Route1®
Securing Enterprise Mobility

Interim Condensed Consolidated Financial Statements of

Route1 Inc.

March 31, 2018 and 2017

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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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Route1 Inc.

As at March 31, 2018 and December 31, 2017
(stated in Canadian dollars)

	Note	March 31 2018	December 31 2017
		Unaudited	Audited
Assets			
Current assets			
Cash and cash equivalents		**$599,808**	$1,037,424
Accounts receivable	**17**	**4,066,795**	333,023
Other receivables		**20,020**	177,180
Inventory	**5**	**1,399,904**	248,408
Prepaid expenses		**203,296**	238,670
Deferred expenses		**2,393**	-
Total current assets		**6,292,216**	2,034,705
Non-current assets			
Deferred tax asset		**742,067**	742,067
Property, furniture and equipment	**6**	**1,421,079**	168,449
Intangible assets	**6**	**190,758**	225,415
Total non-current assets		**2,353,904**	1,135,931
Total assets		**$8,646,120**	$3,170,636
Liabilities			
Current liabilities			
Accounts payable and other liabilities		**$3,648,623**	$333,451
Contract liability	**18**	**2,643,654**	1,495,409
Total current liabilities		**6,292,277**	1,828,860
Non-current liabilities			
Other liabilities		**72,731**	75,140
Contract liability	**18**	**25,210**	30,726
Total non-current liabilities		**97,941**	105,866
Total liabilities		**6,390,218**	1,934,726
Shareholders' equity			
Common shares	**9, 10**	**22,650,751**	22,150,751
Warrants	**10**	**534,000**	-
Contributed surplus-stock compensation reserve	**10**	**14,454,112**	14,408,256
Deficit		**(35,382,961)**	(35,323,097)
Total shareholders' equity		**2,255,902**	1,235,910
Total shareholders' equity and liabilities		**$8,646,120**	$3,170,636

Approved by the Board of Directors:

Director:	Director:
● *"signed"*	● *"signed"*
Michael F. Doolan	Tony Busseri

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Route1 Inc.

For the three months ended March 31, 2018 and 2017
(unaudited, stated in Canadian dollars)

	Note	2018	2017
Revenue			
Subscription revenue and services	18	$1,264,212	$1,910,989
Devices and appliances	18	388,412	29,567
Other	18	31,828	214
Total revenue		1,684,452	1,940,770
Cost of revenue	5	584,588	334,999
Gross profit		1,099,864	1,605,771
Operating expense			
General administration		694,595	768,302
Research and development		206,448	281,168
Selling and marketing		235,250	238,996
Total operating expense		1,136,293	1,288,466
Operating profit (loss) before stock-based compensation and patent litigation		(36,430)	317,305
Stock-based compensation	10	(45,856)	(95,715)
Patent litigation	7	(110,919)	-
Operating profit (loss) after stock-based compensation and patent litigation		(193,205)	221,590
Other income (expense)			
Interest income		-	-
Foreign exchange gain (loss)		26,648	(13,245)
Acquisition expenses	8	(200,000)	-
Gain on acquisition	8	306,692	-
Total other income (expense)		133,340	(13,245)
Income (loss) before taxes		(59,864)	208,345
Income tax recovery		-	-
Total comprehensive income for the period		($59,864)	$208,345
Basic and diluted income per share	12	$ 0.00	$ 0.00
Weighted average number of common shares outstanding for the period		349,693,414	348,193,414

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Route1 Inc.

For the three months ended March 31, 2018 and 2017
(unaudited, stated in Canadian dollars)

	Note	Common Shares	Warrants	Contributed Surplus	Deficit	Total shareholders' equity
Balance at January 1, 2017		$22,169,410	$ -	$14,143,368	$(34,713,100)	$1,599,678
Repurchase of capital stock for cancellation	9	-	-	-	-	-
Stock-based compensation	10	-	-	95,715	-	95,715
Comprehensive income		-	-	-	208,345	208,345
Balance at March 31, 2017		$22,169,410	$ -	$14,239,083	$(34,504,755)	$1,903,738

	Note	**Common Shares**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total shareholders' equity**
Balance at January 1, 2018		**$22,150,751**	**$ -**	**$14,408,256**	**$(35,323,097)**	**$1,235,910**
Repurchase of capital stock for cancellation	**9**	**-**	**-**	**-**	**-**	**-**
Stock-based compensation	**10**	**-**	**-**	**45,856**	**-**	**45,856**
Consideration issued for Group Mobile acquisition	**8,10**	**500,000**	**534,000**			**1,034,000**
Comprehensive income		**-**	**-**	**-**	**(59,864)**	**(59,864)**
Balance at March 31, 2018		**$22,650,751**	**$534,000**	**$14,454,112**	**$(35,382,961)**	**$2,255,902**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Route1 Inc.

For the three months ended March 31, 2018 and 2017
(unaudited, stated in Canadian dollars)

	Note	2018	2017
Net cash inflow (outflow) related to the following activities			
Operating activities			
Income/(loss) from operations		**($59,864)**	$208,345
Items not affecting cash and cash equivalents			
Depreciation	**6**	**82,185**	88,903
Stock-based compensation	**10**	**45,856**	95,715
Gain on acquisition	**8**	**(306,692)**	-
		(238,515)	392,963
Net changes in working capital balances			
(Increase) in accounts receivable		**(1,988,026)**	(205,239)
Decrease/(increase) in other receivables		**831**	(49,685)
(Increase)/decrease in inventory		**(389,507)**	25,466
Decrease in prepaid expenses		**39,290**	7,418
(Increase) in deferred expenses		**(2,393)**	-
Increase/(decrease) in payables and other liabilities		**923,636**	(9,111)
(Decrease)/increase in other liabilities-non-current		**(2,407)**	6,868
(Decrease)/increase in contract liability		**1,032,291**	(1,377,987)
		(386,285)	(1,602,270)
Net cash used by operating activities		**(624,800)**	(1,209,307)
Investing activities			
Acquisition of property, furniture and equipment	**6**	**(129,711)**	(31,067)
Acquisition of intangible assets	**6**	**-**	(1,626)
Cash acquired in business combination	**8**	**317,883**	-
Net cash gained (used) by investing activities		**188,172**	(32,693)
Financing activities			
Repurchase of capital stock for cancellation	**9**	**-**	-
Net cash used by financing activities		**-**	-
Net decrease in cash and cash equivalents for the period		**(436,628)**	(1,242,000)
Effect of exchange rate changes on cash		**(988)**	-
Cash and cash equivalents, beginning of the period		**1,037,424**	1,945,549
Cash and cash equivalents, end of the period		**599,808**	$703,549

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

1. NATURE AND DESCRIPTION OF THE COMPANY

Route1 Inc. ("Route1" or "the Company") is a publicly traded company on the TSX Venture Exchange and the OTCQB Venture Market. The Company is incorporated under the laws of the Province of Ontario by articles of amendment dated October 14, 2004 followed by articles of continuance dated November 10, 2004. The registered office of the company is 8 King Street East, Suite 600, Toronto, Ontario, M5C 1B5.

Route1 Inc. is a leading technology solutions innovator dedicated to enabling mobility for government and focused enterprise vertical markets by delivering secure data protection technologies and mobility solutions.

Route1's suite of patented enterprise security solutions, which includes MobiKEY, ActionPLAN, *Powered by MobiNET*, MobiENCRYPT and DerivID, delivers best-in-class authentication, data security, data analytics and secure remote access, running on a proven, trusted infrastructure, which meets or exceeds the highest security standards for government and industry. Route1 has earned a Full Authority to Operate from the U.S. Department of Defense, the U.S. Department of the Navy, the U.S. Department of the Interior, and other government agencies. We are proud to be a trusted solutions partner in the banking, healthcare, legal, education, public sector, manufacturing, logistics, field service and warehousing industries.

Through our wholly owned subsidiary, Group Mobile Int'l, LLC, we are a trendsetter in the enterprise technology space by providing expertise in building mobility solutions and deploying complete offerings into vertical markets through specialized hardware, software and our expanding services capabilities.

We are pioneers in IIoT (Industrial Internet of Things) through the delivery of our ActionPLAN, *Powered by MobiNET* technology, which not only captures data from electrical inputs including sensor data but takes it to the next level by interpreting, analyzing and transforming the data to deliver strategic business intelligence.

The diverse but complimentary technologies we provide, along with the level of experience and expertise of our team, uniquely positions us as the pre-emptive leader in secure and complete mobile technology solutions. We remain focused and dedicated to serving the needs of our business partners; to positively influence their profitability, contribute to their longevity and share in their success.

With offices and staff in Washington, D.C., Boca Raton, FL, Phoenix AZ, Chattanooga TN and Toronto, Canada, Route1 provides leading-edge solutions to public and private sector clients around the world. Route1 is listed on the OTCQB in the United States under the symbol ROIUF and in Canada on the TSX Venture Exchange under the symbol ROI. For more information, visit: www.route1.com

The DEFIMNET and MobiNET platforms, the MobiKEY, MobiKEY Classic, MobiKEY Classic 2, MobiKEY Classic 3, MobiKEY Fusion, MobiKEY Fusion2, and MobiKEY Fusion3 devices, and MobiLINK are protected by U.S. Patents 7,814,216, 7,739,726, 9,059,962, 9,059,997 and 9,319,385, Canadian Patent 2,578,053, and other patents pending. The MobiKEY Classic 2 and MobiKEY Classic 3 devices are also protected by U.S. Patents 6,748,541 and 6,763,399, and European Patent 1001329 of Aladdin Knowledge Systems Ltd. and used under license. Other patents are registered or pending in various countries around the world.

2. NEW STANDARDS ADOPTED

Effective January 1, 2018, the Company adopted the following standards issued by the International Accounting Standards Board (“IASB”).

2.1 IFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15, “Revenue from Contracts with Customers” (IFRS 15). IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. Costs related to device hardware provided as part of our services are now recognized as an asset and amortized into operating expenses over time.

The treatment of costs incurred in acquiring customer contracts is affected as IFRS 15 requires certain contract acquisition costs (such as sales commissions) to be recognized as an asset and amortized into operating expenses over time.

Under IFRS 15, device revenue and the associated cost of goods sold will now be recognized ratably over the life of the nearest term subscription contract. Previously, device revenue was recognized when sold and the related costs were recognized as incurred.

The impact of adoption on the Company's financial statements is not material.

2.2 IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, “Financial Instruments” (IFRS 9). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

The impact of adoption on the Company's financial statements is not material.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 25, 2018.

3.2 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from an investee and has the ability to affect those returns through its power over the investee. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial records of the subsidiary to bring their accounting policies in line with those used by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes a non-controlling interest.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Route 1 Security Corporation and Group Mobile Int'l, LLC.

3.3 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out in these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements.

(a) Functional and presentation currency and foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its wholly-owned subsidiary companies' functional currency. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date; non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates; revenues and expenses denominated in foreign currencies are translated into Canadian dollars for any month at the average monthly exchange rate for the prior month. Foreign exchange gains and losses on translation are included in the consolidated statements of comprehensive income in the period in which they occur.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits with Schedule 1 banks in Canada and their subsidiaries in the United States, and a large money centre bank in the United States, that are available on demand.

(c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Financial assets	***Classification***	***Measurement***
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and other liabilities	Other financial liabilities	Amortized cost

(d)(i) Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

(d)(ii) Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

(d)(iii) Effective interest method

The Company uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts, earned or incurred for financial instruments.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts receivable is determined based on management’s assessment of the collectability of specific customer balances, considering general and industry economic and market conditions as well as other credit information available for the customer. Recoveries of the allowances are recorded when payment is received.

(f) De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

(g) Inventory

Inventory is valued at the lower of cost and net realizable value with cost being calculated on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(h) Property, furniture and equipment

Property, furniture and equipment are recorded at cost and subsequently recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided over the estimated useful life of the assets less any impairment loss or reversal as follows:

Furniture and equipment	-	straight-line over 36 months
TaaS computer equipment	-	straight-line over 36 months
Computer equipment	-	straight-line over 36 months

The Company assesses the depreciation method and rate as well as the residual value of property, furniture and equipment at the end of each financial year.

(i) Intangible assets

Intangible assets are recorded at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided over the estimated useful life of the assets less any impairment loss or reversal as follows:

License agreement	-	straight-line over 48 months
Computer software	-	straight-line over 12 months
Computer software (applications)	-	straight-line over 60 months
Internally generated applications	-	straight-line over 36 months
Patents	-	straight-line over the life of the patent
Other	-	straight-line over 24 months

The Company assesses the depreciation method and rate as well as the residual value of intangible assets at the end of each financial year.

(j) Impairment of property, furniture and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments of operating leases are recognized straight line over the term of the lease.

(l) Revenue recognition

The Company recognizes revenue when it is realized and earned. The Company considers revenue realized and earned when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods (or service has been performed), the Company does not retain any managerial involvement, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following paragraphs describe the specific revenue recognition policies for each major component of revenue.

(i) Devices

Revenues from the sale of MobiKEY devices and ruggedized computing equipment and related accessories are recognized when title is transferred to the customer and all significant contractual obligations that affect the customer’s final acceptance have been fulfilled.

(ii) Appliances

Revenues from the sale of a DEFIMNET platform and a MobiNET Aggregation Gateway appliance are recognized when title is transferred to the customer and all significant contractual obligations that affect the customer’s final acceptance have been fulfilled.

(iii) Subscription Revenue and Services

Revenue from MobiKEY application software subscription-based services, and DEFIMNET platform and other appliance licensing or maintenance is recognized rateably over the term of the contract on a daily basis when the service is provided. In instances where the Company bills the customer prior to performing the service, the prepayment amount is recorded as contract liability.

Revenue from installation and hardware maintenance and organization services provided to customers is recognized when the service is provided.

(m) Research and development

Research expenditures are charged as an operating expense of the Company as incurred. Expenditures for development of software and equipment are capitalized and amortized only when the criteria for capitalization are met.

Scientific research and economic development (“SR&ED”) credits and government grants

SR&ED credits are estimated and recognized rateably throughout the year based on management's expectation of projects undertaken for the current year that will comply with the conditions attaching to them. SR&ED credits reduce research and development expenses. Similarly, government grants, recorded as other revenue, are recognized when all conditions have been met, the grant has been earned and the grant is non-refundable. For the quarter ended March 31, 2018, the Company accrued $34,584 for SR&ED credits (March 31, 2017 - $31,466).

(n) Stock-based compensation

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company calculates stock-based compensation using the Black-Scholes option pricing model to value the options at the grant date, and subsequently expenses such value ratably over the vesting term.

Equity-settled share-based payment transactions related to services provided by non-employees are measured at the fair value of the services received. If the services cannot be measured reliably, the transaction is measured at the fair value of the equity instrument issued.

(o) Legal claims

In the normal course of operations, the Company may be subject to litigation claims from customers, suppliers, patent holders, resellers and former employees. A provision is recognized when the probability that payment will occur is more likely than not. The Company regularly reviews any outstanding claims to see if they meet the criteria. A provision is calculated based on management's best estimate of probable outflow of economic resources.

(p) Income taxes

The tax currently payable (if any) is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(q) Recognition of deferred tax assets and liabilities

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The Company's asset/liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period and rates expected to apply the deferred tax asset or deferred tax liability is settled.

(r) Loss/Earnings per share

Basic earnings per share are computed by dividing the loss/income by the weighted average shares outstanding during the reporting period.

The Company calculates the dilutive effect of options and warrants on earnings per share. Diluted earnings per share is computed similarly to basic earnings per share, except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

3.4 Use of estimates

In preparation of the Company's consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the Company's consolidated financial statements and such differences could be material.

3.5 Critical judgments

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue recognition:

In making their judgment, management considers the detailed criteria for the recognition of revenue from the sale of goods and services set out in IFRS 15. The Company recognizes revenue when it is realized and earned. The Company considers revenue realized and earned when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods (or service has been performed), the Company does not retain any managerial involvement, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Device revenue and the associated costs of revenue will be recognized ratably over the life of the nearest term subscription contract.

Functional currency:

In making their judgment that the Canadian dollar is the functional currency of the Company and its subsidiaries, management considers the currency that influences the cost of providing the goods

	and services in each jurisdiction in which the Company operates.
Capitalization of development costs:	Management exercises judgment when establishing whether the criteria under IAS 38, Intangible Assets, for development costs have been met, specifically the technical feasibility of the products in development and the ability to generate probable future economic benefits.

3.6 Significant estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful accounts:	The Company reviews its credit sales and determines the balance for the allowance for doubtful accounts. The Company has determined that no allowance for doubtful accounts is required as of March 31, 2018.
Allowance for inventory obsolescence:	The Company reviewed the recoverable amount of its inventory for the three months ended March 31, 2018; the Company determined that no write-down was required; however, the value of certain inventory acquired in the acquisition of Group Mobile was adjusted to reflect the lower of cost and net realizable value and was included in the gain on acquisition. For additional information, see Note 5, **"COST OF REVENUE"** and Note 8**, "BUSINESS COMBINATION"** of these financial statements.
Valuation of deferred tax asset:	The Company estimates the probability that taxable profits will be available to be offset against deductible temporary differences and thus give rise to a deferred tax asset. The Company has reviewed the expected profitability and determined that a deferred tax asset should be recognized at March 31, 2018, as it is probable that the asset will be utilized. See Note 19 to these financial statements, **"INCOME TAXES".**
Valuation of warrants and stock-based compensation:	The Company estimates the fair value of stock-based compensation issued for goods or services based on the Black-Scholes Option Pricing Model for warrants and share options with a

March 31, 2018 and 2017 (stated in Canadian dollars)

	service condition. The Company has judged that the fair value of the services could not be determined; therefore, the fair value of the shares, share options and warrants was used in the measurement of the transactions. The Black-Scholes Option Pricing Model was used to value the warrants issued as part of the consideration for the purchase of Group Mobile. These methods of valuation were applied to the equity transactions during the period (Note 10, **"SHARE CAPITAL, OPTIONS AND CONTRIBUTED SURPLUS"**).
Valuation of assets acquired in Business Combination	The Company estimates the value of the assets acquired in the business combination on the basis of fair value to the ongoing business of Group Mobile. For additional information, See Note 8, **"BUSINESS COMBINATION"** of these financial statements.
Recognition of SR&ED tax credits/Government grants:	The Company estimates SR&ED credits based on historical and forward looking analysis. SR&ED credits are estimated and recognized rateably throughout the year based on management's expectation of projects undertaken for the current year that will comply with the conditions attaching to them. Similarly, government grants, recorded as other revenue, are recognized when all conditions have been met, the grant has been earned and the grant is non-refundable.

4. FUTURE ACCOUNTING POLICY CHANGES

Leases

IFRS 16, "Leases" (IFRS 16), is effective for years commencing on or after January 1, 2019, and replaces IAS 17, Leases. The standard provides a single lease accounting model, requiring leases to recognize assets and liabilities for almost all leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. Management is assessing the impact of adopting IFRS 16 on the consolidated financial statements.

5. COST OF REVENUE

Cost of revenue includes the cost of devices, salaries of select staff, hosting of the MobiNET and royalty related expenses. For the three months ended March 31, 2018, the cost of devices recognized as an expense was $307,663 (March 31, 2017 - $25,465) as follows: cost of MobiKEY devices was $10,123; and cost of ruggedized computing equipment and related accessories was $297,540.

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6. PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

Cost	Computer Equipment	Furniture and Equipment	TaaS Computer Equipment	Total Property, Furniture and Equipment	Intangible Assets
Balance January 1, 2018	1,647,143	251,759	-	**1,898,902**	**$766,024**
Additions	-	-	129,727	**129,727**	-
Additions from acquisition	-	60,518	1,109,929	**1,170,447**	-
Disposals	-	-	-	-	-
Balance March 31, 2018	1,647,143	312,277	1,239,656	**3,199,076**	**$766,024**

Accumulated depreciation and impairment	Computer Equipment	Furniture and Equipment	TaaS Computer Equipment	Total Property, Furniture and Equipment	Intangible Assets
Balance January 1, 2018	(1,522,863)	(207,590)	-	**(1,730,453)**	**(540,609)**
Depreciation expense	(40,276)	(7,268)	-	**(47,544)**	**(34,657)**
Disposals	-	-	-	-	-
Balance March 31, 2018	(1,563,139)	(214,858)	-	**(1,777,997)**	**(575,266)**

Net book value	Computer Equipment	Furniture and Equipment	TaaS Computer Equipment	Total Property, Furniture and Equipment	Intangible Assets
Balance January 1, 2018	124,280	44,169	-	168,449	225,415
Balance March 31, 2018	**84,004**	**97,419**	**1,239,656**	**1,421,079**	**190,758**

As of March 31, 2018, non-current assets (excluding the deferred tax asset) were $1,611,837 (March 31, 2017 - $481,067). At March 31, 2018, computer, furniture, equipment and intangible assets located in Canada were $312,393 (March 31, 2017 - $345,205) and $1,299,444 were located in the U.S. (March 31, 2017 - $135,862).

As at March 31, 2018, the net book value of Technology as a Service (“TaaS”) assets was $1,239,656 representing computing equipment and related accessories owned by the Company and leased out to clients pursuant to contracts typically with a duration of 36 months. These assets are depreciated over the life of the contracts. The Company provides certain management services for this equipment including provision of equipment and related accessories, software, management, maintenance, support and documentation. The Company currently has five TaaS customers with contracts in place.

For the quarter ended March 31, 2018, depreciation expense of $82,185 (March 31, 2017 - $88,903) was recognized in general administration expense.

7. PATENT LITIGATION

Patent litigation expenses consist of legal fees and other third party costs incurred to prosecute cases of alleged patent infringement. Legal costs to prosecute the alleged patent infringement complaint are expensed as incurred with any potential gain on settlement to be recognized on realization.

Patent litigation expenses for the three months ended March 31, 2018 were $110,919 compared to $nil for the three months ended March 31, 2017.

On March 27, 2017, the Company filed a complaint against AirWatch LLC (AirWatch) in the US District Court for the District of Delaware for infringement of Route1's U.S. Patent No. 7,814,216 (the "216 Patent"), seeking damages and an injunction. On June 1, 2017, the Company served AirWatch with the complaint.

Route1 alleges that AirWatch infringes on the 216 Patent through at least the operation of a cloud-based controller of what AirWatch refers to as "The AirWatch Enterprise Mobility Management System" (AirWatch EMM System) in order to facilitate secure communications between remote computing devices such as cell phones, remote computing devices and resources residing on corporate networks such as email and corporate intranets and application programs such as spreadsheets and word processors.

On July 24, 2017, AirWatch filed its answer, defenses and counterclaims to the Company's complaint. In summary, AirWatch denies that it infringes on the 216 Patent; denies that the 216 Patent is valid; and denies the Company is entitled to the relief sought. AirWatch counterclaimed against the Company seeking declaratory judgments of non-infringement and invalidity as well as costs, disbursements and reasonable legal fees incurred in connection with the complaint.

On September 22, 2017, AirWatch and VMWare, Inc. (parent company of AirWatch) filed a petition for Inter Partes Review (IPR) with the United States Patent and Trademark Office (USPTO). Route1 filed its preliminary response to the petition on December 22, 2017.

On March 20, 2018, the USPTO upheld Route1's position and denied the institution of the IPR.

In the interim, the litigation continues according to the court ordered schedule. Further details can be found on: https://www.route1.com/investors/patent-litigation/.

8. BUSINESS COMBINATION

On March 22, 2018, the Company completed the acquisition of 100% of the membership interest of Group Mobile Int'l, LLC ("Group Mobile") and, as consideration, Route1 issued a combination of common shares and common share purchase warrants with an aggregate value of $1,034,000. With offices in Chandler, Arizona and Chattanooga, Tennessee, Group Mobile supplies rugged mobile technology solutions to leading automotive manufacturing companies and suppliers, other leading manufacturing and distribution companies, as well as local and state governments in the southeastern and southwestern United States.

Route1 acquired Group Mobile to expand its service and product offerings; strengthen outside and inside sales; diversify revenue, customers, and verticals; expand the use of Route1's core technologies into the manufacturing, distribution, and local and state government sectors; and leverage Group Mobile's current and future placement of rugged mobile devices to sell Route1's core technologies as an integrated offering.

The fair value of the common shares issued as consideration was based on the closing price of a Route1 common share on the Toronto Venture Exchange on March 22, 2018 of $0.02 per share. The fair value of the warrants, using the Black Scholes method, was $0.0178 per warrant. The Company issued 25,000,000 common shares and 30,000,000 three year common share purchase warrants with an exercise price of $0.05 per common share. On March 22, 2018, the daily average exchange rate between the United States dollar and the Canadian dollar as reported by the Bank of Canada was US $1=CDN $1.2908.

In the period March 22, 2018 to March 31, 2018, Group Mobile contributed revenue of $376,286, gross profit of $75,542 and operating income before stock-based compensation and patent litigation of $18,871.

The following table summarizes the estimated fair value of the consideration transferred and the preliminary estimated fair values of the major classes of assets acquired and liabilities assumed at the acquisition date. The Company may adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date as new information is obtained about facts and circumstances that existed as of the closing date. The Company has determined that certain assets acquired had a value less than the reported value at closing including certain items included in inventory and certain accounts receivable. The Company has determined that the intangible assets acquired at closing had no value to the ongoing operations of Group Mobile. Changes in estimates and assumptions used could have a material impact on the amount of purchase gain recorded and the amount of depreciation and amortization expense recognized in earnings for depreciable assets in future periods.

As at March 22, 2018

Assets Acquired (US Dollars)	
Cash and cash equivalents	$246,268
Trade and other receivables	$1,232,682
Inventory	$590,323
Prepaid expenses	$3,037
Current Assets	$2,072,310
Furniture and fixtures (net)	$46,885
TaaS assets (net)	$859,878
Non-current Assets	$906,763
Total assets	$2,979,073
Liabilities Assumed (US Dollars)	
Trade and other payables	$1,724,238
Employee liabilities	$79,539
Sales tax payable	$51,194
Contract liability	$85,450
Total liabilities	$1,940,421
Fair value of net assets acquired	$1,038,652

March 31, 2018 and 2017 (stated in Canadian dollars)

Fair value of net assets acquired in CAD Dollars	$1,340,692
Less: Consideration issued	$1,034,000
Gain on acquisition	$306,692
Less: Acquisition costs	$200,000
Net purchase gain on acquisition	**$106,692**

The Company incurred a purchase gain as the value of the assets acquired exceeded the consideration paid for Group Mobile.

The acquisition values are estimated as a result of the collection cycle of certain accounts receivable and whether they will be collectible and the Company's efforts to sell the surplus inventory. Inventory has been adjusted on a provisional basis to reflect net realizable value. Inventory relates to items in stock, which are surplus to the business operated by Group Mobile.

During the quarter ended March 31, 2018, the Company incurred transaction costs of $34,209 and expects to incur in aggregate $200,000 for legal, tax and other acquisition and integration costs related to the Group Mobile transaction. These costs have been included in the Net Purchase Gain on Acquisition above and in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

9. SHARE REPURCHASE PROGRAM

On September 16, 2016, the Company announced with approval from the TSX Venture Exchange its intention to make another NCIB. The NCIB permits the Company to purchase for cancellation up to 5% of the common shares in the public float. The maximum number of shares allowed for repurchase is 17,563,870. Purchases under the NCIB may occur during the 12 month period commencing September 27, 2016 and ending September 26, 2017, or the date upon which the maximum number of common shares have been purchased by the Company. Purchases for cancellation under the NCIB during the period from September 27, 2016 to December 31, 2016 were 2,884,000 common shares.

On September 15, 2017, the Company announced with approval from the TSX Venture Exchange its intention to make another NCIB. The NCIB permits the Company to purchase for cancellation up to 5% of the common shares in the public float. The maximum number of shares allowed for repurchase is 17,359,671. Purchases under the NCIB may occur during the 12 month period commencing September 27, 2017 and ending September 26, 2018, or the date upon which the maximum number of common shares have been purchased by the Company. There have been no common shares purchased for cancellation under the NCIB during the period from September 27, 2017 to December 31, 2017.

For the three months ended March 31, 2018, the Company purchased no shares for cancellation under the NCIB.

March 31, 2018 and 2017 (stated in Canadian dollars)

10. SHARE CAPITAL, OPTIONS AND CONTRIBUTED SURPLUS

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

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

As of March 31, 2018, the following was outstanding:

	Number of Common Shares	Common Shares $
Balance, January 1, 2018	347,193,414	$22,150,751
Shares issued March 22, 2018	25,000,000	500,000
Shares repurchased for cancellation	-	-
Balance, March 31, 2018	372,193,414	$22,650,751

- There are 27,689,000 common share purchase options ("Options") outstanding to acquire 27,689,000 common shares at various prices.
- 30,000,000 common share purchase warrants are outstanding with an expiry date of March 22, 2021 and an exercise price of $0.05 per share

Warrant Valuation

	2018
Share price on issue date	$0.02
Risk free interest rate	1.94%
Expected life (years)	3
Expected volatility	207%
Dividend yield	Nil
Fair value of warrants issued as partial consideration for the acquisition of Group Mobile	$0.0178

The Black-Scholes option pricing model used by the Company to determine the fair value of the warrants issued as partial consideration for the purchase of Group Mobile.

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 are in a position to 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 with respect to any year 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.

March 31, 2018 and 2017 (stated in Canadian dollars)

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

	March 31, 2018		December 31, 2017	
Options Outstanding	**Number of Options**	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	**27,689,000**	**$0.05**	32,689,000	$0.07
Options granted during the period	**-**	**-**	1,000,000	0.05
Options expired during the period	**-**	**-**	(6,000,000)	0.13
Options exercised during the period	**-**	**-**	-	-
Options forfeited during the period	**-**	**-**	-	-
Balance, end of the period	**27,689,000**	**$0.05**	27,689,000	$0.05

	Options Outstanding March 31, 2018		**Options Exercisable March 31, 2018**	
Exercise Price	**Number of Options**	**Weighted Average Life (Years)**	**Number of Options**	**Weighted Average Life (Years)**
$0.05	**12,439,000**	**2.4**	**6,686,500**	**2.0**
$0.055	**15,250,000**	**2.0**	**9,150,000**	**2.3**
	27,689,000	**2.2**	**15,836,500**	**2.2**

	Options Outstanding December 31, 2017		Options Exercisable December 31, 2017	
Exercise Price	Number of Options	Weighted Average Life (Years)	Number of Options	Weighted Average Life (Years)
$0.05	**12,439,000**	**2.7**	6,686,500	2.2
$0.055	**15,250,000**	**2.3**	9,150,000	2.3
	27,689,000	**2.5**	15,836,500	2.2

March 31, 2018 and 2017 (stated in Canadian dollars)

During the quarter ended March 31, 2018, the Company recorded stock-based compensation expense of $45,856 (March 31, 2017 - $95,715).

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 vested share options 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 fair value of stock options granted under the stock option plan, determined using the Black-Scholes option pricing model and is amortized to income on a graded vested basis over the vesting period with a corresponding increase to contributed surplus. Any consideration paid by the employees or non-employees resulting from the exercise of stock options is reflected as an increase to share capital, with a transfer of cost from contributed surplus.

	Three Months ended March 31, 2018	Year ended December 31, 2017
Balance, January 1, 2018	**$14,408,256**	$14,143,368
Options expensed in the period	**45,856**	264,888
Balance, March 31, 2018	**$14,454,112**	$14,408,256

11. RELATED PARTY TRANSACTIONS

The Company has directors and officers who are considered related parties. The Company had the following transactions and/or outstanding amounts with related parties for the three months ended March 31, 2018. All transactions are recorded at their exchange amounts.

- The Company made payments (including HST) to 1220764 Ontario Inc. for management services provided by Mr. Tony P. Busseri, a director and the CEO of the Company in the amount of $94,638 for the quarter ended March 31, 2018 (March 31, 2017 - $94,638). For the quarter ended March 31, 2018 the Company also incurred stock based compensation expense in the amount of $9,916 (March 31, 2017 - $21,555).
- The Company incurred expenses (including CPP and EHT) payable to and on behalf of the independent members of the Board of Directors of $78,637 for the quarter ended March 31, 2018 (March 31, 2017 - $75,580). These transactions are in the normal course of operations and are paid or payable for directorship services. As at March 31, 2018, accounts payable included $78,799 owing to directors (March 31, 2017 - $75,049). For the quarter ended March 31, 2017

March 31, 2018 and 2017 (stated in Canadian dollars)

the Company also incurred stock based compensation expense related to stock options granted to directors in the amount of $13,526 (March 31, 2017 - $25,422).

- The Company made payments to or incurred expenses for key management (President, Chief Technology Officer and Chief Financial Officer) in the quarter ended March 31, 2018 as follows, with 2017 comparatives.

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Short-term employee benefit	**$206,494**	$210,109
Stock option expense	**22,271**	48,151
	$228,765	$258,260

12. EARNINGS PER SHARE

The Company uses the treasury stock method to calculate basic and diluted earnings per share. Basic earnings per share have been calculated based on the weighted average number of common shares without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding which consist of options and warrants to purchase common shares.

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net Income	**$(59,864)**	$208,345
Weighted average number of common shares outstanding	**349,693,414**	348,193,414
Basic and diluted earnings per share	**$0.00**	$0.00

The diluted earnings per share are equal to the basic earnings per share as the effects of the options are anti-dilutive.

13. COMMITMENTS AND CONTINGENCIES

(i) Operating leases

The Company is committed under operating lease agreements for the rental of real property. Minimum annual future lease payments are approximately as follows:

Not later than one year	$433,095
Later than one year and not later than five years	1,037,548
Later than five years	-
	$1,470,643

Minimum future lease payments are subject to additional rent. Additional rent payment amounts are not known as this time.

For the quarter ended March 31, 2018, rent expense of $87,484 (March 31, 2017 - $86,202) was recognized in general administration expense.

(ii) 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.

(iii) Foreign exchange

From time to time the Company may enter into U.S. dollar forward contracts to mitigate possible foreign exchange risk. The timing and amount of foreign exchange contracts are estimated based on existing or anticipated sales, current conditions in the Company's markets, the estimated timing of payments denominated in Canadian dollars and the Company's past experience. The Company's policy is not to utilize financial instruments for trading or speculative purposes.

14. INDEMNIFICATIONS

Under certain agreements and the bylaws of the Company, the Company is obligated to indemnify persons who serve as directors or officers (or both) of the Company, against certain costs, charges and expenses suffered or incurred by such person as a result of their service. Claims for indemnity pursuant to such agreements or the bylaws of the Company are subject to certain statutory and other legal limitations. Having regard to the nature of the indemnification obligations and the broad range of circumstances under which the Company may become obligated to make indemnification payments, the Company is unable to make a reasonable estimate of the maximum potential amount that it could be required to pay to persons entitled to indemnification from the Company. The Company has purchased insurance coverage to reduce the risks associated with its indemnification obligation.

15. FINANCIAL INSTRUMENTS

Establishing fair value

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

The following table sets out the classification, carrying amount, and fair value of the Company's financial assets and liabilities as at March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	**$599,808**	**$599,808**	$1,037,424	$1,037,424
Accounts receivable	**$4,086,815**	**$4,086,815**	$333,023	$333,023
FINANCIAL LIABILITIES				
Accounts payable and other liabilities	**$3,648,623**	**$3,648,623**	$333,451	$333,451

March 31, 2018 and 2017 (stated in Canadian dollars)

16. 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 capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order 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 over the preceding year.

On August 14, 2017, the Company’s credit facility consisting of a $500,000 revolving demand operating facility and a $75,000 credit card facility was renewed. The operating facility carries an interest rate equal to the lender’s prime rate of interest plus 1%. The credit facility is secured by the assets of the Company. The Company had not drawn on the facility as of March 31, 2018 or March 31, 2017.

17. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board 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 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	
Accounts payable and other liabilities		Yes	Yes	

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. 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, taking into account their financial position, past experience and other factors. During the quarter ended March 31, 2018, the largest single customer represented approximately $1,876,722 of revenue (March 31, 2017 - $737,016).

Cash and cash equivalents

March 31, 2018 and 2017 (stated in Canadian dollars)

Cash and cash equivalents consist of bank balances. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are held in highly rated financial institutions. At March 31, 2018, the Company had cash consisting of deposits with Schedule 1 banks in Canada and their subsidiaries in the U.S. and a large money centre bank in the U.S of $599,808 (December 31, 2017 - $1,037,424).

Accounts receivable

Accounts receivable consist primarily of accounts receivable from invoicing of devices and services. The Company's credit risk arises from the possibility that a customer owing 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 carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of comprehensive income. When a receivable balance is considered uncollectible, it is written off against the allowance for account receivable. Subsequent recoveries of amounts previously written off reduce other expenses in the statement of comprehensive income. As at March 31, 2018, the largest single customer's account receivable represented $1,876,722 (December 31, 2017 – $227,623) of the total accounts receivable. This receivable was fully collected after the quarter.

The following table outlines the details of the aging of the Company's accounts receivable as at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Current	**$3,599,796**	$333,023
Past due		
1 – 60 days	**361,605**	-
Greater than 60 days	**125,414**	-
Less: Allowance for doubtful accounts	**-**	-
Total accounts receivable, net	**$4,086,815**	$333,023

For the quarter ended March 31, 2018 and year ended December 31, 2017, there was a $nil balance in the allowance for doubtful accounts.

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 relied on collecting its accounts receivable, which by nature, are due predominately from government agencies with a high level of certainty of collection.

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 market place. The following table details the Company's contractual maturities for its financial liabilities, including operating lease commitments, as at March 31, 2018:

March 31, 2018 and 2017 (stated in Canadian dollars)

	2018	2019	2020 and Beyond	Total
Accounts payable and other liabilities	$3,648,623	$-	$-	$3,648,623
Operating lease commitments	324,289	436,113	710,241	1,470,643
	$3,972,912	$436,113	$710,241	$5,119,266

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 at March 31, 2018, the Company had non-Canadian dollar net monetary assets of approximately US$1,162,416 (December 31, 2017 - approximately US$961,824). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as at March 31, 2018 would have resulted in a gain in the amount of $74,941 or a loss of $74,941 (December 31, 2017 – gain or loss of $60,330). Any gain or loss would have been included in the determination of net income.

Interest rate

The Company has cash balances which may be exposed to interest rate fluctuations. At March 31, 2018, the cash balances were $599,808 (December 31, 2017 - $1,037,424) and the interest rate sensitivity is not material.

18. REVENUE INFORMATION

For sale of devices, revenue is recognized at the time of shipment of the device which constitutes transfer of ownership of the device. Revenue for the services component is reported as deferred revenue on the statement of financial position and is recognized as earned revenue for the period in which the service is provided. At March 31, 2018, the Company had $2,668,864 (December 31, 2017 - $1,526,135) in contract liability.

The following table provides a component presentation of the Company's revenue streams for the quarters ended March 31, 2018 and 2017:

	2018		2017	
	Revenue	**% of Total**	Revenue	% of Total
Services	**1,264,212**	**75.1**	1,910,989	98.5
Devices and appliances	**388,412**	**23.1**	29,567	1.5
Other	**31,828**	**1.9**	214	0.0
	$1,684,452	**100.0**	$1,940,770	100.0

March 31, 2018 and 2017 (stated in Canadian dollars)

The following table provides a geographical presentation of the Company's revenue streams for the quarter ended March 31, 2018 and 2017:

	2018		2017	
	Revenue	**% of Total**	Revenue	% of Total
USA	**1,610,719**	**95.6**	$1,894,806	97.6
Canada	**73,732**	**4.4**	45,964	2.4
	$1,684,452	**100.0**	$1,940,770	100.0