46	186	128
Other expenses	389	928	454	1,127
Change in inventory	(867)	(887)	233	(493)
Total	\$ 1,472	\$ 3,733	\$ 3,659	\$ 5,919

12. SELLING AND MARKETING EXPENSES

(in thousands)	For the three months ending		For the six months ending	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Salaries and related expenses	\$ 433	\$ 422	\$ 859	\$ 808
Advertising and marketing	875	331	1,623	916
License agreement (Note 8)	-	-	-	-
Travel and conferences	121	24	224	134
Total	\$ 1,429	\$ 777	\$ 2,706	\$ 1,858

13. GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands)	For the three months ending		For the six months ending	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Salaries and related expenses	\$ 71	\$ 182	\$ 150	\$ 360
Professional services	37	113	75	146
Consulting and director fees	193	143	366	291
Management fees	104	101	150	194
Travel	15	41	60	80
Office and general	34	48	86	101
Regulatory and filing fees	3	13	16	23
Shareholder relations	59	22	15	63
Total	\$ 515	\$ 663	\$ 1,017	\$1,258

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14. INCOME TAXES

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

	June 30, 2019	December 31, 2018
Net loss before taxes	4,566,941	\$ 11,527,981
Expected income tax (recovery)	(1,233,000)	(3,113,000)
Impact of difference in statutory tax rates on earnings of subsidiaries	36,000	96,000
Impact of future income tax rates applied versus current statutory rate and changes in future tax rate from prior year	23,000	56,000
Permanent differences	(46,000)	(117,000)
Unrecognized (recognized) benefit of operating loss carry-forwards	1,023,000	2,580,000
Share issue costs and transaction costs	(210,000)	(94,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	413,000	592,000
Total income tax expense (recovery)	\$ -	\$ -
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated interim statement of financial position are as follows:

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Property, plant, and equipment and intangibles	250,000	No expiry date	250,000	No expiry date
Share issue costs and transaction costs for convertible note	1,735,000	No expiry date	1,525,000	No expiry date
Allowable capital losses	254,000	No expiry date	254,000	No expiry date
Non-capital losses available for future period	24,506,000	See below	19,940,000	See below

The Company has approximately \$24,506,000 (2018 - \$19,940,000) of operating loss carry-forwards. Of these, \$11.8 million arise from Israel (2018 - \$10.6 million) which do not expire, and the remaining balance arise from Canada which expire through to 2038.

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15. 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 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 June 30, 2019, the Company is only subject to externally imposed capital requirements arising from the quarterly payments of interest on the debenture as described in Note 9, and the monthly principal and interest payments from the BDC loan described in Note 8. SMI is also subject to a debt covenant in relation to the factoring agreement described in Note 4. At no time during the year was the Company in breach of the covenant.

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

16. 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 to/from related party, accounts payable and accrued liabilities, long term debt, and convertible debentures approximate carrying value, which is the amount recorded on the consolidated statement of financial position.

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16. FINANCIAL INSTRUMENTS (cont'd)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2019 and December 31, 2018:

	Level 1	Level 2	Level 3
June 30, 2019:			
Future purchase consideration	\$ -	\$ -	-
December 31, 2018:			
Future purchase consideration	\$ 430,000	\$ -	-

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 six months ended June 30, 2019 and for the year ended December 31, 2018 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 (Note 7). 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 24% of the Company's revenue for the six months' ended June 30, 2019 (2018 -30%) 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.

More than 80% 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

16. FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

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)	June 30, 2019	December 31, 2018
Israel	\$ 389	\$ 626
Europe	92	25
North America	213	274
Total	\$ 694	\$ 925

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 4).

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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

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(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

16. 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 Sheqel ("NIS"). As at June 30, 2019 the Company's exposure to foreign currency risk with respect to financial instruments is as follows:

(in CAD thousands)	USD	NIS	CAD	Total
Financial assets and financial liabilities:				
Current assets				
Cash	81	412	359	852
Trade and other receivables	148	482	64	694
Advances to supplier	1,144	1	0	1,145
Due from director	262	-	-	262
Current liabilities				
Accounts payable and accrued liabilities	(212)	(1,229)	(454)	(1,895)
Due to related party	-	(77)	-	(77)
Convertible debentures	-	-	(4,111)	(4,111)
Long term debt	-	-	(224)	(224)
Total	1,423	(411)	(4,366)	(3,354)

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 limited to the BDC loan, and is therefore currently immaterial as the rest of 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.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

17. 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:

	2019	2018
Payments to key management personnel:		
Salaries, consulting and directors' fees	\$494,178	\$568,942
Share-based payments	657,756	526,515
Total	\$1,151,934	\$ 1,095,457

Other related party transactions are as follows:

Type of Service	Nature of Relationship	(in thousands)	
		2019	2018
Sales	Accel (common directors)	-	\$479
Cost of sales	Accel (common directors)	-	335
Selling and marketing expenses	VP Technology	79	88
General and administrative expense	Accel (common directors)	84	195
General and administrative expense	Companies controlled by the CEO, and Directors	415	395

Loan to Director

On April 1, 2019 the Company loaned to a Director \$200,000 USD. This loan is for a term of 5 years with interest charged at rate of 5% per annum payable quarterly. There are no capital repayment requirements until the end of the term when a balloon payment of the principal balance is required.

Balances and transactions with Accel Telecom Ltd.

Until September 30, 2018, the Company had a management agreement with a related company, Accel Telecom Ltd. ("Accel"). As part of the agreement, the Company paid Accel \$US 25,000 per month for management services (including services related to finance, general operations, insurance, administration, and other). From October 1, 2018 the monthly fee was reduced to \$US 11,000 per month (2017 – 12 months at \$US 25,000).

Included in due to related party as at June 30, 2019 is a balance payable to Accel of \$76,666 (December 31, 2018 - balance payable to Accel of \$198,000). The balance is non-interest bearing.

Siyata Mobile Inc.

Notes to the Consolidated Interim Financial Statements

(Unaudited-Prepared by Management)

(Expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2019 and 2018

18. 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)	June 30, 2019	June 30, 2018
Israel	\$ 3,467	\$ 6,736
Europe	\$ 84	145
Australia	\$ 4	
New Zealand	-	26
Canada	936	844
USA	549	560
Total	\$ 5,040	8,311

19. MAJOR CUSTOMERS

Revenues from five customers of the Company for the six months' ended June 30, 2019 represent approximately \$3,246,000 or 64% of the Company's total revenues (six months ended June 30, 2018 is four customers representing \$6,457,000 or 78% of total revenues).

20. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOWS

During the six months' ended June 30, 2019, the Company paid \$252,750 (2018 - \$241,500) in interest and \$Nil (2018 - \$Nil) in income taxes.

During the six months ended June 30, 2019 the Company incurred the following non-cash investing or financing activities:

- Reclassified \$130,127 from reserves to share capital as the fair value of agents' options exercised during the period.
- Reclassified \$15,600 from reserves to share capital as the fair value of agents' options that expired in the period.
- Recognized \$206,700 of accretion of long-term debt and classified \$48,000 of long-term debt as current.

21. SUBSEQUENT EVENTS

On August 29, 2019 the Company completed a non-brokered private placement of 7,500,000 units at a price of \$0.40 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share and one half share purchase warrant. Each warrant is exercisable at a price of \$0.60 for a period of two years. In conjunction with the placement, the Company was not required to agent's fees.