Interim Condensed Consolidated Financial Statements of

Route1 Inc.

September 30, 2024, and 2023

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“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”).

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of Route1 Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited interim condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management’s best estimates and judgment based on information currently available. The Company’s independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Route1 Inc.

As of September 30, 2024, and December 31, 2023
(stated in Canadian dollars)

	Note	**Sep 30, 2024 Unaudited**	Dec 31, 2023 Audited
Assets			
Current assets			
Cash and cash equivalents		**($46,549)**	$38,348
Accounts receivable		**2,148,418**	2,066,028
Other receivables		**240,065**	104,653
Inventory	3	**639,288**	672,213
Prepaid expenses		**118,547**	178,518
Contract costs		**-**	11,603
Total current assets		**3,099,770**	3,071,364
Non-current assets			
Right-of-use assets	5	**894,458**	1,242,297
Furniture and equipment	5	**9,649**	111,110
Intangible assets	6	**1,581,348**	1,843,195
Goodwill	7	**3,334,206**	3,266,775
Other Assets		**3,392**	6,647
Total non-current assets		**5,823,053**	6,470,025
Total assets		**$8,922,823**	$9,541,388
Liabilities			
Current liabilities			
Bank indebtedness	8	**$2,450,222**	2,898,495
Accounts payable and other liabilities		**4,369,108**	3,435,025
Contract liability	9	**1,066,769**	891,638
Lease liabilities	4	**459,146**	504,137
Notes payable	10	**239,984**	359,994
Total current liabilities		**8,585,230**	8,089,288
Non-current liabilities			
Contract liability	9	**8,398**	9,985
Lease liabilities	10	**540,600**	857,769
Total non-current liabilities		**548,997**	867,754
Total liabilities		**9,134,228**	8,957,043
Shareholders' equity Capital and reserve			
Common shares	11	**23,994,270**	23,994,270
Contributed surplus - stock compensation reserve	11	**17,355,416**	17,342,204
Accumulated other comprehensive income	11	**123,683**	172,973
Deficit		**41,684,774**	40,925,101
Total shareholders' equity		**(211,405)**	584,346
Total shareholders' equity and liabilities		**$8,922,823**	$9,541,388

Commitments and contingencies (Note 13)

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Route1 Inc.

For the three and nine months ended September 30, 2024, and September 30, 2023 (stated in Canadian dollars)

		Three months ended Sep 30		Nine months ended Sep 30	
	Note	**2024**	2023	**2024**	2023
Revenue					
Subscription revenue and services	15	**$1,417,131**	$1,147,337	**$3,212,007**	$3,391,894
Devices and appliance	15	**2,301,335**	3,374,757	**8,020,101**	9,883,816
Other	15	**(11,795)**	565	**(9,099)**	5,726
Total Revenue		**3,706,670**	4,522,658	**11,223,009**	13,281,436
Cost of revenue	3	**2,375,558**	2,998,016	**7,360,536**	8,905,186
Gross profit		**1,331,112**	1,524,642	**3,862,473**	4,376,250
Operating expenses					
General administration		**1,043,175**	1,227,024	**3,227,455**	3,806,629
Research and development		**52,390**	36,434	**128,843**	95,457
Selling and marketing		**322,756**	278,828	**950,487**	978,541
Total operating expenses before stock-based compensation		**1,418,321**	1,542,285	**4,306,785**	4,880,627
Stock-based compensation	11, 12	**4,404**	12,303	**13,212**	68,677
Total operating expenses		**1,422,725**	1,554,588	**4,319,997**	4,949,304
Operating income (loss) before other income (expense)		**(91,613)**	(29,946)	**(457,523)**	(573,055)
Other income (expense)					
Interest expense		**(127,729)**	(132,561)	**(330,995)**	(389,194)
Foreign exchange gain (loss)		**(35,473)**	86,581	**92,441**	(30,483)
Gain (loss) on asset disposal		**(28,419)**	7,204	**(33,239)**	15,401
Total other income (expense)		**(191,621)**	(38,776)	**(271,793)**	(404,276)
Income (loss) before income taxes		**(283,234)**	(68,722)	**(729,316)**	(977,331)
Income tax (recovery) expense		**-**	1,124	**30,357**	21,096
Net loss for the year		**(283,234)**	(69,846)	**(759,673)**	(998,426)
Other comprehensive income (loss)					
Foreign currency translation		**20,874**	(41,076)	**(49,289)**	1,845
Comprehensive loss		**($262,360)**	($110,922)	**($808,962)**	($996,581)
Basic and diluted loss per share		**($0.00)**	($0.00)	**($0.02)**	($0.02)
Weighted average number of common shares outstanding		**42,497,156**	42,497,156	**42,497,156**	42,497,156

The accompanying notes are an integral part of these consolidated financial statement

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Route1 Inc.

For the three and nine months ended September 30, 2024, and September 30, 2023 (stated in Canadian dollars)

	Note	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders Equity
Balance on Jan 1, 2023		**$23,994,270**	**$17,268,374**	**$145,176**	**($39,642,165)**	**$1,765,652**
Stock-based compensation	11	-	36,552	-	-	36,552
Comprehensive income (loss)		-	-	1,585	(303,234)	(301,648)
Balance on Mar 31, 2023		**23,994,270**	**17,304,925**	**146,758**	**(39,945,399)**	**1,500,555**
Stock-base compensation	11	-	19,822	-	-	19,822
Comprehensive income (loss)		-	-	41,336	$(625,347)	(584,011)
Balance on Jun 30, 2023		**23,994,270**	**17,324,747**	**188,094**	**(40,570,746)**	**936,366**
Stock-base compensation	11	-	12,303	-	-	12,303
Comprehensive income (loss)		-	-	(41,076)	(69,846)	(110,922)
Balance on Sep 30, 2023		**$23,994,270**	**$17,337,051**	**$147,019**	**($40,640,592)**	**$837,748**

	Note	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders Equity
Balance on Jan 1, 2024		**$23,994,270**	**$17,342,204**	**$172,973**	**($40,925,102)**	**$584,345**
Stock-based compensation	11	-	4,404	-	-	4,404
Comprehensive income (loss)		-		(51,154)	(148,920)	(200,074)
Balance on Mar 31,2024		**23,994,270**	**17,346,608**	**121,819**	**(41,074,022)**	**388,675**
Stock-based compensation	11	-	4,404	-	-	4,404
Comprehensive income (loss)		-	-	(19,008)	(327,520)	(346,528)
Balance on Jun 30, 2024		**23,994,270**	**17,351,012**	**102,811**	**(41,401,542)**	**46,551**
Stock-based compensation	11	-	4,404	-	-	4,404
Comprehensive income (loss)		-	-	20,874	(283,234)	(262,360)
Balance on Sep 30, 2024		**$23,994,270**	**$17,355,416**	**$123,685**	**($41,684,776)**	**($211,405)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Route1 Inc.

For the nine months ended September 30, 2024, and September 30, 2023
(stated in Canadian dollars)

	Note	**Sep 30, 2024**	Sep 30, 2023
Net cash (outflow) inflow related to the following activities			
Operating activities			
Net loss		**$759,673**	$998,426
Items not affecting cash and cash equivalents			
Depreciation and amortization		**727,616**	992,465
Interest on lease liabilities		**51,124**	67,552
Deferred taxes		**-**	(42)
Stock-based compensation	11	**13,212**	68,677
Net changes in working capital balances			
Accounts receivable		**(149,913)**	(846,239)
Other receivables		**(8,630)**	41,861
Inventory		**43,189**	1,384,639
Prepaid expenses		**61,115**	341,817
Contract costs		**11,878**	20,207
Accounts payable and other liabilities		**751,015**	(394,587)
Contract liability		**165,050**	(85,223)
Net cash generated by operating activities		**905,985**	592,699
Investing activities			
Acquisition of furniture, and equipment		**-**	(732)
Acquisition of intangible assets	5	**(14,984)**	(392,220)
Acquisition of Right of Use Assets	5	**48,446**	-
Net cash (used in) generated by investing activities		**33,462**	(392,952)
Financing activities			
Repayment of notes payable		**(255,000)**	(267,689)
Repayment of lease liabilities	5	**(435,640)**	(399,713)
Proceeds of notes payable		**137,070**	-
Proceeds from (repayment of) bank indebtedness		**(487,011)**	398,503
Net cash used in by financing activities		**(1,040,581)**	(268,899)
Net increase (decrease) in cash and cash equivalents for the year		**(101,134)**	(69,152)
Effects of exchange rate changes on cash		**16,237**	13,772
Cash and cash equivalents, beginning of the period		**38,348**	78,505
Cash and cash equivalents, end of the period		**($46,549)**	$23,125
Supplemental cash flow information			
Interest payments		**$279,871**	$321,642
Corporate tax payments		**30,357**	$21,096

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

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1. NATURE AND DESCRIPTION OF THE COMPANY

Route1 Inc. ("Route1" or "the Company") is a publicly traded company on the TSX Venture Exchange. The Company is incorporated under the laws of the Province of Ontario by articles of amalgamation dated January 1, 2006. The registered office of the Company is 8 King Street East, Suite 1801, Toronto, Ontario, M5C 1B5.

Route1 Inc. is an advanced North American engineering and professional services company using data capture technologies. The Company brings security and operations together with real-time actionable intelligence to enhance safety and security, drive greater profitability and improve operational efficiencies. With a deep-rooted background in software development, network operations, and cybersecurity, Route1 has ushered in a unique and valuable approach to the turn-key engineering and professional services arena. Route1's services follow a complete life-cycle model, ensuring the evolution of your technology to meet the client's desired outcomes.

With offices and staff in Scottsdale, AZ, Chattanooga, TN, Denver, CO and Toronto, Canada, Route1 provides leading-edge solutions to public and private sector clients around the world. Route1 is listed in Canada on the TSX Venture Exchange under the symbol ROI.

On December 31, 2023, the Company's wholly owned subsidiaries: Portable Computer Systems, Inc. ("PCS") and Spyrus Solutions Inc. ("Spyrus") merged with the surviving entity being PCS.

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – "*Interim Financial Reporting*" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

The accounting policies applied in preparation of these interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2023.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's interim condensed consolidated financial statements are consistent with those applied to the Company's consolidated financial statements for the year ended December 31, 2023.

Certain comparative figures have been adjusted to conform to the current period's presentation.

These interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

3. INVENTORY AND COST OF REVENUE

	Sept 30, 2024	Dec 31, 2023
MobiKEY related inventory	**$195,649**	$195,727
PocketVault P-3X finished product and raw material inventory	**239,201**	178,954
License plate recognition technology project related inventory	**59,607**	107,502
Other rugged device and information technology inventory	**144,832**	190,030
	$639,288	$672,213

Cost of revenue includes the cost of devices, cost of third-party licenses, travel and salaries of staff related to field services and operations, hosting of our MobiNET and royalty-related fees. For the three months ended September 30, 2024, the cost of revenue recognized as an expense was $2,375,558 (2023 - $2,702,076), and for the nine months ended September 30, 2024, $7,360,536 (2023 - $8,905,186).

Cost of devices for the three months ended September 30, 2024, was $2,124,309 (2023 - $2,998,016), and for the nine months ended September 30, 2024, was $6,668,978 (2023 - $8,016,890).

4. LEASES

The Company has entered into a variety of premise lease agreements for office locations in Toronto, Ontario; Scottsdale, Arizona; Cincinnati, Ohio; Chattanooga, Tennessee; and Denver, Colorado. The Chattanooga, Tennessee lease was terminated early on October 31, 2024. The balance on the lease as of October 31, 2024, was $46.034 and was bought out for $23,017.

In addition to the basic monthly rents, as part of certain leases, the Company must pay a proportionate share of property taxes, operating costs, utilities, and additional services.

	Sept 30, 2024
Opening lease liability	$1,361,906
Less: Payments	372,141
Sub Total	989,765
Add: Interest expense	51,124
Add: Effects of foreign exchange	(41,143)
Ending lease liability	**$999,746**

September 30, 2024, and 2023 (stated in Canadian dollars)

The minimum annual basic rent commitments are as follows:

	Sept 30, 2024
2024	$113,362
2025	394,933
2026 and beyond	598,873
Minimum lease payments	1,107,167
Less: Interest portion of rates between 3.81% and 8.325%	107,421
Net minimum lease payments	**999,746**
Less: Current portion	459,146
Long-term portion	$540,600

The office locations have been recognized in right-of-use assets at the present value of minimum lease payments, less accumulated depreciation.

The expense relating to payments not included in the measurement of the lease liability (including but not limited to property taxes, operating expenses, utilities, and additional services) is as follows:

	Sept 30, 2024	Dec 31, 2023
Non-lease payments	$424,811	$457.544

5. RIGHT-OF-USE ASSETS, FURNITURE AND EQUIPMENT

Cost	Right-of-use Asset	Computer Equipment	Furniture & Equipment	TaaS Computer Equipment	Total
Balance on December 31, 2023	$2,951,529	$2,787,802	$703,058	$1,402,288	$7,844,677
Effect of exchange rate changes	46,025	-	13,803	28,945	88,230
Disposal	(48,446)	-	-	-	(48,446)
Balance on September 30, 2024	**$2,857,656**	**$2,787,802**	**$716,861**	**$1,431,233**	**$7,885,004**

Accumulated depreciation and impairment	Right-of-use Asset	Computer Equipment	Furniture & Equipment	TaaS Computer Equipment	Total
Balance on December 31, 2023	($1,709,232)	($2,691,825)	($687,925)	($1,402,288)	($6,491,270)
Depreciation expense	(318,916)	(89,107)	(14,335)	-	(422,358)
Effect of exchange rate changes	(26,501)	-	(11,821)	(28,945)	(67,268)
Balance on September 30, 2024	**($2,054,650)**	**($2,780,932)**	**($714,081)**	**($1,431,233)**	**($6,980,896)**

Net book value	Right-of-use Asset	Computer Equipment	Furniture & Equipment	TaaS Computer Equipment	Total
Balance on December 31, 2023	$1,242,297	$95,977	$15,133	$-	$1,353,407
Balance on September 30, 2024	**$894,458**	**$6,870**	**$2,779**	**$-**	**$904,108**

For the quarter ended September 30, 2024, depreciation, and amortization expense of $133,177 (2023 - $201,400) was recognized in general administration expense.

September 30, 2024, and 2023 (stated in Canadian dollars)

6. INTANGIBLE ASSETS

Cost	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2023	$193,408	$1,660,053	$1,716,140	$462,910	$165,325	$4,197,836
Additions	-	14,984	-	-	-	14,984
Effects of exchange rate change	-	112	35,423	9,555	3,413	48,502
Balance on September 30, 2024	**$193,408**	**$1,675,148**	**$1,751,563**	**$472,465**	**$168,738**	**$4,261,322**

Accumulated depreciation and impairment	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2023	($116,214)	($1,243,671)	($712,050)	($208,312)	($74,394)	($2,354,641)
Depreciation expense	(7,773)	(97,330)	(151,396)	(35,928)	(12,832)	(305,258)
Effect of exchange rate changes	-	(43)	(15,024)	(3,690)	(1,318)	(20,074)
Balance on September 30 2024	**($123,987)**	**($1,341,044)**	**($878,470)**	**($247,930)**	**($88,543)**	**($2,679,974)**

Net book value	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2023	$77,194	$416,382	$1,004,090	$254,598	$90,931	$1,843,195
Balance on September 30, 2024	**$69,421**	**$334,105**	**$873,093**	**$224,535**	**$80,194**	**$1,581,348**

For the quarter ended September 30, 2024, depreciation, and amortization expense of $101,242 (2023 - $112,910) was recognized in general administration expense.

September 30, 2024, and 2023 (stated in Canadian dollars)

7. GOODWILL

A summary of the Company's goodwill is as follows:

	Amount
Balance, January 1, 2024	$3,266,775
Effect of exchange rate	67,431
Balance as of September 30, 2024	$3,334,206

The Company performs impairment assessments of goodwill at year-end or when an event occurs that impacts the value of the entities that gave rise to the goodwill.

8. BANK INDEBTEDNESS

The Company's credit facility consists of a revolving demand facility in the amount of $1,225,000 (December 31, 2023 - $1,225,000) and a $150,000 credit card facility (December 31, 2023 - $150,000). The operating facility carries an interest rate equal to the lender's prime rate of interest plus 1.5% (December 31, 2023 – prime rate of interest plus 1.5%). As of September 30, 2024, the interest rate was 8.0% (December 31, 2023 – 8.7%). The credit facility is secured by the assets of Route1 Inc. and guaranteed by Group Mobile Int'l LLC ("GMI"). As of September 30, 2024, the balance drawn on the revolving demand facility was $1,220,000 (December 31, 2023 - $1,225,000).

The Company's wholly owned subsidiary, PCS, has an asset-based revolving credit facility in the amount of US $1,500,000. The facility carries an interest rate of fifty basis points over the prime rate published daily in the Wall Street Journal. As of September 30, 2024, the interest rate was 8.5% (December 31, 2023 – 9.0%). The availability under the facility is based on a percentage of the aggregate of certain accounts receivable and inventory. The facility is secured by the assets of PCS and is guaranteed by the Company and a wholly owned subsidiary of the Company. As of September 30, 2024, the balance drawn on the revolving demand facility was US $911,343 (December 31, 2023 – US $1,265,307). PCS is required to maintain a Fixed Charge Coverage Ratio of greater or equal to 1.10:1 and this covenant was met as of December 31, 2023.

9. CONTRACT LIABILITIES AND CONTRACT COSTS

Contract liabilities are comprised of:

	Sept 30, 2024	Dec 31, 2023
Balance, beginning of year	**$901,623**	$1,007,402
Revenue deferred in previous period and recognized in current period	**(852,193)**	(2,466,818)
Net additions arising from operations	**1,016,547**	2,348,048
Effect of exchange rates	**9,190**	12,991
Total contract liability	**$1,075,167**	$901,623

September 30, 2024, and 2023 (stated in Canadian dollars)

Revenue to be recognized in the future:

	Sept 30, 2024	Dec 31, 2023
Within one year	**$1,066,769**	$891,638
Between two to five years	**8,398**	9,985
Total	**$1,075,167**	$901,623

Subscription revenue and services contract liability is comprised of subscriptions to MobiKEY© software application, and support contracts for license plate recognition technology customers.

Contract costs arise primarily as the result of the deferral of commissions and cost of sales on MobiKEY© services and device sales. As of Sept 30, 2024, the balance was $0 (December 31, 2023 - $11,603).

10. NOTES PAYABLE

	Sept 30, 2024	Dec 31, 2023
Promissory Note A		
Opening balance	**$-**	$62,766
Less: payments made	**-**	(62,766)
Closing balance	**$-**	$-
Promissory Note C		
Opening balance	**$359,994**	$634,994
Less: payments made	**(255,000)**	(275,000)
Closing balance	**$104,994**	$359,994
Promissory Note D		
Opening Balance	**$134,990**	-
Less: Payments made	**-**	-
Closing Balance	**$134,990**	-
Total notes payable	**$239,984**	$359,994
Less: current portion of notes payable	**239,984**	359,994
Long term notes payable	**$-**	$-

Unsecured Promissory Note A

Pursuant to the acquisition of PCS on June 28, 2019, the Company's wholly owned subsidiary, PCS, issued two notes to the vendor of PCS. One of the two notes, Promissory Note A, remained outstanding as of December 31, 2022. The terms of the note are as follows:

Principal Amount	US $250,000
Interest Rate	3% per annum, payable annually
Repayment	US $80,000 on June 28, 2020; US $80,000 on June 28, 2021; and US $90,000 on June 28, 2022

On June 28, 2022, Promissory Note A in the amount of US $92,700 was amended to provide for repayment at a rate of US $7,725 per month for the 12 months ending June 28, 2023, plus interest at a rate of 6% per annum on the declining balance. All other terms remain the same. Promissory Note A was fully repaid on June 28, 2023.

Promissory Note C

On September 16, 2020, Route1 entered into a promissory note agreement with a private lender in the amount of $650,000 (Promissory Note C). The note bears interest at 10% per annum and any amounts drawn must remain outstanding for a minimum of six months from the date of the agreement and thereafter may be repaid without premium, penalty, or bonus. The original note maturity of September 30, 2021, was extended to October 31, 2022.

On October 25, 2022, the maturity was extended to April 30, 2024. As of October 31, 2022, the amount drawn was $632,347. The Company incurred renewal fees of $12,647. The total amount of the note, $644,994, bears interest at 12% per annum and has a monthly repayment schedule.

On September 15, 2023, the maturity was extended again to December 31, 2024. The note was extended for working capital purposes.

The promissory note is secured by a pledge of shares of the Company's wholly owned subsidiary, Route1 Security Corporation, and a general security agreement over all current and hereafter acquired personal property of the Company. The promissory note is subordinated to the Company's existing bank credit facilities in both Canada and the United States. On September 30, 2024, the balance drawn on the promissory note was $104,994 (December 31, 2023 - $359,994).

Promissory Note D

On July 26, 2024, PCS entered into a promissory note agreement with a private lender in the amount of USD $100,000 (Promissory Note D). Interest payable under this note from the date of the loan to December 26, 2024, the maturity date, is US$10,000, and is to be paid monthly in advance by the Borrower at the simple rate of USD $2,000 per month for the months that the principal balance is outstanding.

11. SHARE CAPITAL, WARRANTS AND CONTRIBUTED SURPLUS

The Company's authorized share capital consists of the following:

- An unlimited number of common shares with voting rights and no-par value.
- An unlimited number of non-cumulative, non-voting first preferred shares with no fixed dividend rate, issuable in series.
- An unlimited number of non-cumulative, non-voting second preferred shares with no fixed dividend rate, issuable in series.

September 30, 2024, and 2023 (stated in Canadian dollars)

- An unlimited number of non-cumulative, non-voting Series A first preferred shares with no fixed dividend rate, issuable in series and convertible into common shares at the option of the holder on a one-for-one basis at any time after October 31, 2000.

	Number of Common Shares	Common Shares $
Balance, December 31, 2023	42,497,156	$23,994,270
Balance, September 30, 2024	**42,497,156**	**$23,994,270**

On December 16, 2022, the Company completed the issuance of common shares of the Company to directors and executive management team members in lieu of cash compensation by issuing 2,787,693 common shares at a deemed price of $0.085 and $0.115 per share. The securities issued were subject to a four-month and one day hold period that expired on April 15, 2023.

Stock-based Compensation

The Company has a Stock Option Plan (the "Plan") that was created in 1997 to attract, retain, and motivate officers, salaried employees and directors who can make important contributions toward the success of the Company. Under the Plan, options may be granted to directors, officers, employees, and consultants of the Company at an exercise price determined by the Board provided that such exercise price should not be less than permitted under the rules of any stock exchange where the shares are listed. The period during which an option may be exercised (the "Option Period") is determined by the Board at the time the option is granted, subject to any vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time such option is granted. Options are exercisable as determined by the Board at the date of the grant. Shares covered by options granted pursuant to the Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of the grant, calculated on a non-diluted basis.

The following tables reflect the movement and status of the stock options:

	Sept 30, 2024		Dec 31, 2023	
Options Outstanding	**Number of Options**	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	**2,075,000**	**$0.62**	2,925,000	$0.62
Options expired during the period	**(400,000)**	**0.55**	(550,000)	0.55
Options forfeited during the period	**-**	**-**	(300,000)	0.56
Balance, end of the period	**1,675,000**	**$0.64**	2,075,000	$0.65

September 30, 2024, and 2023 (stated in Canadian dollars)

Options outstanding and exercisable as of Sept 30, 2024:

	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Contractual Life (Years)	Number of Options	Weighted Average Contractual Life (Years)
$0.50	250,000	2.0	250,000	2.0
$0.62	275,000	0.9	275,000	0.9
$0.68	1,150,000	0.6	1,150,000	0.6
	1,675,000	**0.8**	**1,675,000**	**0.8**

For the quarter ended September 30, 2024, the Company recorded stock-based compensation expense of $4,404 (2023 - $12,303). For the nine months ended September 30, 2024, the Company recorded stock-based compensation expense of $13,212 (2023- $68,677)

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's black-out policy which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

All outstanding share options expected to vest were measured in accordance with IFRS 2, "Share-based Payment" at their market-based measure at the acquisition date. Options were priced using the Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility.

Contributed Surplus

Contributed surplus represents expired warrants and the amortized fair value of stock options granted under the stock option plan, determined using the Black-Scholes option pricing model. The fair value is amortized to income on a graded, vested basis over the vesting period with a corresponding increase to contributed surplus. Upon exercise of stock options, the consideration paid by the holder is included in share capital and the related contributed surplus associated with the stock options exercised is transferred into share capital.

	Jun 30, 2024	Dec 31, 2023
Balance, beginning of the year	**$17,342,204**	$17,268,374
Options expensed in the year	**13,212**	73,830
Balance, end of the year	**$17,355,416**	$17,342,204

September 30, 2024, and 2023 (stated in Canadian dollars)

12. RELATED PARTY TRANSACTION

The Company has directors and officers who are considered related parties. The Company had the following transactions and/or outstanding amounts with related parties. All transactions are recorded in their exchange amounts.

- The Company incurred expenses (including CPP and EHT) payable to and on behalf of the independent members of the Board of Directors of $53,039 in the quarter ending September 30, 2024 (2023 - $53,538). And $159,102 for the nine-month period ended September 30, 2024, (2023 – $168,072). These transactions are in the normal course of operations and are paid or payable for directorship services. As of September 30, 2024, accrued liabilities included $373,456 owing to directors (September 30, 2023 - $247,236). The Company also incurred stock-based compensation expense related to stock options granted to independent directors in the amount of $0 for the quarter and nine-month periods ended September 30, 2024 (2023 - $286 and $9,118).
- The Company made payments (including HST) to Chodos Capital Group Inc. for management services provided by Mr. Peter Chodos, a director, and the prior CFO of the Company, in the amount of $50,850 in the quarter ended September 30, 2024 (2023 - $63,563) and $152,550 for the nine-month period ended September 30,2024, (2023 - $188,569). The Company also incurred stock-based compensation expenses related to stock options granted to Mr. Chodos in the amount of $3,362 for the quarter and $10,087 for the nine-month period ended September 30,2024 (2023 -$3,783 and $17,778). Payments made to Mr. Chodos as an independent contractor are not included as part of key management.
- The Company made payments to or incurred expenses for key management employees (President and Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer) in the quarter ended September 30,2024 as follows, with 2023 comparatives:

	Three months ended Sept 30, 2024	Three months ended Sept 30, 2023	**Nine months ended Sept 30, 2024**	Nine months ended Sept 30, 2023
Short-term employee benefit	**$210,690**	$158,443	**$540,808**	$547,857
Stock-based compensation expense	**3,362**	1,070	**10,086**	22,128
	$214,053	$159,513	**$550,894**	$569,985

13. COMMITMENTS AND CONTINGENCIES

(i) Legal Matters

In the normal course of operations, the Company may be subject to litigation and claims from customers, suppliers, and former employees. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the results of operations, financial position, or liquidity of the Company.

(ii) Foreign exchange

From time to time the Company may enter into U.S. dollar forward contracts to mitigate possible foreign exchange risk. The timing and amount of foreign exchange contracts are estimated based on existing or anticipated sales, current conditions in the Company's markets, the estimated timing of payments denominated in Canadian dollars and the Company's past experience. The Company's policy is not to utilize financial instruments for trading or speculative purposes. No financial instruments were used for trading or speculative purposes in 2024 or 2023.

(iii) Contingencies

The Company has an earn-out provision from the acquisition of Spyrus on September 15, 2021, which could require a payment to the previous owners of Spyrus should the gross profit exceed certain targets.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. The Company manages its debt and shareholders' equity.

The Company manages its capital structure and adjusts due to changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

Capital management objectives, policies and procedures have not changed from the preceding period.

In the normal course of business operations of GMI and PCS, the Company may be required to guarantee certain trade payables to the value-added distributors from which GMI and PCS purchase products to sell to their customers. Such guarantees would be enforced only if GMI or PCS could not pay the distributor for goods acquired from such distributor and the amounts under such guarantees would vary from time to time based on the volume of purchases from the particular distributor. The Company has entered into these continuing, unconditional guarantees with several of the larger vendors/suppliers to GMI and PCS.

In the normal course of operations, GMI and PCS may enter into continuing purchase money security interests with distributors and original equipment manufacturers. These security interests relate specifically to the products purchased from each distributor and original equipment manufacturer and the amounts secured will vary from time to time with purchases.

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The carrying amount of financial instruments including cash and cash equivalents, accounts receivable, other receivables, bank indebtedness, accounts payable and other liabilities approximate fair value because of the short-term nature of these instruments.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
Level 3: Unobservable inputs for the asset or liability.

Inputs into the determination of fair value require management judgment or estimation. The Company does not have any assets or liabilities measured at fair value.

The Company has exposure to credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit Committee which is responsible for monitoring the Company's compliance with risk management policies. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a system of internal controls and sound business practices.

The Company's financial instruments and the nature of the risks to which they may be subject are set out in the following table:

	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	Yes
Accounts receivable	Yes		Yes	
Other receivables	Yes		Yes	
Bank indebtedness		Yes	Yes	Yes
Accounts payable and other liabilities		Yes	Yes	
Notes payable		Yes	Yes	

Credit Risk

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts and other receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, considering their financial position, past experience and other factors. During the quarter ended September 30, 2024, the largest single customer represented approximately $428,683 of revenue or 11.57% of total revenue (September 30, 2023 - $1,246,364 or 27.56% of total revenue).

September 30, 2024, and 2023 (stated in Canadian dollars)

Cash and cash equivalents consist of bank balances. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are held in highly rated financial institutions. On September 30, 2024, the Company had cash consisting of deposits with a Schedule 1 bank in Canada, a large money center bank in the U.S. and one large regional bank in the U.S. of $(46,549) (December 31, 2023 - $38,348).

Accounts receivable consist primarily of accounts receivable from invoicing for subscriptions, devices, and services. Other receivables consist primarily of unbilled accounts receivable, marketing development funds, sales tax refunds to be received and an amount due for the refund of the excess of the posted bond over the patent litigation settlement amount. The Company's credit risk arises from the possibility that a customer which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company. This risk is mitigated through established credit management techniques, including monitoring customer's creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off reduce other expenses in the consolidated statement of comprehensive loss. As of September 30, 2024, the largest single customer's account receivable represented $414,836 (December 31, 2023 – $250,576) of the total accounts receivable and has since been 90% collected.

The following table outlines the details of the aging of the Company's receivables as of September 30, 2024, and December 31, 2023:

	Sept 30, 2024	Dec 31, 2023
Current	**$1,669,826**	$1,653,599
Past Due 1-60 days	**316,862**	268,650
Greater than 60 days	**161,730**	143,779
Total accounts receivable, net	**$2,148,418**	$2,066,028

The Company incurred bad debt charges on trade accounts receivable in the amount of $7,561 during the three months ended September 30, 2024 (2023 - $41,454) and $17,905 (2023- $41,454) for the nine months ended September 30, 2024.

September 30, 2024, and 2023 (stated in Canadian dollars)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. In order to meet its financial liabilities, the Company has primarily relied and expects to continue to rely primarily on collecting its accounts receivable as they come due.

The Company's ability to manage its liquidity risk going forward will require some or all of the following: the ability to generate positive cash flows from operations and secure capital and/or credit facilities on reasonable terms in the current marketplace. The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments, as of September 30, 2024:

	2024	**2025**	**2026 and beyond**	**Total**
Accounts payable and other liabilities	$4,369,108	$-	$-	$4,369,108
Notes payable	239,984	-	-	239,984
Lease commitments	113,362	394,933	598,873	1,107,167
	$4,722,454	**$394,933**	**$598,873**	**$5,716,259**

Bank indebtedness does not have a contractual maturity and as such has not been included in the above table.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operation.

Foreign Exchange

The functional currency of the parent company is Canadian dollars, and the reporting currency is Canadian dollars. As of September 30, 2024, the Company had non-Canadian dollar net monetary liabilities of approximately US $1,831,006 (December 31, 2023 - US $1,593,849). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as of June 31, 2024, would have resulted in a gain or loss in the amount of $123,584 (December 31, 2023 – $105,401).

Interest Rate

The Company has cash balances and bank indebtedness which may be exposed to interest rate fluctuations. On September 30, 2024, cash balances were a negative $46,549 (December 31, 2023 - $38,348), bank indebtedness balances were $2,450,222 (December 31, 2023 – $2,898,495).

September 30, 2024, and 2023 (stated in Canadian dollars)

16. REVENUE AND SEGMENTED INFORMATION

Revenue for the recurring revenue and services is reported as a contract liability on the consolidated statement of financial position and is recognized as earned revenue for the period in which the subscription and/or service is provided.

For the sale of devices, revenue or contract liability is recognized at the time transfer of ownership of the device occurs. On September 30, 2024, the Company had $1,075,192 (September 30, 2023 - $922,601) in contract liability.

The following table provides a presentation of the Company's revenue streams for the Nine months ended September 30, 2024, and 2023:

	Nine months ended. Sept 30, 2024		Nine months ended. Sept 30,2023	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and Services	**$3,212,007**	**28.6**	$3,391,894	25.5
Devices and appliances	**8,020,101**	**71.5**	9,883,816	74.5
Other	**(9,099)**	**-0.1**	5,726	0.0
	$11,223,009	**100.0**	$13,281,436	100.0

The following table provides a geographic presentation of the Company's revenue streams for the Nine months ended September 30, 2024, and 2023:

	Nine months ended. Sept 30, 2024		Nine months ended. Sept 30,2023	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$10,824,349**	**96.4**	$12,571,098	94.7
Canada and International	**398,660**	**3.6**	710,338	5.3
	$11,223,009	**100.0**	$13,281,436	100.0

The following table provides a geographic presentation of the Company's right-of-use assets, furniture and equipment and intangible assets for the nine months ended September 30, 2024, and December 31, 2023:

	As of Sept 30, 2024		As of Dec 31,2023	
	Assets	**% of Total**	Assets	% of Total
USA	**$1,736,110**	**69.8**	$2,230,155	69.8
Canada	**749,345**	**30.2**	966,447	30.2
	$2,485,455	**100.0**	$3,196,602	100.0