siyata mobile

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

AS AT JUNE 11, 2020

June 11, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following Management Discussion and Analysis ("MD&A") reports on the operating results, financial condition and business risks of Siyata Mobile Inc. (formerly Teslin River Resources Corp.) ("Siyata" or the "Company") and is designed to help the reader understand the results of operations and financial condition of the Company for the year ended December 31, 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the notes thereto (collectively the "Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings. These Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented in this filing. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward looking statements include but are not limited to statements concerning:

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION (CONT'D)

- The Company's strategies and objectives
- The Company's other financial operating objectives
- The availability of qualified employees for business operations
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of its operations and new business opportunities
- The Company's ability to manage growth with respect to its operations and new business opportunities
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this MD&A.

CORPORATE OVERVIEW

Siyata Mobile Inc. is a leading global developer of innovative cellular based communications solutions over advanced 4G mobile networks under the Uniden® Cellular and Siyata brands. Siyata's three product categories include In-Vehicle communications solutions for commercial fleet vehicles, rugged handheld mobile devices for industrial workers, and cellular amplifiers to boost the cellular signal inside homes, buildings, and vehicles.

Siyata In-Vehicle communications devices are specifically designed for professional vehicles such as trucks, vans, buses, emergency service vehicles, government cars and more. The Company's innovative platform is designed to facilitate replacement of the current in vehicle, multi-device status quo with a single device (the flagship Uniden® UV350 4G device) that incorporates voice, Push-to- Talk over Cellular ("PoC"), data fleet management solutions and more. The UV350 also supports band 14 for FirstNet compatibility which is the US First Responders 4G LTE network with PoC capabilities that aims to replace aging two-way radio systems currently in use.

Siyata's customer base includes cellular network operators and their dealers, as well as commercial vehicle technology distributors for fleets of all sizes in the U.S., Canada, Europe, Australia and the Middle East.

Siyata launched its flagship 4G UV350 commercial vehicle smartphone device at Bell Mobility in late Q4 2018, at AT&T as well as at their first responder cellular network FirstNet in late Q2 and with Rogers Wireless and Verizon Wireless in Q4 2019. These are major milestones for the Company following Siyata's seven years of experience perfecting in-vehicle cellular based technology, vehicle installations, software integration with various PTT solutions and intensive carrier certifications.

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CORPORATE OVERVIEW (CONT'D…)

The two U.S Tier 1 cellular carriers that Siyata are working with, have distribution and sales channels many times larger than the existing sales channels of the Company. With an estimated 20 million commercial vehicles including 3.5 million first responder vehicles, the Company sees the U.S market as its largest opportunity with a total addressable market over $20 billion. These Tier 1 cellular carriers have a keen interest in launching the UV350 as it allows for new SIM card activations in commercial vehicles and increased ARPU from existing customers with corporate and first responder fleets while targeting new customers with a unique, dedicated, multi-purpose in-vehicle smartphone.

In Q1 2020 Siyata Mobile Inc. signed a supply agreement with a leading global Land Mobile Radio ("LMR") provider as an additional major channel for sales of the UV350.

Siyata launched the innovative CP250 tablet/DVR connected vehicle 4G device, which is built for cellular voice calls, Push-to-Talk Over Cellular ("PoC"), data, and navigation with a built-in DVR camera and more. This device was designed to be installed on the dash or mounted on a windshield, specifically for lighter commercial vehicles such as taxis, vans and delivery trucks. The 5" wide screen display tablet-based design ensures better communication capabilities for professional drivers. Sales of the CP250 device are focused in Europe, Australia and the Middle East.

In addition to its connected vehicle product portfolio, the Company develops, manufactures, markets, and sells 4G/LTE rugged handheld Push to Talk smartphone devices for industrial users. These rugged B2B environments are focused towards similar enterprise customers that Siyata sells its connected vehicle devices to and include first responders, construction workers, security guards, government agencies and various mobile workers in multiple industries.

Siyata also manufactures, markets, and sells Uniden® cellular signal boosters and accessories for homes, buildings, manufacturing facilities and vehicles with poor cell coverage across Canada and the United States. The vehicle vertical in this portfolio well complements the UV350 vehicle smartphone as the company begins to get sales of the UV350 bundled with its Uniden vehicle boosters.

The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("TSX-V") under the symbol SIM, and as of July 25, 2017 on the NASDAQ Over the Counter Venture Exchange ("OTCQX") under the symbol SYATF.

The corporate office of the Company is located at 1001 Lenoir Street, Montreal, Quebec H4C 2Z6 and the registered and records office is located at 2200 - 885 West Georgia Street, Vancouver, BC V6C 3E8.

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SELECTED ANNUAL INFORMATION

	2019	2018	2017
Revenues	$13,019,792	$14,220,542	$17,753,006
Comprehensive Loss for the year	(10,545,572)	(10,658,899)	(5,218,304)
Net loss for the year	(10,160,351)	(11,527,981)	(5,058,495)
Net loss per share			
Basic	($0.09)	($0.12)	($0.06)
Diluted	($0.09)	($0.12)	($0.06)
Total Assets	21,010,797	17,784,342	21,877,613
Total non-current financial liabilities (see 1)	7,258,370	4,564,831	4,639,682
Cash dividends declared in all classes of shares	**NIL**	**NIL**	**NIL**

(1) Includes current and long-term debts and future purchase consideration

This selected annual information 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”). This selected annual information is presented in Canadian dollars, which is the functional currency of the Company.

SIGNIFICANT HIGHLIGHTS

The following highlights and developments for the year ended December 31, 2019 and to the date of this MD&A: During the period reflected, the Company achieved various milestones such as:

- Siyata announced the Uniden ® UV350 in-vehicle mounted phablet was certified by AT&T as well as FirstNet Ready, making it tested and approved for use with services on the FirstNet communications platform. FirstNet is built with AT&T in a public-private partnership with the First Responder Network Authority (FirstNet Authority) – an independent agency within the federal government. It's designed for first responders and those critical to their emergency response.

- Siyata has received a purchase order from its first US customer to equip their fleet of yellow school buses with its Uniden® UV350, bringing the total order to over $1MM.

- Siyata launched the new Push-to-Talk Over Cellular ("PoC") LTE Uniden® UV350 in-vehicle device with Rogers Wireless, the largest provider of wireless communications services in Canada. The launch includes integration with Nova Talk, a leading enterprise "PoC" solution for instant communication of their operating fleets of vehicles.

- Siyata announced its collaboration with Tango Tango, a FirstNet Certified™ Push-to-Talk application and communications service provider, to offer the Uniden® UV350 dedicated in-vehicle device to its first responder customers in the United States.

- Siyata announced it has launched the Company's flagship Push-to Talk LTE Uniden® UV350 in-vehicle cellular IoT device with Verizon Wireless.

- Siyata finalised integration with AT&Ts Workforce Manager enterprise application which is now available on the UV350.

- Siyata launched its UV350 Desktop Dispatch Unit (DDU) which is an ultimate solution for enterprise PoC dispatchers.

- Siyata won an initial $200,000 contract to supply its Uniden(R) UV350 in-vehicle smartphones to one of Canada's largest heavy civil construction companies.

- Siyata announced that the Company has signed a multi-year supply agreement with a global Land Mobile Radio ("LMR") and software vendor (the "Vendor"). The agreement outlines that Siyata Mobile will supply the Uniden® UV350 in-vehicle IoT device to the Vendor, for resale to its first responder and commercial fleet customers looking to replace or augment its current in-vehicle communication hardware with next generation IoT solutions.

- Siyata announced the launch of the 4G/LTE UR5 Push to Talk rugged device for the first responder and enterprise mobile workforce. The UR5 is "Rugged and Ready" to handle the vigorous work environments encountered by enterprise workers and first responders on the front line of defense.

SIGNIFICANT HIGHLIGHTS (CONT'D)

- Siyata announced the Company has partnered with TASSTA, a global mission critical push-to-talk (MCPTT) software provider and end-to-end solution for critical communications with initial opportunities to work together in Southeast Asia.
- Siyata appointed Jason Depue as US VP Sales to Lead sales at AT&T and FirstNet. Mr. DePue is an experienced sales executive with a demonstrated history across carrier, OEM and industrial segments in the wireless telecommunications industry.
- Siyata announced that it launched the next generation line of 4G LTE Uniden cellular signal boosters, helping families and businesses improve network connectivity for work, school and entertainment purposes.

Licensing Agreement with Uniden® America Corp

Siyata Mobile has exclusive rights in North America to market and distribute their innovative devices under the Uniden® brand in categories of cellular amplifiers, connected vehicle cellular devices and rugged cellular products. Uniden brings strong brand recognition for Siyata's devices and introduces a more unified brand to the current dealers, operators and future customers in North America.

Licensing Agreement with Via Licensing

Siyata Mobile Inc. has been granted a license for its cellular devices from the patent holder, Via Licensing Corporation for the rights to the LTE patent portfolio worldwide. Siyata Mobile Inc. has also been granted a license patent from the patent holder, Via Licensing Corporation for the rights to the advanced coding of audio information patent, known as "AAC" worldwide.

Licensing Agreement with Wilson Electronics, LLC

Siyata Mobile Inc. has been granted a license patent for its cellular booster portfolio of products from Wilson Electronics, LLC, for the rights to the cellular booster technology on a worldwide basis.

SIGNIFICANT HIGHLIGHTS (CONT'D)

Financing Initiatives

On August 29, 2019, Siyata 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 pay agent's fees.

On December 23, 2019. Siyata Entered into a brokered private placement financing raising CDN$7,866,000.00 through the issuance of 7,866,000 unsecured 12% per annum convertible debentures (the "Convertible Debentures") maturing on December 23, 2021 at a price of CDN$1.00 (the "Issue Price") per Convertible Debenture (the "Offering"). The Offering was completed through a syndicate with with co-lead agents, PI Financial Corp. and Canaccord Genuity Corp. (collectively, the "Co-Lead Agents"), and with Paradigm Capital Inc. and Beacon Securities Limited (together with the Co-Lead Agents, the "Agents"). Each $1,000 of Convertible Debenture will be convertible into 2,222 common shares in the capital of the Company ("Common Shares" and each is a "Common Share") representing approximately CDN$0.45 (the "Conversion Price") per Common Share, subject to adjustment in certain events. These convertible debentures are redeemable by the Company at 101% of the face value at any time after December 23, 2020. These debentures 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 will entitle the holder to acquire one further Common Share (each, a "Warrant Share") at an exercise price of CDN $0.45 per Warrant Share. The Warrants will expire on December 23, 2022.

Subsequent to the year end, the Company entered into a demand line of credit arrangement with the TD Bank to a maximum of $1,500,000. This line of credit is secured by a $4,000,000 first ranking lien on its wholly owned subsidiary, Signifi Mobile Inc.'s assets. Interest rate on the loan is TD Bank's Canadian prime rate + 1.25%. The loan is further limited to the lessor of $1,500,000 or by the borrowing base which is 90% of insured receivables under 90 days, plus 80% of receivables over 90 days, plus 30% of inventory (up to a maximum of up to $400,000). A financial covenant requires that net tangible net worth cannot be less than $1,500,000 in Signifi Mobile Inc.

Subsequent to the year end, the Company announced it has entered into a non-brokered private placement financing agreement with Accel Telecom Inc., a reporting insider. Accel Telecom will subscribe for up to 1,400 senior unsecured 10% convertible debentures maturing one year from the issue date at an issue price of CDN$1,000 per Convertible Debenture for aggregate gross proceeds of approximately USD$1,000,000. Each Convertible Debenture will be convertible, at the option of the holder, into 3,333 common shares in the capital of the Company at a price of CDN$0.30 per Common Share, subject to adjustment in certain events and are redeemable at 101% of the face value at any time after the closing date. On the closing date, Accel will also receive one (1) non-transferrable common share purchase warrant (each, a "Warrant") for each CDN$1.00 principal amount of the Convertible Debentures purchased. Each Warrant will entitle the holder to acquire one Common Share (each, a "Warrant Share") at an exercise price of CDN$0.30 per Warrant Share for a period of twelve (12) months after the date of issue.

OUTLOOK

The Company is a global developer and provider of a vehicle mounted communications platform over advanced mobile networks. Customers include cellular operators and their dealers, commercial vehicle technology distributors and fleets of all sizes in Canada, Europe, Australia and the Middle East. The Company's "Connected-Vehicle" devices and various accessories are specifically designed for enterprise customers and professional fleets such as trucks, vans, buses, ambulances, government cars and more. The Company aims to provide greater mobile connectivity for professional drivers and facilitate replacement of the current in-vehicle, multi device status quo with a single device that incorporates voice, data and fleet management solutions with the new suite of 4G UV350 and UV250 products. In addition, the Company develops, markets and sells rugged Push to Talk mobile devices, cellular amplifiers and various accessories for both consumer and enterprise customers with sales across North America, Europe and the Middle East to multiple retailers, distributors and cellular dealers.

Siyata has received device approval for its *Uniden® UV350* from AT&T, Verizon and FirstNet in the US as well as at Tier 1 Canadian carriers, Bell Mobility and Rogers Wireless. Siyata offers a complete product offering including the UV350 device and multiple accessory peripherals as well as integration with multiple fleet applications which has resulted in initial purchase orders in the USA and Canada.

With over 20 million commercial and first responder vehicles in North America, this represents a multi-billion-dollar opportunity for Siyata which it plans to continue to aggressively capture starting in 2019 and beyond. In addition, Siyata is working closely with Motorola's Push to Talk software subsidiary Kodiak. The company already launched the UV350 in partnership with Motorola and plans to sell this device to multiple Kodiak partners in North America and globally. Siyata's management believes that these key partnerships that have unlocked large scale sales opportunities for its products which it expects will continue in the coming years and will also result in a paradigm shift in our revenue base to predominantly the North American market.

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SUMMARY OF QUARTERLY RESULTS

.	**4th Quarter Ended Dec 31, 2019**	**3rd Quarter Ended Sept 30, 2019**	**2nd Quarter Ended Jun 30, 2019**	**1st Quarter Ended Mar 31, 2019**
Income/(loss)	$(4,303,984)	$(1,293,550)	$(2,407,376)	$(2,155,441)
Comprehensive income/(loss) for the period	$(4,703,037)	$(921,849)	$(2,621,427)	$(2,299,259)
Loss per share	$(0.03)	$(0.01)	$(0.02)	$(0.02)
	4th Quarter Ended Dec 31, 2018	**3rd Quarter Ended Sept 30, 2018**	**2nd Quarter Ended June 30, 2018**	**1st Quarter Ended Mar 31, 2018**
Income/(loss)	$(8,664,631)	$(1,783,906)	$83,726	$(1,163,170)
Comprehensive income/(loss) for the period	$(7,748,589)	$(1,660,060)	$(400,888)	$(849,362)
Loss per share	$(0.09)	$(0.02)	$(0.01)	$(0.01)

RESULTS OF OPERATIONS FOR THREE MONTHS ENDED DECEMBER 31, 2019

The following is an analysis of the Company's operating results for the three months ended December 31, 2019 and includes a comparison against the three months ended December 31, 2018.

Operations:
Revenues for the three months ended December 31, 2019 were $2,933,445 compared to $2,757,608 for the same period in the previous year. This positive variance of $175,837 (6.4%) is due mainly to the revenues earned from the increase in demand for our Uniden® UV350 4G in North America as a direct result of certification with Tier One mobile operators.

Cost of sales for the three months ended December 31, 2019 were $2,614,755 compared to $3,909,864 for the same period in the previous year. The gross margin dollars for this period was positive $318,690 10.9% of sales) compared to negative $1,152,256 (negative 41.8% of sales) in the previous year, a positive variance of $1,470,946 (128%). The significant increase in gross margin dollars is mainly due to the increase in demand for our ruggedized Uniden® UV350 4G In-vehicle suite of products in North America as a direct result of certification with Tier One mobile operators.

Amortization and depreciation costs for the three months ended December 31, 2019 was $812,048 compared to $393,815 for the same period in the previous year. The negative variance of $418,233 relates mainly due to the start of the amortization of the UV350 device of $585,656 and as a result of IFRS-16 of $147,946 versus zero in Q4 2018, offset by the positive variance of the E-wave amortization of $315,369.

Product Development costs for the three months ended December 31, 2019 was $1,005,000 compared to zero in 2018. The Company engaged an independent outside valuator to measure the Value in Use of the Intangibles. As a result of their findings, management expensed certain development costs incurred in the year so as not to exceed the net recoverable amount. The impact of these costs not capitalized only impacted Q4 2020 financials.

Selling and marketing costs for the three months ended December 31, 2019 were $753,533 compared to $2,504,593 for the same period in the previous year. This positive variance of $1,751,060 is due mainly to the reduction in outside consultants and reduction in targeted promotional activities with carriers as well as $147,946 of IFRS 16 prior years' expenses included in 2019 as amortization.

General and administrative costs for the three months ended December 31, 2019 of $1,404,491 compared to $1,040,129 for the same period in the previous year. This negative variance of $364,362 relates mainly to the increase in consulting fees.

Share-based payments for the three months ended December 31, 2019 was $185,723 compared to $375,926 for the same period in the previous year which is a positive variance of $190,203 which relates to the valuation of stock options vested during the period.

RESULTS OF OPERATIONS FOR THREE MONTHS ENDED DECEMBER 31, 2019 (CONT'D)

Finance expenses for the three months ended December 31, 2019 was $509,671 compared to an expense of $256,633 for the same period in the previous year for a negative variance of $253,038. This variance consists mainly of a loss of $176,737 recorded in Q4 2019 on the rollover of the 10.5% debenture, included in Finance expenses, as well as the additional accrual in Q4 2019 on the 12% debenture of $41,923, plus the increase in amortization of the 10.5% debenture of an additional $23,460 in Q4 2019.

Foreign exchange loss (income) for the three months ended December 31, 2019 of income of $195,769 compared to an expense of $697,800 for the same period in the previous year for a positive variance of $893,569. This variance resulted from foreign currency fluctuations in the period.

Impairment in intangible assets resulted in $147,977 in Q4 2019 on the impairment of the E-wave license as compared to a $1,954,000 impairment in the prior year on the write down of the CP-200 rugged phone, a positive variance of $1,806,023 in the quarter.

Accretion and change in value of future contingent consideration resulted in $0 for the three months ended December 31, 2019 versus an expense of $289,479 for the same period in 2018, a positive variance of $289,479 which results that as of the end of Q2 2019, the Company did not have any contingent consideration and therefore had no accretion expense.

Net income (loss) for the period
The Company experienced a net loss for the three-month period ended December 31, 2019 of ($4,303,984) as compared to net loss of ($8,664,831) for the same period in the previous year representing a positive variance of $4,360,847. This positive variance is due mainly to positive variances in gross margin of $1,470,946, selling expenses of $1,751,060, foreign exchange of $893,569, impairment in the intangible of $1,806,023, accretion and change in value of future consideration of $289,479, share based compensation of $190,203, and reduced by negative variances in the amortization of $418,233, general and administrative expenses on the ramp up for the launch of the new products of $364,362, the development expenses of $1,005,000 and the financing expenses of $253,038.

Loss and comprehensive loss for the period
As a result of the activities discussed above, the Company experienced a comprehensive loss for the three months ended December 31, 2019 of ($4,703,037) as compared to a comprehensive loss of ($7,742,589) for the same period in the previous year representing a positive variance of $3,039,552.

Adjusted EBITDA

For the three months ended December 31, 2019 the adjusted EBITDA is negative ($1,839,334) versus negative ($4,696,978) in the same period in 2018, a positive variance of $2,857,644. Adjusted EBITDA is defined as the EBITDA adding back the share-based compensation expense and the product development expense.

RESULTS OF OPERATIONS FOR YEAR ENDED DECEMBER 31, 2019

The following is an analysis of the Company's operating results for the year ended December 31, 2019 and includes a comparison against the year ended December 31, 2018.

Operations:

Revenues for the year ended December 31, 2019 were $13,019,792 compared to $14,220,542 for the same period in the previous year. This negative variance of ($1,200,750) (-8.4%) is due to the increase in sales in North America resulting from initial demand for our Uniden® UV350 4G In-vehicle product in North America in 2019 as a direct result of certification with Tier One mobile operators offset by the drop in sales in in Europe and the Middle East of Siyata's 3G legacy products.

Cost of sales for the year ended December 31, 2019 were $9,732,577 compared to $12,161,044 for the same period in the previous year. The gross margin dollars for this period was $3,287,215 (25.26% of sales) compared to $2,059,498 (14.5%) of sales in the previous year, a positive variance of $1,227,717. The decrease in gross margin dollars is mainly due to the lower sales volume of 8.4% offset by the higher overall margins in the North American marketplace a result of sales of the Uniden® UV350 4G In-vehicle sold in 2019.

Amortization and depreciation costs for the year ended December 31, 2019 was $1,550,607 compared to $704,749 for the same period in the previous year. The negative variance of ($845,858) relates mainly to the amortization required under IFRS 16 of $147,946 in 2019, not applied prior to 2019, as well as the increase in depreciation in the year in the UV350 on the new portfolio of 4G products.

Product Development costs for the year ended December 31, 2019 were 1,005,000 compared to zero in 2018. The Company engaged an independent outside valuator to measure the Recoverable Amount of the Intangibles. As a result of their findings, management expensed certain development costs incurred in the year so as not to exceed the net recoverable amount.

Selling and marketing costs for the year ended December 31, 2019 were $4,723,236 compared to $5,449,031 for the same period in the previous year. This positive variance of $725,795 is due mainly to the decrease in additional marketing costs including consultants specializing in marketing of these products and to promote the new products in North America and globally including trial samples, tradeshows and targeted promotional activities.

General and administrative costs for the year ended December 31, 2019 of $3,081,966 compared to $2,929,277 for the same period in the previous year. This positive variance of $152,689 relate mainly to the focus of the Company on internal versus external consultants.

Share-based payments for the year ended December 31, 2019 was $1,490,313 compared to $1,102,313 for the same period in the previous year which is a negative variance of $388,000 which relates to the valuation of stock options vested during the period.

RESULTS OF OPERATIONS FOR YEAR ENDED DECEMBER 31, 2019 (CONT'D)

Finance expense for the year ended December 31, 2019 was $1,276,827 compared to an expense of compared to $975,468 for the same period in the previous year for a negative variance of $301,359. This negative variance resulted mainly from the loss of $176,737 on the rollover of the 10.5% debenture, included in finance expenses, as well as the additional accrual in Q4 2019 on the 12% debenture of $41,923, plus the increase in amortization of the 10.5% debenture of an additional $86,557 in 2019.

Foreign exchange loss (income) for the year ended December 31, 2019 of $141,640 compared to foreign exchange income of ($46,507) for the same period in the previous year for a negative variance of ($188,147). This variance resulted from foreign currency fluctuations in the period.

Impairment in intangible assets resulted in $147,977 in Q4 2019 on the impairment of the E-wave license as compared to a $1,954,000 impairment in the prior year on the write down of the CP-200 rugged phone, a positive variance of $1,806,023.

Accretion and change in value of future contingent consideration resulted in an expense for the year ended December 31, 2019 of $30,000 versus an expense of $519,148 for the same period in 2018, a positive variance of $489,148 which results that as of the end of Q2 2019, the Company did not have any contingent consideration and therefore had no accretion expense compared to a large accretion expense due to a fluctuating stock price in 2018 required for the future purchase consideration.

Net income (loss) for the period

The Company experienced a net loss for the year ended December 31, 2019 of ($10,160,351) as compared to net loss of ($11,527,981) for the same period in the previous year representing a positive variance of $1,367,630. This positive variance is due mainly to the positive variances in gross margin of $1,227,717. Selling expenses of $725,795, accretion of $489,148 and impairment in the value of intangible assets of $1,806,023 offset by negative variances in, amortization of ($845,858), development costs of ($1,005,000), G&A of $152,689, share based compensation of ($388,000), finance expenses of ($301,359), and foreign exchange of ($188,147).

Loss and comprehensive loss for the period

As a result of the activities discussed above, the Company experienced a comprehensive loss for the year ended December 31, 2019 of ($10,545,572) as compared to a comprehensive loss of ($10,658,899) for the same period in the previous year representing a positive variance of $113,327.

Adjusted EBITDA

For the year ended December 31, 2019 the adjusted EBITDA is negative ($4,517,987) versus negative ($6,318,810) in the same period in 2018 a positive variance of $1,800,823. Adjusted EBITDA is defined as the EBITDA adding back the share based compensation expense and product development.

RISKS AND UNCERTAINTIES

Ongoing Need for Financing/Possible Dilution to Present and Prospective Shareholders
It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new products and services or enhance existing products and services, enhance operating infrastructure and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company’s shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited. From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Lack of Trading
The lack of trading volume of the Company’s shares reduces the liquidity of an investment in the Company’s shares.

Volatility of Share Price
Market prices for shares of companies on the TSX-V are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company’s shares.

Lack of Dividend Policy
The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company’s Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

History of losses
The Company has a history of net losses, may incur net losses in the future and may not achieve or maintain profitability. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, it is expected that the Company will continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company’s revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. If the Company is unable to attract new customers or to sell additional products to its existing customers, the Company’s revenue growth will be adversely affected.

RISKS AND UNCERTAINTIES (CONT'D)

Customers

To increase the Company's revenues, it must regularly add new customers, sell additional products and/or services to existing customers and encourage existing customers to increase their minimum commitment levels. If the Company's existing and prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company may not be able to attract new customers or increase sales to existing customers and its operating results will be adversely affected.

Quarterly Results

The Company's quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of its control. If the Company's quarterly results of operations fall below the expectations of securities analysts or investors, the price of the Company's shares could decline substantially. Fluctuations in quarterly results of operations may be due to a number of factors, including, but not limited to, those listed below:

- the Company's ability to increase sales to existing customers and attract new customers;
- the addition or loss of large customers;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the Company's business, operations and infrastructure;
- the timing and success of any new product/service introductions by the Company or its competitors;
- changes in the Company's pricing policies or those of competitors;
- service outages or security breaches;
- the extent to which any of the Company's significant customers terminate their service agreements;
- increasing competition;
- new advancement in technology;
- limitations of the capacity of the Company's network and systems;
- the timing of costs related to the development or acquisition of technologies, products and services or businesses;
- delays in manufacturing or in component purchases;
- possible key component end of life;
- general economic, industry and market conditions; and
- geopolitical events such as war, threat of war or terrorist actions.

The quarterly revenues and results of operations of the Company may vary significantly in the future and period-to-period comparisons of the Company's operating results may not be meaningful.

Business Related Regulatory Matters

The operations carried on by the Company are subject to government legislation, policies and controls. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the industry are beyond the control of the Company and could have a material adverse impact on the Company and its business.

RISKS AND UNCERTAINTIES (CONT'D…)

Consumer's Personal Information
On behalf of its customers, the Company collects and uses anonymous and personal information and information derived from the activities of consumers. This enables the Company to provide its customers with anonymous or personally identifiable information from and about such consumers. Government bodies and agencies have adopted or are considering adopting laws regarding the collection, use and disclosure of this information. The Company's compliance with privacy laws and regulations and its reputation among the public depend on its customers' adherence to privacy laws and regulations and their use of the Company's products in ways consistent with consumers' expectations. The Company also relies on representations made to it by its customers that their own use of the Company's products and the information the Company provides to them via its products and services do not violate any applicable privacy laws, rules and regulations or their own privacy policies. If these representations are false or if the Company's customers do not otherwise comply with applicable privacy laws, the Company could face potential adverse publicity and possible legal or other regulatory action.

Competition
The Company competes in a rapidly evolving and highly competitive market. Some of the Company's potential competitors have longer operating histories, greater name recognition, access to larger customer bases and substantially greater resources, including sales and marketing, financial and other resources. As a result, these competitors may be able to:
- absorb costs associated with providing their products at a lower price;
- devote more resources to new customer acquisitions;
- respond to evolving market needs more quickly than the Company; and
- finance more research and development activities to develop better products.

In addition, many of these companies may have pre-existing relationships with the Company's current and potential customers. If the Company is not able to compete successfully against its current and future competitors, it will be difficult to acquire and retain customers, and the Company may experience limited revenue growth, reduced revenues and operating margins and loss of market share.

Technology Changes
The market for the Company's products and services is characterized by rapid technological advances, changes in customer requirements, changes in protocols and evolving industry standards. If the Company is unable to develop enhancements to, and new features for, its existing products and services or acceptable new products and services that keep pace with rapid technological developments, its products and services may become obsolete, less marketable and less competitive and the Company's business will be harmed.

RISKS AND UNCERTAINTIES (CONT'D…)

The Company has plans for growth in future periods
If the Company fails to manage its growth effectively, it may be unable to execute its business plan, maintain high levels of service or address competitive challenges adequately in its constantly evolving technology arena. The Company plans to substantially expand its overall business, customer base, headcount and operations in future periods both organically and through acquisitions. In addition, the Company has and will make substantial investments in its overall operations as a result of its plans for growth. The Company will need to continue to expand its business. It is anticipated that this expansion will require substantial management effort and significant additional investment. In addition, the Company will be required to continue to improve its operational, financial and management controls and its reporting procedures. As such, the Company may be unable to manage its expenses effectively in the future, which may negatively impact gross margins or cause operating expenses to increase in any particular quarter. If the Company is unable to manage its growth successfully, its business will be harmed. Failure to effectively expand the Company's sales and marketing capabilities could harm its ability to increase its customer base and achieve broader market acceptance of products. Increasing the Company's customer base and achieving broader market acceptance of its products will depend to a significant extent on its ability to expand its sales and marketing operations. It is expected that the Company will be substantially dependent on its direct sales force to obtain new customers. There is significant competition for direct sales personnel with the sales skills that the Company requires. The Company's ability to achieve significant growth in revenues in the future will depend, in large part, on its success in recruiting, training and retaining sufficient numbers of direct sales personnel. New hires require significant training and, in most cases, take a significant period of time before they achieve full productivity. The Company's hires may not become as productive as it would like, and the Company may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where it does business. The Company's business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenues.

Vendor Certification Process
Siyata is required as a vendor to Tier 1 cellular operators to undergo a lengthy certification and customization process. The substantial investment in operating expenses, and failure to obtain such certification would adversely impact our results of operations and financial condition.

Potential Conflicts of Interest
Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

RISKS AND UNCERTAINTIES (CONT'D…)

Reliance on Others and Key Personnel
The success of the Company is largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Limited Number of Customers
Historically, the Company has had a limited number of customers. The loss of any significant customer or any significant reduction in orders by a significant customer may have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, as a result of the limited number of customers, credit risk on receivables is concentrated.

Reliance on Suppliers
Manufacturing of the Company's products and other devices for its services depends on obtaining adequate supplies of components on a timely basis. The Company sources several key components used in the manufacture of its products and devices from a limited number of suppliers, and in some instances, a single source supplier.

In addition, these components are often acquired through purchase orders and the Company may have no long-term commitments regarding supply or pricing from the suppliers. Lead-times for various components may lengthen, which may make certain components scarce. As component demand increases and lead-times become longer, the suppliers may increase component costs. The Company will also depend on anticipated product and service orders to determine its materials requirements. Lead-times for limited-source materials and components can vary significantly and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. From time to time, shortages in allocations of components may result in delays in filling orders. Shortages and delays in obtaining components in the future could impede the Company's ability to meet customer orders. Any of these sole source or limited source suppliers could stop producing the components, cease operations entirely, or be acquired by, or enter into exclusive arrangements with, the Company's competitors. As a result, these sole source and limited source suppliers may stop selling their components to outsourced manufacturers at commercially reasonable prices, or at all. Any such interruption, delay or inability to obtain these components from alternate sources at acceptable prices and within a reasonable amount of time would adversely affect the Company's ability to meet scheduled product and service deliveries to its customers and reduce margins realized.

Alternative sources of components are not always available or available at acceptable prices. In addition, the Company relies on, but has limited control over, the quality, reliability and availability of the components supplied. If the Company cannot manufacture its products or devices for its services due to a lack of components, or is unable to redesign its products or devices with other components in a timely manner, its business, results of operations and financial condition could be adversely affected.

RISKS AND UNCERTAINTIES (CONT'D…)

Reliance on Technology and Intellectual Property

The Company will require continuous technological improvements in order to remain competitive. There can be no assurance that the Company will be successful in its efforts in this regard. While Siyata anticipates that its research and development experience will allow it to explore additional business opportunities, there is no guarantee that such business opportunities will be presented or realized. The commercial advantage of the Company may depend to an extent on its intellectual property and its ability to prevent others from copying such proprietary technologies and any patents it may hold. In the future, the Company may seek additional patents or other similar protections in respect of a particular technology or process; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they (or any existing patents) will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop technologies that are similar or superior to the technology of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Despite the efforts of the Company, its intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps it may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of such technologies. If a third party asserts that the Company is infringing its intellectual property, whether successful or not, it could subject the Resulting Issuer to costly and time-consuming litigation or expensive licenses, and the Company's business may be harmed.

Technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. As the Company faces increasing competition, the possibility of intellectual property rights claims against it will grow. The Company's technologies may not be able to withstand any third-party claims or rights against their use. Furthermore, if there are any existing agreements that require Siyata to indemnify its customers for third-party intellectual property infringements claims, Siyata's costs would increase as a result of defending such claims and may require that the Company pay damages if there were an adverse ruling in any such claims. These types of claims could harm the Company's relationships with its customers, may deter future customers from subscribing to its products and services or could expose the Company to litigation to these claims.

RISKS AND UNCERTAINTIES (CONT'D…)

Product Defects

Complex software, as well as multiple components, displays, plastics and assemblies used in our products may contain undetected defects that are subsequently discovered at any point in the life of the product. Defects in our products may result in a loss of sales, product malfunction, delay in market acceptance and potential injuries to our customers which can bring to injury in our reputation and increased warranty costs.

Additionally, our software may contain undetected errors, defects or bugs. Although we have not suffered significant harm from any errors, defects or bugs to date, we may discover significant errors, defects, or bugs in the future that we may not be able to correct or correct in a timely manner. It is possible that errors, defects or bugs will be found in our existing or future software and/or hardware products and related services with the potential for delays in, or loss of market acceptance of, our products and services, diversion of our resources, injury to our reputation, increased service and warranty expenses, and payment of damages.

Further, errors, defects or bugs in our solutions could be exploited by hackers or could otherwise result in an actual or perceived breach of our information systems. Alleviating any of these problems could require significant expense and could cause interruptions, delays or cessation of our product licensing, which would reduce demand for our products and result in a loss of sales, delay in market acceptance and injure our reputation and could adversely impact our business, results of operations and financial condition.

Third-party supplier dependency

We depend on certain suppliers for the delivery of components used in the assembly of our products. Our reliance on third-party suppliers creates risks related to our potential inability to obtain an adequate supply of components and reduced control over pricing and timing of delivery of components. In particular, we have little to no control over the prices at which our suppliers sell materials and components to us. Certain supplies of our components are available only from a single source or limited sources and we may not be able to diversify sources in a timely manner. We have experienced shortages in the past that have negatively impacted our results of operations and may experience such shortages in the future.

We also do not have long-term supply agreements with any of our suppliers. Our current contracts with certain suppliers may be canceled or not extended by such suppliers and, therefore, do not afford us with sufficient protection against a reduction or interruption in supplies. Moreover, in the event any of these suppliers breach their contracts with us, our legal remedies associated with such a breach may be insufficient to compensate us for any damages we may suffer.

Any interruption of supply for any material components of our products, or inability to obtain required components from our third-party suppliers, could significantly delay the production and shipment of our products and harm our revenues, profitability and financial condition.

RISKS AND UNCERTAINTIES (CONT'D…)

Rate of Deployment of the dedicated public safety LTE networks

A key part of the Company's strategy is to further expand the use of solutions over dedicated LTE and 5G networks in the public safety market. If the deployment of dedicated LTE and 5G networks is delayed or such networks are not adopted at the rate the Company anticipates, demand for the Company's solutions may not develop as anticipated, which would have a negative effect on revenues.

Risks associated with sourcing and manufacturing

The Company does not own or operate any of the manufacturing facilities for its products and rely on a concentrated number of independent suppliers to manufacture all of the Company's products. For the business to be successful, the suppliers must provide the Company with quality products in substantial quantities, in compliance with regulatory requirements, at acceptable costs and on a timely basis. The Company's ability to obtain a sufficient selection or volume of merchandise on a timely basis at competitive prices could suffer as a result of any deterioration or change in supplier relationships or events that adversely affect the suppliers.

There can be no assurance the Company will be able to detect, prevent or fix all defects that may affect the products manufactured by their suppliers. Failure to detect, prevent or fix defects, or the occurrence of real or perceived quality or safety problems or material defects in current and future products, could result in a variety of consequences, including a greater number of product returns than expected from customers and wholesale partners, litigation, product recalls and credit, warranty or other claims, among others, which could harm the brand, results of operations and financial condition. Such problems could hurt the Company's brand image, which is critical to maintaining and expanding the business. Any negative publicity or lawsuits filed against the Company related to the perceived quality and safety of the products could harm the brand and decrease demand for the Company's products.

If one or more of our significant suppliers were to sever their relationship with us or significantly alter the terms of our relationship, including due to changes in applicable trade policies, we may not be able to obtain replacement products in a timely manner, which could have a material adverse effect on our business, results of operations and financial condition. In addition, if any primary suppliers fail to make timely shipments, do not meet quality standards or otherwise fail to deliver the product in accordance with Company's plans, there could be a material adverse effect on the results of operations.

The contractors and suppliers buy raw materials and are subject to wage rates that are oftentimes regulated by the governments of the countries in which these products are manufactured. The raw materials used to manufacture these products are subject to availability constraints and price volatility. There could be a significant disruption in the supply of raw materials from current sources or, in the event of a disruption, the suppliers might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price or at all. The Company's business is dependent upon the ability of unaffiliated suppliers to locate, train, employ and retain adequate personnel. These unaffiliated suppliers have experienced, and may continue to experience in the future, unexpected increases in work wages, whether government-mandated or otherwise. Suppliers may increase their pricing if their raw materials became more expensive. These suppliers may pass the increase in sourcing costs to the Company through price increases, thereby impacting margins. Material changes in the pricing practices of the suppliers could negatively impact profitability.

RISKS AND UNCERTAINTIES (CONT'D…)

Risks associated with sourcing and manufacturing (CONT'D)

In addition, the Company cannot be certain that unaffiliated suppliers will be able to fill orders in a timely manner. If the Company experiences significant increases in demand, or reductions in the availability of materials, or need to replace an existing supplier, there can be no assurance additional supplies of raw materials or additional manufacturing capacity will be available when required on terms acceptable to the Company, or at all, or that any supplier would allocate sufficient capacity in order to meet the Company's requirements. In addition, even if the Company is able to expand existing or find new manufacturing or sources of materials, it may encounter delays in production and added costs as a result of the time it takes to train suppliers in our methods, products, quality control standards and labor, health and safety standards. Any delays, interruption or increased costs in labor or wages, or the supply of materials or manufacture of our products, could have an adverse effect on the Company's ability to meet wholesale partner and customer and consumer demand for the Company's products and result in lower revenue and net income both in the short and long term.

Events that adversely impact the suppliers could impair the Company's ability to obtain adequate and timely supplies. Such events include, among others, difficulties or problems associated with suppliers' business, the financial instability and labor problems of suppliers, merchandise quality and safety issues, natural or man-made disasters, inclement weather conditions, war, acts of terrorism and other political instability, economic conditions, transportation delays and shipment issues. These suppliers may be forced to reduce their production, shut down their operations or file for bankruptcy. These suppliers may consolidate, increasing their market power. The occurrence of one or more of these events could impact the Company's ability to get products to its customers and/or wholesale partners, result in disruptions to operations, increased costs and decreased profitability.

The Company's sourcing operations may also be hurt by health concerns regarding the outbreak of viruses, widespread illness, infectious diseases, contagions and the occurrence of unforeseen epidemics (including the outbreak of the coronavirus and its potential impact on our financial results) in countries in which our merchandise is produced. Moreover, negative press or reports about internationally manufactured products may sway public opinion, and thus customer confidence, away from the Company's products. Furthermore, changes in U.S. trade policies, including new restrictions, tariffs or other changes could lead to additional costs, delays in shipments, embargos and other uncertainties that could negatively impact the Company's relationships with international suppliers and materially adversely affect the business. These and other issues affecting international suppliers or internationally manufactured merchandise could have a material adverse effect on the business, results of operations and financial condition.

In addition, some of our suppliers may not have the capacity to supply us with sufficient merchandise to keep pace with our growth plans, especially if we need significantly greater amounts of inventory. In such cases, the Company's ability to pursue its growth strategy will depend in part upon its ability to develop new supplier relationships.

RISKS AND UNCERTAINTIES (CONT'D…)

Risks associated with sourcing and manufacturing (CONT'D)

Global sourcing and foreign trade involve numerous factors and uncertainties beyond the Company's control, including:

- increased shipping costs;
- the imposition of additional import or trade restrictions;
- legal or economic restrictions on overseas suppliers' ability to produce and deliver products;
- increased custom duties and tariffs;
- unforeseen delays in customs clearance of goods;
- more restrictive quotas;
- loss of a most favored nation trading status;
- currency exchange rates;
- transportation delays;
- port of entry issues; and
- foreign government regulations, political instability and economic uncertainties in the countries from which we or our suppliers source our products.

Potential Political Instability in Israel

The Company has business operations in Israel. Accordingly, political, economic and military conditions in and surrounding Israel may directly affect its business. There are significant ongoing hostilities in the Middle East, particularly in Syria and Iraq, which may impact Israel in the future. Any hostilities involving Israel, a significant increase in terrorism or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could materially adversely affect the Company's operations. Ongoing and revived hostilities or other Israeli political or economic factors could materially adversely affect the Company's business, operating results and financial condition.

RISKS AND UNCERTAINTIES (CONT'D…)

Employees Military Reserve Duty

Many of the Company's employees in Israel are obligated to perform annual military reserve duty in the Israel Defense Forces and, in the event of a military conflict, could be called to active duty. The Company's operations could be disrupted by the absence of a significant number of its employees related to military service or the absence for extended periods of military service of one or more of its key employees. Military service requirements for the Company's employees could materially adversely affect the Company's business, operating results and financial condition.

Litigation

All industries are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Trade dispute between USA and China

Our products are manufactured in a facility in China. As a result of the unresolved trade dispute between the USA and China, it is not possible to estimate any significant additional costs that may be incurred when shipping our products to various USA customers. This trade dispute could adversely impact our business, results of operations and financial condition.

Coronavirus (COVID-19)

The Company may be adversely impacted by the effects of the Novel Coronavirus (COVID-19). In addition to global macroeconomic effects, the Novel Coronavirus (COVID-19) outbreak and any other related adverse public health developments may cause disruption to operations, research and development, and sales activities. The Company's third-party manufacturers, third-party distributors, and customers may have been and may in the future be disrupted by worker absenteeism, quarantines and restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our activities or the operations of our third-party manufacturers and third-party distributors, the supply of our products may be delayed, which could adversely affect our business, operations and customer relationships.

RISKS AND UNCERTAINTIES (CONT'D…)

Coronavirus (COVID-19)

In addition, the Novel Coronavirus (COVID-19) or other disease outbreak may in the short-run and may over the longer term adversely affect the economies and financial markets of many countries, resulting in an economic downturn that may affect demand for our products and impact our operating results. There can be no assurance that any decrease in sales resulting from the Novel Coronavirus (COVID-19) will be offset by increased sales in subsequent periods. Although the magnitude of the impact of the Novel Coronavirus (COVID-19) outbreak on our business and operations remains uncertain, the continued spread of the Novel Coronavirus (COVID-19) or the occurrence of other epidemics and the imposition of related public health measures and travel and business restrictions may adversely impact our business, financial condition, operating results and cash flows. In addition, we may experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products in a timely manner or meet required milestones or customer commitments.

The Company is taking measures in order to mitigate such adverse effects, by reducing its expenses, specifically temporary salary reductions to management and Directors of 20%, certain employees by 10% in addition to permanent lay-offs across the company

LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's equity (comprised of issued share capital, reserves, accumulated translation differences and deficit). The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 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 11, and the monthly principal and interest payments from the BDC loan described in Note 10. The Company 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.

LIQUIDITY AND CAPITAL RESOURCES (CONT'D…)

Siyata Mobile Israel has a factoring facility with Israeli banks whereby the Bank advances funds to Siyata Mobile Israel and charges a fluctuating interest rate on the advanced funds until it is repaid by the borrowers' customers. The Bank has a lien on these receivables. The factored receivables are all required to be insured in case of customer default with a financial institution.

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Company has historically financed its operations primarily through a combination of demand loans and the sale of share capital by way of private placements.

As at December 31, 2019 the Company had a cash balance of $3,465,371 (December 31, 2018: $2,420,205). As at December 31, 2019, the Company had an accumulated deficit of $32,779,519 (December 31, 2018: ($22,619,168) and working capital of $6,704,651 (December 31, 2018: $4,565,215).

Net cash flows used in operating activities for the year ended December 31, 2019 were ($8,544,227) compared with cash used of ($2,996,235) in the same period of the prior year. The increase in cash used of $5,547,992 in operating activities was primarily due to the increase in the non-cash working capital items by $6,132,430 consisting of an increase in trade and other receivables, prepaids, and advances to suppliers of $3,582,935, accounts payable and accrued liabilities of $2,338,667, due to related party of $1,064,675 net of inventory of negative $853,847 offset by the decrease in the loss net of non cash items of $584,438.

Net cash flows used in investing activities for the year ended December 31, 2019 was $3,020,880 compared with $2,879,193 in the prior year, a negative variance of $141,687. This variance relates primarily to costs incurred for testing with multiple carriers in order to obtain device approval on their networks.

Net cash provided by financing activities for the year ended December 31, 2019 was $12,569,404 compared to $3,813,315. This positive variance of $8,756,089 relates mainly to the proceeds received from the issuance of the 12% convertible debenture for net proceeds of $3,778,634, exercise of 11,725,490 share purchase warrants for proceeds of $5,862,745 compared to $1,324,464 in the prior year, plus the proceeds received from the 7,500,000 share non-brokered private placement in the amount of $3,000,000, plus the exercise of 821,896 agents' options for proceeds of $328,758 (compared to proceeds of $143,564 in the 2018 , offset by issue costs of $243,379 (2018-$375,423), offset by the proceeds from the exercise of stock options in the prior year of $410,000, (2019-$0) and offset by the proceeds of the BDC loan in the prior year of $250,000 and BDC principal payment increase of $14,000 over the prior year.

The future success of the Company is now dependent on the continued success of its vehicle mounted communications products, its mobile rugged phones and its Booster systems in the market together with the ability to finance the necessary working capital, at agreeable terms, to support the growth of the business.

The Company's consolidated financial statements have been prepared in accordance with IFRS under 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. The consolidated 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 in existence.

SHARE CAPITAL

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

Issued and outstanding:
As at December 31, 3019 and the date of this MD&A, the Company had 125,247,819 common shares issued and outstanding.

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 incurred share issuance costs of $243,379.

On December 23, 2019, the Company issued 481,928 common shares as compensation to the agents' for their assistance to the Company to issue $7,866,000 12% convertible debentures.

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	2,560,000	0.54
Expired	(75,000)	0.64
Outstanding options, December 31, 2019	**11,975,000**	**$0.47**

SHARE CAPITAL (CONT'D…)

In Q1 2019, 320,000 stock options were granted at an exercise price of $0.50 and 1,790,000 stock options were granted at an exercise price of $0.55. In Q2 75,000 stock options with an exercise price of $0.64 expired. In Q4 2019, the Company issued 450,000 options to a Director with an exercise price of $0.50 per option.

Stock options outstanding at December 31, 2019 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	0.56
July 24, 2015	150,000	150,000	0.60	July 23, 2020	0.56
July 28, 2015	250,000	250,000	0.30	July 28, 2020	0.58
August 10, 2015	425,000	425,000	0.30	August 7, 2020	0.60
September 30, 2015	2,700,000	2,700,000	0.30	July 23, 2020	0.56
January 1, 2017	320,000	320,000	0.36	January 1, 2022	2.01
January 11, 2017	360,000	360,000	0.36	January 11, 2022	2.03
April 4, 2017	1,000,000	1,000,000	0.45	April 4, 2022	2.27
July 24, 2017	1,600,000	1,600,000	0.69	July 24, 2022	2.56
December 24, 2018	2,210,000	1,283,335	0.50	December 24, 2023	3.98
January 15, 2019	320,000	106,668	$0.50	January 15, 2024	4.04
March 21, 2019	1,790,000	1,147,333	$0.55	March 21, 2024	4.22
December 1, 2019	450,000	37,500	$0.50	December 1, 2023	3.92
Total	**11,975,000**	**9,779,836**	**$0.47**		**2.10**

SHARE CAPITAL (CONT'D…)

Subsequent to the year end, the Company issued 390,000 stock options exercisable at $0.50 that expires on December 31, 2023.
Stock options outstanding at the date of this MD&A 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	0.12
July 24, 2015	150,000	150,000	0.60	July 23, 2020	0.12
July 28, 2015	250,000	250,000	0.30	July 28, 2020	0.13
August 10, 2015	425,000	425,000	0.30	August 7, 2020	0.16
September 30, 2015	2,700,000	2,700,000	0.30	July 23, 2020	0.12
January 1, 2017	320,000	320,000	0.36	January 1, 2022	1.56
January 11, 2017	360,000	360,000	0.36	January 11, 2022	1.59
April 4, 2017	1,000,000	1,000,000	0.45	April 4, 2022	1.82
July 24, 2017	1,600,000	1,600,000	0.69	July 24, 2022	2.12
December 24, 2018	2,210,000	1,480,000	0.50	December 24, 2023	3.54
January 15, 2019	320,000	160,000	0.50	January 15, 2024	3.60
March 21, 2019	1,790,000	1,316,167	0.55	March 21, 2024	3.78
December 1, 2019	450,000	75,000	0.50	December 1, 2023	3.48
January 1, 2020	390,000	65,000	0.50	December 31, 2023	3.56
Total	**12,365,000**	**9,844,836**	**$0.46**		**1.75**

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	**728,615**	**0.415**
Exercised	**(821,896)**	**0.40**
Expired	**(117,369)**	**0.48**
Outstanding agent options, December 31, 2019	**956,591**	**$ 0.46**

At December 31, 2019 and the date of the MD&A, agents' options outstanding and exercisable are as follows:

Grant Date	Number of Agents Options outstanding and exercisable	Exercise Price	Expiry date
December 21, 2018	227,976	$0.60	December 21, 2021
December 23, 2019	728,615	0.415	December 23, 2021

SHARE CAPITAL (CONT'D…)

Share Purchase Warrants:
The Company on August 29, 2019 issued 3,750,000 share purchase warrants at an exercise price of $0.60 expiring on August 29, 2021. These warrants were issued as part of the non-brokered private placement as more fully explained above.

On December 23, 2019, the Company issued 7,866,000 share purchase warrants at an exercise price of $0.45 expiring on December 23, 2022. These warrants were issued as part of the issuance of the 12.0% convertible debenture due December 23, 2021 as more fully explained above.
A summary of the Company's share purchase 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	**11,616,000**	**0.50**
Exercised	**(11,725,490)**	**0.50**
Expired	**(5,353,459)**	**(0.67)**
Outstanding, December 31, 2019	**16,239,800**	**$ 0.53**

At December 31, 2019 and the date of this MD&A share purchase warrants outstanding and exercisable are as follows:

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As at the date of the MD&A share purchase warrants outstanding and exercisable are as follows:

Grant Date	**Number of Warrants outstanding and exercisable**	**Exercise Price**	**Expiry date**
December 24, 2018	4,623,800	$0.60	December 24, 2021
August 29, 2019	3,750,000	$0.60	August 29, 2021
December 23, 2019	7,866,000	$0.45	December 23, 2022

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.

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

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

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 year ended 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.

FINANCIAL INSTRUMENTS (CONT'D…)

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 15% of the Company's revenues for 2019 (2018- 29%) are 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.

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)	**December 31, 2019**	**December 31, 2018**
Israel	$ 754	$ 626
Europe	39	25
North America	1,151	274
Total	$ 1,944	$ 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.

FINANCIAL INSTRUMENTS (CONT'D…)

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.

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 December 31, 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	175	1,273	2,017	3,465
Trade and other receivables	1,019	889	36	1,944
Due from director	260	-	-	260
Current liabilities				
Bank Loan	-	(42)	-	(42)
Accounts payable and accrued liabilities	(448)	(1,393)	(725)	(2,566)
Due to related party	-	(100)		(100)
Convertible debentures			(6,636)	(6,636)
Long term debt	-	-	(196)	(196)
Total	**1,006**	**627**	**(5,504)**	**(3,871)**

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.

CRITICAL ACCOUNTING 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 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.

CRITICAL ACCOUNTING 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.

- 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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D…)

ii) Critical accounting judgments

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

- Deferred income taxes – judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

- Functional currency - The functional currency for the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar with the exception of Siyata Israel which has the functional currency of the US dollar. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

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

RECENT ACCOUNTING PRONOUNCEMENTS

(a) New accounting pronouncements

The following new accounting policies were adopted by the Company during the year ended December 31, 2019:

As of January 1, 2019, the Company adopted the following new accounting standards and interpretations on a modified retrospective approach:

IFRS 16, Leases

IFRS 16, Leases ("IFRS 16"), specifies how to recognize, measure, present, and disclose leases. The standard provides a single-lessee accounting model, requiring lessees to recognize a right-of-use asset representing its right to use the underlying asset and a liability representing its obligation to make lease payments ("lease obligation"), for all leases unless the Company elects to exclude leases when the lease term is twelve months or less, or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, Leases ("IAS 17"). The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 Leases and IFRIC 4 to determine whether an arrangement contains a lease.

RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

The Company as a lessee

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the lease term. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Current office and car lease terms range from 6 months to 22 months. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments mainly include fixed, or in substance fixed, payments and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Effective January 1, 2019 (date of initial application), the Company adopted IFRS 16 using the modified retrospective transition approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 have not been restated and continue to be reported under IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4").

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or modified on or after January 1, 2019.

At transition, the Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17: applied a single discount rate to a portfolio of leases with similar characteristics; recognition exemption of short-term leases; recognition exemption of low-value leases; and used hindsight when determining the lease term if the contract contained options to extend or terminate the lease.

RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

When applying the modified retrospective transition approach, for leases previously classified as operating leases under IAS 17 and IFRIC 4, on initial application, a lessee is permitted to measure the ROU asset, on a lease-by-lease basis, using one of two methods: (1) as if IFRS 16 had always been applied, using the incremental borrowing rate at the date of initial application; or (2) at an amount equal to the lease liability (subject to certain adjustments). For all leases, the Company applied the second method and recognized the ROU assets based on the corresponding lease liability. As at January 1, 2019, the Company recorded lease obligations of $407,776 and ROU assets of $407,776. When measuring lease liabilities, the Company discounted future lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied was 7.5%. During the year ended December 31, 2019, the Company recorded $147,946 of depreciation of ROU assets, and $14,827 of interest accretion on discounted lease obligations as a result of the adoption of IFRS 16.

The following table reconciles the Company's operating lease commitments as at December 31, 2018, as previously disclosed in the Company's annual audited consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019:

As at January 1, 2019	**Previously Reported under IAS 17**	**IFRS 16 Transition Adjustments**	**As report under IFRS 16**
Right of use Assets	$ Nil	$407,776	$407,776
Lease Obligation	$ Nil	$407,776	$407,776

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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 consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel for the year ended December 31, 2019 with comparative for the year ended December 31, 2018 is as follows:

	2019	2018
Payments to key management personnel:		
Salaries, consulting and directors' fees	$1,232,208	$ 943,568
Share-based payments	871,634	280,003
Total	$2,103,842	$ 1,223,571

Other related party transactions are as follows:

		(in thousands)	
Type of Service	**Nature of Relationship**	**2019**	**2018**
Sales	Accel Solutions Ltd. (common directors)	$ 361	$ 233
Selling and marketing expenses	VP Technology	278	136
General and administrative expense	Accel Telecom (common directors)	170	332
General and administrative expense	Companies controlled by the CEO, and Directors	953	838

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 7% per annum payable quarterly. As of January 1, 2020 the interest rate on the loan has been increased to 12% per annum. 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 December 31, 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. In 2019 the management fee was $170,000 Canadian.

Included in due to related party as at December 31, 2019 is a balance payable to Accel of $100,079 (December 31, 2018 - balance payable to Accel of $198,362). The balance is non-interest bearing.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.