

SIYATA MOBILE INC.

Consolidated Unaudited Interim Financial Statements
(Expressed in US Dollars)

As at March 31, 2023 and December 31, 2022
and for the three months ended March 31, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

Siyata Mobile Inc.Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in US dollars)

| | March 31, 2023 | December 31, 2022 |
|---|-----------------------------|------------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 1,179,694 | \$ 1,913,742 |
| Trade and other receivables (Note 3) | 1,111,123 | 1,574,628 |
| Prepaid expenses | 665,446 | 173,504 |
| Inventory (Note 4) | 3,564,040 | 4,092,550 |
| Advance to suppliers | 675,561 | 155,852 |
| | <u>7,195,864</u> | <u>7,910,276</u> |
| Long term receivable | 146,196 | 150,185 |
| Right of use assets | 811,966 | 887,137 |
| Equipment | 199,743 | 207,402 |
| Intangible assets | 7,481,391 | 6,987,531 |
| Total assets | <u>\$ 15,835,160</u> | <u>\$ 16,142,531</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 2,111,174 | \$ 3,078,650 |
| Deferred revenue | - | 149,600 |
| Lease obligations | 294,359 | 303,788 |
| Warrant liability (Note 6) | 628,765 | 2,734,804 |
| | <u>3,034,298</u> | <u>6,266,842</u> |
| Lease obligations | 543,944 | 635,217 |
| Total liabilities | <u>3,578,242</u> | <u>6,902,059</u> |
| Shareholders' equity | | |
| Share capital (Note 7) | 79,626,690 | 73,312,866 |
| Reserves (Note 7) | 17,933,273 | 13,647,399 |
| Accumulated other comprehensive loss | 98,870 | 98,870 |
| Deficit | (85,401,915) | (77,818,663) |
| | <u>12,256,918</u> | <u>9,240,472</u> |
| Total liabilities and shareholders' equity | <u>\$ 15,835,160</u> | <u>\$ 16,142,531</u> |

Nature of operations and going concern (Note 1)

Subsequent events (Note 16)

Approved on May 24, 2023 on behalf of the Board:

"Michael Kron"

Michael Kron - Director

"Marc Seelenfreund"

Marc Seelenfreund - Director

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

Siyata Mobile Inc.Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

For the three months ended March 31

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------------------|-------------------------------------|
| Revenue | \$ 1,802,637 | \$ 832,974 |
| Cost of sales (Note 8) | <u>(1,306,120)</u> | <u>(577,923)</u> |
| Gross profit | 496,517 | 255,051 |
| EXPENSES | | |
| Amortization and depreciation | 401,640 | 124,505 |
| Development expenses | 53,985 | 123,316 |
| Selling and marketing (Note 9) | 1,003,365 | 1,045,051 |
| General and administrative (Note 10) | 1,392,430 | 1,659,079 |
| Inventory impairment (Note 4) | - | 64,336 |
| Bad debts (recovered) (Note 3) | - | (7,358) |
| Share-based payments (Note 7) | <u>310,828</u> | <u>812,735</u> |
| Total operating expenses | 3,162,248 | 3,821,664 |
| Net operating loss | <u>(2,665,731)</u> | <u>(3,566,613)</u> |
| OTHER EXPENSES | | |
| Finance expense | 34,098 | 26,987 |
| Foreign exchange | 163 | (87,660) |
| Change in fair value of convertible promissory note (Note 5) | - | 2,680,457 |
| Change in fair value of warrant liability (Note 6) | 4,883,260 | (3,272,735) |
| Transaction costs (Note 11) | - | 965,247 |
| Total other expenses (income) | 4,917,521 | 312,296 |
| Net loss for the year | <u>(7,583,252)</u> | <u>(3,878,909)</u> |
| Other comprehensive income | | |
| Translation adjustment | - | (24,468) |
| Comprehensive loss for the year | <u><u>\$ (7,583,252)</u></u> | <u><u>\$ (3,903,377)</u></u> |
| Weighted average shares | 59,102,369 | 12,976,363 |
| Basic and diluted loss per share | \$ (0.13) | \$ (0.30) |

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

Siyata Mobile Inc.

Unaudited Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in US dollars)

For the three months ending March 31

| | Share capital # | Share Capital \$ | Reserves \$ | Accumulated other comprehensive income (loss) \$ | Deficit \$ | Total shareholders' equity \$ |
|---|-----------------------|------------------------|-------------------|--|---------------------|--|
| Balance, December 31, 2021 | 5,276,695 | 54,655,244 | 10,389,555 | (38,739) | (62,519,412) | 2,486,648 |
| Shares issued on acquisition of ClearRF | 138,958 | 190,095 | - | - | - | 190,095 |
| Shares issued on capital raise | 7,215,652 | 10,936,974 | - | - | - | 10,936,974 |
| Share issuance costs on capital raise | | (1,051,647) | 307,189 | - | - | (744,458) |
| Pre-funded warrants exercised | 1,480,000 | 2,575,200 | - | - | - | 2,575,200 |
| Share based payments | - | - | 812,735 | - | - | 812,735 |
| Translation adjustment | - | - | - | 24,468 | - | 24,468 |
| Net loss | - | - | - | - | (3,878,909) | (3,878,909) |
| Balance, March 31, 2022 | 14,111,305 | 67,305,866 | 11,509,479 | (14,271) | (66,398,321) | 12,402,753 |
| Balance, December 31, 2022 | 44,868,560 | 73,312,866 | 13,647,399 | 98,870 | (77,818,663) | 9,240,472 |
| Issue of common shares for warrants | 18,042,857 | 6,313,824 | - | - | - | 6,313,824 |
| Warrants reclassified from warrant liability | - | - | 3,975,046 | - | - | 3,975,046 |
| Share based payments | - | - | 310,828 | - | - | 310,828 |
| Translation adjustment | - | - | - | - | - | - |
| Net loss | - | - | - | - | (7,583,252) | (7,583,252) |
| Balance, March 31, 2023 | 62,911,417 | 79,626,690 | 17,933,273 | 98,870 | (85,401,915) | 12,256,918 |

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

Siyata Mobile Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Expressed in US dollars)

For the three months ended March 31

| | <u>2023</u> | <u>2022</u> |
|---|----------------------------|----------------------------|
| Operating activities | | |
| Net loss for the year | \$(7,583,252) | \$ (3,878,909) |
| Items not affecting cash: | | |
| Amortization and depreciation | 401,640 | 124,505 |
| Bad debt expense (recovered) | - | (7,358) |
| Impairment of inventory | - | 64,336 |
| Fair value changes on derivatives | 4,883,260 | (592,278) |
| Interest expense, net of repayments | - | (4,651) |
| Foreign exchange | 11,666 | - |
| Share based payments | 310,828 | 812,735 |
| Change in non-cash working capital (Note 15) | <u>(1,136,712)</u> | <u>(3,225,654)</u> |
| Net cash used in operating activities | <u>(3,112,570)</u> | <u>(6,707,274)</u> |
| Investing activities | | |
| Repayment of long-term receivable | - | - |
| Intangible asset additions | (817,849) | (739,579) |
| Equipment additions | (2,498) | - |
| Acquisition of ClearRF | - | (155,014) |
| Net cash used in investing activities | <u>(820,347)</u> | <u>(894,593)</u> |
| Financing activities | | |
| Lease payments | (100,702) | (78,731) |
| Bank loan | - | (27,159) |
| Convertible debt issued, net of repayments | - | (4,000,000) |
| Proceeds on share issuance, net of share issuance costs | - | 16,711,184 |
| Transaction costs | (309,000) | - |
| Exercise of warrants | 3,608,571 | 2,575,200 |
| Net cash from financing activities | <u>3,198,869</u> | <u>15,180,494</u> |
| Effect of foreign exchange on cash | - | 22,680 |
| Change in cash for the year | (734,048) | 7,601,307 |
| Cash, beginning of year | 1,913,742 | 1,619,742 |
| Cash, end of year | <u>\$ 1,179,694</u> | <u>\$ 9,221,049</u> |

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

Siyata Mobile Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in US dollars)

As at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022

1. NATURE OF OPERATIONS AND GOING CONCERN

Siyata Mobile Inc. (“Siyata” or the “Company”) was incorporated under the Business Corporations Act, British Columbia on October 15, 1986. The Company’s shares are listed on NASDAQ under the symbol SYTA and warrants issued on September 29, 2020, are traded under the symbol SYTAW. The Company’s principal activity is the sale of vehicle-mounted, cellular-based communications platforms over advanced mobile networks and cellular booster systems. The registered and records office is located at 2200 - 885 West Georgia Street, Vancouver, BC V6C 3E8.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) IAS 34 *Interim Financial Reporting*, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These unaudited condensed interim 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 as a going concern.

The Company incurred a net loss of \$7,583,252 during the three month period ended March 31, 2023 (March 31, 2022- three month period net loss of \$3,879,909), and, as of that date, the Company’s total deficit was \$85,401,915 (December 31, 2022 - \$77,818,663). The Company’s continuation as a going concern is dependent upon the success of the Company’s sale of inventory, the existing cash flows, and the ability of the Company to obtain additional debt or equity financing, all of which are uncertain. These material uncertainties raise substantial doubt on the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION**Statement of compliance**

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. Omitted from these financial statements are certain information and note disclosures normally included in the annual financial statements. These financial statements and notes presented should be read in conjunction with the annual financial statements for the year ended December 31, 2022.

The accounting methods and principles of computation adopted in these financial statements are the same as those in annual consolidated financial statements for the year ended December 31, 2022.

The preparation of these unaudited condensed interim consolidated financial statements 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. The significant judgements made by management when applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company’s December 31, 2022 annual consolidated financial statements.

Siyata Mobile Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in US dollars)

As at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022

2. BASIS OF PREPARATION (cont'd)

Basis of consolidation and presentation

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

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

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

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

Recent adoptions of accounting pronouncements

The following amendments became effective on January 1, 2023, and did not have a material impact on the Company's condensed interim consolidated financial statements:

- In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies.
- In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies.
- In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the recognition exemption so that companies would be required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases.

Siyata Mobile Inc.

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2. BASIS OF PREPARATION (cont'd)**Future accounting pronouncements**

The standards, amendments, and interpretations issued before 2023 but not yet adopted by the Company have been disclosed in Note 3 of the Company's December 31, 2022 annual consolidated financial statements. The Company is currently considering the impact of adopting these standards, amendments and interpretations on its consolidated financial statement.

3. TRADE AND OTHER RECEIVABLES

| | March 31, 2023 | December 31, 2022 |
|---------------------------------|---------------------------|------------------------------|
| Trade receivables | \$ 1,645,627 | \$ 2,015,291 |
| Allowance for doubtful accounts | (1,062,052) | (1,056,393) |
| Taxes receivable | 527,548 | 615,730 |
| Total | \$ 1,111,123 | \$ 1,574,628 |

4. INVENTORY

| | March 31, 2023 | December 31, 2022 |
|---|---------------------------|------------------------------|
| Finished products | \$ 6,874,848 | \$ 7,392,002 |
| Impairment of finished products | (3,555,683) | (3,555,683) |
| Accessories and spare parts | 663,645 | 675,001 |
| Impairment of accessories and spare parts | (418,770) | (418,770) |
| Total | \$ 3,564,040 | \$ 4,092,550 |

5. CONVERTIBLE DEBENTURES

On November 3, 2021, the Company issued a US\$7,200,000 convertible promissory note (the "Promissory Note") and 2,142,857 warrants for gross proceeds of US\$6,000,000. The Company elected to measure the promissory note (hybrid contract) at fair value through profit or loss ("FVTPL") on initial recognition and, as such, the embedded conversion feature was not separated. The warrants were recorded as a liability.

During the three months ended March 31, 2022, the Company completed a secondary offering of its common shares, and as a result of the terms of the convertible promissory note, the Company was required to direct 20% of the gross proceed of the offering to the lender. A total of US\$4,000,000 was repaid to the lender on January 13, 2022. Commencing in May 2022, the Company made monthly payments of \$400,000 through issuance of common shares towards the principal balance of the promissory note, resulting the promissory note being fully repaid by December 31, 2022. The Company issued 13,112,255 common shares, with a total market value of \$4,138,002. The difference between the fair value of the shares issued, and the value of the principal repaid of \$938,002 was included in profit and loss in the change in fair value of convertible promissory note.

For the three months ended March 31, 2022 the Company recorded a fair value loss of \$2,023,751 on the Convertible debenture.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in US dollars)

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6. WARRANT LIABILITY

The balance of the warrant liability is as follows:

| | November 3, 2021 | January 11, 2022 | October 12, 2022 | January 19, 2023 | Total |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|---------------------|
| Balance December 31, 2022 | \$ 197,733 | \$ 501,330 | \$ 2,035,741 | \$ - | \$ 2,734,804 |
| Exercise of warrants | (284,554) | - | (2,420,699) | - | (2,705,253) |
| Warrants issued | - | - | - | 2,875,580 | 2,875,580 |
| Transfer to equity | - | - | (564,946) | (3,410,100) | (3,975,046) |
| Change in fair value | 86,821 | 127,435 | 949,904 | 534,520 | 1,698,680 |
| Balance March 31, 2023 | \$ - | \$ 628,765 | \$ - | \$ - | \$ 628,765 |

January 19, 2023 warrants

On January 19, 2023, the Company entered into warrant exercise agreements with fourteen existing accredited investors to exercise certain outstanding warrants to purchase up to an aggregate of 18,042,857 of the Company's common shares. In consideration for the immediate exercise of the outstanding warrants for cash, the Company agreed to reduce the exercise price from \$0.23 to \$0.20 per share and issue new unregistered warrants to purchase up to an aggregate of 18,042,857 common shares with an exercise price of \$0.20 per share. The gross proceeds to the Company from the exercise totaled approximately \$3,608,571, prior to deducting warrant inducement agent fees and offering expenses.

The new warrants are exercisable immediately upon issuance at an exercise price of \$0.20 per share and have a term of exercise equal to five years. In connection with the exercise, the Company will be required pursuant to the terms of 2,989,130 of its remaining unexercised common share purchase warrants, to reduce the exercise price of such warrants from \$0.23 per common share to an exercise price of \$0.20 per common share.

On March 30, 2023, the SEC accepted the registration statement of the Company to the effect that all of the 21,031,987 outstanding \$0.20 warrants become immediately a cashless exercise and their underlying shares become immediately tradeable. Subsequent to the quarter ended March 31, 2023, 17,116,987 warrants were exercised cashless in exchange for 17,116,987 common shares of the Company with 3,915,000 cashless warrants remaining unexercised. All of the warrants that became cashless exercise were transferred to equity at March 30, 2023, as they no longer met the definition of a liability.

The fair value of the warrants issued at January 19, 2023 was \$2,875,580 and was determined using the stock price at the date of issue, with a 15% discount for lack of marketability. This method was used as the warrants contained an alternative cashless exercise feature.

The fair value of the warrants on March 30, 2023 was \$3,410,100 and was determined using the stock price on the date, as the warrants were cashless exercise at that date.

Siyata Mobile Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in US dollars)

As at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022

6. WARRANT LIABILITY (Cont'd)November 3, 2021 warrants

The warrants allowed for the purchase of 1,892,857 common shares of the Company at an exercise price of US 4.00 per common share and expired 5 years from the issue date of the related promissory note. Under the terms of the warrants, the exercise price of the warrant was adjusted to \$2.30 when an offering was closed on January 3, 2022 that issued shares at a price lower than the exercise price. On January 19, 2023 the warrant holders entered into the agreement noted above to exercise the warrants, and receive new warrants in exchange.

At December 31, 2022 the fair value of the warrants was \$197,733 and was determined using a Black-Scholes option pricing model with the following assumptions: initial stock price \$0.15, strike rate \$0.23 dividend yield 0%, term 3.84 years, volatility 110% and risk-free rate 4.08%.

At January 19, 2023 prior to exercise, the fair value of the warrants was \$284,554 and was determined using a Black-Scholes option pricing model with the following assumptions: initial stock price \$0.19, strike rate \$0.20 dividend yield 0%, term 3.79 years, volatility 130% and risk-free rate 3.62%.

January 11, 2022 warrants

The Company assessed that the 8,519,999 warrants, and 1,480,000 pre-funded warrants issued in the January 2022 equity offering did not meet the “fixed for fixed” test and are therefore recorded as liabilities at fair value through profit and loss, and revalued at the end of each period.

At December 31, 2022 the fair value of the warrants was \$501,330 and was determined using a Black-Scholes option pricing model with the following assumptions: initial stock price \$0.15, strike rate \$2.30, dividend yield 0%, term 4.03 years, volatility 110% and risk-free rate 4.08%.

At March 31, 2023 the fair value of the warrants was \$628,765 and was determined using a Black-Scholes option pricing model with the following assumptions: initial stock price \$0.19, strike rate \$2.30, dividend yield 0%, term 3.79 years, volatility 125% and risk-free rate 3.69%.

October 12, 2022 warrants

The Company assessed that the 17,400,000 warrants and 1,590,000 pre-funded warrants issued as part of the October 2022 equity offering did not meet the “fixed for fixed” test and are therefore reported as liabilities at fair value through profit and loss, and revalued at the end of each period. On January 19, 2023 the warrant holders entered into the agreement noted above to exercise 16,150,000 of the 17,400,000 warrants, and receive new warrants in exchange. The remaining 1,250,000 warrants that were outstanding at January 19, 2023 were converted to cashless exercise warrants on March 30, 2023 as described above.

Siyata Mobile Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in US dollars)

As at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022

6. WARRANT LIABILITY (Cont'd)

The fair value of the warrants as at December 31, 2022 was \$1,850,758 and was determined using the Black-Scholes Option Pricing Model with the following assumptions: share price: \$0.15; exercise price \$0.23; expected volatility: 100%; dividend yield 0%; risk free rate: 3.98%.

The fair value of the warrants on January 19, 2023 was \$2,608,059 and was determined using the Black-Scholes Option Pricing Model with the following assumptions: share price: \$0.19; exercise price \$0.20; term 4.73 years; expected volatility: 115%; dividend yield 0%; risk free rate: 3.49%.

The fair value of the outstanding warrants on March 30, 2023 prior to the transfer to equity was \$564,946 and was determined using the stock price on the date, as the warrants were cashless exercise at that date.

In connection with the October 2022 equity offering, the Company issued 1,739,130 waiver warrants exercisable at \$0.23 per share which expire, if unexercised, on October 12, 2027, to entice the holder of the convertible promissory note to waive their right to block the equity offering. The waiver warrants did not meet the “fixed for fixed” test and are therefore reported as liabilities at fair value through profit and loss and revalued at the end of each period. On March 30, 2023, the waiver warrants were modified to cashless exercise as described above, and therefore met the “fixed for fixed” test and were reclassified to equity.

The fair value of the waiver warrants as at December 31, 2022 was \$184,983 and was determined using the Black-Scholes Option Pricing Model with the following assumptions: share price: \$0.15; exercise price \$0.23; expected volatility: 100%; dividend yield 0%; risk free rate: 3.10%.

The fair value of the waiver warrants as at March 30, 2023 prior to transfer to equity was \$328,696 and was determined using the stock price on the date, as the warrants were cashless exercise at that date.

7. SHARE CAPITAL**(a) Authorized** Unlimited number of common shares without par value

As at March 31, 2023, the Company had 62,911,417 common shares issued and outstanding (December 31, 2022 – 44,868,560).

As of the date of issuance of these financial statements total outstanding common shares is 80,028,404.

Siyata Mobile Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in US dollars)

As at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022

7. SHARE CAPITAL (cont'd)**(b) Common share transactions**

Transactions for the three months ended March 31, 2023 are as follows:

- The Company issued 18,042,857 common shares on the exercise of various warrants for gross proceeds of \$3,608,571. Additionally, the Company issued 18,042,857 warrants to replace those warrants that were exercised. As an incentive to investors to exercise the 18,042,857 warrants, the Company issued cashless warrants to those investors that were exercisable as of March 30, 2023. As well, any holders of the \$0.23 warrants that had a ratchet provision also became cashless. As a result, 17,116,987 common shares were issued for cashless warrants subsequent to March 31, 2023 as described in Note 16.

Transactions for the three months ended March 31, 2022 are as follows:

- On January 11, 2022, the Company completed an underwritten public offering in the United States, raising a total of \$20,013,043 in gross proceeds. The Company allocated the gross proceeds firstly to the warrant liabilities, with the remainder to the common shares. Direct costs have been allocated based on the percentage allocation of the proceeds. The underwritten public offering resulted in the sale to the public of 7,215,652 Units at \$2.30 per Unit, with each Unit being comprised of one common share and one warrant (the "Unit Warrants") exercisable at \$2.30 per share. The Unit warrants are exercisable immediately and have a term of 5 years. Gross proceeds of \$10,936,974 were allocated to the common shares, and \$5,395,878 to the unit warrants liability.

In addition, the Company issued 1,480,000 pre-funded units ("Pre-Funded Units") at \$2.29 per Pre-Funded Unit. Each Pre-Funded Unit is comprised of a one-pre-funded warrant (a "Pre-Funded Warrant") to purchase one common share, and one warrant to purchase one common share. The Pre-Funded Warrant allows the holder to acquire one common share of the Company at an exercise price of \$0.01 per common share, and a warrant to purchase a common share at an exercise price of \$2.30 per share. The warrants are exercisable immediately and have a term of 5 years. Each Pre-Funded Warrant is exercisable immediately and is exercisable until all Pre-Funded Warrants are exercised. Proceeds of \$2,560,400 were allocated to the pre-funded warrants and \$1,106,747 to the unit warrants in the warrant liability.

The Company determined that the pre-funded warrants within the Pre-funded Units are common shares in substance, as they require only a minimal exercise price of \$0.01. In addition, the underwriting agreement includes both the Units and Pre-funded Units and were negotiated together in the equity raise. Given that the purpose of the Pre-funded Unit is in substance the same as that of the Unit (i.e., resulting in the ownership of both common shares and common share warrants) and that the terms of the warrants in both the Units and Pre-funded Units are the same (i.e., the obligations of the Company for the units are the same), the Company determined that the Units and Pre-funded Units are closely related and should be combined into one unit of account for the purposes of allocating proceeds.

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7. SHARE CAPITAL (cont'd)**b) Common share transactions (cont'd)**

Therefore, the proceeds from the sale of the Units and Pre-funded Units are combined and allocated among the common shares, pre-funded warrants, and the common share warrants using the residual method, with the warrant liability being initially recognized at fair value as of the registration date and the residual amount being allocated to the common shares (i.e., equity).

The Company concurrently sold an additional 1,304,347 warrants to purchase 1,304,347 common shares exercisable at \$2.30 per share (the "Option Warrants") pursuant to an over-allotment option exercised by the underwriter. The exercise price of the warrants issued in connection with the exercise of the over-allotment option was \$0.0097 per warrant. Each Option Warrant is exercisable immediately and has a term of five years from the issue date. Proceeds of \$975,393 were allocated to the option warrant liability. As the fair value of the warrant liability exceeded the proceeds received on the warrants of \$13,043, a fair value loss of \$962,350 was recognized in the statement of profit and loss as a fair value change in the opening warrant liability.

The fair value of the common shares and pre-funded units was determined by reference to the market price on the day of the offering, which was \$1.73 per share. The Unit Warrants, Warrants, and Option Warrants were valued using the Black-Scholes model using the following assumptions: initial stock price \$1.73, strike rate \$2.30, dividend yield 0%, term 5 years, volatility 60.0% and risk-free rate 0.50%.

The Company also issued warrants to the placement agents to purchase 434,783 common shares at an exercise price of \$2.53 per share (the "Placement Agent Warrants"), which are exercisable 180 days from January 11, 2022, with a term of five years. The fair value of the Placement Agent Warrants was determined to be \$307,189 using the Black-Scholes model with the following assumptions: initial stock price \$1.73, strike rate \$2.53, dividend yield 0%, term 5 years, volatility 60.0% and risk-free rate 0.50%.

The Company assessed that the warrants issued under the public offering, excluding the Placement Agent Warrants did not meet the "fixed for fixed" test and are therefore reported as liabilities at fair value through profit and loss, and revalued at the end of each period. The Placement Agent Warrants were assessed under IFRS 2 *Share Based Payments*, as equity-settled share-based payments and have been recorded in equity.

The direct costs related to the issuance of the common shares and warrants issued in the January 2022 underwritten public offering were \$2,016,895, including the value of the Placement Agent Warrants. Direct costs of \$965,248 were allocated to the warrant liability and expensed immediately in profit and loss. During the period, 1,480,000 Pre-Funded Warrants were exercised for gross proceeds of \$14,800, converting into 1,480,000 common shares that were fully issued.

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7. SHARE CAPITAL (cont'd)**(b) Common share transactions (cont'd)**

- On March 31, 2022, as part of the ClearRF acquisition (Note 3), the Company issued 138,958 shares to the vendor with a fair value of \$190,094.

(c) Stock options

The Company has a shareholder-approved “rolling” stock option plan (the “Plan”) in compliance with Nasdaq policies. Under the Plan the maximum number of shares reserved for issuance may not exceed 15% 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, 2021 | 414,568 | \$ 13.88 |
| Granted | 1,145,000 | \$ 1.15 |
| Expired/Cancelled | (53,430) | \$ 30.90 |
| Outstanding options, December 31, 2022 and March 31, 2023 | 1,506,138 | \$ 3.53 |

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

As at March 31, 2023 stock options outstanding are as follows:

| Grant Date | Number of options outstanding | Number of options exercisable | Weighted Average Exercise Price | Expiry date | Remaining contractual life (years) |
|-------------------|--------------------------------------|--------------------------------------|--|--------------------|---|
| 24-Dec-18 | 12,896 | 12,896 | \$ 54.00 | 24-Dec-23 | 0.63 |
| 15-Jan-19 | 828 | 828 | \$ 54.00 | 15-Jan-24 | 0.69 |
| 21-Mar-19 | 12,345 | 12,345 | \$ 59.00 | 21-Mar-24 | 0.87 |
| 01-Jan-20 | 2,069 | 2,069 | \$ 54.00 | 01-Jan-24 | 0.65 |
| 15-Nov-20 | 95,000 | 95,000 | \$ 6.00 | 15-Nov-30 | 7.53 |
| 15-Nov-20 | 161,500 | 161,500 | \$ 6.00 | 15-Nov-25 | 2.52 |
| 02-Jan-21 | 57,000 | 57,000 | \$ 11.50 | 02-Jan-26 | 2.65 |
| 02-Jan-21 | 5,000 | 5,000 | \$ 11.50 | 02-Jan-31 | 7.66 |
| 18-Jan-21 | 14,500 | 14,500 | \$ 11.50 | 18-Jan-26 | 2.70 |
| 01-Jan-22 | 20,000 | 12,500 | \$ 4.00 | 29-Oct-26 | 3.48 |
| 13-Apr-22 | 795,000 | 265,000 | \$ 1.10 | 13-Apr-27 | 3.93 |
| 12-Jul-22 | 330,000 | 110,000 | \$ 1.10 | 12-Jul-25 | 2.18 |
| Total | 1,506,138 | 748,638 | \$ 3.53 | | 3.51 |

Transactions for the three months ended March 31, 2022 are as follows:

- On January 1, 2022, the Company granted 20,000 stock options at \$4.00 per share that vest in 8 equal quarterly periods with the first vesting occurring on the grant date. The fair value on the date of the grant was \$54,480 (\$2.724 per option).

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7. SHARE CAPITAL (cont'd)**(d) Restricted share units**

The Company approved on February 14, 2022, the addition of the issuance of restricted share units to the existing executive stock option plan.

A summary of the Company's restricted share unit activity is as follows:

| | Number of RSU's | Weighted Average Issue Price |
|--|-------------------------|---------------------------------------|
| Outstanding RSU, December 31, 2021 | - | \$ - |
| Granted | 3,195,000 | \$ 1.05 |
| Exercised | (30,000) | \$ 1.10 |
| Outstanding RSU, December 31, 2022 and March 31, 2023 | <u>3,165,000</u> | <u>\$ 1.05</u> |

As at March 31, 2023 restricted share units outstanding are as follows:

| Grant Date | Number of RSU's outstanding | Number of RSU's exercisable | Weighted Average Issue Price |
|--|--|--|---|
| 09-Mar-22 | 2,250,000 | 1,200,000 | \$ 1.03 |
| 13-Apr-22 | 825,000 | 513,750 | \$ 1.10 |
| 12-Jul-22 | 90,000 | 37,500 | \$ 1.10 |
| Outstanding RSU, March 31, 2023 | <u>3,165,000</u> | <u>1,751,250</u> | <u>\$ 1.05</u> |

Transactions for the three months ended March 31, 2022, are as follows:

- On March 9, 2022, the Company granted 450,000 RSU's to Directors that vest immediately. On the date of granting, the fair value and stock price was \$1.03/share.
- On March 9, 2022, the Company granted 1,800,000 RSU's to a Director that vest quarterly over 12 periods with the first vesting of 150,000 RSU's occurring on the date of the granted and another 150,000 vest every three months until all of the granted RSU's have vested. On the date of granting, the fair value and the stock price was \$1.03/share.

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7. SHARE CAPITAL (cont'd)**(e) Agents' options**

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

| | Number of options | Weighted average exercise price |
|--|----------------------------------|--|
| Outstanding agent options, December 31, 2021 | 445,926 | \$ 7.51 |
| Granted | 487,283 | \$ 2.51 |
| Expired | (1,702) | \$ 20.49 |
| Outstanding agent options, December 31, 2022 and March 31, 2023 | 931,507 | \$ 4.12 |

As at March 31, 2023 agent options outstanding are as follows:

| Grant Date | Number of options outstanding | Number of options exercisable | Weighted Average Exercise Price | Expiry date | Remaining contractual life (years) |
|-------------------|--|--|--|--------------------|---|
| 29-Sep-20 | 113,500 | 113,500 | \$ 6.60 | 28-Sep-25 | 2.00 |
| 29-Sep-20 | 266,000 | 266,000 | \$ 6.85 | 28-Sep-25 | 2.00 |
| 31-Dec-20 | 64,724 | 64,724 | \$ 11.50 | 30-Jun-24 | 1.00 |
| 11-Jan-22 | 434,783 | 434,783 | \$ 2.53 | 11-Jan-27 | 4.00 |
| 01-Apr-22 | 52,500 | 52,500 | \$ 2.30 | 08-Mar-27 | 4.00 |
| Total | 931,507 | 931,507 | \$ 4.12 | | 2.98 |

Transactions for the three months ended March 31, 2022 are as follows:

- The Company issued warrants to the placement agents to purchase 434,783 common shares at an exercise price of \$2.53 per share (the "Placement Agent Warrants"), which are exercisable 180 days from January 11, 2022, with a term of five years. The fair value of the Placement Agent Warrants was determined to be \$307,189 using the Black-Scholes model with the following assumptions: initial stock price \$1.73, strike rate \$2.53, dividend yield 0%, term 5 years, volatility 60.0% and risk-free rate 0.50%. The Company also issued 52,500 agent's options with a fair value of \$61,950 with an exercise price of \$2.30.

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7. SHARE CAPITAL (cont'd)**(f) Share purchase warrants**

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

| | Number of Warrants | Weighted average exercise price |
|---------------------------------------|-----------------------|---------------------------------------|
| Outstanding, December 31, 2021 | 5,121,328 | \$ 7.64 |
| Granted | 29,139,129 | \$ 0.94 |
| Expired | (128,386) | \$ 33.47 |
| Outstanding, December 31, 2022 | 34,132,071 | \$ 1.76 |
| Granted | 18,042,857 | 0.20 |
| Exercised | (18,042,857) | 0.20 |
| Outstanding, March 31, 2023 | 34,132,071 | \$ 1.47 |

As at March 31, 2023 the share purchase warrants outstanding are as follows:

| Grant Date | Number of Warrants outstanding and exercisable | Exercise Price | Expiry date |
|--------------|--|-------------------|-------------|
| 29-Sep-20 | 1,805,585 | \$ 6.85 | 28-Sep-25 |
| 31-Dec-20 | 1,294,500 | \$ 11.50 | 30-Jun-24 |
| 11-Jan-22 | 9,999,999 | \$ 2.30 | 11-Jan-27 |
| 12-Oct-22 | 1,250,000 | Cashless | 11-Jan-27 |
| 12-Oct-22 | 1,739,130 | Cashless | 11-Jan-27 |
| 19-Jan-23 | 18,042,857 | Cashless | 18-Jan-28 |
| Total | 34,132,071 | \$ 1.47 | |

Transactions for the three months ended March 31, 2023 are as follows:

- 18,042,857 warrants were exercised. The Company issued 18,042,857 warrants to replace those warrants that were exercised. As an incentive to investors to exercise the 18,042,857 warrants, the Company issued cashless warrants to those investors that were exercisable as of March 31, 2023. As well, any holders of the \$0.23 warrants that had a ratchet provision also became cashless. As a result, 17,116,987 cashless warrants were exercised subsequent to March 31, 2023.

Transactions for the three months ended March 31, 2022 are as follows:

- 128,386 share purchase warrant expired in 2022.
- On January 11, 2022 as part of an underwritten public offering, the Company issued a total of 9,999,999 share purchase warrants, exercisable at \$2.30 per warrant and with a term of five years.

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8. COST OF SALES

| (in thousands) | March 31, 2023 | March 31, 2022 |
|-----------------------|---------------------------|---------------------------|
| Inventory expensed | \$ 971 | \$ 359 |
| Royalties | 106 | 54 |
| Other expenses | 229 | 165 |
| Total | <u>\$ 1,306</u> | <u>\$ 578</u> |

9. SELLING AND MARKETING EXPENSES

| (in thousands) | March 31, 2023 | March 31, 2022 |
|-------------------------------|---------------------------|---------------------------|
| Salaries and related expenses | \$ 705 | \$ 618 |
| Advertising and marketing | 249 | 398 |
| Travel and conferences | 49 | 29 |
| Total | <u>\$ 1,003</u> | <u>\$ 1,045</u> |

10. GENERAL AND ADMINISTRATIVE EXPENSES

| (in thousands) | March 31, 2023 | March 31, 2022 |
|-------------------------------|---------------------------|---------------------------|
| Salaries and related expenses | \$ 151 | \$ 125 |
| Professional services | 565 | 377 |
| Consulting and director fees | 263 | 419 |
| Travel | 14 | 36 |
| Office and general | 326 | 442 |
| Regulatory and filing fees | 27 | 21 |
| Shareholder relations | 46 | 239 |
| Total | <u>\$ 1,392</u> | <u>\$ 1,659</u> |

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11. TRANSACTION COSTS

Transaction costs incurred in relation to the January 2023 warrant raise and issuance described in Note 7 were \$309,000 and were included in the change in fair value of warrant liability on the statement of operations.

Transaction costs incurred in the three months ended March 31, 2022 were \$965,247, which are costs incurred for the January 11, 2022 capital raise that were allocated to the warrant liability and expensed through the statement of operations.

12. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, trade and other receivables, accounts payable and accrued liabilities and long-term debt, approximate carrying value, which is the amount recorded on the consolidated statement of financial position.

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 creditworthiness. Management has assessed there to be a low level of credit risk associated with its cash balances.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Approximately 34% of the Company's revenue for the three months ended March 31, 2023 (March 31, 2022 - 23%) is attributable to sales transactions with a single customer.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. In prior years, certain key customers were offered extended payment terms on their purchases due to slow down from Covid-19 and budget approvals for government tenders.

As a result, the Company had customers with overdue receivables on their books which resulted in the Company taking a bad debt provision on these overdue receivables which amounted to \$1,062,052 at March 31, 2023 (March 31, 2022 - \$1,056,393).

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12. FINANCIAL INSTRUMENTS (Cont'd)

More than 50% (2022 – 18%) of the Company's customers have been active with the Company for over four years, and the allowance for doubtful accounts of \$1,062,052 (2022 - \$1,056,393) 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 the 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.

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

Liquidity risk

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

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

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

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.

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12. FINANCIAL INSTRUMENTS (Cont'd)*Market risk**a) Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates is inherently involved in the calculation of the fair value of the warranty liability which are revalued based on changes parameters which include the prevailing interest rate.

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.

13. RELATED PARTY TRANSACTIONSKey Personnel Compensation

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel for the three months ended March 31, 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|---------------------|
| Payments to key management personnel: | | |
| Salaries, consulting and directors' fees | \$ 285,413 | \$ 491,889 |
| Share-based payments | 243,323 | 767,436 |
| Total | <u>\$ 528,736</u> | <u>\$ 1,259,325</u> |

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13. RELATED PARTY TRANSACTIONS (cont'd)

Salaries, consulting and directors' fees shown above are classified within profit and loss as shown below:

| Type of Service | Nature of Relationship | (in thousands) | |
|------------------------------------|--|-----------------------|-------------|
| | | 2023 | 2022 |
| Selling and marketing expenses | VP Technology/VP Sales International | \$ 46 | \$ 84 |
| General and administrative expense | Companies controlled by the CEO, CFO and Directors | \$ 239 | \$ 408 |

14. SEGMENTED INFORMATION

The Company is domiciled in Canada, and it operates and produces its income primarily in Israel, Europe and North America. The Company operates as a single segment being the sale of cellular-based communications products.

The Company's entity-wide disclosures include disaggregated information about product sales, geographical areas, and major customers.

Geographical area information is shown below:

**External revenues by Geography for the three months ended March 31
(in thousands)**

| | 2023 | 2022 |
|-----------|-------------|-------------|
| USA | \$ 1,073 | \$ 245 |
| Canada | 219 | 249 |
| EMEA | 511 | 326 |
| Australia | - | 13 |
| Total | \$ 1,803 | \$ 833 |

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14. SEGMENTED INFORMATION (cont'd)

Non-current asset geographic area information is shown below:

| (in thousands) | March 31, 2023 | December 31, 2022 |
|----------------------------|---------------------------|------------------------------|
| Long-term receivable total | \$ 146 | \$ 150 |
| Canada | - | - |
| EMEA | 146 | 150 |
| Right of use asset total | \$ 812 | \$ 887 |
| Canada | 118 | 177 |
| EMEA | 694 | 710 |
| Equipment total | \$ 200 | \$ 207 |
| Canada | - | - |
| EMEA | 200 | 207 |
| Intangibles total | \$ 7,481 | \$ 6,988 |
| Canada | - | - |
| EMEA | 7,481 | 6,988 |

Product information is shown below:

Revenue by product line for the three months ended March 31

| (in thousands) | 2023 | 2022 |
|---|-----------------|---------------|
| Cellular boosters and related accessories | \$ 438 | \$ 463 |
| Rugged devices and related accessories | 1,365 | 370 |
| Total | <u>\$ 1,803</u> | <u>\$ 833</u> |

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15. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOWS

| | Three months ended March 31 | |
|--|--|------------------------------|
| | 2023 | 2022 |
| Change in non-cash working capital: | | |
| Trade and other receivables | \$ 463,505 | \$ (6,303) |
| Prepays | (491,942) | (731,566) |
| Inventory | 528,510 | (1,060,581) |
| Advances to suppliers | (519,709) | (590,506) |
| Accounts payable and accrued liabilities | (967,476) | (836,698) |
| Deferred revenue | (149,600) | - |
| | <u><u>\$ (1,136,712)</u></u> | <u><u>\$ (3,225,654)</u></u> |

During the three months ended March 31, 2023, the Company paid \$nil (March 31, 2022 - \$2,659) in interest and \$Nil (March 31, 2022 - \$nil) in income taxes.

16. SUBSEQUENT EVENTS

Subsequent to the period end, a total of 17,116,987 cashless warrants were exercised in exchange for common shares of the Company.

The Company was issued a cease trading order by the British Columbia Securities Exchange for late filing of these Q1 2023 financial statements that were due on May 15, 2023.

The Company entered into a factoring agreement for their receivables.