INTERNET OF THINGS INC.

Consolidated Financial Statements

For the Years Ended January 31, 2019 and 2018

INTERNET OF THINGS INC.
Consolidated Financial Statements
As at January 31, 2019 and January 31, 2018

Contents

Independent Auditor's Report

To the Shareholders of Internet of Things Inc.:

Opinion

We have audited the consolidated financial statements of Internet of Things Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2019 and January 31, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2019 and January 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net comprehensive loss during the year ended January 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

June 10, 2019 — Licensed Public Accountants

INTERNET OF THINGS INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars, unless otherwise stated)
As at January 31, 2019 and January 31, 2018

	Notes	**January 31, 2019**	January 31, 2018
Assets			
Current assets			
Cash		**$ 288,120**	$ 1,216,328
Investments	**4**	**209,325**	-
Accounts receivable		**50,139**	-
Prepaids and sundry assets		**153,592**	199,993
		701,176	1,416,321
Non-current assets			
Property and equipment		**7,260**	3,956
Investment	**4, 7**	**-**	333,688
Intangible assets	**5, 6**	**544,575**	-
Goodwill	**6**	**661,596**	-
		$ 1,914,607	$ 1,753,965
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**11**	**$ 481,166**	$ 331,454
Acquisition payments	**6**	**134,756**	-
		615,922	331,454
Contingent acquisition consideration	**6**	**81,307**	-
		697,229	331,454
Equity			
Share capital	**9**	**10,045,658**	9,473,309
Shares to be issued	**6**	**709,336**	-
Contributed surplus	**9, 10**	**1,008,563**	392,744
Warrants reserve	**9**	**1,897,525**	2,270,887
Deficit		**(12,443,704)**	(10,714,429)
		1,217,378	1,422,511
		$ 1,914,607	$ 1,753,965

Going concern *(Note 1)*

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

Approved by the Board

Signed: **"Ronald Shuttleworth"**
Director

Signed: **"Millard Roth"**
Director

INTERNET OF THINGS INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, unless otherwise stated)

For the years ended January 31, 2019 and 2018

	Share Capital		Shares and	Contributed	Warrants	Deficit	Total
	Number of Shares	Amount	Contingent Shares To Be Issued	Surplus	Reserve		
Balance, February 1, 2017	**152,677,557**	**$ 6,894,979**	**$ -**	**$ 561,316**	**$1,135,595**	**$ (9,253,962)**	**$(662,072)**
Issued shares – private placement	23,000,000	2,300,000	-	-	-	-	2,300,000
Issued shares – convertible debenture	9,960,000	996,000	-	-	-	-	996,000
Equity portion of convertible debt	-	200,774	-	(200,774)	-	-	-
Issued shares – finders' shares	487,000	48,700	-	-	-	-	48,700
Share issuance cost	-	(219,450)	-	-	-	-	(219,450)
Warrants exercised	2,000,000	208,275	-	-	(58,275)	-	150,000
Stock options exercised	2,880,000	238,113	-	(94,113)	-	-	144,000
Warrants issued – private placement	-	(842,492)	-	-	842,492	-	-
Warrants issued – debenture conversion	-	(261,334)	-	-	261,334	-	-
Warrants issued – finders' warrants	-	(90,256)	-	-	90,256	-	-
Warrants expired	-	-	-	515	(515)	-	-
Share-based payments charged to operations (Note 10)	-	-	-	125,800	-	-	125,800
Loss for the year	-	-	-	-	-	(1,460,467)	(1,460,467)
Balance, January 31, 2018	**191,004,557**	**$ 9,473,309**	**$ -**	**$ 392,744**	**$ 2,270,887**	**$ (10,714,429)**	**$ 1,422,511**
Stock options exercised	670,000	56,347	-	(22,847)	-	-	33,500
Warrants exercised	3,450,000	393,417	-	-	(134,667)	-	258,750
Warrants expired	-	-	-	427,445	(427,445)	-	-
Warrants – compensation warrants	-	-	-	-	286,038	-	286,038
Shares issued – settlement of debt	799,585	32,585	-	-	-	-	32,585
Shares to be issued – warrant exercise	-	-	200,620	-	(97,288)	-	103,332
Shares to be issued – acquisition consideration	-	-	508,716	-	-	-	508,716
Share-based payments charged to operations (Note 10)	-	-	-	211,221	-	-	211,221
Loss for the year	-	-	-	-	-	(1,729,275)	(1,729,275)
Finder's shares	1,500,000	90,000	-	-	-	-	90,000
Balance, January 31, 2019	**197,424,142**	**$ 10,045,658**	**$ 709,336**	**$ 1,008,563**	**$ 1,897,525**	**$ (12,443,704)**	**$ 1,217,378**

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

INTERNET OF THINGS INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollar, unless otherwise stated)
For the years ended January 31, 2019 and 2018

	Notes	2019	2018
Revenue		**$ 222,357**	$ -
Expenses			
Direct cost		**52,680**	-
Management fees	**11**	**223,500**	108,000
Professional and consulting fees		**469,141**	272,063
General and administrative expenses	**11**	**798,734**	340,210
Joint venture – finder's fee	**8**	**90,000**	-
Impairment loss in goodwill and intangible assets	**5, 6**	**159,896**	251,225
Share-based payments	**10**	**497,259**	125,800
Amortization – intangible assets	**5, 6**	**83,711**	58,864
Depreciation – property and equipment		**1,496**	656
		2,376,417	1,156,818
Loss from operations before undernoted items		**(2,154,060)**	(1,156,818)
Accretion expense		-	77,624
Interest expense (income)		**(3,273)**	70,053
Change in fair value of investment	**7**	-	166,312
Change in fair value of contingent consideration	**6**	**(176,888)**	-
Gain on investments		**(42,008)**	-
Gain on settlement of debt	**9**	**(44,416)**	-
Foreign exchange loss		**1,696**	-
Net loss for the year before income taxes		**(1,889,171)**	(1,470,807)
Income tax (recovery)	**12**	**(159,896)**	(10,340)
Net loss and comprehensive loss for the year		**(1,729,275)**	(1,460,467)
Loss per share - basic and diluted		**$ (0.01)**	$ (0.01)
Weighted average number of common shares - basic and diluted		**195,658,144**	160,937,102

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

INTERNET OF THINGS INC.

Statements of Cash Flows
(Expressed in Canadian Dollar, unless otherwise stated)
For the years ended January 31, 2019 and 2018

	2019	2018
Cash flow from operating activities		
Net loss for the year	**$ (1,729,275)**	$ (1,460,467)
Adjustments to net profit for non-cash items:		
Accretion expense	-	77,624
Depreciation and amortization	**85,207**	59,520
Share-based payments	**497,259**	125,800
Foreign exchange loss	**1,696**	-
Impairment loss in goodwill and intangible	**159,896**	251,225
Income tax recovery	**(159,896)**	(10,340)
Joint venture – finder's fee	**90,000**	-
Gain on settlement of debt	**(44,416)**	-
Fair value adjustment of investment	**(42,008)**	166,312
Change in fair value of contingent consideration	**(176,888)**	-
	(1,318,425)	(790,326)
Changes in non-cash working capital:		
(Increase) in accounts receivables	**14,524**	-
(Increase) decrease in prepaids and other receivables	**46,401**	(178,427)
Increase (decrease) in accounts payable and accrued liabilities	**70,969**	(29,610)
	(1,186,531)	(998,363)
Cash flow from investing activities		
Purchase of equipment	**(4,800)**	(4,612)
Payment for acquisition, net of cash acquired	**(298,832)**	-
Purchase of investment	**(100,000)**	-
Proceeds from sale of investments	**266,372**	-
	(137,260)	(4,612)
Cash flow from financing activities		
Proceeds from warrant exercise	**362,083**	150,000
Proceeds from option exercise	**33,500**	144,000
Repayment of loans	-	(211,500)
Proceeds from private placement	-	2,300,000
Share issuance cost	-	(170,750)
	395,583	2,211,750
(Decrease) increase in cash	**(928,208)**	1,208,775
Cash, beginning of year	**1,216,328**	7,553
Cash, end of year	**$ 288,120**	$ 1,216,328

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

1. Corporate Information and Going Concern

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 year ended January 31, 2019 comprise the Company and its wholly owned subsidiaries being Weather Telematics Inc. and IOT Labs Inc. The Company has a 51% interest in New Hope IoT Int'l Inc. joint venture with New Hope Data Technologies Co. Ltd. The Company's joint venture with BrainGrid Limited was terminated in 2017.

Internet of Things Inc. (the "Company" or "ITT Inc.") is a strategic investor and operator of emerging technology companies with innovative IoT, Artificial intelligence ("AI") and Blockchain solutions. It operates data-driven industrial IoT companies that deliver significant benefit to the verticals they serve.

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.

These consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on June 10, 2019.

Going Concern

Since inception, the Company has incurred losses amounting to $12,443,704 (2018 - $10,714,429). During the year, the Company reported a net comprehensive loss of $1,729,275 (2018 –$1,460,467). As at January 31, 2019, the Company had working capital of $85,254 (2018 – $1,084,867). The ability of the Company to continue as a going concern is dependent upon generating profitable operations from its acquisitions or obtaining new equity and/or debt 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 January 31, 2019 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.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS in effect as at January 31, 2019.

Basis of presentation

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

3. Summary of Significant Accounting Policies

Revenue recognition

IFRS 15, Revenue Recognition from Contracts with Customers ("IFRS 15")

On February 1, 2018, the Company adopted the new rules under IFRS 15. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard also provides guidance relating to principal versus agent relationships, licenses of intellectual property, contract costs and the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures are also required under the new standard.

The Company completed a detailed assessment of its customer contracts as at February 1, 2018 and determined that there was no impact to amounts reported in consolidated financial statements of the adoption of the new standard.

The Company has identified its revenues are usage-based licensing on a monthly subscription basis. It provides customer right to use either the raw data sent from all of its mobile platforms or to use processed information sent from application interface. The Company recognizes revenue based on monthly subscription in accordance with the customer contract. The subscription is dependent upon the number of sensors that are deployed times monthly fees per unit. The revenue is recognized when the number of units deployed during the month has been confirmed to the customer and measured at an agreed amount to which the Company expects to be entitled. Revenues earned from usage-based licenses of intellectual property are recognized only after the performance obligation has been satisfied.

Financial Instruments

The Company has adopted IFRS 9 using a modified retrospective approach from February 1, 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortized cost if it is held with the objective of holding assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

3. Summary of Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

The Company measures trade receivable at amortized cost. FVTPL election was not made to eliminate or significantly reduce an accounting mismatch. With this measurement model, the credit impairment, interest revenue and foreign exchange gains or losses are recognized in the consolidated statement of comprehensive loss. On derecognition of asset, gains or losses are recognized in the consolidated statement of comprehensive loss.

New impairment requirements use an "expected credit loss" ("ECL") model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The investment classifications "Available-for-sale financial assets" and "Held-to-maturity investments" are no longer used and "Financial assets at fair value through other comprehensive income" was introduced. There were no investments held in these categories as at January 31, 2019.

Under the "Expected credit loss" model, the Company calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

A debt investment shall be measured at fair value through other comprehensive income if it is held with the objective of holding assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss ("FVTPL") unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income ("OCI").

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the future cash flows from a financial asset or a group of financial assets has been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

3. Summary of Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

Other financial liabilities - This category includes all other financial liabilities, all of which are recognized at amortized cost.

This standard has been applied on a retrospective basis, however, this guidance had no impact on the Company's consolidated financial statements.

The Company's financial instruments consist of the following:

Financial assets	Original Classification (IAS 39)	New Classification (IFRS 9)
Cash	FVTPL	Amortized cost
Receivable and sundry assets	Loans and receivables	Amortized cost
Investments	Available for sale	FVTPL
Financial Liabilities		
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Fair value hierarchy

The Company classifies its financial instruments accounted for at fair value according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

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

All of the Company's financial assets accounted for at fair value are classified within level 1 of the fair value hierarchy.

3. Summary of Significant Accounting Policies (Cont'd)

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in deficiency in assets or other comprehensive loss.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impact of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas where estimates are significant to these consolidated financial statements are as follows:

i) The estimates used in determining the stock option and warrant fair values, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model. The Company uses Monte Carlo method to evaluate the options with market based vesting conditions.

ii) The fair value of intangibles and goodwill acquired from acquisitions and estimates on any applicable impairment.

iii) Significant judgment is involved in the determination of the useful life for the computation of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.

3. Summary of Significant Accounting Policies (Cont'd)

Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted earnings per share if their inclusion would be anti-dilutive.

Warrants

From time to time, the Company may issue warrants as a means of raising capital. The Company values warrants using the Black-Scholes pricing model. Any transaction costs arising on the issue of warrants are recognized in equity as a reduction of the proceeds from warrants. In the event that warrants are exercised, the fair value of the warrants issued is reclassified from warrants to share capital. In the event that warrants expire unexercised, their value is transferred from warrants to share-based payment reserve.

Share-based payments

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock based on their fair value over the period of vesting using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

(Expressed in Canadian Dollar, unless otherwise stated)

3. Summary of Significant Accounting Policies (Cont'd)

Property and equipment

Property and equipment are initially recorded at cost. Depreciation is provided using methods outlined below at rates intended to depreciate the cost of assets over their estimated useful lives.

Method	Rate	
Computer and office equipment	Declining balance	20 %

Intangible assets

Intangible assets acquired are recorded at fair value when acquired during a business acquisition. Intangible assets are amortized over their estimated useful lives of 5 years.

Standards, amendments and interpretations to existing accounting standards that are not yet effective

The following pronouncements issued by the IASB and interpretations published by IFRIC became effective for annual periods beginning on or after January 1, 2019.

Effective for periods beginning on or after January 1, 2019

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low 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. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company has assessed there will be no effect of IFRS 16 after adopting the standard on its effective date.

4. Investments

The Board of Directors has overall responsibility of the establishment and oversight of the Company's investments.

The Company's investments are as follows:

	January 31, 2019	January 31, 2018
TruTrace Technologies Inc. (**CSE.TTT**)	$ 15,337	$ -
BrainGrid Limited (**CSE.BGRD**) (Note 7)	193,988	333,688
	$ 209,325	$ 333,688

(Expressed in Canadian Dollar, unless otherwise stated)

5. Acquisition of IoT Labs Inc.

On April 30, 2015, the Company acquired IoT Labs Inc. (formerly Double Door Communications Inc.) through the purchase all of the issued and outstanding shares in IoT Labs Inc.. On closing, the Company issued 10,000,000 shares of Internet of Things Inc. In addition, the Company committed to issue a maximum of 5,000,000 additional shares of Internet of Things Inc. based on achievement of certain revenue targets.

The targets were not met, as IoT Labs Inc. generated approximately $60,000 of revenue for the year ended December 31, 2015.

Common Shares issued were subject to all applicable securities and regulatory hold periods. In addition to regulatory hold periods, the 10,000,000 Common Shares issued at the Closing Date were released to the vendors over a period of 8 months, commencing on the four month anniversary of the Closing Date and ending on the twelve month anniversary of the Closing Date, (the "Share Escrow Period").

As a result of the Company's annual impairment test, it was determined that impairment existed for the goodwill. The impairment arose primarily as a result of unsuccessful efforts in utilizing technology acquired from IoT Labs Inc. to create sales revenue. This created a goodwill impairment loss of $55,070 in the 2018 fiscal year.

The chart below outlines the net book value of the software technology.

Cost, February 1, 2015 and January 31, 2018	$	393,388
Accumulated amortization:		
Accumulated depreciation, February 1, 2016	$	59,000
Amortization for the year		79,369
Accumulated depreciation, January 31, 2017	**$**	**138,369**
Amortization for the year		58,864
Impairment		196,155
Accumulated depreciation, January 31, 2018 and 2019	**$**	**393,388**
Net book value, January 31, 2017	**$**	**255,019**
Net book value, January 31, 2018 and 2019	**$**	**-**

6. Acquisition of Weather Telematics Inc.

On June 1, 2018, the Company acquired Weather Telematics Inc. ("WTX Inc.") through the purchase of all of the issued and outstanding shares in WTX Inc. On closing, the Company paid $230,000 in cash. $300,000 cash adjusted for working capital will be paid subsequent to closing. In addition, 20,833,332 Internet of Things Inc.'s treasury shares may 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. These shares are recorded as shares to be issued at the end of the year. The 50% balance or 10,416,666 are shares to be released upon WTX Inc. achieving $8.2 million minimum net sales target over 36 months with pro rata releases every six months. These shares are described as performance shares.

(Expressed in Canadian Dollar, unless otherwise stated)

6. Acquisition of Weather Telematics Inc. (Cont'd)

The performance shares represent contingent consideration which has been classified as a liability and is remeasured at each reporting date in accordance with IFRS 9. The Company allocated $258,195 to performance shares at the acquisition date. Management assessed the probability of the anticipated progress towards the $8.2 million target and discounted the share value to present value in order to derive a fair value of $81,307 as at January 31, 2019. A corresponding gain of $176,888 was recorded in the Statement of Comprehensive Loss.

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

Consideration:		
Cash	$	458,164
Fair value of consideration shares		508,716
Fair value of performance shares		258,195
Total Consideration Transferred	**$**	**1,225,075**
Fair value of assets acquired:		
Total assets	$	103,411
Total liabilities and deferred taxes		(328,114)
Intangibles		628,286
Goodwill		821,492
Acquiree's identifiable net assets	**$**	**1,225,075**

The chart below outlines the net book value of the intangibles.

Cost, June 1, 2018	$	628,286
Amortization for the year		83,711
Accumulated depreciation, January 31, 2019	**$**	**83,711**
Net book value, January 31, 2019		**$544,575**

At January 31, 2019, the Company assessed for impairment the recoverable amount of goodwill and the intangibles. The Company applied the value in use method, using a five-year (and related terminal value) discounted cash flow model. The future cash flows were discounted at a rate of 47.5%. As a result of this assessment, the recoverable amount was determined to be less than its carrying value, resulting in an impairment charge of $159,896 on the consolidated statement of comprehensive loss. At the end of the year, the company recognized $159,896 as income tax recovery.

(Expressed in Canadian Dollar, unless otherwise stated)

7. Investment in BrainGrid Limited

On December 15, 2015, the Company and BrainGrid Limited ("BrainGrid") a designer, manufacturer, and marketer of advanced digital communication devices and software systems that enable the Internet of Things, entered into a joint venture agreement. The joint venture company, BrainGrid Solutions Ltd. ("BrainGrid Solutions”) was set up to market, sell and distribute BrainGrid's flagship product, the Sentroller and related BrainGrid IoT technology applications.

The Company also acquired a minority equity position in BrainGrid for $500,000 as an initial investment and the Company has forfeited the option to increase its interest in BrainGrid. The carrying value of the investment was adjusted to reflect the market value of the shares held by the Company resulting in an unrealized gain of $61,312 on January 31, 2019. In December 2018, BrainGrid issued 2,500,000 shares to the Company for its $500,000 investment. In January 2019, the Company sold 1,000,000 shares on the public market and recorded a loss of $34,700.

The Company issued 15.5 million warrants to BrainGrid as it directed, 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) was 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 during the year ended January 31, 2017.

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 line item for the year ended January 31, 2017.

The fair value of the Finder Warrants and warrants to BrainGrid 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

(Expressed in Canadian Dollar, unless otherwise stated)

8. New Hope IoT Int'l Inc. Joint Venture

In May 2017, the Company signed an agreement with New Hope Data Technology Co. Ltd. ("New Hope") to form a joint venture, New Hope IoT Int'l Inc. New Hope holds a 49% interest and Internet of Things holds a 51% interest in the joint venture. The Company will issue 28 million common shares to New Hope subject to performance milestones based upon the joint venture generating $3.5 million in aggregate net income over the first three years with annual releases from escrow as 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 years ended January 31, 2019 and 2018, there has been no financial activity within the joint venture.

9. 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

Transactions

In March 2017, $20,000 of convertible debentures were converted into 200,000 common shares and 200,000 warrants were issued. A $150,000 convertible debenture was converted into 1,500,000 common shares.

In April 2017, $301,000 of convertible debentures were converted into 3,010,000 common shares and 3,010,000 warrants were issued.

In May 2017, $144,000 of convertible debentures were converted into 1,440,000 common shares and 1,440,000 warrants were issued.

In June 2017, $100,000 of convertible debentures were converted to 1,000,000 common shares.

In January 2018, $281,000 of convertible debentures were converted into 2,810,000 common shares and 2,810,000 warrants were issued.

During fiscal year 2018, 2,000,000 warrants were exercised to common shares for $150,000; 2,880,000 stock options were exercised for $144,000.

(Expressed in Canadian Dollar, unless otherwise stated)

9. Share Capital and Warrants Reserve (Cont'd)

On January 29, 2018, the Company closed a non-brokered private placement of 23,000,000 equity units of the Company at a price of $0.10 per equity unit for gross proceeds of $2,300,000. Each equity unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole Warrant entitles the holder to acquire one common share of the Company for a period of 24 months from the date of issuance of the Warrant and the exercise price is $0.18 per share.

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 for New Hope transaction.

In October 2018, the Company issued 799,585 common shares with a fair value of $31,983 on settlement of debt amounting to $77,000 related to Weather Telematics Inc. acquisition. The Company recorded a gain on settlement of debt of $44,416 in the consolidated statement of comprehensive loss.

During fiscal year 2019, 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 Series A expired.

The Company issued 5,000,000 warrants in May 2018, and 1,000,000 warrants in January 2019. The exercise price is $0.05 and set to be expired on January 5th, 2021. The fair value of the Warrants was determined using the Black-Scholes option pricing model using the following assumptions:

	January 31, 2019	January 31, 2018
Weighted Average Remaining Contractual Life (Years)	2.56	1.66
Weighted Average Exercise Price	0.06	0.095
Weighted Average Volatility	130%	131%
Weighted Average Dividend Yield	0%	0%
Weighted Average Fair Value	$0.048	$0.087

10. Share-Based Payments

In August 2011, 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 the Exchange, 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.

(Expressed in Canadian Dollar, unless otherwise stated)

10. Share-Based Payments (Cont'd)

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price
Outstanding as at February 1, 2018	**13,600,000**	**0.05**
Granted	1,500,000	0.09
Exercised	(2,880,000)	0.05
Outstanding as at January 31, 2018	**12,220,000**	**0.05**
Granted	4,600,000	0.06
Exercised	(670,000)	0.03
Expired	(2,000,000)	0.02
Forfeited	(500,000)	0.003
Outstanding as at January 31, 2019	**13,650,000**	**0.06**
Options exercisable as at January 31, 2018	12,220,000	$0.05
Options exercisable as at January 31, 2019	**10,950,000**	**$0.06**

The fair value of the options was determined using the Black-Scholes option pricing model using the following assumptions:

	January 31, 2019	January 31, 2018
Weighted Average Share Price	$0.05	$0.09
Weighted Average Exercise Price	$0.06	$0.09
Weighted Average Expected Life (Years)	3.84	5
Weighted Average Volatility	173%	176%
Weighted Average Dividend Yield	0%	0%
Weighted Average Fair Value	$0.048	$0.08

The fair value of the options granted with market based vesting conditions was determined using the Monte Carlo simulation with the following assumptions: risk free rate of return of 1.96%, expected share volatility of 104%, dividend yield of 0% and expected life of five years.

The weighted average remaining contractual life for the stock options outstanding as at January 31, 2019 was 2.73 years (2018 – 2.83 years). The weighted average stock price for the options outstanding as at January 31, 2019 was $0.06 (2018 - $0.05). $497,259 (2018 - $125,800) of stock-based compensation expense was recorded during the year ended January 31, 2019.

(Expressed in Canadian Dollar, unless otherwise stated)

11. Related Party Balances and Transactions

As at January 31, 2019, the Company incurred management fees to related parties in the amount of $223,500 (2018 - $108,000) and consulting fees to related parties in the amount of $83,333 (2018 - $83,333), of which $55,000 was paid to the CEO (2018 - $60,000), $ 44,000 was paid to the CFO (2018 - $45,239), $73,000 was paid to the COO (2018 - $nil), and $158,379 in fees and expenses including taxes (2018 – $97,852) were included in accounts payable.

The Company was charged $37,595 (2018 - $53,642) by a corporation with director and officer in common for rent, administration, office charges and telecommunications. At the end of the year, $2,033 (2018 - $27,499) was included in accounts payable.

Options granted to related parties during the year have a fair value of $198,060 (2018 - $nil).

12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rates is as follows:

	2019	2018
Net loss before recovery of income taxes	$ (1,729,275)	$ (1,470,807)
Statutory rate	26.5%	26.5 %
Expected income tax recovery	$ (458,258)	$ (389,764)
Share based compensation and non-deductible expenses	128,138	26,136
Intangible assets with no tax basis	159,896	
Increase (decrease) resulting from: Change in tax benefits not recognized	10,328	353,288
Income tax (recovery) - deferred	(159,896)	$ (10,340)

The following table summarizes the components of deferred tax:

	2019	2018
Deferred tax assets		
Non-capital losses carried forward	$ 480,260	$ -
Deferred tax liabilities		
Intangible asset	(480,260)	-
Net deferred tax	$ -	$ -

(Expressed in Canadian Dollar, unless otherwise stated)

12. Income Taxes (Cont'd)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2019	2018
Balance at the beginning of year	-	(10,340)
Recognized on acquisition	(159,896)	-
Recognized in profit/loss	159,896	10,340
Recognized in equity	-	-
Recognized in goodwill	-	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
	$	$
Non-capital losses carried forward	3,879,450	3,133,980
Share issue costs	102,450	136,600
Investments	112,080	166,310
Intangible assets	-	66,775

The Canadian non-capital loss carries forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2026	$ 3,680
2027	78,060
2028	124,330
2029	345,120
2030	98,820
2031	95,490
2032	97,220
2033	141,750
2034	183,210
2035	200,860
2036	389,780
2037	347,060
2038	1,028,590
2039	1,225,730
	$ 4,359,700

13. 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).

The Company includes deficiency in assets, comprised of issued common shares, contributed surplus, 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 ventures. 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 working capital of $85,254 (2018 - $1,084,867) and requires equity and/or debt financings 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 January 31, 2019 and 2018 for all assets except the convertible debentures.

14. Subsequent Events

Subsequent to the year end, 4,333,332 warrants were exercised for $216,667; 1,000,000 stock options were exercised for $50,000.