# Internet of Things Inc.

**(formerly HTN Inc.)**

# Condensed Consolidated Interim Financial Statements

## For the three-month period ended July 31, 2015

# Internet of Things Inc. (formerly HTN Inc.)

Condensed Consolidated Interim Financial Statements
As at July 31, 2015

## Notice to Reader

Management has complied the Condensed Consolidated Interim Financial Statements of Internet of Things Inc. (formerly HTN Inc.) consisting of the Statement of Financial Position as at July 31,2015 and the Statements of Comprehensive Loss, 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 interim financial statements and management discussion and analysis thereon.

# Internet of Things Inc. (formerly HTN Inc.)

Condensed Consolidated Interim Financial Statements
As at July 31, 2015

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# Internet of Things Inc. (formerly HTN Inc.)

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

**Statements of Financial Position**

| | | July 31, 2015 | | January 31, 2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | $ | **67,246** | $ | 4,771 |
| Accounts receivable | | **67,888** | | 19,509 |
| Prepaid and sundry assets | | **42,409** | | - |
| | | **177,543** | | 24,280 |
| **Non-current assets** | | | | |
| Intangibles *(note 5 )* | | **743,388** | | - |
| | $ | **920,931** | $ | 24,280 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities *(note 9)* | $ | **94,435** | $ | 230,326 |
| Loans payable *(note 6)* | | **-** | | 13,386 |
| Loans from related parties *(note 9)* | | **-** | | 31,094 |
| | | **94,435** | | 274,806 |
| Convertible debenture *(note 7)* | | **421,968** | | - |
| | | **516,403** | | 274,806 |
| **Equity** | | | | |
| Share capital *(note 8)* | | **7,210,259** | | 6,440,259 |
| Convertible debenture equity component | | **102,017** | | - |
| Contributed surplus | | **2,000** | | 2,000 |
| Warrants | | **515** | | - |
| Deficit | | **(6,910,263)** | | (6,692,785) |
| | | **404,528** | | (250,526) |
| | $ | **920,931** | $ | 24,280 |

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

Approved by the Board

Signed: ***“Michael Frank”***

Director

Signed: ***“Millard Roth”***

Director

# Internet of Things Inc. (formerly HTN Inc.)

Condensed Consolidated Interim Statements of Comprehensive Loss
For the three-month ended July 31, 2015, and 2014
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

| | For the three months ended July 31 | | For the six months ended July 31 | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| **Revenue** | $ 16,572 | $ - | $ 16,572 | $ - |
| **Expenses** | | | | |
| Management fees *(note 7)* | - | 15,000 | 15,000 | 37,850 |
| Professional and consulting fees | 95,182 | 11,386 | 109,442 | 30,574 |
| General and administrative | 37,200 | 6,478 | 93,729 | 17,363 |
| Tax credit | - | (16,903) | - | (16,903) |
| **Total Expenses** | **132,382** | **15,961** | **218,171** | **68,884** |
| **Net loss and comprehensive loss for the period** | **(115,810)** | **(15,961)** | **(201,599)** | **(68,884)** |
| Interest Expense | 15,879 | - | 15,879 | - |
| **Net loss and comprehensive loss for the period** | **$ (131,689)** | **$ (15,961)** | **$ (217,478)** | **$ (68,884)** |
| **Loss per share – basic and diluted** | **$ (0.00)** | **$ (0.00)** | **$ (0.00)** | **$ (0.00)** |
| Weighted average number of common shares - basic and diluted | 145,810,890 | 140,677,557 | 144,559,201 | 140,677,557 |

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

**Internet of Things Inc. (formerly HTN Inc.)**
Condensed Consolidated Interim Statements of Changes in Equity
For the three month ended July 31, 2015 and 2014
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

| | Issued Share Capital | | Convertible debenture equity component | Contributed | Warrant | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | | Surplus | Reserve | Deficit | Total |
| **Balance as at February 1, 2014** | **140,677,557** | **$ 6,440,259** | **$ -** | **$ -** | **$ 2,000** | **$ (6,513,120)** | **$ (70,861)** |
| Loss for the period | - | - | - | - | - | (68,884) | (68,884) |
| Warrants expired | - | - | - | 2,000 | (2,000) | - | - |
| **Balance as at July 31, 2014** | **140,677,557** | **6,440,259** | **-** | **2,000** | **-** | **(6,582,004)** | **(139,745)** |
| Loss for the period | - | - | - | - | - | (110,781) | (110,781) |
| **Balance as at January 31, 2015** | **140,677,557** | **6,440,259** | **-** | **2,000** | **-** | **(6,692,785)** | **(250,526)** |
| Issued shares – acquisition of Double Door | 15,000,000 | 750,000 | - | - | - | - | 750,000 |
| Issued shares- settlement of debt | 400,000 | 20,000 | - | - | - | - | 20,000 |
| Convertible debenture equity component | - | - | 102,017 | - | - | - | 102,017 |
| Compensation warrants | - | - | - | - | 515 | - | 515 |
| Loss for the period | - | - | - | - | - | (217,478) | (217,478) |
| **Balance as at April 30, 2015** | **156,077,557** | **$ 7,210,259** | **$ 102,017** | **$ 2,000** | **$ 515** | **$ (6,910,263)** | **$ 404,528** |

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

## Internet of Things Inc. (formerly HTN Inc.)

Condensed Consolidated Interim Statements of Cash Flows
For the three month ended July 31, 2015 and 2014
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

| | For the three months ended July 31 | | For the six months ended July 31 | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| **Cash flow from operating activities** | | | | |
| Net loss for the period | $ (131,689) | $ (15,961) | $ (217,478) | $ (68,884) |
| **Changes in non-cash working capital:** | | | | |
| Decrease (increase) in accounts receivable | 241,511 | 28,259 | 261,020 | 24,224 |
| Decrease (increase) in prepaid and other receivables | (41,333) | - | (201,970) | - |
| Increase (decrease) in accounts payable and accrued liabilities | (196,566) | 22,914 | (259,117) | 40,440 |
| | **(128,077)** | **35,212** | **(417,545)** | **(4,200)** |
| **Cash flow from financing activities** | | | | |
| Proceeds from convertible debenture, net | - | - | 525,000 | - |
| Transaction cost | - | - | (500) | - |
| Increase in (repayment of) in loans payable | - | 20,950 | (13,386) | 20,950 |
| Increase in loans to related parties | - | - | (31,094) | - |
| (Decrease) increase in bank overdraft | - | - | - | (1,546) |
| | **-** | **20,950** | **480,020** | **21,404** |
| **Increase (decrease) in cash** | **(128,077)** | **11,614** | **62,475** | **17,204** |
| **Cash, beginning of period** | 195,323 | 5,590 | 4,771 | - |
| **Cash, end of period** | **$ 67,246** | **$ 17,204** | **$ 67,246** | **$ 17,204** |

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

## 1. Corporate Information

Internet of Things Inc. (formerly HTN Inc.) ("the Company" or "IoT Inc.") was incorporated on September 27, 1994. The 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. As consideration, the Company issued an aggregate of 15,000,000 common shares to the former shareholders of Double Door, of which 5,000,000 common shares are subject to a performance escrow agreement between the vendors and the Company.

Concurrently with the closing of the COB, the Company completed a private placement financing of $525,000 of convertible debentures (the "Convertible Debentures"). The Convertible Debentures have a maturity date of two (2) years from the date of issuance and pay interest at the rate of 12% per year, calculated and payable quarterly in arrears. All amounts owing under the Convertible Debentures are secured by a fixed and floating charge against the assets of the Company.

Concurrent with the closing of the COB, Double Door is now a wholly-owned subsidiary of the Company. The Company continued under the Business Corporations Act (Ontario) ("OBCA") and changed its name to Internet of Things Inc. Upon the continuance becoming effective, the Articles of Continuance of the Company under the OBCA replaced the Articles of the Company under Alberta legislation, which among other things implemented By-law No. 1 as the general by-law of the Company. Further details can be found in the management information circular for the Company's shareholder meeting held on January 13, 2015, which is filed under the Company's profile at www.sedar.com.

The Company is an emerging technology company in the IoT space. The digital interconnection of billions of devices around the world presents one of today’s most dynamic business opportunities, incorporating industry trends such as social and mobile communications, data analytics, cloud computing and beyond, enabling early-adopters limitless versatility. Internet of Things Inc. is focused on bridging that gap by leveraging management’s extensive background in information technology and ability to develop and commercialize early-stage technology applications.

The accompanying 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.

These financial statements do not include any adjustments to the carrying values of the Company’s assets, liabilities, and expenses, or to the related statements of financial position and of loss and comprehensive loss, that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

## 2. Statement of Compliance and Basis of Preparation

### Statement of Compliance

These 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 IFRS Interpretations Committee ("IFRIC").

### Basis of Preparation

These interim financial statements have been prepared on a historical cost basis. The comparative figures presented in these interim financial statements are in accordance with IFRS.

The currency of presentation for these financial statements is the Canadian dollar.

The Company has incurred losses amounting to $6,910,263. During the six-month period ended July 31, 2015, the Company reported a net loss of $217,478 (2014 – net loss of 68,884). As at July 31, 2015, the Company had working capital of $83,108 (2014 – deficiency of $139,745). The ability of the Company to continue as a going concern is dependent upon generating profitable operations from its current 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.

These financial statements were approved by the Company's Board of Directors and authorized for issue on September 29, 2015.

## 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, 2015.

## 4. Acquisition

On April 30, 2015 the Company acquired Double Door Communications Inc. ("Double Door") including the purchase all of the issued and outstanding shares in Double Door for an aggregate purchase price of up to $750,000 payable in a common shares ("Common Shares"), and conditional shares as further detailed below.

10,000,000 shares issued on closing

5,000,000 to be issued upon achievement of certain revenue milestones

Double Door was evaluated to determine if it is considered a business for purposes of IFRS 3 business combinations. Double Door has fully defined processes and outputs, the Company determined that the acquisition was a business combination.

## 4. Acquisition (Cont'd)

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 are being released to the vendors over a period of 6 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").

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

| | | |
|---|---|---|
| Consideration Transferred: | | |
| Cash | $ | - |
| Equity instruments | | 750,000 |
| **Total Consideration Transferred** | **$** | **750,000** |
| Net identifiable assets acquired: | | |
| Current Assets | $ | 188,847 |
| Non-current Assets | | - |
| Current Liabilities | | (182,235) |
| Unallocated Purchase Price | | 743,388 |
| **Acquiree's identifiable net assets** | **$** | **750,000** |

## 5. Intangibles

| | April 30, 2015 | January 31, 2015 |
|---|---|---|
| Unallocated purchase price (1) | $ 743,388 | $ - |

(1) Unallocated purchase price

On April 30, 2015 the Corporation acquired all of the issued and outstanding common shares of Double Door. The purchase price is unallocated as of April 30, 2015. The Corporation is currently in the process of fair valuing the intangible assets acquired and therefore the purchase price is unallocated.

## 6. Loans Payable

The balance consists of unsecured demand loans bearing interest at 12% per annum. During the first quarter ending April 30, 2015, the Company repaid principal $17,700 (2014 - $9,200) and accrued interest $1,469 (2014 - $134).

## 7. Convertible Debenture

On April 30, 2015, the Company completed a convertible debenture financing for gross proceeds of $525,000. The financing is comprised of the issuance of convertible debenture which have a maturity date of two years from the date of issuance and pay interest at the rate of 12% per year, calculated and payable quarterly in arrears. All amounts owing under the Convertible Debentures are secured by a fixed and floating charge against the assets of IoT Inc.

## 7. Convertible Debenture (Cont'd)

The principal amount of the Convertible Debenture is convertible into units of IoT Inc. at a conversion price of $0.05 per unit for the first 12 months, and thereafter at a price of $0.10 per unit until maturity, with each unit comprised of one common share of IoT Inc. and one common share purchase warrant. Each warrant will be convertible into a common share of IoT Inc. at an exercise price of $0.075 per share for a period of three years from the date of issuance of the Convertible Debentures.

The Convertible Debenture is allocated to fair value of liability component and fair value of equity component. The value of the equity component is the difference between the net present value of the liability component of the Convertible Debenture and the total proceeds using the interest rate of a similar debt instrument. The transaction cost of the financing is also allocated to debt component and equity component

During the second quarter ending July 31, 2015, the Company paid interest of $15,879 to debenture holders.

## 8. Share Capital and Warrants Reserve

**(a) 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

**(b) Transactions**

On June 20, 2013, the Company completed a private placement financing for gross proceeds of $180,000. The Company issued 36,000,000 units at a price of $0.005 per unit with each unit comprising one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitled the holder to acquire one common share of the Company at an exercise price of $0.05 until June 20, 2014.

In connection with the private placement, the Company incurred $3,500 in issuance costs and issued 2,260,000 finders' units with each finders' unit comprising one common share and one warrant with the same terms as the Warrants above. In addition, the Company issued 2,260,000 Finders' Warrants (a "Finders' Warrant") which entitled the holder to acquire one common share of the Company at an exercise price of $0.075 for one year.

The fair values of the Warrants and Finders' Warrants were determined using the Black-Scholes option pricing model using the following assumptions:

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

| | Warrants | Finders' Warrants |
|---|---|---|
| Share price | $0.005 | $0.005 |
| Exercise price | $0.05 | $0.075 |
| Expected life | 1 year | 1 year |
| Volatility | 98% | 98% |
| Dividend yield | 0% | 0% |
| Interest rate | 1.2% | 1.2% |
| Fair Value | $0.0001 | $0.0000 |

The net proceeds of the private placement were allocated between the shares and the warrants based on their proportionate fair value with $174,500 allocated to the common shares and $2,000 allocated to the warrants. All Warrants expired on June 20, 2014.

On April 30, 2015 the Company completed a convertible debenture financing of $525,000 of Convertible Debentures. In connection with the financing, the Company paid cash finder fees of $500 and issued 20,000 finder warrants (a "Finder Warrant") which are convertible into units for a period of two years at an exercise price of $0.05 per unit, with each unit comprised of one common share and one warrant. Each warrant convertible into a common share for a period of two years at an exercise price of $0.075 per share.

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

| | Finder Warrant |
|---|---|
| Share price | $0.05 |
| Exercise price | $0.05 |
| Expected life | 2 year |
| Volatility | 98% |
| Dividend yield | 0% |
| Interest rate | 0.68% |
| Fair Value | $0.0257 |

## 9. Related Party Balances and Transactions

The Company considers its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to be key management. The Company incurred management fees in the amount of $12,000 (2014 - $15,000) paid to the CFO.

During the first quarter ending April 30, 2015, the loans from related parties was repaid in full with accrued interests at 12% per annum.

## 10. 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 the identification and evaluation of potential acquisitions. 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.

## 11. Subsequent Event

On September 11, 2015, the Company’s board of directors approved to grant 5,450,000 incentive stock options to directors and officers. The options have an exercise price of $0.05 per share and will vest semi-annually over a period of 18 months from the grant date and have a term of 5 years.