



Interim Condensed Consolidated of

Route1 Inc.

For the quarter ended March 31, 2025, and 2024

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 March 31, 2025, and December 31, 2024
(stated in Canadian dollars)

	Note	March 31, 2025 Unaudited	December 31, 2024 Audited
Assets			
Current assets			
Cash and cash equivalents	15	704	86,607
Accounts receivable		1,028,743	2,282,040
Other receivables		235,076	312,452
Inventory	3	553,215	598,389
Prepaid expenses		121,075	142,293
Total current assets		1,938,812	3,421,781
Non-current assets			
Right-of-use assets	5	735,705	833,925
Furniture and equipment	5	1,514	2,548
Intangible assets	6	1,456,297	1,564,391
Goodwill	7	3,550,821	3,554,032
Other assets	17	258,490	3,615
Total non-current assets		6,002,827	5,958,511
Total assets		\$7,941,639	\$9,380,292
Liabilities			
Current liabilities			
Bank indebtedness	8	1,225,000	1,224,950
Accounts payable and other liabilities	12	3,479,577	4,682,947
Contract liability	9	916,830	994,527
Lease liabilities	4	320,007	334,533
Notes payable	10	375,602	336,319
Total current liabilities		6,317,016	7,573,276
Non-current liabilities			
Bank Indebtedness	8	1,439,585	1,252,976
Contract liability	9	8,398	8,398
Lease liabilities	4	502,734	595,961
Notes payable	10	292,105	333,500
Total non-current liabilities		2,242,822	2,190,835
Total liabilities		8,559,838	9,764,111
Shareholders' equity Capital and reserve			
Common shares	11	23,994,270	23,994,270
Contributed surplus - stock compensation reserve	11	17,355,988	17,355,988
Accumulated other comprehensive income	11	232,068	252,341
Deficit		(42,200,525)	(41,986,418)
Total shareholders' equity		(618,199)	(383,819)
Total shareholders' equity and liabilities		\$7,941,639	\$9,380,292

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 months ended March 31, 2025, and 2024
(stated in Canadian dollars)

	Note	Three months ended March 31, 2025	Three months ended March 31, 2024
Revenue			
Subscription revenue and services	16	906,761	\$906,459
Devices and appliance	16	1,327,069	3,125,505
Other	16	228	366
Total Revenue		2,234,059	4,032,331
Cost of revenue	3	1,323,624	2,715,594
Gross profit		910,434	1,316,737
Operating expenses			
General administration	5, 6	1,001,673	1,084,137
Research and development		12,617	43,820
Selling and marketing		291,363	303,442
Total operating expenses before stock-based compensation		1,305,654	1,431,399
Stock-based compensation	11, 12	-	4,404
Total operating expenses		1,305,654	1,435,803
Operating income (loss) before other income (expense)		(395,219)	(119,066)
Other income (expense)			
Interest expense		(94,191)	(113,778)
Foreign exchange gain (loss)		18,467	94,227
Employee Retention Credits	17	257,142	-
Total other income (expense)		181,114	(19,551)
Income (loss) before income taxes		(213,803)	(138,617)
Income tax (recovery) expense		302	10,303
Net loss for the year		(214,105)	(148,920)
Other comprehensive income (loss)			
Foreign currency translation		(20,275)	(51,155)
Comprehensive loss		(\$234,380)	(\$200,075)
Basic and diluted loss per share		(\$0.00)	(\$0.01)
Weighted average number of common shares outstanding		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 months ended March 31, 2025, and 2024
(stated in Canadian dollars)

	Note	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders Equity
Balance on January 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)		-	-	(51,155)	(148,920)	(200,075)
Balance on March 31, 2024		\$23,994,270	\$17,346,608	\$121,817	(\$41,074,020)	\$388,675

	Note	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders Equity
Balance on January 1, 2025		\$23,994,270	\$17,355,988	\$252,341	(\$41,986,418)	(\$383,819)
Stock-based compensation	11	-	-	-	-	-
Comprehensive income (loss)		-	-	(20,275)	(214,105)	(234,380)
Balance on March 31, 2025		\$23,994,270	\$17,355,988	\$232,068	(\$42,200,525)	(\$618,199)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Route1 Inc.

For the three months ended March 31, 2025, and 2024
(stated in Canadian dollars)

	Note	Three months ended March 31, 2025	Three months ended March 31, 2024
Net cash (outflow) inflow related to the following activities			
Operating activities			
Net loss		\$(214,105)	(\$148,919)
Items not affecting cash and cash equivalents			
Depreciation and amortization		205,086	248,224
Interest on lease liabilities		12,981	18,273
Stock-based compensation	11	-	4,404
Net changes in working capital balances			
Accounts receivable		1,291,822	447,965
Other receivables		33,784	7,727
Inventory		44,736	(18,776)
Prepaid expenses		21,177	29,267
Contract costs		-	5,901
Accounts payable and other liabilities		(1,193,132)	329,648
Contract liability		(76,175)	(185,986)
Net cash generated by operating activities		126,173	737,729
Investing activities			
Acquisition of intangible assets	6	-	(14,984)
Employee Retention Credits	17	(257,142)	-
Net cash (used in) generated by investing activities		(257,142)	(14,984)
Financing activities			
Repayment of notes payable	10	(215,644)	(75,000)
Repayment of lease liabilities	4	(119,783)	(126,523)
Proceeds from note issuance	10	214,515	-
Proceeds from (repayment of) bank indebtedness		185,074	(440,415)
Net cash used in by financing activities		64,163	(641,938)
Net increase (decrease) in cash and cash equivalents for the year		(66,805)	80,806
Effects of exchange rate changes on cash		(19,098)	(92,147)
Cash and cash equivalents, beginning of the period		86,607	38,348
Cash and cash equivalents, end of the period		\$704	\$27,008
Supplemental cash flow information			
Interest payments		\$81,210	\$95,505
Corporate tax payments		\$302	\$10,302

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

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, 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.

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, 2024.

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, 2024.

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, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

3. INVENTORY AND COST OF REVENUE

	March 31, 2025	March 31, 2024
MobiKEY related inventory	\$186,050	\$195,701
PocketVault P-3X finished product and raw material inventory	171,749	285,275
License plate recognition technology project related inventory	65,788	56,677
Other rugged device and information technology inventory	129,628	165,201
	\$553,215	\$702,854

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. Cost of devices during the first quarter of 2025 was \$1,101,668 (2024 - \$2,448,683).

For the quarter ended March 31, 2025, the cost of revenue recognized as an expense was \$1,323,624 (2024 - \$2,715,593).

4. LEASES

The Company has entered into a variety of premise lease agreements for office locations in (1) Toronto, Ontario, (2) Scottsdale, Arizona, (3) Chattanooga, Tennessee, and (4) 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.

	March 31, 2025	December 31, 2024
Opening lease liability	\$930,494	\$1,361,906
Less: Lease Extinguishment	-	48,446
Less: Payments	120,233	507,376
Sub Total	810,261	806,084
Add: Interest expense	12,981	65,107
Add: Effects of foreign exchange	(501)	59,303
Ending lease liability	\$822,741	\$930,494

The minimum annual basic rent commitments are as follows:

	March 31, 2025
2025	\$295,571
2026	371,958
2027 and beyond	252,256
Minimum lease payments	919,785
Less: Interest portion of rates between 3.81% and 8.325%	97,044
Net minimum lease payments	822,741
Less: Current portion	320,007
Long-term portion	\$502,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

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:

	For the Three Months Ended March 31, 2025	For the Twelve Months Ended December 31, 2024
Non-lease payments	\$127,252	\$573,502

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

Cost	Right-of-use Asset	Computer Equipment	Furniture & Equipment	TaaS Computer Equipment	Total
Balance at December 31, 2024	\$3,094,225	\$2,787,802	\$794,708	\$1,525,596	\$8,202,331
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Effect of Exchange rate changes	(2,120)	-	(45,238)	(1,379)	(48,736)
Balance on March 31, 2024	\$3,092,105	\$2,787,802	\$749,470	\$1,524,217	\$8,153,595

Accumulated depreciation and impairment	Right-of-use Asset	Computer Equipment	Furniture & Equipment	TaaS Computer Equipment	Total
Balance at December 31, 2024	(\$2,260,300)	(\$2,787,802)	(\$792,160)	(\$1,525,596)	(\$7,365,858)
Depreciation expense	(97,381)	-	(1,033)	-	(98,414)
Effect of exchange rate changes	1,280	-	45,236	1,379	47,895
Balance on March 31, 2025	(\$2,356,401)	(\$2,787,802)	(\$747,957)	(\$1,524,217)	(\$7,416,377)

Net book value	Right-of-use Asset	Computer Equipment	Furniture & Equipment	TaaS Computer Equipment	Total
Balance on December 31, 2024	\$833,925	\$-	\$2,548	\$-	\$836,473
Balance on March 31, 2025	\$735,705	\$-	\$1,514	\$-	\$737,218

For the quarter ended March 31, 2025, depreciation, and amortization expense of \$98,414 (2024 - \$145,094) was recognized in general administration expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

6. INTANGIBLE ASSETS

Cost	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2024	\$193,408	\$1,675,148	\$1,861,045	\$517,921	\$179,863	\$4,333,273
Additions	-	-	-	-	-	-
Effect of exchange rate changes	-	14,175	4,313	(14,761)	(163)	3,564
Balance on March 31, 2024	\$193,408	\$1,689,323	\$1,865,358	\$503,160	\$179,700	\$4,430,949
Accumulated depreciation and impairment	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2024	(\$126,579)	(\$1,371,796)	(\$996,876)	(\$275,310)	(\$98,321)	(\$2,868,882)
Depreciation expense	(2,462)	(33,984)	(53,233)	(12,522)	(4,472)	(106,672)
Effect of exchange rate changes	-	3,588	1,092	(3,736)	(41)	902
Balance on March 31, 2024	(\$129,041)	(\$1,402,193)	(\$1,049,017)	(\$291,568)	(\$102,834)	(\$2,974,652)
Net book value	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2023	\$66,829	\$303,241	\$870,169	\$242,611	\$81,541	\$1,464,391
Balance on December 31, 2024	\$64,367	\$287,130	\$816,341	\$211,592	\$76,866	\$1,456,297

For the quarter ended March 31, 2025, depreciation, and amortization expense of \$106,672 (2024 - \$102,570) was recognized in general administration expense.

7. GOODWILL

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

	Amount
Balance, January 1, 2024	\$3,554,032
Effect of exchange rate	(3,211)
Balance as of December 31, 2024	\$3,550,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

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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. Goodwill is tested at the CGU level, which is comprised of PCS.

For the year ended December 31, 2024, the Company determined that the recoverable amount was higher than the carrying amount. The recoverable amounts of the CGU were determined based on fair value less costs to sell calculation, using management's discounted cash flow projections over a period of five years.

In calculating the recoverable amount of the CGU, the long-term growth rate applied was 2.3%. The pre-tax discount rate applied was 11.43%, which was set considering the average borrowing cost of the Company and certain risk premiums. Management also used various higher discount rates to test the sensitivity of the value of the CGU.

These assumptions are subjective judgements based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates. If future cash flow projections, long-term growth rates or pre-tax discount rates are different to those used, it is possible that the outcome of future impairment tests could result in a different outcome with a CGU's goodwill being impaired.

8. BANK INDEBTEDNESS

The Company's credit facility consists of a revolving demand facility in the amount of \$1,225,000 (December 31, 2024 - \$1,225,000) and a \$150,000 credit card facility (December 31, 2024 - \$150,000). The operating facility carries an interest rate equal to the lender's prime rate of interest plus 1.5% (December 31, 2024 - prime rate of interest plus 1.5%). As of March 31, 2025, the interest rate was 6.45% (December 31, 2024 - 7.5%). The credit facility is secured by the assets of Route1 Inc. and guaranteed by Group Mobile Int'l LLC ("GMI"). As of March 31, 2025, the balance drawn on the revolving demand facility was \$1,225,000 (March 31, 2024 - \$1,225,000).

The Company's wholly owned subsidiary, PCS, has an asset-based revolving credit facility in the amount of US \$1,350,000. The facility carries an interest rate of fifty basis points over the prime rate published daily in the Wall Street Journal. As of March 31, 2025, the interest rate was 8.0% (December 31, 2024 - 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 March 31, 2025, the balance drawn on the revolving demand facility was US \$1,001,381 or CAD \$1,439,585 (March 31, 2024 - US \$939,180 or CAD \$1,272,589). 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, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

9. CONTRACT LIABILITIES AND CONTRACT COSTS

Contract liabilities are comprised of:

	March 31, 2025	December 31, 2024
Balance, beginning of year	\$1,002,925	\$901,623
Revenue deferred in previous period and recognized in current period	(407,606)	(891,638)
Net additions arising from operations	316,448	939,508
Effect of exchange rates	13,462	53,432
Total contract liability	<u>\$925,228</u>	<u>\$1,002,925</u>

Revenue to be recognized in the future:

	March 31, 2025	December 31, 2024
Within one year	\$916,830	\$994,527
Between two to five years	8,398	8,398
Total	<u>\$925,228</u>	<u>\$1,002,925</u>

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 March 31, 2025, the balance was \$0 (December 31, 2024 - \$0).

10. NOTES PAYABLE AND TERM LOAN

	March 31, 2025	December 31, 2024
Promissory Note B		
Opening balance	\$34,994	\$359,994
Less: payments made	(34,994)	(325,000)
Closing balance	<u>\$-</u>	<u>\$34,994</u>
Promissory Note C		
Opening balance	\$143,890	-
Add principle added	-	\$137,070
Effect of exchange rate changes	(130)	6,820
Less: payments made	(143,760)	-
Closing balance	<u>\$-</u>	<u>\$143,890</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

Promissory Note D

Opening balance	\$490,935	\$-
Add: principle provided	-	\$469,110
Less: payments made	(38,425)	(12,680)
Effect of exchange rate changes	(443)	34,505
Closing balance	\$452,067	\$490,935

Promissory Note E

Opening Balance	-	-
Add: principle provided	214,515	-
Less: payments made	-	-
Effect of exchange rate changes	1,125	-
Closing balance	215,640	-

Total notes payable & term loan	\$667,707	\$669,819
Less: current portion of notes payable and Term Loan	375,602	336,319
Long-term notes payable and term loan commitments	\$292,105	\$333,500

Promissory Note B

On September 16, 2020, Route1 entered into a promissory note agreement with a private lender in the amount of \$650,000 (Promissory Note B). 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 was secured by a pledge of shares of the Company's wholly owned subsidiary, Route 1 Security Corporation, and a general security agreement over all current and hereafter acquired personal property of the Company. The promissory note was subordinated to the Company's existing bank credit facilities in both Canada and the United States. On December 31, 2024, the balance drawn on the promissory note was \$34,994 (December 31, 2023 - \$359,994). The balance drawn of \$34,994 was fully repaid on January 31, 2025.

Promissory Note C

On July 26, 2024, PCS entered into a promissory note agreement with a private lender in the amount of USD \$100,000 (Promissory Note C). Interest payable under this promissory note is USD \$2,000 per month and payable monthly in advance. The original maturity date of the promissory note was

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Route1 Inc.

March 31, 2025, and 2024 (stated in Canadian dollars)

December 26, 2024, and later extended in December 2024 to January 26, 2025. Interest paid in 2024 was USD \$10,000. A further interest payment was made in January 2025, and the promissory note was fully repaid on January 17, 2025.

Promissory Note D

On November 25, 2024, PCS entered into a 36-month straight-line amortization Term Loan with a bank in the amount of USD \$350,000. The term loan bears an interest rate of 6.75% with a maturity date of November 25, 2027. Monthly payments are in the amount of USD \$10,780.74. The monthly payment is for principal and interest.

Promissory Note E

On March 5, 2025, PCS entered into a promissory note agreement with a private lender in the amount of USD \$150,000 (Promissory Note E). Interest payable under this promissory note is USD \$3,000 per month and payable monthly in advance. The original maturity date of the promissory note was April 5, 2025, and later extended in April 2025 to July 5, 2025.

11. SHARE CAPITAL 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.
- 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, 2024	42,497,156	\$23,994,270
Balance, March 31, 2024	42,497,156	\$23,994,270

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

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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:

	March 31, 2025		December 31, 2024	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options Outstanding				
Balance, beginning of the period	1,675,000	\$0.61	2,075,000	\$0.65
Options expired during the period	-	-	(400,000)	0.65
Options forfeited during the period	-	-	-	-
Balance, end of the period	1,675,000	\$0.61	1,675,000	\$0.61

Options outstanding and exercisable as of March 31, 2025:

	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Contractual Life (Years)	Number of Options	Weighted Average Contractual Life (Years)
\$0.50	250,000	1.5	250,000	1.5
\$0.62	275,000	0.4	275,000	0.4
\$0.68	1,150,000	0.1	1,150,000	0.1
	1,675,000	0.3	1,675,000	0.3

For the Quarter 31, 2025, the Company recorded stock-based compensation expense of \$0 (2023 - \$4,404).

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.

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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.

	March 31, 2025	December 31, 2024
Balance, beginning of the year	\$17,355,988	\$17,342,204
Options expensed in the year	-	13,784
Balance, end of the Period	<u>\$17,355,988</u>	<u>\$17,355,988</u>

12. RELATED PARTY TRANSACTIONS AND BALANCES

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 \$41,133 in the quarter ending March 31, 2025 (2024 - \$52,639). These transactions are in the normal course of operations and are paid or payable for directorship services. As of March 31, 2025, accrued liabilities included \$360,380 owing to directors (2024 - \$267,026). The Company also incurred stock-based compensation expense related to stock options granted to independent directors in the amount of \$0 (2024 - \$0).
- 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 March 31, 2025 (2024 - \$50,850). The Company also incurred stock-based compensation expenses related to stock options granted to Mr. Chodos in the amount of \$0 for the Quarter ended March 31, 2025 (2024 - \$3,363). 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 March 31, 2025 as follows, with 2024 comparatives:

	March 31, 2025	March 31, 2024
Short-term employee benefit	\$188,837	\$178,950
Stock-based compensation expense	-	3,362
	<u>\$188,837</u>	<u>\$182,312</u>

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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) 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.

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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	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

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on financial assets. The Company assesses the credit quality of counterparties, considering their financial position, past experience and other factors. During the quarter ended March 31, 2025, the largest single customer represented approximately \$340,810 of revenue or 15.3% of total revenue (March 31, 2024 - \$844,287 or 20.1% of total revenue).

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 March 31, 2025, 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 \$704 (December 31, 2024 - \$86,606).

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 statements of income (loss) and comprehensive income (loss). As of March 31, 2025, the largest single customer's account receivable represented \$238,147 (March 31, 2024 - \$268,269) of the total accounts receivable.

The following table outlines the details of the aging of the Company's receivables as of March 31, 2025, and March 31, 2024:

	March 31, 2025	March 31, 2024
Current	\$572,084	\$1,229,772
Past Due 1-60 days	344,929	274,305
Greater than 60 days	111,730	157,635
Total accounts receivable, net	<u>\$1,028,743</u>	<u>\$1,661,713</u>

The Company incurred bad debt charges on trade accounts receivable in the amount of \$0 during the quarter ended March 31, 2025 (2024 - \$0).

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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 March 31, 2025:

	2025	2026	2027 and beyond	Total
Accounts payable and other liabilities	\$3,479,577	\$-	\$-	\$3,479,577
Notes payable & loan commitment	334,508	168,402	164,797	667,707
Lease commitments	295,571	371,958	252,256	919,785
	\$4,109,656	\$540,360	\$417,053	\$5,067,069

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 March 31, 2025, the Company had non-Canadian dollar net monetary liabilities of approximately US \$1,494,826 (December 31, 2024 - US \$1,831,941). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as of March 31, 2025, would have resulted in a gain or loss in the amount of \$107,448 (December 31, 2024 - \$131,799).

Interest Rate

The Company has cash balances and bank indebtedness which may be exposed to interest rate fluctuations. On March 31, 2025, cash balances were \$704 (December 31, 2024 - \$86,607), bank indebtedness balances were \$2,664,585 (December 31, 2024 - \$2,477,926).

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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. At March 31, 2025, the Company had \$925,228 (March 31, 2024 - \$732,026) in contract liability.

The following table provides a presentation of the Company's revenue streams for the three months ended March 31, 2025 and 2024:

	Three months ended March 31, 2025		Three months ended March 31, 2024	
	Revenue	% of Total	Revenue	% of Total
Subscription revenue and Services	\$906,761	40.6	\$908,636	22.5
Devices and appliances	1,319,404	59.1	3,123,329	77.4
Other	7,893	0.4	366	0.1
	\$2,234,059	100.0	\$4,032,331	100.0

The following table provides a geographic presentation of the Company's revenue streams for the year ended March 31, 2025, and 2024:

	Three months ended March 31, 2025		Three months ended March 31, 2024	
	Revenue	% of Total	Revenue	% of Total
USA	\$2,138,609	95.7	\$3,883,473	95.8
Canada and International	95,450	4.3	148,858	4.2
	\$2,234,059	100.0	\$4,032,331	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 quarter ended March 31, 2025, and 2024:

	Three months ended March 31, 2025		Three months ended March 31, 2024	
	Assets	% of Total	Assets	% of Total
USA	\$1,525,991	69.6	\$2,105,725	69.8
Canada	667,525	30.4	911,073	30.2
	\$2,193,516	100.0	\$3,016,798	100.0

17. EMPLOYEE RETENTION CREDITS

The Employee Retention Credit ("ERC"), also known as the Employee Retention Tax Credit ("ERTC"), was designed to help businesses recover from the COVID-19 pandemic. The overall goal of the

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program was to encourage employers to retain employees during pandemic-related business shutdowns and slowdowns.

First introduced in March 2020 as part of the Coronavirus Aid, Relief, and Economic Security Act, the ERC has been updated twice since its original creation. In November 2021, the ERC program expired early with the signing of the Infrastructure Investment and Jobs Act. The change limited ERC claims to wages paid before October 1, 2021, except for recovery startup businesses. Businesses can still retroactively claim ERC by amending their 2020 or 2021 tax returns, meaning employers can still claim the credit for actions during the pandemic on their tax returns up until the year 2024.

Route1 has such credits filed prior to January 31, 2024 totaling USD \$467,030 and filed an additional USD \$852,972 in credits between February 1, 2024 to January 31, 2025. Route1 engaged a third-party professional to assist in its submission.

The credits were for Route1's wholly owned U.S. subsidiaries Route 1 Security Corporation, Group Mobile Int'l, LLC and Portable Computer Systems, Inc. relating to wages paid to employees between April 1, 2020 and September 30, 2021.

After considering risk factors and the time value of money, Route1 has recognized a long-term receivable and other income in the amount of USD \$179,807 in the quarter ended March 31, 2025.

<i>Values in US dollars</i>	March 31, 2025	December 31, 2024
ERC Claims Filed on or before January 31, 2024	\$467,030	\$-
ERC Claims Filed after January 31, 2024	852,972	-
Total ERC Claims Filed	1,320,002	-
Reserve	1,140,195	-
Balance	\$179,807	\$-