



Interim Condensed Consolidated Financial Statements of

Route1 Inc.

For the quarter ended September 30, 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 at September 30, 2025, and December 31, 2024
(stated in Canadian dollars)

	Note	Sep 30, 2025 Unaudited	Dec 31, 2024 Audited
Assets			
Current assets			
Cash and cash equivalents	15	\$79,449	\$86,607
Accounts receivable		1,950,587	2,282,040
Other receivables		161,366	312,452
Inventory	3	554,644	598,389
Prepaid expenses		166,469	142,293
Total current assets		2,912,515	3,421,781
Non-current assets			
Right-of-use assets	5	560,080	833,925
Furniture and equipment	5	481	2,548
Intangible assets	6	1,308,976	1,564,391
Goodwill	7	3,438,438	3,554,032
Other Assets	17	-	3,615
Total non-current assets		5,307,976	5,958,511
Total assets		\$8,220,491	\$9,380,292
Liabilities			
Current liabilities			
Bank indebtedness	8	\$2,084,427	\$1,224,950
Accounts payable and other liabilities	12	3,637,433	4,682,947
Contract liability	9	1,188,805	994,527
Lease liabilities	4	316,753	334,533
Notes payable	10	369,136	336,319
Total current liabilities		7,596,555	7,573,276
Non-current liabilities			
Bank Indebtedness	8	475,000	1,252,976
Contract liability	9	-	8,398
Lease liabilities	4	314,711	595,961
Notes payable	10	201,405	333,500
Total non-current liabilities		991,116	2,190,835
Total liabilities		\$8,587,671	\$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	291,890	252,341
Deficit		(42,009,329)	(41,986,418)
Total shareholders' equity		\$(367,180)	\$(383,819)
Total shareholders' equity and liabilities		\$8,220,491	\$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 and nine months ended September 30, 2025, and September 30, 2024
(stated in Canadian dollars)

		Three months ended Sept 30		Nine months ended Sept 30	
	Note	2025	2024	2025	2024
Revenue					
Subscription revenue and services	16	\$1,202,636	\$1,417,131	\$3,575,059	\$3,212,007
Devices and appliances	16	1,758,697	2,301,335	5,327,832	8,020,101
Other	16	(7,287)	(11,795)	(24,194)	(9,099)
Total Revenue		2,954,046	3,706,670	8,878,697	11,223,009
Cost of revenue	3	1,774,557	2,375,558	5,440,810	7,360,536
Gross profit		1,179,488	1,331,112	3,437,887	3,862,473
Operating expenses					
General administration	5, 6	829,506	1,043,175	2,810,966	3,227,455
Research and development		61,897	52,390	129,131	128,843
Selling and marketing		244,431	322,756	774,978	950,487
Total operating expenses before stock-based compensation		1,135,834	1,418,321	3,715,075	4,306,785
Stock-based compensation	11, 12	-	4,404	-	13,212
Total operating expenses		1,135,834	1,422,725	3,715,075	4,319,997
Operating profit (loss) before other income (expense)		43,654	(91,613)	(277,189)	(457,523)
Other income (expense)					
Interest income (expense)		(80,695)	(127,729)	(279,486)	(330,995)
Foreign exchange gain (loss)		21,795	(35,473)	(56,370)	92,441
Gain (loss) on asset disposal		(38,563)	(28,419)	(38,563)	(33,239)
Gain on sale of employee retention credits	17	309,358	-	657,123	-
Total other income (expenses)		211,895	(191,621)	282,704	(271,793)
Profit (loss) before income taxes		255,549	(283,234)	5,515	(729,316)
Income tax (recovery) expense		2,859	-	28,424	30,357
Net income (loss) for the year		\$252,690	(\$283,234)	(\$22,909)	(\$759,673)
Other comprehensive income (loss)					
Foreign currency translation		(10,414)	20,874	39,549	(49,289)
Comprehensive income (loss)		\$242,276	(\$262,360)	\$16,640	(\$808,962)
Basic and diluted income (loss) per share		\$0.01	(\$0.00)	\$0.00	(\$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, 2025, and September 30, 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
Stock-based compensation	11	-	4,404	-	-	4,404
Comprehensive income (loss)		-	-	(19,008)	(327,520)	(346,528)
Balance on June 30, 2024		\$23,994,270	\$17,351,012	\$102,809	(\$41,401,540)	\$46,551
Stock-based compensation	11	-	4,404	-	-	4,404
Comprehensive income (loss)		-	-	20,874	(283,234)	(262,360)
Balance on September 30, 2024		\$23,994,270	\$17,355,416	\$123,685	(\$41,684,776)	\$(211,405)

	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)
Stock-based compensation	11	-	-	-	-	-
Comprehensive income (loss)		-	-	70,237	(61,494)	8,743
Balance on June 30, 2025		\$23,994,270	\$17,355,988	\$302,305	(\$42,262,019)	(\$609,456)
Stock-based compensation	11	-	-	-	-	-
Comprehensive income (loss)		-	-	(10,413)	252,689	242,276
Balance on September 30, 2025		\$23,994,270	\$17,355,988	\$291,892	(\$42,009,329)	(\$367,180)

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, 2025, and September 30, 2024
(stated in Canadian dollars)

	Note	Nine months ended Sept 30, 2025	Nine months ended Sept 30, 2024
Net cash (outflow) inflow related to the following activities			
Operating activities			
Net loss		\$(22,909)	(\$759,673)
Items not affecting cash and cash equivalents			
Depreciation and amortization		576,069	727,616
Interest on lease liabilities		34,983	51,124
Stock-based compensation	11	-	13,212
Net changes in working capital balances			
Accounts receivable		382,624	(149,914)
Other receivables		36,912	(30,894)
Inventory		30,081	43,757
Prepaid expenses		4,002	61,115
Contract costs		-	11,878
Accounts payable and other liabilities		(907,482)	878,081
Contract liability		210,228	165,050
Net cash generated by operating activities		344,508	1,011,355
Investing activities			
Acquisition of intangible assets	6	(94,660)	(14,984)
Acquisition of right of use assets		-	48,446
Employee Retention Credits	17	(9,034)	-
Net cash (used in) generated by investing activities		(103,695)	33,462
Financing activities			
Repayment of notes payable	10	(359,998)	(117,930)
Repayment of lease liabilities	4	(317,540)	(435,640)
Proceeds from note issuance	10	286,310	-
Proceeds from (repayment of) bank indebtedness		123,352	(487,011)
Net cash used in financing activities		(267,876)	(1,040,581)
Net increase (decrease) in cash and cash equivalents for the year		(27,063)	4,236
Effects of exchange rate changes on cash		19,906	(89,133)
Cash and cash equivalents, beginning of the period		86,607	38,348
Cash and cash equivalents, end of the period		\$79,449	(\$46,549)
Supplemental cash flow information			
Interest payments		\$244,503	\$279,871
Corporate tax payments		\$28,424	\$30,357

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 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.

September 30, 2025, and 2024 (stated in Canadian dollars)

3. INVENTORY AND COST OF REVENUE

	Sept 30, 2025	Sept 30, 2024
MobiKEY related inventory	\$185,928	\$195,649
PocketVault P-3X finished product and raw material inventory	144,372	239,201
License plate recognition technology project related inventory	136,171	59,607
Other rugged device and information technology inventory	88,173	144,832
	\$554,644	\$639,288

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 through the third quarter of 2025 was \$4,666,600 (2024 - \$6,668,978).

For the period ended September 30, 2025, the cost of revenue recognized as an expense was \$5,440,810 (2024 - \$7,360,536).

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.

The Denver, Colorado lease expired on May 31, 2025.

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.

	September 30, 2025	December 31, 2024
Opening lease liability	\$930,494	\$1,361,906
Less: Lease Extinguishment	-	48,446
Less: Payments	317,540	507,376
Sub Total	612,954	806,084
Add: Interest expense	34,983	65,107
Add: Effects of foreign exchange	(16,473)	59,303
Ending lease liability	\$631,464	\$930,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 2025, and 2024 (stated in Canadian dollars)

The minimum annual basic rent commitments are as follows:

	September 30, 2025
2025	\$68,960
2026	363,042
2027 and beyond	251,513
Minimum lease payments	683,515
Less: Interest portion of rates between 3.81% and 8.325%	52,051
Net minimum lease payments	631,464
Less: Current portion	316,753
Long-term portion	\$314,711

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 Nine Months Ended September 30, 2025	For the Twelve Months Ended December 31, 2024
Non-lease payments	\$369,051	\$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	(76,309)	-	(59,240)	(49,620)	(185,169)
Balance on September 30, 2025	\$3,017,916	\$2,787,802	\$735,468	\$1,475,976	\$8,017,162

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	(259,090)	-	(2,054)	-	(261,144)
Effect of exchange rate changes	(61,554)	-	59,227	49,620	47,293
Balance on September 30, 2025	(\$2,457,836)	(\$2,787,802)	(\$734,987)	(\$1,475,976)	(\$7,456,601)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 2025, and 2024 (stated in Canadian dollars)

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 September 30, 2025	\$560,080	\$-	\$481	\$-	\$560,561

For the quarter ended September 30, 2025, depreciation, and amortization expense of \$73,272 (2024 - \$133,177) was recognized in general administration expense.

For the nine months ended September 30, 2025, depreciation, and amortization expense of \$261,144 (2024 - \$422,358) was recognized in general administration expense.

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	-	94,660	-	-	-	-
Effect of exchange rate changes	-	14,297	(54,726)	(30,686)	(5,851)	(76,966)
Balance on September 30, 2025	\$193,408	\$1,784,105	\$1,806,319	\$487,235	\$174,013	\$4,445,079
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	(6,875)	(101,441)	(156,613)	(36,839)	(13,157)	(314,925)
Effect of exchange rate changes	-	(7,559)	33,138	18,581	3,543	46,605
Balance on September 30, 2025	(\$133,454)	(\$1,480,796)	(\$1,120,350)	(\$293,568)	(\$107,935)	(\$3,136,103)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 2025, and 2024 (stated in Canadian dollars)

Net book value	Patents	Computer Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance on December 31, 2024	\$66,829	\$303,241	\$870,169	\$242,611	\$81,541	\$1,564,391
Balance on September 30, 2025	\$59,954	\$303,309	\$685,969	\$193,667	\$66,077	\$1,308,976

For the quarter ended September 30, 2025, depreciation, and amortization expense of \$103,182 (2024 - \$112,910) was recognized in general administration expense.

For the nine months ended September 30, 2025, depreciation, and amortization expense of \$314,925 (2024 - \$305,258) was recognized in general administration expense.

7. GOODWILL

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

	Amount
Balance, January 1, 2025	\$3,554,032
Effect of exchange rate	(115,594)
Balance as of September 30, 2025	\$3,438,438

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 2025, and 2024 (stated in Canadian dollars)

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 September 30, 2025, the interest rate was 4.7% (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") and PCS. As of September 30, 2025, the balance drawn on the revolving demand facility was \$1,075,000 (September 30, 2024 - \$1,220,000).

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 September 30, 2025, the interest rate was 7.25% (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 September 30, 2025, the balance drawn on the revolving demand facility was US \$1,066,322 or CAD \$1,484,427 (September 30, 2024 - US \$911,343 or CAD \$1,230,222). 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.

9. CONTRACT LIABILITIES AND CONTRACT COSTS

Contract liabilities are comprised of:

	September 30, 2025	December 31, 2024
Balance, beginning of year	\$1,002,925	\$901,623
Revenue deferred in previous period and recognized in current period	(860,017)	(891,638)
Net additions arising from operations	1,076,234	939,508
Effect of exchange rates	(30,337)	53,432
Total contract liability	<u>\$1,188,806</u>	<u>\$1,002,925</u>

Revenue to be recognized in the future:

	September 30, 2025	December 31, 2024
Within one year	\$1,188,806	\$994,527
Between two to five years	-	8,398
Total	<u>\$1,188,806</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 2025, and 2024 (stated in Canadian dollars)

10. NOTES PAYABLE AND TERM LOAN

	September 30, 2025	December 31, 2024
Promissory Note B		
Opening balance	\$34,994	\$359,994
Less: payments made	(34,994)	(325,000)
Closing balance	\$-	\$34,994
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	\$-	\$143,890
Promissory Note D		
Opening balance	\$490,935	\$-
Add: principle provided	-	\$469,110
Less: payments made	(113,726)	(12,680)
Effect of exchange rate changes	(15,483)	34,505
Closing balance	\$361,726	\$490,935
Promissory Note E		
Opening Balance	-	-
Add: principle provided	286,310	-
Less: payments made	(69,605)	-
Effect of exchange rate changes	(7,890)	-
Closing balance	208,815	-
Total notes payable & term loan	\$570,541	\$669,819
Less: current portion of notes payable and Term Loan	369,136	336,319
Long-term notes payable and term loan commitments	\$201,405	\$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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

September 30, 2025, and 2024 (stated in Canadian dollars)

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 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 extended to July 5, 2025 on April 4, 2025.

Additionally on April 4, 2025, PCS further amended the promissory note by increasing the principal amount by \$50,000 to \$200,000. Monthly interest payable under this promissory note is USD \$4,000 and payable monthly in advance.

On July 4, 2025, the maturity date of the promissory note was extended until October 4, 2025 and the principal amount decreased from \$200,000 to \$150,000. The monthly interest amount was accordingly reduced from \$4,000 to \$3,000.

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.

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- 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, September 30, 2025	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 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:

	September 30, 2025		December 31, 2024	
Options Outstanding	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	1,675,000	\$0.61	2,075,000	\$0.65
Options expired during the period	(1,425,000)	0.68	(400,000)	0.65
Options forfeited during the period	-	-	-	-
Balance, end of the period	250,000	\$0.50	1,675,000	\$0.64

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Options outstanding and exercisable as of September 30, 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	1.0	250,000	1.0
\$0.62	-	-	-	-
\$0.68	-	-	-	-
	250,000	1.0	250,000	1.0

For the Quarter ended September 30, 2025, the Company recorded stock-based compensation expense of \$0 (2024 - \$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.

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.

	September 30, 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	\$17,355,988	\$17,355,988

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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 \$39,432 in the quarter ended September 30, 2025 (2024 - \$53,039). And \$119,717 for the nine-month period ended September 30, 2025, (2024 - \$159,102). These transactions are in the normal course of operations and are paid or payable for directorship services. As of September 30, 2025, accrued liabilities included \$399,805 owing to directors (2024 - \$373,456). 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 September 30, 2025 (2024 - \$50,850). and \$152,550 for the nine-month period ended September 30, 2025, (2024 - \$152,550). The Company also incurred stock-based compensation expenses related to stock options granted to Mr. Chodos in the amount of \$0 for the quarter and \$0 for the nine-month period ended September 30, 2025 (2024 - \$3,362 and \$10,086). 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 and periods ended September 30, 2025, with 2024 comparatives:

	Three months ended Sept 30, 2025	Three months ended Sept 30, 2024	Nine months ended Sept 30, 2025	Nine months ended Sept 30, 2024
Short-term employee benefit	\$176,405	\$210,690	\$540,038	\$540,808
Stock-based compensation expense	-	3,362	-	10,086
	\$176,405	\$214,053	\$540,038	\$550,894

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.

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(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.

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;

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- 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 on financial assets. The Company assesses the credit quality of counterparties, considering their financial position, past experience and other factors. During the period ended September 30, 2025, the largest single customer represented approximately \$1,326,640 of revenue or 14.9% of total revenue (September 30, 2024 - \$1,246,364 or 27.56% 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 September 30, 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 \$79,449 (December 31, 2024 - \$86,606).

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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 September 30, 2025, the largest single customer's account receivable represented \$171,933 (September 30, 2024 – \$414,836) of the total accounts receivable.

The following table outlines the details of the aging of the Company's receivables as of September 30, 2025, and September 30, 2024:

	September 30, 2025	Sept 30, 2024
Current	\$1,259,505	\$1,669,826
Past Due 1-60 days	253,033	316,862
Greater than 60 days	438,049	161,730
Total accounts receivable, net	\$1,950,587	\$2,148,418

The Company incurred bad debt charges on trade accounts receivable in the amount of \$20,014 for the quarter ended September 30, 2025 (2024 - \$7,561).

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

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contractual maturities for its financial liabilities, including interest payments and operating lease commitments, as of September 30, 2025:

	2025	2026	2027 and beyond	Total
Accounts payable and other liabilities	\$3,637,433	\$-	\$-	\$3,637,433
Notes payable & loan commitment	247,888	163,072	159,581	570,541
Lease commitments	68,960	363,042	251,513	683,514
	\$4,018,326	\$526,114	\$411,095	\$4,891,489

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, 2025, the Company had non-Canadian dollar net monetary liabilities of approximately US \$1,838,378 (December 31, 2024 - US \$1,831,941). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as of September 30, 2025, would have resulted in a gain or loss in the amount of \$127,960 (December 31, 2024 - \$131,799).

Interest Rate

The Company has cash balances and bank indebtedness which may be exposed to interest rate fluctuations. On September 30, 2025, cash balances were \$79,449 (December 31, 2024 - \$86,607), bank indebtedness balances were \$2,559,427 (December 31, 2024 - \$2,477,926).

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 September 30, 2025, the Company had \$1,188,805 (September 30, 2024 - \$922,601) in contract liability.

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The following table provides a presentation of the Company's revenue streams for the nine months ended September 30, 2025 and 2024:

	Nine months ended September 30, 2025		Nine months ended September 30, 2024	
	Revenue	% of Total	Revenue	% of Total
Subscription revenue and Services	\$3,575,059	40.0	\$3,212,007	28.6
Devices and appliances	5,327,832	60.0	8,020,101	71.4
Other	(24,194)	0.0	(9,099)	0.0
	\$8,878,697	100.0	\$11,223,009	100.0

The following table provides a geographic presentation of the Company's revenue streams for the year ended September 30, 2025, and 2024:

	Nine months ended September 30, 2025		Nine months ended September 30, 2024	
	Revenue	% of Total	Revenue	% of Total
USA	\$8,763,948	98.7	\$10,824,349	96.4
Canada and International	114,749	1.3	398,660	3.6
	\$8,878,697	100.0	\$11,223,009	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 September 30, 2025, and 2024:

	Nine months ended September 30, 2025		Nine months ended September 30, 2024	
	Assets	% of Total	Assets	% of Total
USA	\$1,289,794	69.0	\$1,736,110	69.8
Canada	579,745	31.0	749,345	30.2
	\$1,869,538	100.0	\$2,485,455	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 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 were able to retroactively claim ERC by amending their 2020 or 2021 tax returns, meaning employers were able to claim the credit for actions during the pandemic on their tax returns up until the year 2024.

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With the help of a third-party professional to assist in its submission, Route1 filed ERCs in the amount of USD \$1,320,002. 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.

On June 18, 2025, Route1 sold USD \$467,030 of its ERCs (the "First ERC Claim") to a private equity fund. Route1 received payment of USD \$179,807 and subject to the US government paying out the First ERC Claim, will receive an additional USD \$65,384. The private equity fund purchased the First ERC Claim at a discount to the face value and required an additional amount to be held back until the First ERC Claim is paid out by the US government. Route1 also incurred professional fees to complete the transaction. In certain circumstances, including situations in which the Internal Revenue Service disallows some or all of Route1's ERC claims, the private equity fund may cause Route1 to refund the proceeds paid. Should that occur, some or all of the professional fees incurred will also be reimbursed.

On August 8, 2025, Route1 sold USD \$468,802 of its ERCs (the "Second ERC Claim Amount") to a private equity fund. Route1 received payment of USD \$167,836 and subject to the US government paying out the ERC Claim Amount, will receive an additional USD \$58,122. The private equity fund purchased the Second ERC Claim Amount at a discount to the face value and required an additional amount to be held back until the Second ERC Claim Amount is paid out by the US government. Route1 also incurred professional fees to complete the transaction.

<i>Values in US dollars unless noted otherwise</i>	September 30, 2025	December 31, 2024
Funds Received	\$179,807	\$-
L/T Receivable	65,384	-
Costs and Professional Fees	221,839	-
First ERC Claim	467,030	-
Funds Received	167,836	-
L/T Receivable	58,122	-
Costs and Professional Fees	242,844	-
Second ERC Claim	468,802	-
Filed but unapproved claims	122,101	
Eliminated by the One Beautiful Bill Act	262,069	
Outstandings ERC Claims	384,170	-
Total ERC Claims	\$1,320,002	\$-
Total L/T Receivable Balance USD	\$123,506	\$-
Total L/T Receivable Balance CAD	\$171,933	\$-

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18. SUBSEQUENT EVENTS

Employee Retention Credits

On November 5, 2025 Route1 received notice that the IRS will be paying out USD \$111,478 plus interest (the “IRS Payment”) to Route1 on a portion of the Retained ERC Claims valued at USD \$122,101 prior to the end of the current calendar year. Payment of the \$111,478 was received on November 14, 2025. The revised Retained Claims balance is USD \$10,624. Route1 will incur professional fees as a result of the additional payment equal to 30% on the IRS Payment.

Private Placement

On November 4, 2025 Route1 announced a non-brokered private placement of units (each, a “Unit”) at a price of \$0.075 per Unit for gross proceeds of up to \$500,000 (the “Offering”). Each Unit consists of one common share in the capital of the Company (a “Common Share”) and one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to purchase one Common Share at a price of \$0.10 for a period of 18 months following the issue date of the Units.

The Company intends to use the net proceeds of the Offering to fund the development of Route1’s Actionable Business Intelligence (“ABI”) software application.

Certain insiders may subscribe for Units under the Offering. The issuance of Units to such insiders will constitute a “related party transaction” under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company intends to rely on the exemptions from the formal valuation and minority shareholder approval requirements set out in Sections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively.

The Offering is expected to close in multiple tranches.

On November 19, 2025 Route1 announced that it had completed the first tranche (the “Initial Closing”) of its non-brokered private placement of units (each, a “Unit”) at a price of C\$0.075 per Unit for gross proceeds of approximately \$234,250. The Company issued a total of 3,123,332 Common Shares and 3,123,332 Warrants. All securities issued pursuant to the Initial Closing are subject to a four-month hold period, expiring on March 20, 2026.

Bank Indebtedness Amendment

On October 1, 2025 Route1 entered into a revised credit agreement with its primary Canadian lender. The agreement provides that (i) the outstanding principal amount of \$1,225,000 will be repaid over 24 months commencing July 31, 2025 and ending on July 31, 2027, in the amount of \$50,000 per month plus interest, (ii) the final month’s payment will be the amount required to repay any remaining balance on the loan, and (iii) the credit facility is non-revolving and each payment will reduce the amount of the credit facility.

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Further, the \$150,000 credit card facility was paid out and not renewed. The operating facility continues to carry an interest rate equal to the lender's prime rate of interest plus 1.5%. As of November 20, 2025, the interest rate was 5.95%. The credit facility continues to be secured by the assets of Route1 Inc. and guaranteed by Group Mobile Int'l LLC ("GMI") and PCS. As at November 20, 2025 the balance on the credit facility was \$1,025,000.