INTERNET OF THINGS INC.

Consolidated Financial Statements

For the Years Ended January 31, 2020 and 2019

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For the Years Ended January 31, 2020 and January 31, 2019

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., (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2020 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year 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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 audit 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 of the consolidated financial statements, which indicates that the Company incurred a net loss of $2,051,725 during the year ended January 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by $995,439. 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 Matter

The consolidated financial statements of the Company for the year ended January 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on June 10, 2019.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

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 audit 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 audit 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, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 matters 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 Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
July 13, 2020
Toronto, Ontario

INTERNET OF THINGS INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars, unless otherwise stated)

As at January 31, 2020 and January 31, 2019

	Notes	January 31, 2020	January 31, 2019
Assets			
Current assets			
Cash		**$ 43,286**	$ 288,120
Investments	**4**	**-**	209,325
Accounts receivable		**75,480**	50,139
Prepaids and sundry assets	**5**	**51,141**	153,592
		169,907	701,176
Non-current assets			
Property and equipment	**6**	**5,808**	7,260
Intangible assets	**7,8**	**422,016**	544,575
Goodwill	**7,9**	**-**	661,596
		$ 597,731	$ 1,914,607
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**11**	**$ 864,419**	$ 481,166
Deferred revenue		**9,488**	-
Loan payables	**12**	**291,439**	-
Acquisition payments	**7**	**-**	134,756
		1,165,346	615,922
Contingent acquisition consideration	**7**	**14,969**	81,307
		1,180,315	697,229
Equity			
Share capital	**13**	**10,718,320**	10,045,658
Shares to be issued	**7**	**339,144**	709,336
Contributed surplus	**13,14**	**1,988,828**	1,008,563
Warrants reserve	**14**	**866,553**	1,897,525
Deficit		**(14,495,429)**	(12,443,704)
		(582,584)	1,217,378
		$ 597,731	$ 1,914,607

Going concern *(Note 1)*

Subsequent events *(Note 20)*

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

Approved by the Board

Signed: **"James Grimes"**

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, 2020 and 2019

	Share Capital Number of Shares	Amount	Shares and Contingent Shares To Be Issued	Contributed Surplus	Warrants Reserve	Deficit	Total
Balance, February 1, 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	-	(22,857)		-	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 14)	-	-	-	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**
Stock options exercised	1,200,000	90,240	-	(30,240)	-	-	60,000
Shares issued –warrants exercised	2,066,666	200,620	(200,620)	-	-	-	-
Warrants exercised	2,266,667	212,230	-	-	(98,897)	-	113,333
Shares to be issued – acquisition consideration	3,472,222	169,572	(169,572)	-	-	-	-
Warrants expired	-	-	-	932,075	(932,075)	-	-
Share-based payments charged to operations (Note 14)	-	-	-	78,430	-	-	78,430
Loss for the year	-	-	-	-	-	(2,051,725)	(2,051,725)
Balance, January 31, 2020	**206,429,697**	**$ 10,718,320**	**$ 339,144**	**$ 1,988,828**	**$ 866,553**	**$ (14,495,429)**	**$ (582,584)**

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, 2020 and 2019

	Notes	2020	2019
Revenue	**17**	**$ 329,699**	$ 222,357
Expenses			
Direct cost		**111,006**	52,680
Management fees		**126,000**	223,500
Professional and consulting fees		**532,425**	469,141
General and administrative expenses	**18**	**655,262**	798,734
Joint venture – finder's fee	**10**	**-**	90,000
Impairment loss in goodwill	**9**	**661,596**	159,896
Share-based payments	**14**	**78,430**	497,259
Amortization – intangible assets	**8**	**122,559**	83,711
Depreciation – property and equipment	6	**1,452**	1,496
Total Expenses		**2,288,730**	2,376,417
Loss from operations before undernoted items		**(1,959,031)**	(2,154,060)
Interest expense (income)		**51,738**	(3,273)
Change in fair value of contingent consideration	**7**	**(66,338)**	(176,888)
Loss (Gain) on investments	**4**	**107,363**	(42,008)
Gain on settlement of debt		**-**	(44,416)
Foreign exchange (gain) loss		**(69)**	1,696
Loss for the year before income taxes		**(2,051,725)**	(1,889,171)
Income tax (recovery)	**16**	**-**	(159,896)
Net loss and comprehensive loss for the year		**(2,051,725)**	(1,729,275)
Loss per share - basic and diluted		**$ (0.01)**	$ (0.01)
Weighted average number of common shares - basic and diluted		**204,704,553**	195,658,144

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, 2020 and 2019

	Note	2020	2019
Cash flow from operating activities			
Net loss for the year		**$ (2,051,725)**	$ (1,729,275)
Adjustments to net profit for non-cash items:			
Depreciation and amortization	**8,6**	**124,011**	85,207
Share-based payments	**14**	**78,430**	497,259
Foreign exchange loss			1,696
Impairment loss in goodwill	**8**	**661,596**	159,896
Income tax recovery		**-**	(159,896)
Joint venture – finder's fee	**10**	**-**	90,000
Gain on settlement of debt		**-**	(44,416)
Fair value adjustment of investment	**4**	**107,364**	(42,008)
Change in fair value of contingent consideration	**7**	**(66,338)**	(176,888)
		(1,146,662)	(1,318,425)
Changes in non-cash working capital:			
(Increase) decrease in accounts receivables		**(25,341)**	14,524
(Increase) decrease in prepaids and other receivables		**102,451**	46,401
Increase (decrease) in accounts payable and accrued liabilities		**383,253**	70,969
Increase (decrease) in deferred revenue		**9,488**	-
		(676,811)	(1,186,531)
Cash flow from investing activities			
Purchase of equipment		**-**	(4,800)
Payment for acquisition, net of cash acquired		**(134,756)**	(298,832)
Purchase of investment		**-**	(100,000)
Proceeds from sale of investments	**4**	**101,961**	266,372
		(32,795)	(137,260)
Cash flow from financing activities			
Proceeds from warrant exercise	**13**	**113,333**	362,083
Proceeds from option exercise	**13**	**60,000**	33,500
Proceeds from loans	**12**	**291,439**	-
		464,772	395,583
(Decrease) increase in cash		**(244,834)**	(928,208)
Cash, beginning of year		**288,120**	1,216,328
Cash, end of year		**$ 43,286**	$ 288,120

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, 2020 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.

Internet of Things Inc. (the "Company" or "ITT Inc.") is a software and solutions provider in the artificial intelligence and industrial IoT markets.

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 July 13, 2020.

Going Concern

Since inception, the Company has incurred losses amounting to $14,495,429 (2019 - $12,443,704). During the year, the Company reported a net loss of $2,051,725 (2019 –$1,729,275). As at January 31, 2020 the Company had working capital deficiency of $995,439 (2019 – working capital $85,254). 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 material uncertainties that cast significant doubt on the Company's ability 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, 2020 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this material uncertainty. These adjustments could be material.

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, 2020.

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”)

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 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.

The Company has identified its revenues are usage-based licensing. 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.

IFRS 9 Financial Instruments

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.

All financial instruments are classified into either fair value through profit of loss (“FVTPL”) or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Investments	Amortized cost
Accounts receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payables	Amortized cost
Contingent consideration	FVTPL

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

IFRS 9 Financial Instruments (Cont'd)

The Company measures trade receivable at amortized cost. 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.

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 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 FVTPL to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at FVTPL, 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 FVTPL 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.

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.

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

IFRS 9 Financial Instruments (Cont'd)

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

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.

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

Accounting standards issued but not yet adopted

IFRS 3 Business combinations

The IASB published amendments to IFRS 3 "Business Combinations". The amendment clarifies the definition of a business and outputs. The amendment also adds guidance that determines if substantive processes have been acquired or if an acquired set of activities and assets is a business. The amendments are effective for fiscal years beginning on or after January 1, 2020. The Company will apply these amendments to IFRS 3 to applicable future acquisitions.

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. The Company's estimate of a CGU's or group of CGUs' recoverable amount is based on value in use ("VIU") and involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity. The future cash flow estimates are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business.

iii) Business combination. The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the consideration transferred to the fair value of the identifiable assets acquired and the liabilities assumed. The Company applies judgment in identification of identifiable intangible assets. The Company uses external parties with the requisite expertise to determine the acquisition-date fair values of certain identifiable assets acquired.

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

Significant accounting judgments and estimates (Cont'd)

iv) 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. The indicators of impairment are reviewed on a quarterly basis this assessment involves significant judgement.

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.

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

Share-based payments (Cont'd)

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.

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 %

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the company to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to the consolidated statement of profit and loss. On the acquisition of a business, the Company assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Business combinations are initially accounted for on a provisional basis. The Company respectively adjusts the provisional amounts recognized and also recognizes additional assets or liability during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period extends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the Company receives all the information possible to determine the fair value.

Goodwill

Goodwill is initially recognized at cost, being the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible acquired assets and liabilities assumed at the date acquired and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

(Expressed in Canadian Dollar, unless otherwise stated)

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

Goodwill (Cont'd)

Subsequently, goodwill assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The annual impairment test requires comparing the carrying values of the CGU's goodwill to their recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company determines the value in use, using estimated future cash flows discounted at an after-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of the CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period. Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal. The value-in-use is the present value of the estimated future cash flows relating to the assets using a pre-tax discounted rate specific to the asset or cash-generating unit

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.

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, 2020	January 31, 2019
TruTrace Technologies Inc. (**CSE.TTT**)	**$ -**	$ 15,337
BrainGrid Limited (**CSE.BGRD**)	**-**	193,988
	$ -	$ 209,325

During the year, the Company received $101,961 from the sales of the investments and realized loss of $107,364.

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.

(Expressed in Canadian Dollar, unless otherwise stated)

4. Investments (Cont'd)

Investment in BrainGrid Limited

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. In December 2018, BrainGrid issued 2,500,000 shares to the Company for its $500,000 investment. During fiscal 2020, the Company sold 1,553,000 shares on the public market and recorded a loss of $94,180.

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	0.87 years	1.59 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)

5. Prepaids and Sundry Assets

Prepaids and sundry assets includes the government receivables arising from HST recovery.

	January 31, 2020	January 31, 2019
HST recovery	**$ 15,046**	$ 59,721
Other prepaids	**36,095**	93,871
	$ 51,141	$ 153,592

6. Property and Equipment

	Computer and office equipment
Cost, February 1, 2018	$ 4,612
Addition	4,800
Cost, January 31, 2019	9,412
Addition	-
Cost, January 31, 2020	**$ 9,412**
Accumulated depreciation, February 1, 2018	656
Charge for the year	1,496
Accumulated depreciation, January 31, 2019	2,152
Charge for the year	1,452
Accumulated depreciation, January 31, 2020	**3,604**
Net book value, January 31, 2019	7,260
Net book value, January 31, 2020	**5,808**

7. 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.

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 $14,969 as at January 31, 2020 (2019 – $81,307). A corresponding gain of $66,338 (2019 –$176,888) was recorded in the Statement of Comprehensive Loss.

(Expressed in Canadian Dollar, unless otherwise stated)

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

On February 28, 2019, the Company made a payment of $44,239 to the vendors of WTX Inc. In March 2019, the Company made payment of $6,900 to the vendor of WTX Inc. In June 2019, 12 months from the closing date, the Company made final payment of $98,802 to WTX vendors excluding $10,000 contingent funds and issued 3,472,222 shares to WTX's vendors. In August 2019, the Company paid out $10,000 contingent funds withheld previously.

If the transaction had taken place on February 1, 2018, it is estimated that the assets acquired had contributed incremental revenues and net loss before taxes of $333,536 and $(336,089) respectively, for the year ended January 31, 2019.

Goodwill arose on the acquisition of WTX as the cost of the consideration paid for the combination effectively included amounts for the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for the tax purposes.

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**

8. lntangible assets

The chart below outlines the net book value of the technology:

Balance, January 1, 2018	$	-
Addition through acquisition		628,286
Amortization for the year		83,711
Accumulated depreciation, January 31, 2019	**$**	**83,711**
Amortization for the year		122,559
Accumulated depreciation, January 31, 2020	**$**	**206,270**
Net book value, January 31, 2019	**$**	**544,575**
Net book value, January 31, 2020	**$**	**422,016**

(Expressed in Canadian Dollar, unless otherwise stated)

9. Goodwill

Balance, February 1, 2018	$	-
Cost		
Additions through acquisition	$	821,492
Impairment loss		159,896
Net book value, January 31, 2019	**$**	**661,596**
Impairment loss during the year	**$**	**661,596**
Net book value, January 31, 2020	**$**	**-**

In determining a goodwill impairment loss of $661,596 (2019 - $159,896) the Company applied the value in use method, using a five-year (and related terminal value) discounted cash flow model. The Company reviewed cash flow projections during a forecasted period based on expected revenue growth and gross margins (67%) throughout the forecast period. The cash flows beyond the five-year period have been extrapolated using a steady 2.0% per annum growth rate which is the projected long-term average growth rate. The recoverable amount used a pre-tax discount rate of 45.5% (2019 – 47.5%) per annum.

10. 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, 2020 and 2019, there has been no financial activity within the joint venture.

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	January 31, 2020	January 31, 2019
Trade accounts payable	**$ 313,447**	$ 359,456
Interest payable	**19,803**	-
Payroll and related	**123,320**	33,361
Other accruals	**407,849**	88,349
	$ 864,419	$ 481,166

(Expressed in Canadian Dollar, unless otherwise stated)

12. Loan Payables

		January 31, 2020
(i)	Loans payable, short-term bridge loan	$ 6,000
(ii)	Loans payable, interest bearing at 9% per annum payable upon full repayment of the principal, due on demand	$ 50,000
(iii)	Loans payable, set-up fee of 5%, interest bearing at 9% per annum payable upon full repayment of the principal, due on demand	$ 235,439
		$ 291,439

(i) $6,000 loan advanced by related party as a short-term unsecured bridge loan. Subsequent to the year end, this loan from the related party was fully repaid.

(ii) At the end of year January 31, 2020, Internet of Things Inc. recorded unsecured loan of $50,000. The loan is due on demand with bearing 9% interest per annum. Subsequent to the year end, $30,000 loan was settled by the common shares at $0.01 per share.

As of January 31, 2020, Weather Telematics recorded loan of $235,439. This bridge loan carries 9% interest per annum and 5% lending fee on each 90-day term along with the registration of a general security agreement in favour of the lender. Included in loans payable is a secured loan to Weather Telematics of $21,053 from related parties. Interest of $2,440 to related parties was accrued as disclosed in Note 15. Subsequent to the year end, $168,799 was settled by common shares at $0.01 per share and $67,427 was repaid in cash.

13. 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 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.

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.

(Expressed in Canadian Dollar, unless otherwise stated)

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

Authorized (Cont'd)

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.

During fiscal year 2020, 1,200,000 stock options were exercised at an exercise price of $0.05 for the gross proceeds of $60,000. These options have grant date fair value of $0.0143 per share.

2,066,666 warrant were exercised at the end of 2019 fiscal year. The shares were released in February 2019. Additional 2,266,667 warrants were exercised during the fiscal year at an exercise price of $0.05 for the proceeds of $113,333.

In June 2019, 12 months from the closing date May 31, 2018, the Company issued 3,472,222 shares to WTX's vendors.

On January 26, 2020, 11,500,000 Series D warrants were expired and 1,065,600 finders' warrants were expired. No warrants were issued during fiscal 2020.

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
Weighted Average Remaining Contractual Life (Years)	2.56
Weighted Average Exercise Price	0.06
Weighted Average Volatility	130%
Weighted Average Dividend Yield	0%
Weighted Average Fair Value	$0.048

14. 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.

(Expressed in Canadian Dollar, unless otherwise stated)

14. Share-Based Payments (Cont'd)

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.

The following summarizes the options outstanding:

	Number of Options	**Weighted Average Exercise Price**
Outstanding as at February 1, 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**
Granted	1,000,000	0.05
Exercised	(1,200,000)	0.05
Forfeited	(5,550,000)	0.072
Outstanding as at January 31, 2020	**7,900,000**	**0.05**
Options exercisable as at January 31, 2019	10,950,000	$0.06
Options exercisable as at January 31, 2020	**7,650,000**	**$0.05**

The weighted average remaining contractual life for the stock options outstanding as at January 31, 2020 was 1.27 years (2019 – 3.84 years). The pricing model assumed the weighted average risk free interest rates of 1.44% (2019 – 1.93%), weighted average expected dividend yields of Nil (2019 – Nil), the weighted average expected common stock price volatility (based on historical trading) of 138% (2019 – 173%), a forfeiture rate of zero. The weighted average exercise price for the options outstanding as at January 31, 2020 was $0.05 (2019 - $0.06), and a weighted average expected life of 1.27 years (2019 – 3.84 years), which were estimated based on past experience with stock options and option contract specifics. $78,430 (2019 - $497,259) of stock-based compensation expense was recorded during the year ended January 31, 2020.

(Expressed in Canadian Dollar, unless otherwise stated)

14. Share-Based Payments (Cont'd)

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

	January 31, 2020	January 31, 2019
Weighted Average Share Price	**$0.05**	$0.05
Weighted Average Exercise Price	**$0.05**	$0.06
Weighted Average Expected Life (Years)	**1.27**	3.84
Weighted Average Volatility	**138%**	173%
Weighted Average Dividend Yield	**0%**	0%
Weighted Average Fair Value	**$0.034**	$0.048

The vesting periods on the options granted during the year is to be vested quarterly over 12 months, commencing three months after grant date.

The fair value of 3,000,000 options granted in fiscal 2019 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.

15. Related Party Balances and Transactions

As at January 31, 2020, the Company incurred management fees to related parties in the amount of $126,000 (2019 - $223,500) and consulting fees to related parties in the amount of $102,833 (2019 - $83,333), of which $50,000 was paid to the CEO (2019 - $55,000), $48,000 was paid to the CFO (2019 - $44,000), $28,000 was paid to the COO (2019 - $73,000), and $157,388 (2019 - $158,379) management fees and consulting fees were unpaid of which $26,555 (2019 - $158,379) in fees including taxes was included in accounts payable.

As at January 31, 2020, the Company had loan payables due to the officer and directors in the amount of $27,053 (2019 - $nil) and interest payable $2,440 (2019 - $nil) disclosed in Note 12.

The Company was charged $14,517 (2019 - $37,595) by a corporation with director and officer in common for rent, administration, office charges and telecommunications. At the end of the year, $6,442 (2019 - $2,033) was included in accounts payable, $5,400 (2019 - $nil) was included in accrued liabilities.

Options granted to related parties during the year have a fair value of $42,405 (2019 - $198,060).

(Expressed in Canadian Dollar, unless otherwise stated)

16. Income Taxes

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

	2020	2019
Net loss before recovery of income taxes	**$ (2,051,725)**	$ (1,729,275)
Statutory rate	**26.5%**	26.5%
Expected income tax recovery	**(543,707)**	(458,258)
Share based compensation and non-deductible expenses	**22,878**	128,138
Goodwill with no tax basis	**175,323**	159,896
Other non-allowable potion of capital loss	**14,839**	-
Increase (decrease) resulting from: Change in tax benefits not recognized	**330,667**	10,328
Income tax (recovery) - deferred	**$ -**	$ (159,896)

The following table summarizes the components of deferred tax:

	2020	2019
Deferred tax assets		
Non-capital losses carried forward	**$ 96,309**	$ 480,260
Deferred tax liabilities		
Intangible and depreciable assets	**(96,309)**	(480,260)
Net deferred tax	**$ -**	$ -

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:

	2020	2019
Balance at the beginning of year	**$ -**	$ -
Recognized on acquisition	**-**	(159,896)
Recognized in profit/loss	**-**	159,896
Recognized in equity	**-**	-
Recognized in goodwill	**-**	-

(Expressed in Canadian Dollar, unless otherwise stated)

16. Income Taxes (Cont'd)

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:

	2020	2019
Non-capital losses carried forward	**$ 5,564,582**	$ 3,879,450
Capital losses carried forward (100%)	**214,809**	-
Share issue costs	**104,403**	102,450
Investments	**-**	112,080
Intangible assets	**-**	-

The Canadian non-capital loss carries forwards expire as noted in the table below. Share issuance 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	$ 3,675
2027	78,063
2028	124,326
2029	342,149
2030	98,824
2031	69,320
2032	29,153
2033	139,446
2034	117,696
2035	180,654
2036	453,925
2037	577,643
2038	1,355,605
2039	1,225,728
2040	1,131,806
	$ 5,928,013

17. Revenue

Revenues from Company's two largest customers accounted for 84% (2019 – 91%) of consolidated revenues for the year ended January 31, 2020. The top two customers each contributed 10% or more to the Company's revenues.

(Expressed in Canadian Dollar, unless otherwise stated)

17. Revenue (Cont'd)

Revenue by Geographic Region

	2020	2019
US	**$ 239,801**	$ 222,357
Europe	**89,898**	-
	$ 329,699	$ 222,357

18. Break Down of Expenses

The details for general and administrative expenses are as follows:

Year ended January 31	2020	2019
Salaries	**$ 499,179**	$ 341,348
Shareholder service	**116,527**	370,115
Marketing and administrative expense	**39,556**	87,271
	$ 655,262	$ 798,734

19. 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 deficiency of $995,439 (2019 – working capital surplus $85,254) and requires equity and/or debt financings on commercial terms acceptable to the Company.

19. Financial Risk Management Objectives and Policies (Cont'd)

Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation. The Company is primarily exposed to credit risk through accounts receivable. The maximum credit risk exposure is limited to the reported amounts of these financial assets. Credit risk is managed by ongoing review of the amount and aging of accounts receivable balances.

As at January 31, 2020, the Company has outstanding receivables of $75,480 (2019 - $50,139). The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

As at January 31, 2020, approximately 94%, $70,904 (2019 – 63%, $32,047) of accounts receivable balances over 30 days were not impaired. The Company's payment terms range from 30 days to 60 days from the invoice date. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Management believes that the expected credit loss allowance is adequate. The Company deposits its cash with high credit quality financial institutions, with the majority deposited within Canadian Tier 1 Banks.

Fair value

The fair value of the Company's financial assets and financial liabilities approximate their recorded values at January 31, 2020 and 2019 for all assets.

20. Subsequent Events

Private Placement

The Company closed a non-brokered private placement of 125,000,000 Units at $0.01 per Unit for gross proceeds of $1,250,000 (the "**Offering**").

Each Unit is comprised of one common share of the Company ("**Share**") and one share purchase warrant ("**Warrant**"). Each Warrant entitles the holder to acquire one additional Share of the Company at an exercise price of $0.01 per Share (on a pre-Consolidation basis and prior to the Consolidation being completed or if the Consolidation is not completed, the exercise price will be $0.05 per Share) for a period of 24 months from the date of issuance. If the volume weighted average price of the Shares on the TSXV is equal to or greater than $0.05 (on a minimum pre-Consolidation basis and $0.25 on a minimum post-Consolidation basis) for any 10 consecutive trading days, four months and a day after the closing of the Offering, The Company may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. All securities issued in connection with the Offering are subject to a statutory hold period of four months plus a day from the date of issuance.

20. Subsequent Events (Cont'd)

The Company issued 4,500,000 finder warrants in connection with the completion of the Offering, with each finder warrant exercisable into a unit ("Finder Unit") at an exercise price of $0.01 per Finder Unit (on a pre-Consolidation basis) for a period of two years. Each Finder Unit is comprised of one Share and one Warrant. Among $1.25M, $647,200 is settled by cash and $602,800 is shares for debt settlement.

On April 24, 2020, the Company announced appointment of Michael Lende as its President & CEO and to its board of directors. Mr. Lende is entitled to and issued a share-based bonus of $100,000 plus HST (the "Bonus") payable in 10,000,000 common shares of the Company and will be released to the executive based on milestones determined based on agreed contract.

Stock Option Grant

On April 21, 2020, the Board of Directors approved the grant of 15,000,000 stock options to consultants. The options have an exercise price of $0.05 per shares, vested immediately. The Options have a range of 3 to 12-month term from the date of the grant.

Loan Repayment

Subsequent to the year end, the Company has repaid loan $271,439 outstanding as at January 31, 2020.

New Subsidiary – AI Labs Inc. and Joint Venture – SMRT Labs Inc.

In April 2020. the Company incorporated a new subsidiary, AI Labs Inc. and formed a partnership with Commersive Solutions Corp. called SMRT Labs Inc.

New Product – ThermalPass™

The Company began the development of a new fever-detection system called ThermalPass™, www.thermalpass.com. ThermalPass™ will screen for higher than normal body temperatures in potential carriers of Coronavirus and other fevers. ThermalPass™ will be owned 51% by AI Labs Inc. ("AI Labs"), a wholly owned subsidiary of ITT Inc., and 49% by Commersive Solutions Corp. ("Commersive"), a developer of integrated, point-of-sale technologies. The new joint venture will combine ITT's technology assets with Commersive's end to end product ideation and development capabilities and retail market reach, to commercialize ThermalPass™ for the global marketplace.

Weather Telematics Acquisition Shares

The Company issued 3,472,222 shares to Weather Telematics ("WTX") vendors on second anniversary of WTX acquisition date. The final tranche will be issued on June 1, 2022.

20. Subsequent Events (Cont'd)

Covid - 19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Internet of Things has taken measures to protect its management, employees and contractors and has advised them to work from home and maintain a safe environment to ensure they are healthy and have minimal exposure to the risk of infection.

The Company has contacted all the parties it is working with to ensure they are all working in a safe environment. A number of such parties have had an impact on their operations and ability to collaborate, while, a large number have identified multiple new business opportunities due to COVID-19 and the stay at home order of students in many countries. Internet of Things began the development of a new fever-detection system called ThermalPass.™.