

Internet of Things Inc.

Condensed Consolidated Interim Financial Statements

For the six months period ended July 31, 2018

Internet of Things Inc.

Condensed Consolidated Interim Financial Statements

As at July 31, 2018

Notice to Reader

Management has compiled the Condensed Consolidated Interim Financial Statements of Internet of Things Inc. consisting of the Statement of Financial Position as at July 31, 2018 and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months then ended. All amounts are stated in Canadian Dollars. An accounting firm has not reviewed or audited these condensed consolidated interim financial statements.

Internet of Things Inc.

Condensed Consolidated Interim Financial Statements

As at July 31, 2018

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Internet of Things Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

Statements of Financial Position

	July 31, 2018	January 31, 2018
Assets		
Current		
Cash	\$ 536,496	\$ 1,216,328
Accounts receivable	100,015	-
Prepaid and sundry assets	431,857	199,993
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	1,068,368	1,416,321
Non-current		
Property and equipment (Note 5)	8,143	3,956
Investments – BrainGrid (JV) (Note 6)	333,688	333,688
Intangibles (Note 4)	1,414,968	-
	<hr/>	<hr/>
	\$ 2,825,167	\$ 1,753,965
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Liabilities		
Current		
Accounts payable	\$ 242,141	\$ 331,454
Accrued liabilities	361,351	-
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	603,492	331,454
Equity		
Share capital (Note 8)	10,198,742	9,473,309
Shares and contingent shares to be issued (Note 4)	1,002,000	-
Contributed surplus (Notes 8 and 9)	369,897	392,744
Warrants reserve	1,838,051	2,270,887
Deficit	(11,187,015)	(10,714,429)
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	2,221,675	\$ 1,422,511
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	\$ 2,825,167	\$ 1,753,965
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved by the Board

/s/ Michael Frank
Director

/s/ Millard Roth
Director

Internet of Things Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and six months ended July 31, 2018 and 2017

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	For the three months ended		For the six months ended	
	July 31		July 31	
	2018	2017	2018	2017
Revenue	\$ 63,714	\$ -	\$ 63,714	\$ -
Expenses				
General and administrative expenses	183,983	97,008	282,281	137,583
Direct cost	7,060	-	7,060	-
Management fees (Note 10)	49,000	27,000	86,000	54,000
Professional and consulting fees	11,463	35,146	71,413	54,742
Joint venture cost	-	-	90,000	-
Share-based payments (Note 9)	-	-	-	4,402
Amortization – intangible	-	19,204	-	39,033
Depreciation – property and equipment (Note 5)	420	169	613	207
Total Expenses	251,926	178,527	537,367	289,967
Net loss for the period	(188,212)	(178,527)	(473,653)	(289,967)
Accretion expense	-	9,690	-	36,633
Interest expense (income)	(1,804)	18,974	(1,848)	52,316
Foreign exchange (gain) / loss	781	-	781	-
Net comprehensive loss for the period	\$ (187,189)	\$ (207,191)	\$ (472,586)	\$ (378,916)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares - basic and diluted	196,624,557	162,260,057	192,604,886	155,607,858

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

Internet of Things Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended July 31, 2018 and 2017

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	Issued Share Capital		Shares to be Issued	Contributed Surplus	Warrant Reserve	Deficit	Total
	Number of Shares	Amount					
Balance as at February 1, 2017	152,677,557	\$ 6,894,979	\$ -	\$ 561,316	\$ 1,135,595	\$ (9,253,962)	\$ (662,072)
Warrants Issued	-	(435,065)	-	-	435,065	-	-
Warrants Exercised	1,500,000	151,200	-	-	(38,700)	-	112,500
Stock Option exercised	2,480,000	204,473	-	(80,473)	-	-	124,000
Issued shares – Convertible	7,150,000	715,000	-	-	-	-	715,000
Share-based payments charged to operations	-	-	-	4,402	-	-	4,402
Loss for the period	-	-	-	-	-	(378,916)	(378,916)
Balance as at July 31, 2017	163,807,557	\$ 7,530,587	\$ -	\$ 485,245	\$ 1,531,960	\$ (9,632,878)	\$ (85,086)
Issued shares – private placement	23,000,000	2,300,000	-	-	-	-	2,300,000
Issued shares – convertible	2,810,000	281,000	-	-	-	-	281,000
Equity portion of convertible debt	-	200,774	-	(200,774)	-	-	-
Issued shares – finders' shares	487,000	48,700	-	-	-	-	48,700
Share issuance cost	-	(219,450)	-	-	-	-	(219,450)
Warrants exercised	500,000	57,075	-	-	(19,575)	-	37,500
Stock options exercised	400,000	33,640	-	(13,640)	-	-	20,000
Warrants issued - private placement	-	(407,427)	-	-	407,427	-	-
Warrants issued - convertible conversion	-	(261,334)	-	-	261,334	-	-
Warrants issued – finders' warrants	-	(90,256)	-	-	90,256	-	-
Warrants expired	-	-	-	515	(515)	-	-
Share-based payments charged to operations	-	-	-	121,398	-	-	-
Loss for the period	-	-	-	-	-	(1,081,551)	(1,081,551)
Balance as at January 31, 2018	191,004,557	\$ 9,473,309	\$ -	\$ 392,744	\$ 2,270,887	\$(10,714,429)	\$ 1,422,511
Warrants exercised	3,450,000	538,980	-	-	(280,230)	-	258,750
Warrants expired	-	40,106	-	-	(40,106)	-	-
Stock option exercised	670,000	56,347	-	(22,847)	-	-	33,500
Shares to be issued – warrant exercised	-	-	195,833	-	(112,500)	-	83,333
Shares to be issued – acquisition consideration (note 4)	-	-	806,167	-	-	-	806,167
Loss for the period	-	-	-	-	-	(472,586)	(472,586)
Issued shares – finder's shares	1,500,000	90,000	-	-	-	-	90,000
Balance as at July 31, 2018	196,624,557	\$ 10,198,742	\$ 1,002,000	\$ 369,897	\$ 1,838,051	\$(11,187,015)	\$ 2,221,675

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

Internet of Things Inc.

Condensed Consolidated Interim Statements of Cash Flows
For the three and six months ended July 31, 2018, and 2017
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	For the three months ended July 31		For the six months ended July 31	
	2018	2017	2018	2017
Cash flow from operating activities				
Net loss for the period	\$ (187,189)	\$ (207,191)	\$ (472,586)	\$ (378,916)
Changes in non-cash working capital				
Accretion expense	-	9,690	-	36,633
Depreciation	420	19,373	613	39,240
Joint venture cost	-	-	90,000	-
Shared-based payments	-	-	-	4,402
	(186,768)	(178,128)	(381,972)	(298,641)
Working capital adjustments:				
(Increase) / decrease in accounts receivable	(100,015)	-	(100,015)	-
Decrease (increase) in prepaid and other receivables	(24,471)	(53,184)	(231,864)	(55,046)
Increase (decrease) in accounts payable and liabilities	458,814	28,820	272,038	14,338
Cash used in continuing operating activities	147,559	(202,492)	(441,814)	(339,349)
Cash flow from investing activities				
Purchase property and equipment	(4,800)	-	(4,800)	(3,350)
Payment for acquisition	(608,801)	-	(608,801)	-
Cash used in investing activities	(613,601)	-	(613,601)	(3,350)
Cash flow from financing activities				
Proceeds from warrant exercise	83,333	-	342,083	112,500
Proceeds from option exercise	-	76,500	33,500	124,000
Increase (decrease) in loans payable	-	65,499	-	128,416
Cash Provided by financing activities	83,333	141,999	375,583	364,916
Net change in cash	(382,709)	(60,493)	(679,832)	22,217
Cash, beginning of period	919,205	90,263	1,216,328	7,553
Cash, end of period	\$ 536,496	\$ 29,770	\$ 536,496	\$ 29,770

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

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

1. Corporate Information

Internet of Things Inc. ("the Company" or "ITT Inc") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Ontario and its shares are listed on the TSX Venture Exchange. The consolidated financial statements of the Company as at and for the period ended July 31, 2018 comprise the Company and its wholly owned subsidiary of IoT Labs Inc. and Weather Telematics Inc.

Internet of Things Inc. is an IoT technology accelerator and industry acquisition company. The Company is focused on accelerating IoT-based technology companies, and the development and implementation of disruptive IoT-based solutions. The Company will partner with companies across a wide range of industries to leverage the power of IoT.

The head office, principal address, registered office, and records of the Company are located at 151 Bloor Street West, Suite 703, Toronto, Ontario, Canada, M5S 1S4.

On May 14, 2015 the Company received approval to transfer its listing from the NEX to the TSX Venture Exchange following the closing of the Change of Business Transaction between the Company and Double Door Communications Inc. ("Double Door"). In conjunction with the Change of Business ("COB"), the Company raised a total of \$525,000 in a private placement financing as convertible debenture and the shares of the Company were listed as a Tier 2 issuer on the TSX-V. The COB involved the acquisition of all of the issued and outstanding common shares of Double Door by the Company. Concurrently with the closing of the COB, the Company changed its name to Internet of Things Inc. and the name of Double Door to IoT Labs Inc.

These consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on September 28, 2018.

Going Concern

Since inception, the Company has incurred losses amounting to \$11,187,015. During the six-month period ended July 31, 2018, the Company reported a net comprehensive loss of \$472,586 (2017 – \$378,916). As at July 31, 2018, the Company had working capital of \$464,878 (2017 – \$848,945). The ability of the Company to continue as a going concern is dependent upon generating profitable operations from its acquisition and change of business, the continuing financial support of shareholders or other investors, or obtaining new financing on commercial terms acceptable to the Company. All of these outcomes are uncertain and cast significant doubt over the ability of the Company to continue as a going concern.

The accompanying consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments to reflect any events since July 31, 2018 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS in effect as at January 31, 2018.

Basis of presentation

The accompanying consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency, and include the accounts of IoT Labs Inc. and Weather Telematics Inc. All significant intercompany accounts and transactions have been eliminated.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these Interim Financial Statements are the same as those applied by the Company in its Financial Statements for the year ended January 31, 2018.

New Standards Adopted in Current Year

IFRS 2 'Share-based Payment' was issued by the IASB in June 2016. These amendments provide clarification on how to account for certain types of share-based transaction. The amendments are effective for the annual period beginning on or after January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRS 9 'Financial Instruments: Classification and Measurement', introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. Under IFRS 15, revenue from the sale of licenses would be recognized at a point in time when control over the products has been transferred to the customer. The Company transfers control and satisfied its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18. IFRS 15 is effective for the Company on January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements. Note that as a result of IFRS 15, the disaggregated revenue has been disclosed in Note 14.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

4. Acquisition of Weather Telematics Inc.

On June 1, 2018, the Company acquired Weather Telematics Inc. (“WTX Inc.”) through purchase all of the issued and outstanding shares in WTX Inc. for \$1.53 million. On closing, the Company paid \$230,000 in cash. \$300,000 cash will be paid on the 6-month anniversary post-closing. In addition, 20,833,332 Internet of Things Inc.’s treasury shares priced at \$0.0963 will be released with 50% or 10,416,666 shares over three years in three equal tranches of 3,472,222 shares on the 12th month, 24th month and 36th month anniversaries post closing. The 50% balance or 10,46,666 shares to be released on WTX Inc. achieving \$8.2 million minimum net sales target over 36 months with pro rata releases every six months.

The following table summarizes the consideration paid and the net assets acquired at acquisition:

Considerations:

Cash	\$	530,000
Fair value of 10,416,666 shares – to be issued		729,167
Acquisition cost		155,801
Total Consideration Transferred	\$	1,414,968
Fair value of assets acquired:		
Total assets	\$	178,828
Total liabilities		(178,828)
Intangible - unallocated purchase price		1,414,968
Acquiree's identifiable net assets	\$	1,414,968

5. Property and Equipment

Cost, February 1, 2017	\$	-
Addition		3,350
Cost, July 31, 2017	\$	3,350
Addition		1,262
Cost, January 31, 2018	\$	4,612
Addition		4,800
Cost, July 31, 2018	\$	9,412
Accumulated depreciation, February 1, 2017	\$	-
Charge for the period		207
Accumulated depreciation, July 31, 2017	\$	207
Charge for the period		449
Accumulated depreciation, January 31, 2018	\$	656
Charge for the period		613
Accumulated depreciation, July 31, 2018		1,269
Net book value, February 1, 2017	\$	-
Net book value, July 31, 2017	\$	3,143
Net book value, January 31, 2018	\$	3,956
Net book value, July 31, 2018	\$	8,143

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

6. Investment in BrainGrid

On December 15, 2015, the Company and BrainGrid Corporation ("BrainGrid") a designer, manufacturer, and marketer of advanced digital communication devices and software systems that enable the Internet of Things, have entered into a joint venture agreement. The joint venture company, BrainGrid Solutions Ltd. ("BrainGrid Solutions") will market, sell and distribute BrainGrid's flagship product, the Sentroller and related BrainGrid IoT technology applications. In September 2017, the Company terminated the joint venture.

The Company also acquired a minority equity position in BrainGrid for \$500,000 as an initial investment with an option to increase its interest over the next 6 months. The carrying value of the investment has been adjusted to reflect the market value of the shares held by the Company resulting in an unrealized loss of \$166,312 as at January 31, 2018.

The Company issued 15.5 million warrants to BrainGrid as it directs, with each warrant exercisable into a common share at an exercise price of \$0.05 per share for a period of 60 months. Any common shares issued pursuant to the exercise of the warrants shall be subject to resale restrictions during the first 24 months, with 5% of the shares being available for resale on a monthly basis following expiration of the four-month hold period. The fair value of the warrants (\$1,047,000) were included in the cost of the investment. Subsequently to the initial recognition, the Company recorded an impairment on the investment of \$1,047,000 included in the consolidated statements of comprehensive loss as at January 31, 2017. In September 2017, the Company signed joint venture termination agreement and recalled 6 million warrants from BrainGrid. These warrants are held in trust until being reassigned.

In addition, the Company issued 900,000 warrants to an arm's length party as a finder's fee, each warrant exercisable into a common share at an exercise price of \$0.05 per share for a period of 60 months. Any shares issued pursuant to the exercise of these warrants will be subject to the same resale restrictions as govern the warrants issued to BrainGrid. The fair value of these warrants was determined to be \$46,800 and was expensed on the consolidated statements of comprehensive loss within the general and administrative expenses in January 2016.

The fair value of the Finder Warrants to be issued were determined using the Black-Scholes option pricing model using the following assumptions:

	Finder Warrant	Warrants to BrainGrid
Share price	\$0.055	\$0.07
Exercise price	\$0.05	\$0.05
Expected life	2 years	4.35 years
Volatility	170%	195.44%
Dividend yield	0%	0%
Interest rate	0.68%	0.64%
Fair Value	\$0.05	\$0.0675

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

7. Investment in New Hope IoT Intl Inc.

In May 2017, the Company signed agreement with New Hope Data Technology Co. Ltd. to form a joint venture, New Hope IoT Int. Inc. (the “JV”). New Hope holds 49% interest and Internet of Things holds 51% interest in the joint venture. The Company will issue up to a total of 28 million common shares to New Hope upon the JV generating \$3.5 million in aggregate net income over the first three years. Releases will occur annually from escrow as net income milestones are achieved.

In April 2018, the Company issued 1.5 million common shares at \$0.06 per share for a total consideration of \$90,000 as a finder’s fee on the transaction.

For the period ended July 31, 2018, there has been no activity within the joint venture.

8. Share Capital and Warrants Reserve

Authorized

Unlimited First Preferred shares, may be issued in series with rights and restrictions as determined by the Board of Directors

Unlimited Second Preferred shares, may be issued in series with rights and restrictions as determined by the Board of Directors

Unlimited Common shares

As at July 31, 2018, 5,500,000 (2017 – 5,500,000) common shares are held in escrow.

Transactions

During the period, 670,000 options were exercised to common shares for the proceeds of \$33,500, 3,450,000 warrants were exercised to common shares for the proceeds of \$258,750 and 600,000 warrants from convertible debenture A were expired.

In April 2018, the Company issued 1.5 million common shares at \$0.06 per share for a total consideration of \$90,000 as a finder’s fee on the New Hope transaction.

9. Share-Based Payments

In January 2018, the Stock Option Plan was approved by the Company’s shareholders. The Stock Options Plan was adopted to provide the Company with a share ownership incentive to attract, retain and motivate qualified executives, directors, employees and consultants, to reward their contributions.

The Stock Option Plan provides that, subject to the requirements of TSX-V, the aggregate number of Common Shares reserved for issuance, set aside and made available for issuance under the Stock Option Plan may not exceed 10% of the number of issued Common Shares of the Company at the time the options are granted. The maximum number of Common Shares which may be reserved for issuance in any 12-month period to any one individual, upon exercise of all stock options held by that individual, may not exceed 5% of the issued and outstanding Common Shares, calculated at the date the option was granted. The maximum number of options which may be granted in any 12-month period to participants under the Stock Option Plan engaged in investor relations activities may not exceed 2% of the issued and outstanding Common Shares, calculated at the date the option was granted.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

9. Share-Based Payments - continued

During the period, 670,000 stock options were exercised at an exercise price of \$0.05 for the gross proceeds of \$33,500. These options have grant date fair value of \$0.0341.

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price
Outstanding as at February 1, 2017	13,600,000	\$ 0.05
Granted	1,500,000	0.09
Exercised	(2,480,000)	0.05
Outstanding as at July 31, 2017	12,620,000	0.05
Exercised	(400,000)	0.05
Outstanding as at January 31, 2018	12,220,000	0.05
Granted	3,000,000	0.07
Exercised	(670,000)	0.05
Outstanding as at July 31, 2018	14,550,000	0.06
Option exercisable as at February 1, 2017	11,700,000	\$ 0.05
Option exercisable as at July 31, 2017	12,620,000	\$ 0.05
Option exercisable as at January 31, 2018	12,220,000	\$ 0.05
Option exercisable as at July 31, 2018	12,200,000	\$ 0.06

The weighted average remaining contractual life for the stock options outstanding as at July 31, 2018 was 2.84 years (2017 – 3.19 years). The weighted average grant-date fair value of options granted to consultants during the period has been estimated at \$0.0685 using the Black-Scholes option-pricing model. The estimated fair value of the options granted is expensed over the options vesting periods.

10. Related Party Balances and Transactions

The Company incurred management fees to related parties in the amount of \$86,000 (2017 - \$54,000), \$30,000 (2017 - \$30,000) paid to the CEO and \$24,000 (2017 - \$24,000) paid to the CFO and \$32,000 (2017 - \$nil) paid to COO.

The Company was charged \$ 24,218 (2017 – \$22,126) to a corporation with director and officer in common for rent, administration, office charges and telecommunications.

11. Financial Risk Management Objectives and Policies

Capital management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders (note 1).

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2018, and 2017

11. Financial Risk Management Objectives and Policies - continued

The Company includes deficiency in assets, comprised of issued common shares, warrants reserve, and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its current joint venture. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. As described in note 1, the Company has a working capital of \$464,878 (2017 working capital deficiency - \$848,945) and requires the continuing financial support of shareholders or other investors or new financing on commercial terms acceptable to the Company.

Fair value

The fair value of the Company's financial assets and financial liabilities approximate their recorded values at July 31, 2018 and 2017 for all assets.

12. Subsequent Event

On September 5, 2018, Internet of Things' wholly-owned subsidiary, Weather Telematics Inc. was granted a patent from the European Patent Office for the mobile collection, analysis and processing of meteorological data, originally filed in 2015.