

**Internet of Things Inc.**

**Condensed Consolidated Interim Financial Statements**

**For the nine-month period ended October 31, 2016**

**Internet of Things Inc.**

Condensed Consolidated Interim Financial Statements

As at October 31, 2016

**Notice of No Auditor Review of Interim Financial Statements**

The accompanying unaudited condensed consolidated interim financial statements of Internet of Things Inc. have been prepared by and are responsibility of the company's management. These unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect Management's best estimates and judgements based on information currently available. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

# **Internet of Things Inc.**

Condensed Consolidated Interim Financial Statements

As at October 31, 2016

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## Internet of Things Inc.

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

### Statements of Financial Position

	October 2016	January 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 15,165	\$ 58,073
Prepaid and sundry assets	46,885	100,261
	<b>62,050</b>	158,334
<b>Non-current assets</b>		
Software technology (Note 5)	274,848	334,388
Investments (Note 6)	500,000	500,000
Goodwill (Note 4)	55,070	55,070
	<b>\$ 891,968</b>	<b>\$ 1,047,792</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	294,589	\$ 211,623
Loans payable (Note 7)	135,000	-
	<b>429,589</b>	211,623
Convertible debenture (Note 8)	894,956	825,203
Deferred income tax liability	33,044	33,044
	<b>1,357,589</b>	1,069,870
<b>Equity</b>		
Share capital (Note 9)	6,894,979	6,894,979
Contributed surplus (Notes 9 and 10)	555,814	493,090
Warrants reserve	88,595	88,595
Deficit	(8,005,009)	(7,498,742)
	<b>(465,621)</b>	<b>(22,078)</b>
	<b>\$ 891,968</b>	<b>\$ 1,047,792</b>

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

Approved by the Board

/s/ Michael Frank  
Director

/s/ Millard Roth  
Director

## Internet of Things Inc.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the nine-months ended October 31, 2016, and 2015

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

	For the three months ended		For the nine months ended	
	October 31		October 31	
	2016	2015	2016	2015
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ 16,572
<b>Expenses</b>				
Management fees ( <i>note 7</i> )	27,000	33,000	81,000	48,000
Professional and consulting fees	21,477	12,467	54,852	121,909
General and administrative	37,396	6,203	90,550	99,932
Share-based payments	18,707	65,708	62,724	65,708
Amortization expense	19,828	-	59,540	-
<b>Total Expenses</b>	<b>124,408</b>	<b>117,378</b>	<b>348,666</b>	<b>335,549</b>
<b>Net loss for the period</b>	<b>(124,408)</b>	<b>(117,378)</b>	<b>(348,666)</b>	<b>(318,977)</b>
Accretion expense	23,421	-	69,753	-
Interest Expense	30,126	15,880	87,848	31,759
<b>Total comprehensive loss for the period</b>	<b>\$ (177,955)</b>	<b>\$ (133,258)</b>	<b>\$ (506,267)</b>	<b>\$ (350,736)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted average number of common shares - basic and diluted	152,677,557	152,677,557	152,677,557	148,440,845

*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, 2016 and 2015

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

	Issued Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number of Shares	Amount				
<b>Balance as at February 1, 2015</b>	<b>140,677,557</b>	<b>\$ 6,440,259</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ (6,692,785)</b>	<b>\$ (250,526)</b>
Issued shares – acquisition of Double Door	10,000,000	400,000	-	-	-	400,000
Issued shares- settlement for service rendered	400,000	16,000	-	-	-	16,000
Convertible debenture equity component	-	-	102,017	-	-	102,017
Compensation warrants	-	-	-	515	-	515
Share-based payments charged to operations	-	-	65,708	-	-	65,708
Loss for the period	-	-	-	-	(350,736)	(350,736)
<b>Balance as at October 31, 2015</b>	<b>151,077,557</b>	<b>\$ 6,856,259</b>	<b>\$ 169,725</b>	<b>\$ 515</b>	<b>\$ (7,043,521)</b>	<b>\$ (17,022)</b>
Issued shares and warrants – debenture conversion	1,600,000	38,720	-	41,280	-	80,000
Convertible debenture equity component	-	-	45,821	-	-	45,821
Finders' warrants to be issued	-	-	-	46,800	-	46,800
Share-based payments charged to operations	-	-	277,544	-	-	277,544
Loss for the period	-	-	-	-	(455,221)	(455,221)
<b>Balance as at January 31, 2016</b>	<b>152,677,557</b>	<b>\$ 6,894,979</b>	<b>\$ 493,090</b>	<b>\$ 88,595</b>	<b>\$ (7,498,742)</b>	<b>\$ (22,078)</b>
Loss for the period	-	-	-	-	(506,267)	(506,267)
Share-based payments charged to operations	-	-	62,724	-	-	62,724
<b>Balance as at October 31, 2016</b>	<b>152,677,557</b>	<b>\$ 6,894,979</b>	<b>\$ 555,814</b>	<b>\$ 88,595</b>	<b>\$ (8,005,009)</b>	<b>\$ (465,621)</b>

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

## Internet of Things Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the nine-months ended October 31, 2016 and 2015

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

	For the three months ended October 31		For the nine months ended October 31	
	2016	2015	2016	2015
<b>Cash flow from operating activities</b>				
Net loss for the period	\$ (177,955)	\$ (133,258)	\$ (506,267)	\$ (350,736)
<b>Changes in non-cash working capital:</b>				
Accretion expense	23,421	-	69,753	-
Amortization	19,828	-	59,540	-
Shared-based payments	18,707	65,708	62,724	65,708
	(115,999)	(67,550)	(314,250)	(285,028)
Working capital adjustments:				
Decrease (increase) in accounts receivable	-	-	-	261,020
Decrease (increase) in prepaid and other receivables	(4,626)	6,400	53,376	(195,570)
Increase (decrease) in accounts payable and accrued liabilities	68,058	31,547	82,966	(227,570)
	<b>(52,567)</b>	<b>(29,603)</b>	<b>(177,908)</b>	<b>(447,148)</b>
<b>Cash flow from financing activities</b>				
Proceeds from convertible debenture, net	-	-	-	525,000
Transaction cost	-	-	-	(500)
Increase in (repayment of) in loans payable	60,000	-	135,000	(13,386)
Increase in loans to related parties	-	-	-	(31,094)
	<b>60,000</b>	<b>-</b>	<b>135,000</b>	<b>480,020</b>
<b>Increase (decrease) in cash</b>	<b>7,433</b>	<b>(29,603)</b>	<b>(40,908)</b>	<b>32,872</b>
<b>Cash, beginning of period</b>	7,732	67,246	58,073	4,771
<b>Cash, end of period</b>	<b>\$ 15,165</b>	<b>\$ 37,643</b>	<b>\$ 15,165</b>	<b>\$ 37,643</b>

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

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements

October 31, 2016 and 2015

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### 1. Corporate Information

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Internet of Things Inc. (formerly HTN 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 (TSX-V). The condensed consolidated interim financial statements of the Company as at and for the period ended October 31, 2016 comprise the Company and its wholly owned subsidiary of IOT Labs Inc. (formerly Double Door Communications Inc.) and operates a 50% joint venture, BrainGrid Solutions Ltd.

Internet of Things Inc. is an IoT technology accelerator and industry acquisition company. The Company is focused on accelerating IoT-based technology companies, and the development and implementation of disruptive IoT-based solutions. The Company will partner with companies across a wide range of industries to leverage the power of IoT.

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 21, 2016.

#### Going Concern

Since inception, the Company has incurred losses amounting to \$8,005,009. During the nine-month period ended October 31, 2016, the Company reported a net comprehensive loss of \$506,267 (2015 –\$350,736). As at October 31, 2016, the Company had working capital deficiency of \$367,539 (2015 working capital – \$15,558). The ability of the Company to continue as a going concern is dependent upon generating profitable operations from its acquisition, 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, 2016 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 Condensed Consolidated Interim Financial Statements October 31, 2016 and 2015

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### **2. Statement of Compliance and Basis of Preparation**

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#### **Statement of Compliance**

These consolidated 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 presentation**

The accompanying consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency, and include the accounts of Iot Labs Inc. (formally known as Double Door Communications Inc.). All significant intercompany accounts and transactions have been eliminated.

### **3. Summary of Significant Accounting Policies**

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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, 2016.

### **4. Acquisition of Double Door Communications Inc.**

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On April 30, 2015 the Company acquired Double Door Communications Inc. (“Double Door”) through the purchase all of the issued and outstanding shares in Double Door. On closing, the Company issued 10,000,000 shares of Internet of Things Inc. to the vendors of Double Door. 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.

If Double Door achieved revenue of at least \$540,000 for the year ending December 31, 2015, 4,500,000 performance escrow shares would have been released to the former owners of Double Door. If Double Door achieved revenue of greater than \$600,000 for the year ending December 31, 2015, 5,000,000 escrowed shares would have been released to the former shareholders. If Double Door achieved revenue of greater than \$540,000 but less than \$600,000 for the year ending December 31, 2015, the 500,000 shares between the targets noted above would be issued on a pro-rata basis. At the time of the acquisition, the Company valued this contingent consideration at NIL, as based on past results and a change of direction of the Company, the targets did not appear achievable. The targets were not met, as Double Door 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 are being 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 Condensed Consolidated Interim Financial Statements October 31, 2016 and 2015

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### 4. Acquisition of Double Door Communications Inc. - continued

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

Consideration Transferred:	
Fair value of 10,000,000 shares	\$ 400,000
<b>Total Consideration Transferred</b>	<b>\$ 400,000</b>
Fair value of assets acquired:	
Current assets (primarily accounts receivable)	\$ 188,847
Current liabilities (primarily accounts payable)	(182,185)
Software technology (Note 5)	393,338
Goodwill	55,070
Deferred income tax liability	(55,070)
<b>Acquiree's identifiable net assets</b>	<b>\$ 400,000</b>

### 5. Intangibles

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On April 30, 2015 the Company acquired all of the issued and outstanding common shares of Double Door. The fair value of Double Door's software technology was valued at \$393,338 on the date of the acquisition. The chart below outlines the net book value of the software technology.

Cost: February 1, 2015	\$ 393,388
Accumulated Amortization:	
Charge for the period	59,000
<b>Accumulated depreciation, January 31, 2016</b>	<b>\$ 59,000</b>
Charge for the period	59,540
<b>Accumulated depreciation, October 31, 2016</b>	<b>\$ 118,540</b>
<b>Net book value, October 31, 2015</b>	<b>\$ 393,388</b>
<b>Net book value, January 31, 2016</b>	<b>\$ 334,388</b>
<b>Net book value, October 31, 2016</b>	<b>\$ 274,848</b>

### 6. Investment in BrainGrid

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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.

BrainGrid Solutions is owned equally by both parties and shall have a license to use BrainGrid's current and future developed intellectual property, including without limitation, API's, source code, data (derived from customers of BrainGrid Solutions), data analytics, patents and trademarks. The JV Company is also the exclusive partner/distributor for any current and future products, applications and services utilizing BrainGrid's intellectual property in markets such as China, Taiwan, Hong Kong as well as any other markets that the parties may agree upon.

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements

October 31, 2016 and 2015

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### 6. Investment in BrainGrid - continued

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The Company has 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 Company has agreed to issue 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.

In addition, the Company will be issuing 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 has been expensed on the consolidated statement of comprehensive loss within the General and administrative expenses line item.

For the period ended October 31, 2016, there has been no activity within the joint venture.

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

	<b>Finder Warrant</b>
Share price	\$0.055
Exercise price	\$0.05
Expected life	2 years
Volatility	170%
Dividend yield	0%
Interest rate	0.68%
Fair Value	\$0.05

### 7. Loans Payable

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On April 26, 2016, the Company received unsecured demand loans \$50,000 bearing interest at 12% per annum with quarterly interest payments.

On May 25, 2016, the Company received unsecured demand loans \$25,000 bearing interest at 12% per annum with quarterly interest payments.

On August 20, 2016, the Company received unsecured demand loans \$10,000 bearing interest at 12% per annum with quarterly interest payments.

On September 27, 2016, the Company received unsecured demand loans \$10,000 bearing interest at 12% per annum with quarterly interest payments.

On October 27, 2016, the Company received unsecured demand loans \$40,000 bearing interest at 12% per annum with quarterly interest payments.

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements

October 31, 2016 and 2015

### 8. 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 debentures 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 the Company. The debentures are convertible to units comprised of one common share and one common share purchase warrant. Each warrant is convertible into a common share at an exercise price of \$0.075. The conversion price is \$0.05 per unit for the first 12 months and \$0.10 until maturity. At the time of issuance, the equity portion of this convertible debt issuance was valued at \$76,577.

On January 5, 2016, the Company completed a convertible debenture financing for gross proceeds of \$551,000. The financing is similarly comprised of the issuance of convertible debentures 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 the Company. For one series of the issuance of the debentures, the conversion price is \$0.05 per unit for the first 12 months and \$0.10 until maturity. For another series of the issuance, the conversion price is \$0.10 per unit until maturity. The debentures are convertible to units comprised of one common share and one common share purchase warrant. Each warrant is convertible into a common share at an exercise price of \$0.125. At the time of issuance, the equity portion of this convertible debt issuance was valued at \$124,197.

The Company has incurred accretion expense of \$69,753 in the period ended October 31, 2016 relating to the two debenture issuances.

	30-Apr-16	05-Jan-16	Total
<b>Balance, January 31, 2015</b>	-	-	-
Face value of debenture upon issuance	\$525,000	\$551,000	\$1,076,000
Less: Finders' fee and transaction costs	(1,015)	-	(1,015)
Less: Value of conversion feature	(76,577)	(124,197)	(200,774)
Book value of the debenture on initial recognition	447,408	426,803	874,211
Accretion expense during the year	26,575	4,417	30,992
Balance of the debenture prior to conversions	473,983	431,220	905,203
Conversions	(80,000)	-	(80,000)
<b>Balance, January 31, 2016</b>	<b>\$393,983</b>	<b>\$431,220</b>	<b>\$825,203</b>
Accretion expense during the period	23,200	46,553	69,753
<b>Balance, October 31, 2016</b>	<b>\$417,183</b>	<b>\$477,773</b>	<b>\$894,956</b>

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements October 31, 2016 and 2015

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### 9. Share Capital and Warrants Reserve

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(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.

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

	<b>Finder Warrant</b>
Share price	\$0.04
Exercise price	\$0.05
Expected life	2 year
Volatility	170%
Dividend yield	0%
Interest rate	0.68%
Fair Value	\$0.04

On November 18, 2015, \$70,000 convertible debentures were converted to 1,400,000 common shares and 1,400,000 warrants.

On December 10, 2015, \$10,000 convertible debentures were converted to 200,000 common shares and 200,000 warrants.

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements October 31, 2016 and 2015

### 9. Share Capital and Warrants Reserve - continued

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

	November 18, 2015 Warrants	December 10, 2015 Warrants
Share price	\$0.075	\$0.06
Exercise price	\$0.075	\$0.075
Expected life	2.39 Years	2.45 Years
Volatility	170%	170%
Dividend yield	0%	0%
Interest rate	0.68%	0.68%
Fair value	\$0.06	\$0.05

### 10. Share-Based Payments

In August 2011, the Stock Option Plan was approved by the Company's shareholders. The Stock Options Plan was adopted to provide the Company with a share ownership incentive to attract, retain and motivate qualified executives, directors, employees and consultants, to reward their contributions.

The Stock Option Plan provides that, subject to the requirements of 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.

On September 11, 2015, the Company granted 7,600,000 incentive stock options to directors and officers of the Company. On November 16, 2015, a further 6,000,000 options were issued.

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price
Outstanding as at February 1, 2015	-	-
Granted	13,600,000	\$0.05
<b>Outstanding as at January 31, 2016</b>	<b>13,600,000</b>	<b>0.05</b>
Granted	-	-
<b>Outstanding as at October 31, 2016</b>	<b>13,600,000</b>	<b>0.05</b>
<b>Option exercisable as at January 31, 2016</b>	<b>7,900,000</b>	<b>\$0.05</b>
<b>Option exercisable as at October 31, 2016</b>	<b>11,700,000</b>	<b>\$0.05</b>

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements October 31, 2016 and 2015

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### 10. Share-Based Payments - continued

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

	September 9, 2015 Options	November 16, 2015 Options
Share price	\$0.03	\$0.045
Exercise price	\$0.075	\$0.075
Expected life	5 Years	2 Years
Volatility	170%	170%
Dividend yield	0%	0%
Interest rate	0.68%	0.68%
Fair value	\$0.06	\$0.05

The weighted average remaining contractual life for the stock options outstanding as at October 31, 2016 was 3.93 years. The weighted average stock price for the options outstanding as at October 31, 2016 was \$0.05. \$62,724 of stock based compensation expense was recorded during the period ended October 31, 2016.

### 11. Related Party Balances and Transactions

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The Company incurred management fees to related parties in the amount of \$81,000 (2015 - \$48,000), \$45,000 payable to the CEO and \$36,000 payable to the CFO are deferred and included in current liabilities.

The Company was charged \$12,958 (2015-\$Nil) to a corporation with director and officer in common for rent, administration, office charges and telecommunications.

### 12. Financial Risk Management Objectives and Policies

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#### 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.

# Internet of Things Inc.

## Notes to Condensed Consolidated Interim Financial Statements

October 31, 2016 and 2015

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### 12. Financial Risk Management Objectives and Policies - continued

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#### 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 deficiency of \$367,539 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, 2016 and 2015 for all assets except the convertible debentures issued. View Note 8 for more information.