

Internet of Things Inc.

Condensed Consolidated Interim Financial Statements

For the nine-month period ended October 31, 2019

Internet of Things Inc.

Condensed Consolidated Interim Financial Statements

As at October 31, 2019

Notice to Reader

Management has compiled the Condensed Consolidated Interim Financial Statements of Internet of Things Inc. consisting of the Statement of Financial Position as at October 31, 2019 and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months then ended. All amounts are stated in Canadian Dollars. An accounting firm has not reviewed or audited these condensed consolidated interim financial statements.

Internet of Things Inc.

Condensed Consolidated Interim Financial Statements

As at October 31, 2019

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Internet of Things Inc.

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

	October 31, 2019	January 31, 2019
Assets		
Current assets		
Cash	\$ 47,189	\$ 288,120
Investment (Note 4)	-	209,325
Accounts receivable	29,912	50,139
Prepaid and sundry assets	52,651	153,592
	129,752	701,176
Non-current assets		
Property and equipment	6,174	7,260
Intangible (Note 5, 6)	452,656	544,575
Goodwill (Note 6)	650,331	661,596
	\$ 1,238,912	\$ 1,914,607
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	\$ 799,686	\$ 481,166
Acquisition payments (Note 6)	-	134,756
Loans payable (Note 9)	182,807	-
	982,493	615,922
Contingent acquisition consideration (Note 6)	81,307	81,307
	1,063,800	697,229
Equity		
Share capital (Note 10)	10,715,143	10,045,658
Shares to be issued (Note 6)	339,144	709,336
Contributed surplus (Notes 10 and 11)	1,016,812	1,008,563
Warrants reserve	1,788,725	1,897,525
Deficit	(13,684,712)	(12,443,704)
	175,112	1,217,378
	\$ 1,238,912	\$ 1,914,607

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

Approved by the Board

/s/ Millard Roth
Director

/s/ Jim Grimes
Director

Internet of Things Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and nine months ended October 31, 2019, and 2018

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

	For the three months ended		For the nine months ended	
	October 31		October 31	
	2019	2018	2019	2018
Revenue	\$ 57,275	\$ 82,452	\$ 240,103	\$ 146,166
Expenses				
General and administrative	156,214	269,027	518,637	551,308
Direct cost	29,647	21,768	83,700	28,828
Management fees (Note 12)	52,000	42,500	224,000	128,500
Professional and consulting fees	247,933	102,030	404,185	173,443
Joint venture cost	-	-	-	90,000
Share-based payments (Note 11)	15,227	41,956	25,409	41,956
Amortization – intangible	30,640	-	91,919	-
Depreciation – property and equipment	366	442	1,086	1,055
Total Expenses	532,027	477,723	1,348,936	1,015,090
Net loss for the period	(474,752)	(395,271)	(1,108,833)	(868,924)
Interest expense (income)	13,862	(2,250)	25,295	(4,098)
Loss (Gain) on sales of investments	19,996	(22,471)	107,363	(22,471)
Foreign exchange gain	(236)	(1,870)	(483)	(1,089)
Net comprehensive loss for the period	\$ (508,374)	\$ (368,680)	\$ (1,241,008)	\$ (841,266)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.006)	\$ (0.00)
Weighted average number of common shares - basic and diluted	206,429,696	196,677,863	202,528,190	194,034,578

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

Internet of Things Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended October 31, 2019 and 2018

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

	Issued Share Capital		Shares to be Issued	Contributed Surplus	Warrant Reserve	Deficit	Total
	Number of Shares	Amount					
Balance as at February 1, 2018	191,004,557	\$ 9,473,309	\$ -	\$ 392,744	\$ 2,270,887	\$(10,714,429)	\$ 1,422,511
Warrants exercised	3,450,000	393,417	-	-	(134,667)	-	258,750
Warrants expired	-	-	-	40,106	(40,106)	-	-
Stock option exercised	670,000	56,347	-	(22,847)	-	-	33,500
Shares issued – acquisition consideration	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
Finder's shares	1,500,000	90,000	-	-	-	-	90,000
Share-based payments charged to operations	-	-	-	41,956	-	-	41,956
Loss for the period	-	-	-	-	-	(841,266)	(841,266)
Balance as at October 31, 2018	197,724,142	\$ 10,045,658	\$ 709,336	\$ 451,959	\$ 1,998,826	\$(11,555,695)	\$ 1,650,084
Warrants expired	-	-	-	387,339	(387,339)	-	-
Warrants – compensation warrants	-	-	-	-	286,038	-	286,038
Share-based payments charged to operations	-	-	-	169,265	-	-	169,268
Loss for the period	-	-	-	-	-	(888,009)	(888,009)
Balance as at January 31, 2019	197,424,142	\$ 10,045,658	\$ 709,336	\$ 1,008,563	\$ 1,897,525	\$(12,443,704)	\$ 1,217,378
Shares issued – compensation warrant exercise	2,066,666	200,620	(200,620)	-	-	-	-
Shares issued – compensation warrant exercise	2,266,666	222,133	-	-	(108,800)	-	113,333
Shares issued – option exercised	1,200,000	77,160	-	(17,160)	-	-	60,000
Shares issued – acquisition consideration (note 4)	3,472,222	169,572	(169,572)	-	-	-	-
Share-based payments charged to operations	-	-	-	25,409	-	-	25,409
Loss for the period	-	-	-	-	-	(1,241,008)	(1,241,008)
Balance as at October 31, 2019	206,429,696	\$10,715,143	\$ 339,144	\$ 1,016,812	\$ 1,788,725	\$(13,684,712)	\$ 175,112

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

Internet of Things Inc.

For the three and nine months ended October 31, 2019, and 2018

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

	For the three months ended October 31		For the nine months ended October 31	
	2019	2018	2019	2018
Cash flow from operating activities				
Net loss for the period	\$ (508,374)	\$ (368,680)	\$ (1,241,008)	\$ (841,266)
Changes in non-cash working capital				
Depreciation and amortization	31,006	442	93,005	1,055
Shared-based payments	15,227	41,956	25,409	41,956
Foreign exchange gain	(236)	-	(483)	-
Joint venture cost	-	-	-	90,000
Fair value adjustment of investment	19,996	(22,471)	107,363	(22,471)
	(442,381)	(348,753)	(1,015,714)	(730,726)
Working capital adjustments:				
(Increase) / decrease in accounts receivable	37,343	32,780	20,227	(67,235)
Decrease (increase) in prepaid and other receivables	59,395	242,333	100,941	10,469
Increase (decrease) in accounts payable and accrued liabilities	302,822	(18,882)	318,521	253,156
Cash used in operating activities	(42,821)	(92,522)	(576,025)	(534,336)
Cash flow from investing activities				
Purchase of property and equipment	-	-	-	(4,800)
Adjustment on goodwill	-	-	(11,265)	-
Payment for acquisition	(10,000)	-	(159,941)	(608,801)
Purchase of investment	-	-	-	(100,000)
Sales of investment	11,760	101,072	150,160	101,072
Cash used in investing activities	1,760	101,072	(21,046)	(612,529)
Cash flow from financing activities				
Proceeds from warrant exercise	-	-	113,333	342,083
Proceeds from option exercise	-	-	60,000	33,500
Increase (decrease) in loans payable	55,789	-	182,807	-
Cash provided by financing activities	55,789	-	356,140	375,583
Net change in cash	14,727	8,550	(240,931)	(771,282)
Cash, beginning of period	32,462	436,496	288,120	1,216,328
Cash, end of period	\$ 47,189	\$ 445,046	\$ 47,189	\$ 445,046

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

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

1. Corporate Information

Internet of Things Inc. ("the Company" or "ITT Inc") is a publicly listed company under the laws 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 six months period ended October 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 and Artificial intelligence ("AI") 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.

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

These consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on December 30, 2019.

Going Concern

Since inception, the Company has incurred losses amounting to \$13,684,712. During the nine-month period ended October 31, 2019, the Company reported a net comprehensive loss of \$1,241,008 (2018 – \$841,266). As at October 31, 2019, the Company had working capital deficit of \$852,741 (2018 working capital– \$117,195). The ability of the Company to continue as a going concern is dependent upon generating profitable operations from its acquisition and change of business, the continuing financial support of shareholders or other investors, or obtaining new financing on commercial terms acceptable to the Company. All of these outcomes are uncertain and cast significant doubt over the ability of the Company to continue as a going concern.

The accompanying consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments to reflect any events since October 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.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRS in effect as at January 31, 2019.

Basis of presentation

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

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these Interim Financial Statements are the same as those applied by the Company in its Financial Statements for the year ended January 31, 2019.

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:

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

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”).

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

5. Acquisition of IoT Labs Inc. (Cont'd)

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	\$	-
Net book value, October 31, 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.

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 and a corresponding gain of \$176,888 was recorded in the Statement of Comprehensive Loss.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

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

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

Considerations:

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)
Intangible		628,286
Goodwill		821,492
Acquiree's identifiable net assets	\$	1,225,075

During the period ended July 31, 2019, the Company made following adjustment to Goodwill:

Goodwill, January 31, 2019	\$	661,596
Adjustment for the subsequent Science Research & Experiment Development assessment		(70,638)
Working capital adjustment		59,373
Goodwill at October 31, 2019	\$	650,331

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

Cost, June 1, 2018	\$	628,286
Amortization for the year		83,712
Accumulated depreciation, January 31, 2019	\$	83,712
Amortization for the period		91,919
Accumulated depreciation, October 31, 2019	\$	175,631
Net book value, January 31, 2019	\$	544,575
Net book value, October 31, 2019	\$	452,656

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.

On February 28, 2019, the Company made a payment of \$44,239 to the vendors of WTX Inc. In June 2019, 12 months from the closing date, the Company made final payment 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.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

7. Investments in BrainGrid

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

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

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

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

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

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

8. Investment in New Hope IoT Intl Inc.

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

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

8. Investment in New Hope IoT Intl Inc. (Cont'd)

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

For the period ended October 31, 2019, there has been no activity within the joint venture.

9. Loan Payable

	October 31, 2019	January 31, 2019
Loans payable, set-up fee of 5%, interest bearing at 9% per annum payable upon full repayment of the principal, due on demand	\$ 182,807	\$ -
	\$ 182,807	\$ -

- (i) At the end of the period October 31, 2019, Internet of Things Inc. recorded loan payable of \$31,579. The loan is due on demand with bearing 12% interest per annum.
- (ii) As of October 31, 2019, Weather Telematics recorded loans of \$151,228. 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 and a corporate guarantee from Internet of Things Inc. Included in loans payable is a secured loan to Weather Telematics of \$21,053 from related parties. Interest of \$1,123 to related parties was accrued as disclosed in Note 12.

10. 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

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.

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.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

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

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 the period ended July 31, 2019, 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.

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

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

11. Share-Based Payments

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

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

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

11. Share-Based Payments (Cont'd)

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	3,000,000	0.07
Forfeited	(500,000)	0.05
Exercised	(670,000)	0.05
Outstanding as at October 31, 2018	14,050,000	0.06
Granted	1,600,000	0.05
Expired	(2,000,000)	0.05
Outstanding as at January 31, 2019	13,650,000	0.06
Granted	1,000,000	0.05
Exercised	(1,200,000)	0.05
Forfeited	(4,500,000)	0.05
Outstanding as at October 31, 2019	8,950,000	0.05
Option exercisable as at February 1, 2018	12,220,000	\$ 0.05
Option exercisable as at October 31, 2018	12,450,000	\$ 0.05
Option exercisable as at January 31, 2019	10,950,000	\$ 0.05
Option exercisable as at October 31, 2019	8,200,000	\$ 0.05

The weighted average remaining contractual life for the stock options outstanding as at October 31, 2019 was 2.25 years (2018 – 2.61 years). The weighted average grant-date fair value of options granted to consultants during the period has been estimated at \$0.033 using the Black-Scholes option-pricing model. The estimated fair value of the options granted is expensed over the options vesting periods.

12. Related Party Balances and Transactions

The Company incurred management fees to related parties in the amount of \$231,500 (2018 - \$128,500) and consulting fees to related parties in the amount of \$97,556 (2018 - \$62,500), of which \$160,000 (2018 - \$35,000) paid to the CEO and \$36,000 (2018 - \$36,000) paid to the CFO, and \$35,500 (2018 - \$57,500) paid to COO. At the end of the period, \$128,000 management fees and \$85,556 consulting fee were included in accounts payable and accrued liabilities.

As of October 31, 2019, the Company had loans payable bearing 5% set-up fee, 9% interest per annum due to corporations controlled by directors in the amount of \$21,053 (2018 - \$nil). Interest expense related to these loans is \$1,123 (2018 - \$nil) of which is included in accrued liabilities.

The Company was charged \$11,817 (2018 – \$31,085) to a corporation with director and officer in common for rent, administration, office charges and telecommunications.

Internet of Things Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019, and 2018

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, warrants reserve, and deficit, in the definition of capital.

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

The Company is not subject to externally imposed capital requirements.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. As described in note 1, the Company has a working capital deficit of \$852,741 (2018 working capital - \$117,195) and requires the continuing financial support of shareholders or other investors or new financing on commercial terms acceptable to the Company.

Fair value

The fair value of the Company's financial assets and financial liabilities approximate their recorded values at October 31, 2019 and 2018 for all assets.