

**Predictiv AI Inc.**  
(Formerly Internet of Things Inc.)

**Condensed Consolidated Interim Financial Statements**

**For the nine months period ended October 31, 2020**

**Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

Condensed Consolidated Interim Financial Statements

As at October 31, 2020

**Notice to Reader**

Management has complied the Condensed Consolidated Interim Financial Statements of Predictiv AI Inc. consisting of the Statement of Financial Position as at October 31, 2020 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.

# **Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

Condensed Consolidated Interim Financial Statements

As at October 31, 2020

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**Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

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

	Notes	October 31, 2020	January 31, 2020
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 777,704	\$ 43,286
Accounts receivable		23,841	75,480
Prepaid and sundry assets	4	696,784	51,141
		1,498,329	169,907
<b>Non-current</b>			
Property and equipment	5	7,249	5,808
Intangible assets	6,7	327,773	422,016
		\$ 1,833,351	\$ 597,731
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10	\$ 460,816	\$ 864,419
Deferred revenue		19,679	9,488
Loans payable	11	-	291,439
		480,495	1,165,346
<b>Non-current</b>			
Loans payable	11	30,000	-
Contingent acquisition consideration	6	14,969	14,969
		525,464	1,180,315
<b>Equity</b>			
Share capital	12	15,969,964	10,718,320
Shares and contingent shares to be issued	6	169,572	339,144
Contributed surplus	12,13	(3,690,095)	1,988,828
Warrants reserve	12	5,556,719	866,553
Deficit		(16,698,273)	(14,495,429)
		1,307,887	\$ (582,584)
		\$ 1,833,351	\$ 597,731

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

Approved by the Board

/s/ Michael Lende

Director

/s/ Millard Roth

Director

**Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and nine months ended October 31, 2020 and 2019

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

	<b>Note</b>	<b>For the three months ended</b>		<b>For the nine months ended</b>	
		<b>October 31</b>		<b>October 31</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	15	\$ 4,879	\$ 57,275	\$ 73,353	\$ 240,103
<b>Expenses</b>					
General and administrative expenses	16,17	197,452	156,214	393,911	518,637
Direct cost		20,545	29,647	68,085	83,700
Management fees		73,000	52,000	145,000	224,000
Development expenses		137,413	-	228,330	-
Professional and consulting fees		262,639	247,933	636,859	404,185
Share-based payments		195,577	15,227	649,898	25,409
Amortization – intangible		31,415	30,640	94,243	91,919
Depreciation – property and equipment		301	366	879	1,086
<b>Total Expenses</b>		<b>918,342</b>	<b>532,027</b>	<b>2,217,205</b>	<b>1,348,936</b>
<b>Loss for the period</b>		<b>(913,463)</b>	<b>(474,752)</b>	<b>(2,143,852)</b>	<b>(1,108,833)</b>
Interest expense		22,372	13,862	56,756	25,295
Loss on investments		-	19,996	-	107,363
Foreign exchange (gain) / loss		(354)	(236)	2,236	(483)
<b>Net comprehensive loss for the period</b>		<b>\$ (935,481)</b>	<b>\$ (508,374)</b>	<b>\$ (2,202,844)</b>	<b>\$ (1,241,008)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares - basic and diluted</b>		<b>67,381,268</b>	<b>37,532,672</b>	<b>51,467,976</b>	<b>36,823,307</b>

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

# Predictiv AI Inc.

(Formerly Internet of Things Inc.)

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended October 31, 2020 and 2019

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

	Share Capital		Shares to	Contributed	Warrant		
	Issued	Amount	Be Issued	Surplus	Reserve	Deficit	Total
<b>Balance as at February 1, 2019</b>	<b>197,424,142</b>	<b>\$ 10,045,658</b>	<b>\$ 709,336</b>	<b>\$ 1,008,563</b>	<b>\$ 1,897,525</b>	<b>\$ (12,443,704)</b>	<b>\$ 1,217,378</b>
Shares issued – warrant exercised	2,066,666	200,620	(200,620)	-	-	-	-
Warrant exercise	2,266,666	212,230	-	-	(98,897)	-	113,333
Shares issued – option exercise	1,200,000	90,240	-	(30,240)	-	-	60,000
Shares to be issued – acquisition consideration	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)
<b>Balance as at October 31, 2019</b>	<b>206,429,696</b>	<b>\$ 10,718,320</b>	<b>\$ 339,144</b>	<b>\$ 1,003,732</b>	<b>\$ 1,798,628</b>	<b>\$ (13,684,712)</b>	<b>\$ 175,112</b>
Warrants expired	-	-	-	932,075	(932,075)	-	-
Share-based payments charged to operations	-	-	-	53,021	-	-	53,021
Loss for the period	-	-	-	-	-	(810,717)	(810,717)
<b>Balance as at January 31, 2020</b>	<b>206,429,696</b>	<b>\$ 10,718,320</b>	<b>\$ 339,144</b>	<b>\$ 1,988,828</b>	<b>\$ 866,553</b>	<b>\$ (14,495,429)</b>	<b>\$ (582,584)</b>
Shares issued – private placement	125,000,000	1,250,000	-	-	-	-	1,250,000
Shares issued – stock option exercise	2,400,000	203,040	-	(83,040)	-	-	120,000
Shares issued – warrant exercise	100,000	12,000	-	-	(7,000)	-	5,000
Warrants issued – private placement	-	-	-	(6,239,033)	6,239,033	-	-
Warrants issued – finders' warrants	-	(485,000)	-	-	485,000	-	-
Shares issued – acquisition consideration	3,472,222	169,572	(169,572)	-	-	-	-
Share consolidation (5.5:1)	(276,056,115)	-	-	-	-	-	-
Share issued – stock option exercise	140,000	26,348	-	(6,748)	-	-	19,600
Shares issued – warrant exercise	7,838,030	2,734,526	-	-	(2,186,268)	-	548,258
Share issued – private placement	8,336,439	1,500,559	-	-	-	-	1,500,559
Warrants issued – finders' warrants	-	(159,401)	-	-	159,401	-	-
Share-based payments charged to operations	-	-	-	649,898	-	-	649,898
Loss for the period	-	-	-	-	-	(2,202,844)	(2,202,844)
<b>Balance as at October 31, 2020</b>	<b>77,660,272</b>	<b>\$ 15,969,964</b>	<b>\$ 169,572</b>	<b>\$ (3,690,095)</b>	<b>\$ 5,556,719</b>	<b>\$ (16,698,273)</b>	<b>\$ 1,307,887</b>

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

**Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended October 31, 2020, and 2019

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

	For the three months ended October 31		For the nine months ended October 31	
	2020	2019	2020	2019
<b>Cash flow from operating activities</b>				
Net loss for the period	\$ (935,481)	\$ (508,374)	\$ (2,202,844)	\$ (1,241,008)
<b>Changes in non-cash working capital</b>				
Depreciation and amortization	31,714	31,006	95,122	93,005
Foreign exchange (gain) loss	1	(236)	(1)	(483)
Shared-based payments	195,577	15,227	649,898	25,409
Loan forgiveness	(10,000)	-	(10,000)	-
Fair value adjustment of investment	-	19,996	-	107,363
	(718,189)	(442,381)	(1,467,825)	(1,015,714)
Working capital adjustments:				
(Increase) / decrease in accounts receivable	(13,286)	37,343	51,639	20,227
Decrease (increase) in prepaid and other receivables	(267,387)	59,395	(645,643)	100,941
Increase (decrease) in accounts payable and liabilities	(194,744)	302,822	(403,602)	318,521
Increase (decrease) in deferred revenue	19,679	-	10,191	-
<b>Cash used in operating activities</b>	(1,173,927)	(42,821)	(2,455,240)	(576,025)
<b>Cash flow from investing activities</b>				
Adjustment on goodwill	-	-	-	(11,265)
Purchase property and equipment	(2,320)	-	(2,320)	-
Payment for acquisition	-	(10,000)	-	(159,941)
Proceeds from sale of investment	-	11,760	-	150,160
<b>Cash used in investing activities</b>	(2,320)	1,760	(2,320)	(21,046)
<b>Cash flow from financing activities</b>				
Proceeds from warrant exercise	548,258	-	553,258	113,333
Proceeds from option exercise	19,600	-	139,600	60,000
Proceeds from private placement	1,500,559	-	2,750,559	-
Increase (decrease) in loans payable	(270,833)	55,789	(251,439)	182,807
<b>Cash provided by financing activities</b>	1,797,584	55,789	3,191,978	356,140
<b>Net change in cash</b>	621,337	14,727	734,418	(240,931)
<b>Cash, beginning of period</b>	156,367	32,462	43,286	288,120
<b>Cash, end of period</b>	\$ 777,704	\$ 47,189	\$ 777,704	\$ 47,189

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

# **Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

## **Notes to the Condensed Consolidated Interim Financial Statements**

*For the nine months ended October 31, 2020, and 2019*

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### **1. Corporate Information**

Predictiv AI Inc. (formerly Internet of Things Inc.) ("the Company" or "PAI 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 nine months period ended October 31, 2020 comprise the Company and its wholly owned subsidiaries being Weather Telematics Inc., IOT Labs Inc., and AI Labs Inc. The Company has a 51% interest in New Hope IoT Int'l Inc. joint venture with New Hope Data Technologies Co. Ltd. In addition, the Company's 100% subsidiary AI Labs Inc. has a 51% joint venture with Commersive Solution Corp. to develop and commercialize ThermalPass™.

On August 21, 2020, the shareholders approved to change Company's name to Predictiv AI Inc. and consolidate its outstanding common shares at a ratio of 5.5 pre-consolidation shares for 1 post-consolidation shares.

PAI Inc. is a software and solutions provider in the artificial intelligence and industrial IoT markets. It is a technology company which helps businesses and organizations make smarter decisions using advanced artificial intelligence, deep machine learning and data science techniques.

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 December 22, 2020.

#### **Going Concern**

Since inception, the Company has incurred losses amounting to \$16,698,273. During the nine-month period ended October 31, 2020, the Company reported a net comprehensive loss of \$2,202,844 (2019 – \$1,241,008). As at October 31, 2020, the Company had working capital of \$1,017,834 (2019 – working capital deficit \$852,741). 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, 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 uncertainty.

### **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, 2020.



## Predictiv AI Inc.

(Formerly Internet of Things Inc.)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020, and 2019

## 2. Statement of Compliance and Basis of Preparation (Cont'd)

### 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., AI Labs 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, 2020.

## 4. Prepaids and Sundry Assets

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

	October 31, 2020	January 31, 2020
HST – tax receivable	\$ 103,088	\$ 15,046
Prepaid production cost	386,122	12,634
Other prepaids	207,574	23,461
	\$ 696,784	\$ 51,141

## 5. Property and Equipment

	Computer and office equipment
Cost, February 1, 2019	\$ 9,412
Addition	-
Cost, October 31, 2019 and January 31, 2020	9,412
Addition	2,320
<b>Cost, October 31, 2020</b>	<b>11,732</b>
Accumulated depreciation, February 1, 2019	2,152
Charge for the period	1,086
Accumulated depreciation, October 31, 2019	3,238
Charge for the period	366
Accumulated depreciation, January 31, 2020	3,604
Charge for the period	879
<b>Accumulated depreciation, October 31, 2020</b>	<b>4,483</b>
Net book value, October 31, 2019	6,174
Net book value, January 31, 2020	5,808
<b>Net book value, October 31, 2020</b>	<b>7,249</b>

## Predictiv AI Inc.

(Formerly Internet of Things Inc.)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020, and 2019

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#### 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 was 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 12<sup>th</sup> month, 24<sup>th</sup> month and 36<sup>th</sup> 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).

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.

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:

Considerations:

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

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.

## Predictiv AI Inc.

(Formerly Internet of Things Inc.)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020, and 2019

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

Additions through acquisition	\$	821,492
Impairment loss		159,896
<b>Net book value, January 31, 2019</b>	<b>\$</b>	<b>661,596</b>
Impairment loss during fiscal year 2020	\$	661,596
<b>Net book value, January 31, 2020 and October 31, 2020</b>	<b>\$</b>	<b>-</b>

#### 7. Intangible Assets

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

<b>Balance, February 1, 2019</b>	<b>\$</b>	<b>628,286</b>
Accumulated depreciation, February 1, 2019	\$	83,712
Amortization for the period		91,919
Accumulated depreciation, October 31, 2019	\$	175,631
Amortization for the period		30,639
Accumulated depreciation, January 31, 2020		206,270
Amortization for the period		94,243
<b>Accumulated depreciation, October 31, 2020</b>	<b>\$</b>	<b>300,513</b>
Net book value, July 31, 2019	\$	483,296
Net book value, January 31, 2020	\$	422,016
<b>Net book value, October 31, 2020</b>	<b>\$</b>	<b>327,773</b>

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

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

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

For the nine months ended October 31, 2020 and 2019, there has been no financial activity within the joint venture.

#### 9. SMRT Labs Inc. Joint Venture

In May 2020, the Company signed an agreement with Commersive Solutions Corp. ("Commersive Solutions"). to form a joint venture, SMRT Labs Inc. ("SMRT Inc."), AI Labs Inc. holds a 51% interest and Commersive Solutions holds a 49% interest in the joint venture. SMRT Inc. has been formed for the purpose of developing and commercializing ThermalPass™ which was conceived and developed jointly by AI Labs Inc. and Commersive Solutions. It is focused on bringing its first product ThermalPass™ to the market.

## Predictiv AI Inc.

(Formerly Internet of Things Inc.)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020, and 2019

#### 9. SMRT Labs Inc. Joint Venture (Cont'd)

SMRT Inc. incurred expenses of \$349,316 since the beginning of joint venture in May 2020. Each party has funded their respective share of expenses.

#### 10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	October 31, 2020	January 31, 2020
Trade accounts payable	\$ 378,686	\$ 313,447
Interest payable	-	19,803
Payroll and related source deduction	6,807	123,320
Other accruals	75,323	407,849
	<b>\$ 460,816</b>	<b>\$ 864,419</b>

#### 11. Loans Payables

	October 31, 2020	January 31, 2020
(i) Loans payable, short-term bridge loan	-	6,000
(ii) Loans payable, interest bearing at 9% per annum	-	50,000
payable upon full repayment of the principal, due on		
(iii) Loans payable, set-up fee of 5%, interest bearing at	-	235,439
9% per annum payable upon full repayment of the		
(iv) Canada Emergency Business Account (CEBA)	30,000	-
	<b>\$ 30,000</b>	<b>\$ 291,439</b>
Less current portion	-	(291,439)
	<b>\$ 30,000</b>	<b>\$ -</b>

- (i) \$6,000 loan advanced by related party as a short-term unsecured bridge loan.
- (ii) The loan is due on demand with bearing 9% interest per annum. During the period ended October 31, 2020, \$50,000 loan was settled by the common shares at \$0.01 per share.
- (iii) 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.
- (iv) During the period ended October 31, 2020, PAI Inc. received a loan of \$40,000 through Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small business during the COVID-19 pandemic. The CEBA loan has an initial term date on December 31, 2020 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the initial Term Date. Repaying the balance of the CEBA loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000 and this forgiveness has been recorded as a reduction of general and administrative expense.

## **Predictiv AI Inc.**

(Formerly Internet of Things Inc.)

### **Notes to the Condensed Consolidated Interim Financial Statements**

*For the nine months ended October 31, 2020, and 2019*

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## **12. 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. 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.

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

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.

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 5<sup>th</sup>, 2021.

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

## Predictiv AI Inc.

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## 12. Share Capital and Warrants Reserve (Cont'd)

### Transactions (Cont'd)

On April 22, 2020, the Company closed a non-brokered private placement of 125,000,000 equity units of the Company at a price of \$0.01 per equity unit for gross proceeds of \$1,250,000. Each equity unit is comprised of one common share of the Company and one common share purchase warrant.

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.

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

	April 22, 2020
Weighted Average Remaining Contractual Life (Years)	2
Weighted Average Exercise Price	0.01
Weighted Average Volatility	574%
Weighted Average Dividend Yield	0%
Weighted Average Fair Value	\$0.0499

In April 2020, 100,000 warrants were exercised at an exercise price of \$0.05 for the gross proceeds of \$5,000.

In May 2020, 2,400,000 stock options were exercised at an exercise price of \$0.05 or the gross proceeds of \$120,000.

In June 2020, 24 months from the closing date May 31, 2018, the Company issued 3,472,222 shares to WTX's vendors.

On August 31, 2020, the Company announced share consolidation at a ratio of 5.5 pre-consolidation shares for 1 post-consolidation share, 5.5:1. After the consolidation, the Company has 61,345,803 common shares outstanding as of August 31, 2020.

In September 2020, 6,796,364 warrants were exercised at an exercise price of \$0.055 for the gross proceeds of \$373,800, of which 430,000 finders' warrant units were exercised to 909,091 common shares.

In October 2020, 509,091 warrants were exercised at an exercise price of \$0.055 for the gross proceeds of \$28,000 of which 27,273 finders' warrant units were exercised to 54,545 common shares. 532,575 warrants were exercised at an exercise price of \$0.275 for the gross proceeds of \$146,458. 140,000 stock options were exercised at an exercise price of \$0.14 for the gross proceeds of \$19,600.

On October 8, 2020, the Company completed a non-brokered private placement of 8,336,439 common shares at a price of \$0.18 per common share for gross proceeds of \$1,500,559. The Company paid commissions to eligible finders totaling \$97,687 and 542,704 finders warrants. Each finder warrant is exercisable into a common share at an exercise price of \$0.18 per share for 2 years.

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## 12. Share Capital and Warrants Reserve (Cont'd)

### Transactions (Cont'd)

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

	October 8, 2020
Weighted Average Remaining Contractual Life (Years)	2
Weighted Average Exercise Price	0.18
Weighted Average Volatility	312%
Weighted Average Dividend Yield	0%
Weighted Average Fair Value	\$0.2937

## 13. Share-Based Payments

In December 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.

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding as at February 1, 2019</b>	<b>13,650,000</b>	<b>0.05</b>
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
Forfeited	(1,050,000)	0.05
Outstanding as at January 31, 2020	<b>7,900,000</b>	<b>0.05</b>
Granted	15,000,000	0.05
Exercised	(2,400,000)	0.05
Expired	(1,700,000)	0.05
Forfeited	(2,420,000)	0.05
5.5:1 consolidation	(12,841,819)	
Granted	1,910,000	0.14
Expired	(2,014,545)	0.05
Exercised	(140,000)	0.14
<b>Outstanding as at October 31, 2020</b>	<b>3,293,636</b>	<b>0.18</b>

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#### 13. Share-Based Payments (Cont'd)

Option exercisable as at February 1, 2019	10,950,000	\$ 0.05
Option exercisable as at October 31, 2019	8,200,000	\$ 0.05
Option exercisable as at January 31, 2020	7,650,000	\$ 0.05
Option exercisable as at October 31, 2020	3,293,636	\$ 0.18

The weighted average remaining contractual life for the stock options outstanding as at October 31, 2020 was 1.62 years (2019 – 2.25 years) which were estimated based on past experience with stock options and option contract specifics. The pricing model assumed the weighted average risk free interest rates of 0.26% (2019 – 1.44%), weighted average expected dividend yields of Nil (2019 – Nil), the weighted average expected common stock price volatility (based on historical trading) of 137% (2019 – 138%), a forfeiture rate of 7% (2019 – Nil). The weighted average exercise price for the options outstanding as at October 31, 2020 was \$0.18 (2019 - \$0.06). \$649,898 (2019 - \$25,409) of stock-based compensation expense was recorded during the period ended October 31, 2020.

#### 14. Related Party Balances and Transactions

The Company incurred management fees to related parties in the amount of \$145,000 (2019 - \$231,500) and consulting fees to related parties in the amount of \$2,500 (2019 - \$97,556), of which \$109,000 paid to the CEO (2019 - \$160,000), and \$36,000 paid to the CFO (2019 - \$36,000).

As of October 31, 2020, the Company repaid loans bearing 5% set-up fee and 9% interest per annum to corporation controlled by director in the amount of \$21,053 (2019 - \$Nil). Interest expense paid related to these loans is \$731 (2019 - \$Nil).

The Company was charged \$9,300 (2019 – \$11,817) for rent, administration, office charges and telecommunications to a corporation with director and officer in common.

#### 15. Revenue

Revenues from Company's two largest customers accounted for 43% (2019 – 93%) of consolidated revenues for the period ended October 31, 2020. The top two customers each contributed 28% and 15% to the Company's revenues.

##### Revenue by Geographic Region

	2020	2019
US	\$ 31,761	\$ 207,655
Europe	17,718	32,448
Canada	23,874	-
	\$ 73,353	\$ 240,103



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## 16. General and Administrative Expenses

The details for general and administrative expenses are as follows:

Nine months Period ended October 31	2020	2019
Salaries	\$ 237,526	\$ 389,739
Shareholder services	231,333	89,201
Sales and marketing expense	101,913	9,587
Minority interest charge	(171,165)	-
Selling, general and administrative expense	25,934	30,110
Less: Government subsidy	(31,630)	-
	\$ 393,911	\$ 518,637

## 17. Government Subsidy

The Canada Emergency Wage Subsidy ("CEWS") was announced on March 27, 2020. Effective April 11, 2020, the CEWS came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll. Due to the impact of COVID-19, the Company applied for CEWS and received \$31,630 during the period and recorded this amount as a reduction of general and administrative expense.

## 18. 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 of \$1,017,834 (2019 working capital deficit - \$852,741) 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 liabilities approximate their recorded values at October 31, 2020 and 2019 for all assets and liabilities.

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### **Notes to the Condensed Consolidated Interim Financial Statements**

*For the nine months ended October 31, 2020, and 2019*

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## **19. COVID-19**

Since January 31, 2020, 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.

PAI Inc. 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. PAI Inc. began the development of a new fever-detection system called ThermalPass.<sup>TM</sup>.