
ROUTE1 INC.

**MANAGEMENT DISCUSSION AND ANALYSIS OF
INTERIM FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007
COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006
(Revised version filed on April 29, 2008 – originally filed on November 28, 2007)**

The following discussion and analysis of the interim financial condition and results of operations (“MD&A”) of Route1 Inc. (also referred to as “we”, “us”, “our”, “Route1”, or the “Company”), prepared as of November 28, 2007 and revised on April 28, 2008, has been reviewed and approved by the Company’s Board of Directors prior to filing and should be read in conjunction with the Company’s restated unaudited interim consolidated financial statements and the notes thereto as at and for the three and nine months ended September 30, 2007 and 2006, and the Company’s audited annual consolidated financial statements and notes thereto as at and for the years ended December 31, 2006 and 2005, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The Company cautions that the MD&A has not been updated to reflect any events that have taken place since the time of the original filing of the MD&A on November 28, 2007. Please see note 2 to the restated unaudited interim consolidated financial statements for the impact of the restatement.

The following discussion may contain forward looking statements about matters that involve risk and uncertainties, such as statements of Route1’s plans, objectives, expectations and intentions, as well as financial trends. The discussion also includes cautionary statements about these matters. You should read the cautionary statements made below as being applicable to all forward-looking statements wherever they appear in this document.

Factors that could cause Route1’s actual results to differ materially from the forward-looking statements are contained herein and include, but are not limited to, overall economic conditions, competitive pressures and uncertain technology changes. Additional information concerning risks and uncertainties affecting Route1’s business and other factors that could cause financial results to fluctuate is set forth later in this document, as well as elsewhere herein, and is contained in Route1’s filing with Canadian securities regulatory authorities, available on the SEDAR website (www.sedar.com) under Route1 Inc. and on the Company’s website (www.route1.com):

OVERVIEW

Route1 is the trusted provider of security and identity management network solutions that are redefining today's workplace. At the heart of Route1's solutions is MobiNET, a communications and service delivery platform focused on identity management and entitlement-based access to resources. Leveraging the power of MobiNET is the award-winning MobiKEY, an ultra-portable computing device that securely connects users to the myriad of MobiNET services from any Internet-enabled Windows-based PC. This patent-pending computing solution is embedded on a smart-card enabled, cryptographic USB device, making it one of the most powerful and easy-to-use secure computing solutions available today. MobiKEY enables users to connect to their desktop data, applications, network resources, and web content with services such as TruOFFICE and PurLINK. Route1's patent-pending solutions, based on FIPS-140-2 cryptographic modules, meet the stringent security needs and high standards mandated by all levels of government. They have been evaluated by ICSA Labs and certified by the CSE. As a Company with high regard for intellectual property, Route1 continues to encourage and nurture innovation across its talented team. Headquartered in Toronto, Route1 has offices and agents worldwide.

Notable Achievements

Route1 reached significant milestones both during and subsequent to the third quarter of fiscal 2007 including:

- New product releases, OEM opportunities, and the refocusing of the sales strategy.
- The Company's participation at the Coalition Warrior Interoperability Demonstration (CWID) exceeded all expectations, and leading the way for future pilots, further testing, and strong interest in its suite of defense and space products and solutions.
- Jeffrey Denberg joined Route1 as it's newly appointed Senior Vice President of Sales, and has repositioned the company's go-to-market sales strategy. Under Denberg's guidance, Route1 has positioned its sales channel to address the burgeoning SMB market, while Route1's core sales team focuses on OEM, Enterprise, Government, and Military accounts.
- Route1 announced two significant OEM (original equipment manufacturer) type relationships. The first was with Novatel Wireless, a leading global provider of 3Gwireless broadband access solutions. This agreement will see the integration of Route1's subscription-based services, including TruOFFICE™, into the Novatel Wireless product line of wireless modems. The second was with Giesecke and Devrient, the leading global provider of banknotes, ID documents, and smart card solutions, and will enable Route1's suite of identity management subscription services, such as PurLINK, to be integrated into G&D's StarSign® product family of identity tokens.
- Route1 also announced the availability of its high assurance identity-based access products and services focused on securing web content. EnterpriseLIVE is Route1's family of high assurance platforms built for Financial Services, Military, Government, Telecommunication Service Providers, and Web 2.0 communities to secure systems and digital content. PurLINK, Route1's PKI-based authentication service, enables end-users to access and navigate web content secured by the EnterpriseLIVE platform. PurLINK is positioned to become the de-facto, trusted standard for secure access to portals, online systems, and applications.
- The Company completed a private placement for total gross proceeds of \$7,766,480.

The depth and breadth of these milestones solidifies Route1's position as the global leader of high-assurance, identity management and entitlement-based access solutions.

With offices located in Canada, the United States, and Germany, the Company's employees and agents are able to service customers located anywhere in North America and EMEA (Europe, Middle East, Africa). At September 30, 2007, the Company had 38 employees.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements for the period ended September 30, 2007 have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Management makes certain estimates and relies on certain assumptions relating to reporting the Company's assets and liabilities as well as operating results in order to prepare the consolidated financial statements in conformity with Canadian GAAP. On an on-going basis, the Company evaluates its estimates and assumptions including those related to revenue, the valuation of accounts receivable, the estimation of useful lives of the various classes of fixed assets, stock-based compensation expense, and the measurement of income tax valuation allowances.

- The Company's revenue is derived from hardware sales and subscription services. The Company recognizes revenue in accordance with EIC 141, "Revenue Recognition", and EIC 142, "Revenue Arrangements with Multiple Deliverables".
- In the determination of the valuation of accounts receivable, including the allowance for doubtful accounts, the Company relies on current customer information, payment history and trends as well as future business and economic conditions.
- The estimation of useful lives of the various classes of fixed assets is based upon history and experience of similar assets within each class.
- The fair value of stock options is based on certain estimates applied to the Black-Scholes option-pricing model as in the Financial Statements.
- The measurement of the income tax valuation allowance is based upon estimates of future taxable income and the expected timing of reversals of temporary differences. Actual results may differ from estimates and assumptions.

Changes in Accounting Policies including Initial Adoption

On January 1, 2007, the Company adopted the following standards: CICA Sections 3855 "Financial Instruments – Recognition and Measurement", and 1530 "Comprehensive Income". These sections require certain financial instruments to be recorded at their fair value. They also introduce the concept of comprehensive income and accumulated other comprehensive income.

CICA Section 3855 "Financial Instruments – Recognition and Measurement" establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments must be classified into defined categories. This classification determines how each instrument is measured and how gains and losses are recognized. In addition, the recommendations define derivatives and embedded derivatives which meet certain criteria.

CICA Section 1530, "Comprehensive Income" introduces a statement of comprehensive income in the full set of interim and annual consolidated financial statements. Comprehensive income will present certain gains and losses outside net income.

The adoption of these standards was on a prospective basis with no retroactive restatement of prior periods and had no material impact on the unaudited interim consolidated financial statements. At present, the Company's financial instruments comprise of the following:

- a. Cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt are classified as "Assets held for trading." They are measured at fair value and the gains or losses resulting from the revaluation at the end of each period, are recognized in net earnings (loss).
- b. Accounts receivable, other receivable, employee loans, notes receivable are classified as "Loans and receivables". They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements of accounts receivable, other receivable, employee

loans, and notes receivable are recorded at amortized cost which usually corresponds to the amount initially recorded less any allowance for doubtful accounts or provisions.

There is no financial impact on these unaudited interim financial statements due to the adoption of the new accounting recommendations concerning financial instruments and other comprehensive income.

On January 1, 2007, the Company also adopted CICA Handbook Section 1506, "Accounting changes", which requires that voluntary changes in accounting policy are made only if the changes result in financial statements that provide more reliable and more relevant information. It also requires prior period errors to be corrected retrospectively. The adoption of this standard did not impact the Company's consolidated financial statements.

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements.

RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007
COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006

The following table sets out selected unaudited interim financial information of the Company on a consolidated basis.

	As at and for the three months ended				As at and for the nine months ended			
	Sep 30, 2007	Sep 30, 2006	Change		Sep 30, 2007 ⁽¹⁾	Sep 30, 2006	Change	
			\$	%			\$	%
<i>(in thousand of dollars, except for per share amounts)</i>								
STATEMENT OF OPERATIONS								
Revenues	134,778	171,313	(36,535)	(21.3%)	863,432	452,129	578,527	128.0%
Cost of revenues	253,673	348,219	(94,546)	(27.2%)	1,035,303	1,154,663	(37,127)	(93.2%)
Gross margin (loss)	(118,895)	(176,906)	58,011	32.8%	(117,871)	(702,534)	615,654	87.6%
Operating Expenses								
General administration	556,873	619,540	(62,667)	(10.1%)	1,667,073	1,970,680	(303,607)	(15.4%)
Research and development	564,098	483,522	80,576	16.7%	1,721,714	1,688,510	33,204	2.0%
Selling and marketing	500,453	878,740	(378,287)	(43.0%)	1,884,645	1,966,601	(81,956)	(4.2%)
Amortization	75,906	68,296	7,610	11.1%	211,931	236,620	(24,689)	(10.4%)
	1,697,330	2,050,098	(352,768)	(17.2%)	5,485,363	5,862,411	(377,048)	(6.4%)
Loss before the following items	(1,816,225)	(2,227,004)	410,779	18.4%	(5,657,234)	(6,564,945)	992,702	15.1%
Interest income	14,778	9,921	4,857	49.0%	49,258	35,668	13,590	38.1%
Loss from continuing operations	(1,801,447)	(2,217,083)	415,636	18.7%	(5,607,976)	(6,529,277)	1,006,292	15.4%
Income (loss) from discontinued operations	-	-	-	-	-	457,000	(457,000)	-
Net loss and comprehensive loss for the period	(1,801,447)	(2,217,083)	415,636	18.7%	(5,607,976)	(6,072,277)	549,292	9.0%
Loss per share	(0.01)	(0.01)	-	-	(0.02)	(0.02)	-	-
CASH FLOW INFORMATION								
Operations (including non-cash working capital changes)	(1,730,006)	(2,181,403)			(5,338,180)	(5,818,715)		
Investing	443	(90,536)			(260,093)	(210,243)		
Financing	84,916	4,686,532			4,886,948	9,125,318		
Net cash flow	(1,644,647)	2,414,593			(711,325)	3,096,360		
Cash and cash equivalents								
Beginning of period	2,419,686	1,520,129			1,486,364	838,362		
End of period	775,039	3,934,722			775,039	3,934,722		
BALANCE SHEET INFORMATION								
Working capital	717,803	3,786,248			717,803	3,786,248		
Total assets	3,013,041	5,920,397			3,013,041	5,920,397		
Shareholders' equity	1,357,851	4,539,439			1,357,851	4,539,439		

(1) As restated

Restatement

The Company has amended and restated unaudited interim financial statements for the quarters ended June 30, 2007 and September 30, 2007. The Company's restated revenues and net loss for three months ended June 30, 2007 are \$320,869 and \$2,097,590 respectively, as compared to the previously reported amounts of \$488,093 and \$2,012,599 respectively. The Company's restated revenues and net loss for nine months ended September 30, 2007 are \$863,432 and \$5,607,976 respectively, as compared to the previously reported amounts of \$1,030,656 and \$5,522,985 respectively.

Revenues

Revenues are derived from the sales of MobiKEY devices and from subscription based services on a monthly basis.

For the third quarter of fiscal 2007, the Company's total revenues were \$134,778 compared to \$171,313 for the same period last year, representing a \$36,535 or 21% decrease. In the quarter, the Company reorganized and restructured its sales efforts and strategy, shifting its primary focus from an indirect channel-driven strategy, utilizing value-added resellers, towards a direct-to-market enterprise/government focused strategy employing a direct sales team. This restructuring culminated in the replacement of the Company's senior vice president of sales along with several members of the indirect sales team, resulting in a disruption of the Company's sales efforts for the quarter. The Company is focused on building its direct sales team in support of its direct-to-market sales strategy.

For the first nine months of fiscal 2007, the Company's total revenues were \$863,432 compared to \$452,129 for the same period last year, representing a \$411,303 or 91% increase. Sales have continued to increase, with the commercialization of the MobiKEY and related subscription based services in mid 2006 the Company now has a full nine months of revenues for its product and services as compared to approximately six months in the same period in 2006.

Gross margin

Gross margin is revenues less the cost of revenues. The cost of revenues figure includes the variable/direct cost of hardware and software licenses, and also the fixed/indirect costs of providing the MobiNET subscription services.

For the third quarter of fiscal 2007, the Company's gross margin loss was \$118,895 compared to \$176,906 for the same period last year, representing a \$58,011 or 33% improvement. This improvement is attributable to a couple of items: a reduction in the cost of hardware sold during the period and amortization expense. Included in cost of revenues are the fixed expenses as highlighted above, which will not increase substantially as the subscription based services increases, however at this time this subscriber base is not at a level to cover these fixed expenses. The Company anticipates that the gross margin will improve substantially as the Company's products and services gain traction and the subscriber base builds.

For the first nine months of fiscal 2007, the Company's gross margin loss was \$171,871 compared to \$702,534 for the same period last year, representing a \$530,663 or 76% improvement. This improvement is attributable to a few items: a reduction in head count and amortization expense, partially offset by cost of hardware sold during the period. Included in cost of revenues are the fixed expenses as highlighted above, which will not increase substantially as the subscription based services increases, however at this time this subscriber base is not at a level to cover these fixed expenses. The Company anticipates that the gross margin will improve substantially as the Company's products and services gain traction and the subscriber base builds.

Operating Expenses

General administration

General administration expenditures consist primarily of salaries and benefits for administration staff, professional fees, insurance costs, and general office overhead including rent.

For the third quarter of fiscal 2007, the Company's general administration expenses were \$556,873 compared to \$619,540 for the same period last year, representing a \$62,667 or 10% decrease. The Company has decreased its head count in the general and administration department combined with lower fees for professional services. The Company anticipates that general and administration expenses will increase slightly as the Company's revenues increase.

For the first nine months of fiscal 2007, the Company's general administration expenses were \$1,667,073 compared to \$1,970,680 for the same period last year, representing a \$303,607 or 15% decrease. The Company has decreased its head count in the general and administration department, incurred lower fees for professional services, lower expenses for general office overhead items, partially offset with directors fees for 2007.

Research and development

Research and development expenditures consist primarily of salaries and benefits for technical staff, consulting services, software tools and related information technology infrastructure support associated with the various enhancements to the MobiNET platform and the development of new subscription-based services and associated devices that are expected to facilitate future large customer revenues.

For the third quarter of fiscal 2007, the Company's research and development expenditures were \$564,098 compared to \$483,522 for the same period last year, representing an \$80,576 or 17% increase. The Company has increased its head count in the research and development department during the quarter. The Company anticipates that research and development expenditures will increase slightly as the Company's revenues increase.

For the first nine months of fiscal 2007, the Company's research and development expenditures were \$1,721,714 compared to \$1,688,510 for the same period last year, representing a \$33,204 or 2% increase. The Company has increased its head count in the research and development department.

Selling and marketing

Selling and marketing expenditures consist primarily of salaries and benefits, marketing, advertising and promotion, travel and entertainment to support the Company's continued growth and focus on sales and marketing of the Company's products and services.

For the third quarter of fiscal 2007, the Company's selling and marketing expenditures were \$500,453 compared to \$878,740 for the same period last year, representing a \$378,287 or 43% decrease. The Company decreased its head count in its sales team during the quarter as highlighted above, incurred one-time promotional expenses related to the MobiKEY in 2006 that were not repeated in 2007, and incurred lower travel related expenses. The Company anticipates that its selling and marketing expenses will increase substantially over the next few quarters as it continues to build its direct sales team and execute on its new sales strategy.

For the first nine months of fiscal 2007, the Company's selling and marketing expenditures were \$1,884,645 compared to \$1,966,601 for the same period last year, representing an \$81,956 or 4% decrease. The decrease can be attributable to one-time promotional expenses related to the MobiKEY in 2006 that were not repeated in 2007, and incurred lower marketing and travel related expenses.

Net loss

For the third quarter of fiscal 2007, the Company's net loss was \$1,801,447 or \$0.01 per share compared to \$2,217,083 or \$0.01 per share for the same period last year, representing a \$415,636 or 19% improvement. The Company's focus this past quarter was on evaluating its sales strategy and approach, which has resulted in shifting its primary focus from an indirect channel driven sales strategy utilizing value-added resellers towards a direct to market enterprise/government type sales strategy. This resulted in a significant decrease in the sales and marketing expenditures for the quarter as a result of reduced head count in this area, and combined with the termination of the MobiKEY given-away program that was in place in 2006.

For the first nine months of fiscal 2007, the Company's net loss was \$5,607,976 or \$0.02 per share compared to \$6,072,277 or \$0.02 per share for the same period last year, representing a \$464,301 or 8% improvement. This improvement is mainly attributable to a few factors: increased revenues, reduction in general administration expenses, and partially offset with a one-time income item due to discontinued operations in 2006. The Company has continued to focus on rationalizing its operating expenses during the period, which has resulted in a reduction in its general administration expenses as highlighted above, combined with a reduction during the period also in its selling and marketing expenditure along with its amortization expenses.

Liquidity and Capital Resources

Cash and cash equivalents decreased by \$1,644,647 to \$775,039 as at September 30, 2007 from \$2,419,686 as at June 30, 2007 or decreased by \$711,325 to \$775,039 from \$1,486,364 as at December 31, 2006. The Company has recently completed a private placement resulting in gross proceeds of \$7,766,480 (see Subsequent Events). With the proceeds from this private placement, the Company currently has sufficient financial resources to carry out its business plan for the coming twelve month period.

Cash flow used in continuing operating activities

For the third quarter of fiscal 2007, the net cash used in operating activities was \$1,730,006 as compared to \$2,181,403 for the same period last year, representing a decrease in use or improvement of \$451,397. For the period in 2007, the Company incurred a cash loss of \$1,645,892 combined with a net investment in working capital of \$84,114. For the comparable period in 2006, the Company incurred a cash loss of \$2,032,900 combined with a net investment in working capital of \$148,503.

For the first nine months of fiscal 2007, the net cash used in operating activities was \$5,338,180 as compared to \$5,818,716 for the same period last year, representing a decrease in use or improvement of \$480,536. For the period in 2007, Company incurred a cash loss of \$4,962,855 combined with a net investment in working capital of \$375,325. For the comparable period in 2006, Company incurred a cash loss of \$5,917,030 combined with a net reduction in working capital of \$98,315.

Cash flow provided by (used in) investing activities

For the third quarter of fiscal 2007, the net cash provided by investing activities was \$443 as compared to \$90,536 used by investing activities for the same period last year, representing an increase or improvement of \$90,979. The Company received payment on employee loans, which were offset by the acquisition of capital assets.

For the first nine months of fiscal 2007, the net cash used in investing activities was \$260,093 as compared to \$210,243 for the same period last year, representing an increase of \$49,850. The Company acquired capital assets and also funded employee loans.

Cash flow provided by financing activities

For the third quarter of fiscal 2007, the net cash provided by financing activities was \$84,916 as compared to \$4,686,532 for the same period last year, representing a decrease of \$4,601,616. The Company has continued to issue common shares in connection with the early exercise of common share purchase warrants associated with private placements in March 2006 and September 2006. For the same period last year, the Company had completed a private placement in September 2006 in which it raised approximately \$4.7 million.

For the first nine months of fiscal 2007, the net cash provided by financing activities was \$4,886,948 as compared to \$9,125,318 for the same period last year, representing a decrease of \$4,238,370. The Company has continued to issue common shares in connection with the early exercise of common share purchase warrants associated with private placements in March 2006 and September 2006. For the same period last year, the Company had completed two private placements, one in March 2006 and another in September 2006 in which it raised approximately \$9.2 million.

Share Capital

As at September 30, 2007, the share capital consisted of 283,867,449 common shares.

As of the date of this document, the following was outstanding:

- 349,388,115 common shares issued and outstanding
- 107,748,365 common share purchase warrants
 - 29,369,174 common share purchase warrants at \$0.155/share expiring March 9, 2008
 - 42,135,618 common share purchase warrants at \$0.10/share expiring September 20, 2008
 - 36,243,573 common share purchase warrants at \$0.155/share expiring November 6, 2009
- 8,348,660 common share options issued under the Company's stock option plan
 - 1,693,500 common share options issued at \$0.40/share expiring April 28, 2009
 - 1,143,500 common share options issued at \$0.50/share expiring April 28, 2009
 - 886,500 common share options issued at \$0.30/share expiring April 27, 2011
 - 2,835,000 common share options issued at \$0.20/share expiring January 12, 2010
 - 1,790,160 common share options issued at \$0.205/share expiring July 16, 2012

Subsequent events

Subsequent to September 30, 2007 through to including November 28, 2007, the Company has raised additional capital of \$80,000 through the early exercise by the unit holders of 800,000 common share purchase warrants from the September 2006 private placement.

On November 7, 2007, the Company completed a private placement of 64,720,666 Units at a price of \$0.12 per Unit for total gross proceeds of \$7,766,480. Each Unit is comprised of one (1) common share and one-half (0.5) common share purchase warrants. Each whole warrant associated with this offering is exercisable into one (1) common share at a price of \$0.155 per share for a period of two (2) year from the date of closing. In addition, the agents were paid a cash commission of seven percent (7%) of the gross proceeds and have been granted non-assignable common share purchase warrants equal to six percent (6%) of the number of Units sold.

SELECTED QUARTERLY FINANCIAL DATA

The following table sets out selected unaudited interim financial information of the Company on a consolidated basis for the last eight quarters. The information has been derived from the Company's quarterly unaudited interim consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited annual consolidated financial statements. The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

(in thousand of Canadian dollars, except per share data)

	As at and for the three months ended							
	Sep 30 2007	Jun 30 2007 ⁽¹⁾	Mar 31 2007	Dec 31 2006	Sep 30 2006 ⁽¹⁾	Jun 30 2006	Mar 31 2006	Dec 31 2005
STATEMENT OF OPERATIONS								
Revenues	135	321	408	83	171	154	127	19
Cost of revenues	254	415	367	228	348	418	388	545
Gross margin (loss)	(119)	(94)	41	(145)	(177)	(264)	(261)	(526)
OPERATING EXPENSES								
General and administrative	557	635	475	1,019	620	745	606	1,099
Research and development	564	679	479	565	483	675	530	(135)
Selling and marketing	500	640	744	1,050	879	660	428	548
Amortization	76	74	62	48	68	82	87	51
LOSS BEFORE UNDERNOTED	(1,816)	(2,122)	(1,719)	(2,827)	(2,227)	(2,426)	(1,912)	(2,089)
Interest income	15	25	10	25	10	16	10	26
Income (loss) from discontinued Operations	-	-	-	-	-	-	457	(147)
Net loss for the period	(1,801)	(2,097)	(1,709)	(2,802)	(2,217)	(2,410)	(1,446)	(2,211)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
CASH FLOW INFORMATION								
Operations (including non-cash working capital changes)	(1,730)	(2,040)	(1,568)	(2,410)	(2,181)	(2,015)	(1,622)	(864)
Discontinued operations	-	-	-	-	-	-	-	(155)
Financing	85	700	4,103	(81)	4,687	(53)	4,492	(330)
Investing	-	(75)	(186)	43	(91)	(138)	19	(159)
Cash flow	(1,645)	(1,415)	2,348	(2,448)	2,415	(2,207)	2,889	(1,509)
Cash and cash equivalents, beginning of period	2,420	3,835	1,486	3,935	1,520	3,727	838	2,348
Cash and cash equivalents, end of period	775	2,420	3,835	1,486	3,935	1,520	3,727	838
BALANCE SHEET INFORMATION								
Working capital	803	2,227	3,465	1,047	3,786	1,222	3,622	354
Total assets	2,931	4,847	6,031	3,589	5,920	3,201	5,361	2,709
Shareholders' equity	1,443	2,992	4,277	1,768	4,539	2,017	4,381	1,253

(1) Restated

Historically, the Company's operating results have fluctuated on a quarterly basis and it is expected that quarterly financial results will continue to fluctuate in the future. Fluctuations in results related to the growth of the Company's revenue, the timing of revenue being recognized and sales to customers, which may place large single orders in any one quarter, and to the timing of staffing and infrastructure additions to support growth.

RISK FACTORS

The risks and uncertainties affecting the Company are described in the Company's Annual Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2006. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Control Risks

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as at September 30, 2007 and, based on that evaluation, believe them to be effective given the size and nature of the Company's operations. All control systems by their nature have inherent limitations and, therefore, Route1's disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that:

- the communications by the Company with the public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements;
- non-publicly disclosed information remains confidential; and
- trading of the Company's securities by directors, officers and employees remains in compliance with applicable securities laws.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer have supervised the design of internal controls over financial reporting and these controls were in place as at September 30, 2007. The Chief Executive Officer and the Chief Financial Officer believe the internal controls, including compensating controls to overcome the lack of certain segregation of duties, and reliance on specialists for complex, non-routine transactions, are designed appropriately given the nature and size of the Company's operations, and that a material deficiency in design does not exist. Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.