ROUTE1 INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

As at May 23, 2019

The following discussion and analysis of the financial condition and results of operations (this "**MD&A**") of Route1 Inc. (also referred to as "**we**", "**us**", "**our**", "**Route1**", or the "**Company**"), should be read in conjunction with the Company's interim condensed consolidated financial statements and related notes as at quarter ended March 31, 2019. 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").

This Management Discussion & Analysis ("MD&A") has been reviewed and approved by the Company's Board of Directors prior to filing.

The information in this MD&A is current to May 23, 2019, unless otherwise noted.

FORWARD-LOOKING STATEMENTS

The following discussion may contain forward-looking statements about matters that involve risks 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. In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the integration of acquired businesses; the acceptance of the Company's devices and services by its customers; the timing of execution of outstanding or potential customer orders by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information.

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, successfully integrating acquired businesses and unexpected 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).

This MD&A includes additional disclosures on the critical accounting policies and estimates, additional disclosure on the quarterly selected financial information, additional discussion and analysis on the factors affecting the Company's financial performance, additional disclosure on future liquidity and capital needs including the addition of a tabular presentation of contractual obligations, additional disclosure on the last eight quarters, and details of related party transactions. The Company does not believe that any of the additional information provided, and that has not been otherwise disclosed in other filings, is material in nature.

INTELLECTUAL PROPERTY NOTICES

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, 9,319,385, 10,135,807 and 10,148,641, 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.

OVERVIEW

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 services, manufacturing, logistics, field service and warehousing sectors.

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.

HIGHLIGHTS

On January 21, 2019, the Company announced the release of MobiKEY for iOS v. 5.4.51 with support for the U.S. Department of Defense, Defense Information Systems Agency's ("DISA") Purebred technology.

BASIS OF PRESENTATION - GROUP MOBILE

Route1 acquired Group Mobile on March 22, 2018. The operations of Group Mobile for the nine remaining days in March 2018 have been included in the interim unaudited condensed consolidated financial statements for the three months ended March 31, 2018. The operations of Group Mobile have been included for all subsequent periods.

NON-IFRS FINANCIAL MEASURE: Adjusted EBITDA

Within this MD&A, we use the term Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock-based compensation, patent litigation, restructuring and other costs). Adjusted EBITDA does not have any standardized meaning prescribed under IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

Adjusted EBITDA allows us to compare our operating performance over time on a consistent basis. We believe that certain investors and analysts use Adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the technology industry.

The table below reconciles Adjusted EBITDA to Operating profit before stock-based compensation and patent litigation expense for the quarters presented.

	For the Quarters Ended				
In thousands of Canadian dollars	**Mar 31 2019**	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018
Adjusted EBITDA	**$322**	$331	$627	$272	$46
Depreciation and amortization	**254**	187	193	207	82
Operating (loss) profit before stock-based compensation and patent litigation expense	**$69**	$144	$434	$65	$(36)

SELECTED FINANCIAL INFORMATION

The following table outlines selected unaudited financial information of the Company on a consolidated basis for the three months ended March 31, 2019 and 2018.

(in thousands of Canadian dollars, except per share amounts)	For the Three Months Ended	
	March 31 2019	March 31 2018
STATEMENT OF OPERATIONS		
Revenue		
Subscription revenue and services	$1,576	$1,264
Devices and appliances	1,883	388
Other	3	32
Total revenue	3,462	1,684
Cost of revenue	1,700	585
Gross profit	1,762	1,099
Operating expenses		
General administration	997	695
Research and development	85	206
Selling and marketing	612	235
Total operating expenses	1,693	1,136
Operating profit (loss) before stock-based compensation and patent litigation	69	(36)
Patent litigation	527	111
Stock-based compensation	36	46
Operating profit (loss) after stock-based compensation and patent litigation	(494)	(193)
Acquisition (expense)	-	(127)
Interest income (expense)	(11)	-
Foreign exchange gain (loss)	10	40
Asset disposal gain (loss)	(16)	-
Total income (loss) for the period before income tax	$(513)	$(280)
Income taxes	-	-
Total income (loss) for the period after income tax	$(513)	$(280)
Other comprehensive income Foreign currency translation	(5)	(12)
Comprehensive income (loss)	$(517)	$(292)
Earnings (Loss) per share	$(0.00)	$(0.00)
CASH FLOW INFORMATION		
Operating activities	$(721)	$(627)
Investing activities	(164)	180
Financing activities	201	-
Net cash inflow	(684)	(447)
Consolidation currency adjustment	22	(9)
Cash, beginning of period	1,073	1,037
Cash, end of period	$367	$600
Working capital	$(927)	$(577)
Total assets	$8,803	$9,179
Shareholders' equity	$860	$1,931

COMPARISON FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

Revenue

Revenue for the three months ended March 31, 2019 was $3,462,119, representing an increase of $1,777,667 from $1,684,452, for the same period in 2018. The comparison, discussed by segment, is as follows:

Subscription Revenue and Services

Revenue from the subscription revenue and services segment includes: (a) application software subscription based revenue (MobiKEY, ActionPLAN, *Powered by MobiNET,* DerivID and MobiENCRYPT); (b) DEFIMNET platform and other appliance licensing or yearly maintenance; (c) technology as a service ("TaaS") under term contracts; and (d) other services.

For the three months ended March 31, 2019, revenue from the subscription revenue and services segment was $1,576,113, representing an increase of $311,902 from $1,264,111, for the same period in 2018. This increase was the result of increased service revenues from Group Mobile TaaS and maintenance agreements.

Subscription revenue and services, as a percentage of total revenue, represented 39.9% for the current period as compared to 88.9% for the prior year period.

Subscription revenue and services by quarter *(in thousands of Canadian dollars)*	**Mar 31 2019**	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018
Application software	1,186	1,168	1,193	1,180	1,260
Technology as a service (TaaS)	307	329	289	266	-
Other services	83	130	203	186	4
Total	**1,576**	**1,628**	**1,684**	**1,633**	**1,264**

Devices and Appliances

Revenue from MobiKEY devices (MC3 device, the MobiKEY Fusion device, the MobiKEY Fusion2 device and the MobiKEY Fusion3 device) and appliances (the DEFIMNET platform and the MobiNET Aggregation Gateway) and Group Mobile ruggedized computing devices and accessories for the three months ended March 31, 2019 was $1,883,336, representing an increase of $1,494,924 from $388,412 for the same period in 2018. The increase was the result of the acquisition of Group Mobile on March 22, 2018.

Devices and appliances revenue as a percentage of total revenue represents 54.4% of total revenue for the current period compared to 23.1% for the prior year period.

Other revenue

Other revenue for the three months ended March 31, 2019 was $2,670 compared to $31,828 for the same period in 2018. The reduction is attributable to decreased grant proceeds in the quarter ended March 31, 2019.

Gross Profit

Gross profit is revenue minus the cost of revenue. The cost of revenue includes the cost of our devices and appliances sold to clients, the cost to operate and maintain the Route1 MobiNET platform as well as the cost of shipping and packaging.

The cost of revenue for the three months ended March 31, 2019 was $1,699,993, representing an increase of $1,115,406 from $584,588 for the same period in 2018. The increase in cost of revenue for the three months ended March 31, 2019 is the result of increased device and appliance revenue primarily generated by Group Mobile.

Gross profit for the three months ended March 31, 2019 was $1,762,126 or 50.9% of gross revenue, representing an increase of $662,261 from a gross profit of $1,099,864 or 65.3% of gross revenue for the same period in 2018.

Expenses

Operating expenses consist of general administration, research and development, and selling and marketing. Operating expenses for the three months ended March 31, 2019 were $1,687,922, representing an increase of $551,628, from $1,136,293, for the same period in 2018.

General administration

General administration expenses consist primarily of salaries and benefits for administrative staff, professional fees, rent, telephone, computer related expenses, directors' fees, insurance, public company and regulatory costs, depreciation and amortization and other indirect costs.

General administration expenses for the three months ended March 31, 2019 were $996,617 representing an increase of $302,022 from $694,595 for the same period in 2018. The majority of the change can be summarized as follows:

- Increased salary expenses of approximately $139,000 due to organizational growth through the acquisition of Group Mobile.
- Decreased management bonus expenses of approximately $26,000 relating to the reduction of accruals for expected bonuses payable pursuant to a Group Mobile employment agreement as well as bonuses accrued for Company management.
- Decreased rent expenses of approximately $85,000 due to the adoption of IFRS 16, which resulted in lease expenses being reported as amortization expense and interest expense.
- Increased administrative, telecom and service fee expenses of approximately $27,000 related to the acquisition of Group Mobile.
- Increased professional fee expenses of approximately $20,000 related to the use of an external advisory firm.
- Increased accounting and insurance expenses of approximately $17,000 related to the acquisition of Group Mobile.
- Increased amortization expense of approximately $123,000 related to TaaS assets acquired through the acquisition of Group Mobile, as well as the adoption of IFRS 16.

Research and development

Research and development expenses consist of salaries and benefits for the research and development department, and other professional fees associated with development work.

Research and development expenses for the three months ended March 31, 2019 were $84,585, representing a decrease of $121,864 from $206,448 for the same period in 2018. The majority of the change can be summarized as follows:

- Salaries and benefits decreased by approximately $123,000 for the three months ended March 31, 2019 as compared to the same period in 2018. The decrease is the result of a reduction in head count, as well as the capitalization of expenses related to new technologies which were developed.

Selling and marketing

Selling and marketing expenses consist primarily of salaries and commissions, agent fees, marketing and trade shows, and travel and entertainment.

Selling and marketing expenses for the three months ended March 31, 2019 were $612,105, representing an increase of $376,855 from $235,250, for the same period in 2018. The majority of the change can be summarized as follows:

- Increased salary expenses of approximately $243,000 due to increased sales and marketing head count from the acquisition of Group Mobile.
- Increased commissions costs of approximately $76,000 primarily due to the acquisition of Group Mobile.
- Increased travel and tradeshow expenses of approximately $72,000 primarily due to the acquisition of Group Mobile.
- Decreased marketing expenses of approximately $14,000 due to lower use of external marketing services.

Other Items

Stock-based compensation

Stock-based compensation was $36,119 for the three months ended March 31, 2019, a decrease of $9,737 from $45,856 for the same period in 2018. The contributing factor to the lower expense was the reduction of options vesting during the three months ended March 31, 2019 as compared to the same period in 2018.

Patent litigation expenses

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. The expense incurred for the three months ended March 31, 2019 was $527,080, an increase of $416,161 from $110,919 for the same period in 2018.

During the first quarter, the Company received $350,393 (US $264,665) as a reimbursement of expenses incurred from September 1, 2018 to February 28, 2018. At March 31, 2019, $71,079 (US $53,823) was included in accounts receivable in respect of reimbursable litigation expenses.

For additional information see **“PATENT LITIGATION”** of this MD&A.

Acquisition Expenses

Acquisition expenses for the three months ended March 31, 2019 were $nil compared to $126,750 for the same period in 2018. For additional information, see **"BUSINESS COMBINATION"** of this MD&A.

Foreign exchange (loss) gain

Foreign exchange gains or losses are primarily attributable to fluctuations in the Canadian/U.S. dollar exchange rates. The gain attributable to foreign exchange translation on balance sheet items such as Accounts Receivable, Accounts Payable and bank accounts denominated in foreign currencies was $9,651 for the three months ended March 31, 2019, a decrease of $16,997 from a gain of $26,648 for the same period in 2018. There was significant volatility of the Canadian dollar against the U.S. dollar during the first quarter of 2019, from a high of 1.3095 to a low of 1.3600, and similarly there was significant volatility during the first quarter of 2018, with a high of $1.2288 to a low of $1.3088.

The functional currency of the parent company is Canadian dollars and the reporting currency is Canadian dollars. As at March 31, 2019, the Company had non-Canadian dollar net monetary assets of approximately US$1,729,684 (December 31, 2018 - approximately US$2,753,005). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as at March 31, 2019 would have resulted in a gain or loss in the amount of $115,569 (December 31, 2018 – gain or loss of $187,204). Any gain or loss would have been included in the determination of net income.

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.

Comprehensive (Loss) Gain After Taxes

Comprehensive loss for the three months ended March 31, 2019 was $513,486 or $(0.00) per share, representing an increase of $221,183 from a comprehensive loss of $292,303 or $(0.00) per share for the same period in 2018.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited 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 condensed interim consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the consolidated annual financial statements and are reviewed and approved by the Company's Board of Directors. 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.

As at and for the three months period ended
(in thousands of Canadian dollars, except per share data)

	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
STATEMENT OF OPERATIONS								
Revenue								
Subscription revenue and services	**$1,576**	$1,628	$1,684	$1,633	$1,264	$1,263	$1,177	$1,347
Devices and appliances	**1,883**	2,440	13,207	3,936	388	109	159	24
Other	**3**	6	4	7	32	48	2	-
Total revenue	**3,462**	4,074	14,895	5,577	1,684	1,420	1,338	1,371
Cost of revenue	**1,700**	2,216	12,311	3,620	585	331	362	298
Gross margin	**1,762**	1,858	2,584	1,957	1,099	1,089	976	1,073
Operating expenses								
General administration	**997**	942	1,349	1,090	695	696	724	713
Research and development	**85**	164	166	193	206	233	230	225
Selling and marketing	**612**	608	634	607	235	235	117	213
Total operating expenses	**1,693**	1,714	2,150	1,891	1,135	1,164	1,131	1,151
Operating profit (loss) before stock-based compensation and patent litigation	**69**	144	434	65	(36)	(75)	(155)	(78)
Patent litigation	**(527)**	(479)	(181)	(70)	(111)	(145)	(46)	(80)
Stock-based compensation	**(36)**	(32)	(43)	(23)	(46)	(48)	(54)	(66)
Operating profit (loss) after stock-based compensation and patent litigation	**(494)**	(367)	209	(27)	(193)	(268)	(255)	(224)
Acquisition expenses	**-**	(17)	-	-	(127)	-	-	-
Foreign exchange translation	**10**	29	(21)	40	40	23	(83)	(11)
Interest income (expense)	**(11)**	-	-	-	-	-	-	-
Asset disposal gain (loss)	**(16)**	-	-	-	-	-	-	-
Total income (loss) for the period before income tax expense	**(513)**	(355)	188	13	(280)	(245)	(338)	(235)
Income tax expense	**-**	-	-	-	-	-	-	-
Total income (loss) for the period after income tax expense	**$(513)**	$(355)	$188	$13	$(280)	$(245)	$(338)	$(235)
Other comprehensive income Foreign currency translation	**(5)**	(5)	20	(10)	(12)	-	-	-
Comprehensive income (loss)	**(517)**	$(359)	$208	$3	$(292)	$(245)	$(338)	$(235)
Earnings (loss) per share	**$(0.00)**	$0.00	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$0.00	$0.00
Adjusted EBITDA	**322**	330	627	272	46	24	(46)	16

CASH FLOW INFORMATION								
Operating activities	**$(721)**	$(928)	$1,455	$770	$(627)	$(361)	$(623)	$1,552
Investing activities	**(164)**	(343)	(24)	(221)	180	(10)	(45)	(160)
Financing activities	**201**	8	(159)	128	-	-	(4)	(15)
Net cash inflow (outflow)	**(684)**	(1,264)	1,218	481	(447)	(371)	(672)	1,377
Consolidation currency adjustment	**22**	(48)	13	3	(9)	-	-	-
Cash, beginning of period	**1,073**	2,289	1,084	600	1,037	1,408	2,080	703
Cash, end of period	**$367**	$1,073	$2,289	$1,084	$600	$1,037	$1,408	$2,080

BALANCE SHEET INFORMATI								
Working capital	**$(927)**	$(370)	$(36)	$(355)	$(577)	$206	$322	$527
Total assets	**$8,803**	$6,673	$8,733	$7,892	$9,179	$3,171	$4,081	$4,213
Shareholders' equity	**$860**	$1,465	$1,928	$1,888	$1,931	$1,236	$1,432	$1,720

The Company's revenue and financial results are difficult to forecast and have historically fluctuated on a quarterly basis. It is expected that quarterly revenue and financial results will become more stable than previously; however, revenues may continue to fluctuate as the Company grows its revenues and customer base. Fluctuations in results are related to the growth of the Company's revenue, the timing of revenue being recognized and sales to customers, who may place large single orders in any one quarter, the timing of staffing and infrastructure additions to support growth and future acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: i) operating activities, including fluctuations in the levels of accounts receivable, inventory, prepaid expenses, accounts payable and contract liability; ii) investing activities, including the purchase of capital assets; and iii) financing activities, including the issuance of and/or repurchase of capital stock.

Cash generated in operating activities

Cash used for operating activities for the three months ended March 31, 2019 was $222,918, compared to cash used of $151,957 in the same period in 2018, representing an increase of $70,962. Non-cash working capital used was $498,115 for the three months ended March 31, 2019 compared to $475,270 in the same period a year earlier. Net cash used in the day–to-day operations for the three months ended March 31, 2019 was $721,033 compared to $627,226 used in the same period in 2018, representing an increase of $93,806. The increase in net cash used from operating activities for the three months ended March 31, 2019 compared to the same period in the prior year is primarily due to an increase in prepaid expenses and a lower decrease in accounts payable, that was partially offset by a decrease in inventory, for the three months ended March 31, 2019.

Cash used in investing activities

Cash used in investing activities for the three months ended March 31, 2019 was $163,910 compared to cash generated of $180,223 in the same period in 2018, representing an increase of $324,342. The reduction in cash generated is primarily driven by the cash balance acquired in 2018 with Group Mobile on March 22, 2018.

Cash used in financing activities

Cash generated in financing activities was $201,059 for the three months ended March 31, 2019 compared to cash generated of $nil for the same period in 2018. The increase was primarily driven by an increase in cash generated by litigation funding, partially offset by a reduction in lease liabilities.

The Company's current business plan projects further revenue growth in 2019 and beyond. The Company believes that its success in securing sales contract vehicles with the U.S. government will lead to growth within the U.S. government and future opportunities with other governments. The Company believes that sales from software applications including ActionPLAN, *Powered by MobiNET*, will increase in 2019 and beyond. In addition, the Company expects to increase revenue in Group Mobile and expects to leverage this recent acquisition by offering its products and services to the corporate and industrial clients of Group Mobile.

The Company's need for capital expenditures includes items such as computer hardware and software, expenditures to support sales, marketing and general administration activities and working capital. In addition, the Company will require capital to purchase equipment for its TaaS (technology as a service) business. Since inception, the Company has financed its cash and/or capital requirements through operating cash flow, the issuance of equity from private placements and through the issuance of obligations under capital leases.

On June 5, 2018, the Company's credit facility consisting of a $500,000 revolving demand operating facility and a $100,000 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.

In the normal course of business operations of Group Mobile Int'l, LLC ("GMI"), the Company may be required to guarantee the trade payables of GMI to the value added distributors from which GMI purchases product to sell to its customers. Such guarantees would be enforced only if GMI could not pay the distributor for goods acquired from such distributor and the amounts under such guarantees would vary from time to time based on the volume of purchases from the particular distributor. The Company has entered into these continuing, unconditional guarantees with several of the larger vendors/suppliers to GMI.

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

INVENTORY

On a quarterly basis or when necessary, management reviews the carrying value of inventory. Inventory is valued at the lower of cost and net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. For the quarters ended March 31, 2019 and 2018 management determined no adjustment to the carrying value was required.

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, 2019 and 2018 comparatives. 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 three months ended March 31, 2019 (March 31, 2018 - $94,638). The Company also incurred stock based compensation expense in the amount of $nil for the three months ended March 31, 2019 (March 31, 2018 - $9,918).
- The Company incurred expenses (including CPP and EHT) payable to and on behalf of the independent members of the Board of Directors of $72,398 for the three months ended March 31, 2019 (March 31, 2018 - $78,637). These transactions are in the normal course of operations and are paid or payable for directorship services. As at March 31, 2019, accounts payable included $80,678 owing to directors (March 31, 2018 - $78,637). The Company also incurred stock based compensation expense related to stock options granted to directors in the amount of $2,065 for the three months ended March 31, 2019 (March 31, 2018 - $13,526).
- The Company made payments to or incurred expenses for key management (President, Chief Technology Officer and the Chief Financial Officer) in the three months ended March 31, 2019 as follows, with 2018 comparatives.

	Three Months Ended March 31, 2019	Three Months ended March 31, 2018
Short-term employee benefit	**$144,526**	$206,494
Stock option expense	**$15,499**	22.271
	$160,025	$228,765

PATENT LITIGATION

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. On August 3, 2018, the USPTO denied AirWatch's and VMWare's petition for a rehearing, formally terminating the ability of the petitioners to challenge the validity of the 216 Patent at the Patent Trial and Appeal Board.

On July 2, 2018 a court hearing was held to define certain claim terms of the 216 Patent (the "Markman Hearing"). The court provided its Memorandum Opinion to the parties on July 25, 2017. Further information may be found at http://www.ded.uscourts.gov/judges-info/opinions.

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/.

On December 19, 2018, the Company filed a complaint against VMWare, Inc., AirWatch LLC and VMWare Canada Inc. in the Federal Court of Canada for infringement of Route1's Canadian Patent No. 2,578,053, seeking financial compensation for infringement, legal fees, and an injunction.

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 $942,000. 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 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. 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, which has been discounted to $0.01632 per share based on the restrictions on the sale of Route1 common shares issued as consideration for the purchase of Group Mobile as outlined in the Membership Purchase Agreement. The fair value of the warrants, using the Black Scholes method, was $0.0178 per warrant. 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.

There is also an earn-out provision whereby if the gross profit of Group Mobile is in excess of USD $3,750,000 per 12-month period, the seller will receive 27.5% of the actual gross profit amount greater than USD $3,750,000. If the gross profit target is missed in the first or second year, no subsequent annual earn-out payment(s) will be made. There is also a cumulative earn-out that is equal to 27.5% of the Group Mobile gross profit for the first 36 months post-closing that is in excess of $11,250,000 less any annual earn-out amounts previously paid.

The acquisition of Group Mobile was accounted for using the acquisition method of accounting in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective March 22, 2018. The goodwill is not tax deductible. Transaction costs of $143,390 related to the acquisition of Group Mobile have been expensed and are included in operating expenses in the consolidated statements of operations and comprehensive income (loss). Group Mobile has contributed incremental revenue of $21,322,657 (USD $16,339,598) and gross profit of $3,718,382 (USD $2,856,739) for the year ended December 31, 2018.

The table below summarizes the estimated fair value of the consideration transferred and the estimated fair values of the major classes of assets acquired and liabilities assumed at the acquisition date.

As at March 22, 2018

Assets Acquired	**US Dollars**	**Canadian Dollars**
Cash and cash equivalents	$246,268	$317,883
Trade and other receivables	1,238,839	1,599,094
Inventory	491,241	634,094
Prepaid expenses	3,037	3,920
Current Assets	1,979,385	2,554,991
Furniture and fixtures	46,885	60,519
TaaS assets	741,716	957,406
Intangible assets	266,000	343,353
Goodwill	357,832	461,889
Non-current Assets	1,412,432	1,823,167
Total assets	$3,391,817	$4,378,158
Liabilities Assumed		
Trade and other payables	$2,108,564	$2,721,734
Employee liabilities	226,117	291,872
Sales tax payable	56,117	72,436
Contract liability	271,241	350,118
Total liabilities	$2,662,038	$3,436,159
Fair value of net assets acquired	$729,780	$942,000
Net consideration issued	$729,780	$942,000

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS"). 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 audited financial statements in conformity with IFRS. 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 capital assets, stock-based compensation expense, and the measurement of income tax valuation allowances. Actual results could differ from those estimates, which are as follows:

- The Company's revenue is derived from (i) hardware sales (i.e. MC3 device, MC2 device, the MobiKEY Classic device and the MobiKEY Fusion3 device, the MobiKEY Fusion2 device and the MobiKEY Fusion device) and subscription services (i.e. MobiKEY application software and Action Plan, *powered by MobiNET*); and (ii) sales of ruggedized computing devices and related accessories and services. The Company recognizes revenue in accordance with IAS 18, "Revenue".

- 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 determination of inventory obsolescence allowance.
- The estimation of useful lives of the various classes of capital 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 disclosed in the Company's financial statements.
- The recognition of SRED tax credits and government grants (if any).
- 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.

NEW STANDARDS ADOPTED

Effective January 1, 2019, the Company adopted the following standards issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRS IC").

2.1 IFRS 16, Leases

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" (IFRS 16), which specifies how to recognize, measure, present and disclose leases. The standard provides a single accounting model, requiring the recognition of assets and liabilities for all major leases previously classified as "operating leases" under the principles of IAS 17, Leases ("IAS 17"), and related interpretations.

(a) The Company's accounting policy under IFRS 16 is as follows:

i. Definition of a lease:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It applied the definition of a lease under IFRS 16 to existing contracts as of January 1, 2019.

ii. As a lessee:

The Company has leased premises in Toronto (Canada), Burlington (Ontario), Boca Raton (Florida), Chattanooga (Tennessee), and Chandler (Arizona).

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, based on the initial amount of the lease liability. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically adjusted for certain remeasurements of the lease liability, if the case may be.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for (1) short-term leases, that have a lease term of 12 months or less, as well as for (2) leases of low value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

iii. Sub-lease:

When the Company is an intermediate lessor, it determines at the lease inception date whether each sub-lease is a finance lease or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the sub-lease is a financial lease; if not, it is an operating lease.

For financial leases, and when the Company acts as intermediate lessor, it recognizes a sublease receivable and derecognizes the right-of-use assets relating to the head lease that it transfers to the sub lessees. Right-of-use assets and lease receivables relating to the sub leases are measured in the same way as the right-of-use assets and lease liabilities for the head lease, using the same discount rate for the actualization of future payments to be received.

The Company presents accretion expense in the head lease net of accretion income from the sub-leases.

(*b) Impact of transition to IFRS 16:*

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The cumulative effect of initial application is recognized in Shareholders' Equity - deficit at January 1, 2019. Comparative amounts for 2018 remain as previously reported under IAS 17 and related interpretations.

Lease receivables and liabilities have been measured by discounting future lease payments at the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied was determined to be 5.0% per annum for each lease and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard: the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The following table summarizes the impacts of adopting IFRS 16 at January 1, 2019:

	January 1, 2019 prior to adoption of IFRS 16	January 1, 2019 after adoption of IFRS 16
Assets		
Current assets		
Prepaid expenses	$309,341	$293,212
Non-current assets		
Right-of-use assets	-	$784,016
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$2,493,779	$2,432,391
Lease liabilities	-	$401,405
Non-current liabilities		
Lease liabilities	-	$648,823
Deferred rent	$63,620	-
Other non-current liabilities	$570,354	$529,427
Shareholders' equity		
Accumulated other comprehensive income (loss)	$(6,694)	$(3,327)
Deficit	$(35,757,441)	$(35,877,214)

The application of IFRS 16 to leases, previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets of $784,016 and finance lease liabilities of $1,050,228. The difference in value between the right-of-use assets and the outstanding lease liabilities is attributable to being part way through lease terms. On initial application of the standard, the Company reversed prepayments for end of lease rent of $16,129 and deferred rent of $63,620, previously recorded per IAS 17. An accrual of $102,315 relating to the lease of the Chattanooga office acquired with Group Mobile was removed and the value right-of-use asset was reduced. The net effect of these changes resulted in an adjustment to retained earnings of $(119,773).

The following table provides a reconciliation from previously disclosed operating lease commitments to total lease liabilities:

Operating lease commitments disclosed as at December 31, 2018	**$1,264,545**
Less adjustments due to variable lease payments	(100,866)
Less adjustments due to removal of prepaid rent	(16,129)
Less adjustment due to present value	(97,322)
Opening current and non-current lease liabilities as at January 1, 2019	**$1,050,228**

(c) Impact for the period:

The following tables summarizes the impacts of adopting IFRS 16 on the Company's condensed interim financial statements for the three months ended March 31, 2019:

	March 31, 2019 as reported	March 31, 2019 without adoption of IFRS 16
Assets		
Current assets		
Prepaid expenses	$517,039	$533,182
Other assets	$22,580	-
Total current assets	**$5,106,258**	**$5,099,821**
Non-current assets		
Right-of-use assets	$620,693	-
Other assets	$39,964	-
Total non-current assets	**$3,696,703**	**$3,036,046**
Total assets	**$8,802,961**	**$8,135,867**
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$2,998,295	$3,062,867
Lease liabilities	$408,163	-
Total current liabilities	**$6,032,938**	**$5,689,347**
Non-current liabilities		
Lease liabilities	$543,683	-
Deferred rent	-	$60,534
Other non-current liabilities	$553,995	$579,051
Total non-current liabilities	**$1,910,337**	**$1,452,244**
Total liabilities	**$7,943,275**	**$7,141,591**
Shareholders' equity		
Accumulated other comprehensive income (loss)	$(8,138)	$7,544
Deficit	$(36,397,393)	$(36,261,706)
Total shareholders' equity	**$859,686**	**$994,277**
Total shareholders' equity and liabilities	**$8,802,961**	**$8,135,867**
Expenses		
General and administrative	$996,617	$1,016,153
Total operating expenses before stock-based compensation	**$1,693,307**	**$1,712,843**
Operating profit (loss) before other income (expense)	**$32,700**	**$13,164**
Other income (expense)		
Interest (expense) income	$(11,463)	-
Asset disposal (loss) gain	$(16,462)	-
Total other income (expense)	**$(545,354)**	**$(517,429)**
Net loss for the period	**$(512,654)**	**$(504,265)**

The net impact of the adoption of IFRS 16 was a decrease in net income of $8,389 during the quarter ended March 31, 2019. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company did not recognize any additional right-of-use assets or lease liabilities as at March 31, 2019.

Also, in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the three months ended 31 March 2019, the Company recognized $67,835 of depreciation and $12,104 interest expense from these leases. The Company also recognized $641 of interest income related to a sublease which was initiated in January 2019.

2.2 IFRIC 23, Uncertainty of Income Tax Treatments

Effective January 1, 2019, the Company adopted IFRIC 23, "Uncertainty of Income Tax Treatments" (IFRIC 23), which clarifies how the recognition and measurement requirements of IAS 12 — Income taxes, are applied where there is uncertainty over income tax treatments. The Interpretation also explains when to reconsider the accounting for a tax uncertainty.

At this time, management believes the impact of adoption on the Company's financial statements is not material.

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, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	**$367,395**	**$367,395**	**$1,073,195**	**$1,073,195**
Accounts receivable	**$3,784,293**	**$3,784,293**	**$1,858,751**	**$1,858,751**
FINANCIAL LIABILITIES				
Accounts payable and other liabilities	**$2,998,295**	**$2,998,295**	**$2,493,779**	**$2,493,779**

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, 2019, the largest single customer represented approximately $1,878,170 of revenue (March 31, 2018 - $1,876,722).

Cash and cash equivalents

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, 2019, 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 $1,073,195 (December 31, 2018 - $1,037,424).

Accounts receivable

Accounts receivable consist primarily of accounts receivable from invoicing for subscriptions and services and devices. The Company's credit risk arises from the possibility that a customer which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company. This risk is mitigated through established credit management techniques, including monitoring customer's creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The 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 accounts receivable. Subsequent recoveries of amounts previously written off reduce other expenses in the statement of comprehensive income. As at March 31, 2019, the largest single customer's account receivable represented $1,878,170 (March 31, 2018 – $1,876,722) of the total accounts receivable. This receivable was collected in full after the year-end.

The following table outlines the details of the aging of the Company's receivables as at March 31, 2019 and March 31, 2018:

	March 31, 2019	December 31, 2018
Current	**$3,621,043**	$1,644,057
Past due		
1 – 60 days	**140,799**	201,534
Greater than 60 days	**22,451**	13,160
Less: Allowance for doubtful accounts	**-**	-
Total accounts receivable, net	**$3,784,293**	$1,858,751

For the quarter ended March 31, 2019 and the year ended December 31, 2018, there was a $nil balance for 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 interest payments and operating lease commitments, as at March 31, 2019:

	2019	**2020**	**2021 and Beyond**	**Total**
Accounts payable and other liabilities	$2,994,317	$553,995	$-	$3,553,312
Lease commitments	448,232	376,948	208,060	1,033,239
	$3,442,549	$930,943	$208,060	$4,586,552

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, 2019, the Company had non-Canadian dollar net monetary assets of approximately US$1,729,684 (December 31, 2018 - approximately US$2,753,005). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as at March 31, 2019 would have resulted in a gain or loss in the amount of $86,484 (December 31, 2018 – gain or loss of $137,650). 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, 2019, cash balances were $367,395 (December 31, 2018 - $1,073,195) and the interest rate sensitivity is not material.

SHARE REPURCHASE PROGRAM

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 was 17,359,671. Purchases under the NCIB occurred during the 12 month period from September 27, 2017 and ended September 26, 2018. Purchases for cancellation under the NCIB during the period from September 27, 2017 to September 26, 2018 were 6,472,414 common shares.

On September 17, 2018, 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 18,405,350. Purchases under the NCIB may occur during the 12 month period commencing September 27, 2018 and ending September 26, 2019, 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, 2018 to December 31, 2018 were 2,666,666 common shares.

For the three months ended March 31, 2019, the Company purchased no shares for cancellation under the NCIB.

SHARE CAPITAL AND OPTIONS

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, 2019, 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	(408,009)
Shares repurchased for cancellation	(9,138,414)	(416,349)
Balance, December 31, 2018	363,055,000	$22,142,402
Shares repurchased for cancellation	-	-
Balance, March 31, 2019	363,055,000	$22,142,402

- There are 25,687,000 common share purchase options ("Options") outstanding to acquire 25,687,000 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

RISK FACTORS AND UNCERTAINTY

Although management has a positive outlook for the Company and continually improves and adapts the Company's risk mitigation strategies, operating in the technology industry inherently involves a certain level of risk and uncertainty. In management's opinion, the following risk factors, among others, should be considered when evaluating the Company's business and its results of future operations:

- Management's ability to secure additional financing, if needed, on reasonable terms. Access to such financing on acceptable commercial terms will be dependent on the timing of recognition and receipt of cash from our current receivables and contracts, on our ability to demonstrate execution of our business strategy and the general condition of the credit and/or equity markets. Such additional financing may be dilutive in nature to existing shareholders.
- The Company's access to credit or capital could be restricted based on a global financial crisis that would restrict credit availability worldwide and could also impact its ability to continue operations.
- A portion of the Company's projected revenue in the short-term is tied to approximately US$2 million in renewals from MobiKEY application software subscriptions with one or more U.S. Government ("USG") accounts. If one or more USG accounts were to discontinue their relationship with the Company, such events could have a material adverse impact on the Company's financial results.
- A significant portion of the Company's revenues are derived from the United States and in particular from U.S. governmental agencies and departments. With a change in administration, governmental agencies and departments often defer material changes in their operations and purchases of products and services until a new cabinet is appointed, the political direction is confirmed and agency leadership is appointed. This deferral and possible change in political direction following an election could have a material adverse effect on the prospects, operations and results of operations of the Company.
- The U.S. President has publicly supported certain policies, including those related to changes to international trade agreements and policies favouring U.S. persons and companies. There is uncertainty as to which measures and policies will be maintained by the United States government, governmental agencies and departments in 2019 and beyond. Certain of these measures, including trade and tariff uncertainty, could have a material and adverse effect on the Company.
- Certain Chief Information Officers of governmental agencies in the United States are required to resign following the election of a new President. There is no assurance that a resigning Chief Information Officer will be reappointed or that a newly appointed Chief Information Officer will be supportive (or continue to be supportive) of the Company's products and services. A change in the senior officers and decision makers in the U.S. government and its agencies could have a material adverse effect on the Company.
- In addition to the risks discussed above and as a consequence of this transition process, the confirmation of the approval and/or renewal of the Company's products and services could be delayed and/or not subject to the approval process experienced in the past and that such delay and/or change in process will make it difficult for the Company to effectively forecast revenues and to plan and budget its operations and this could have a material adverse effect on the Company.
- Funding of the United States government is a complex and contentious process and may result in temporary funding of government through continuing resolutions or government shut downs. Such circumstances may result in delays in sales and renewals of existing contracts with government agencies.

- The defendant in the Company's complaint served on June 1, 2017 in the United States District Court for the District of Delaware has counterclaimed against the Company seeking declaratory judgments of non-infringement and invalidity of the Company's U.S. Patent No. 7,814,216 (the "216 Patent"). If the 216 Patent is found to be either invalid or patent ineligible, the Company's business could be materially and adversely affected.
- The Company's ability to collect payment on a timely basis for services delivered may have a material adverse impact on the Company's liquidity position.
- There is no assurance that any forward-looking statement will materialize. Unless otherwise indicated, forward-looking statements describe expectations as of the date of this document.
- Route1 disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
- Third-party claims for infringement of intellectual property rights by Route1, and the outcome of any litigation with respect thereto, may harm the Company's competitive advantage in the secure remote access industry;
- Should Route1 be unable to successfully obtain patent or other proprietary or statutory protection for its technologies and products may harm the Company's competitive advantage in the secure remote access industry;
- Route1's ability to obtain rights to use certain software or components which are supplied by third parties may not be sufficient to support future sales volumes;
- Should Route1 be unable to run efficient and uninterrupted operation of its MobiNET platform, which could impact on the credibility of the Company's product and services;
- Should Route1 be unable to establish new customers, and to build on its existing customer base, could also slow the Company's continued growth;
- Should Route1 be unable to integrate acquired businesses successfully could have an adverse effect on the Company;
- The occurrence of a breach or perception of a breach of Route1's secure product and service offering may have an impact on the credibility of the Company's product and services;
- The inappropriate disclosure of confidential information of the Company may have an impact on the credibility of the Company's product and services;
- Competition, both with existing providers as well as with any future providers entering the marketplace, within the secure remote access industry may hamper future sales growth;
- Route1's reliance on its suppliers and the risk that suppliers will not be able to deliver required components on a timely basis may slow future sales growth;
- Any future government(s) regulation of the secure remote access industry, including but not limited to restrictions on encryption of the MobiKEY device and the MobiNET platform may hamper future growth;
- Any significant economic downturn in geographic areas where Route1 engages in business activities may cause those government agencies to reduce discretionary budget spending in areas such as secure identity solutions.
- Any delays in the budget approval process by the U.S. government may delay the procurement and spending in areas such as digital security solutions.
- The Company's rugged mobile technology solutions business depends on a small group of large vendors from whom the Company purchases equipment to sell to end users. The Company expects that purchases will be delivered by the vendor on a timely basis. Any disruption in the supply chain could adversely affect the business.
- The Company is dependent on obtaining acceptable payment and credit terms with certain vendors. The lack of such terms could adversely affect the ability of the Company to purchase and sell product.

- The Company depends on purchasing product from its vendors at acceptable prices and being able to sell the product to end users at acceptable margins. Unfavourable variances in the prices from vendors and the prices paid by end users would have an adverse effect on the business.
- The Company resells its product to a wide variety of manufacturing companies and state and local governments. Any deterioration in the creditworthiness of the Company's customer base could have an adverse affect on the Company's ability to sustain the business without collecting the amounts due from customers.
- The products sold by the Company are subject to technological obsolescence. To the extent that the Company has non-current inventory, it could be subject to a loss on the sale of such old or obsolete inventory.
- Counterparties to purchase and sale agreements of businesses may be in breach of their representations and warranties or covenants to the Company requiring the Company to seek indemnification or other contractual or legal remedy.
- The majority of the Company's customers purchase product on a purchase-order basis. The Company is dependent on the strength of the economy as well as that of the customer and the customer's capital spend and ability to continue purchasing product sold by the Company.
- The Company ships its product to customers through third parties and price increases and transportation disruptions could adversely affect the business.
- The rugged mobile technology solutions business is highly competitive and profit margins can be adversely affected by a host of factors including the availability of sufficient working capital to operate the business. The required working capital may not be available to the Company on acceptable terms or in the amounts required to operate the business profitably.
- The Company records transactions in Canadian dollars and conducts business both in Canada and internationally. The volatility of the Canadian dollar against currencies such as the U.S. dollar and the Euro can impact financial results negatively should the Canadian dollar appreciate significantly.
- The Company is a Canadian corporation. While the Company has not yet been affected by the imposition of tariffs on various goods and services, any such tariffs may have an adverse impact on the Company's ability to be price competitive in the markets in which it operates.

Audit Committee

The three members of the Audit Committee are independent and all meet the qualifications of a financial expert and all are financially literate as such term is defined in National Instrument 52-110 – Audit Committees.

Legal proceedings

In the course of operations, the Company may (i) be subject to litigation claims from customers, suppliers, patent holders, resellers and former employees and (ii) seek to enforce its intellectual and other property rights and rights to indemnification. A provision is recognized when the probability that the event will occur is greater than the probability that it will 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.

REVENUE INFORMATION

Revenue for the recurring revenue and services segment is reported as contract liability on the statement of financial position and is recognized as earned revenue for the period in which the subscription and/or service is provided. For sale of devices, revenue is recognized at the time of shipment of the device which constitutes transfer of ownership of the device. At March 31, 2019, the Company had $2,871,443 (December 31, 2018 - $1,687,389) in contract liability.

The following table provides a component presentation of the Company's revenue streams for the quarter ended March 31, 2019 and 2018:

	2019		2018	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and services	**$1,576,113**	**45.5**	$1,264,212	75.1
Devices and appliances	**$1,883,336**	**54.4**	388,412	23.1
Other	**$2,670**	**0.1**	31,828	1.9
	$3,462,119	**100.0**	$1,684,452	100.0

The following table provides a geographic presentation of the Company's revenue streams for the quarter ended March 31, 2019 and 2018:

	2019		2018	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$3,428,769**	**99.0**	$1,610,719	95.6
Canada	**33,350**	**1.0**	73,732	4.4
	$3,462,119	**100.0**	$1,684,452	100.0

ADDITIONAL INFORMATION

Additional information about Route1 is available from Route1's website at www.route1.com, the SEDAR website at www.sedar.com, or by request from Route1's head office at 8 King Street East, Suite 600, Toronto, Ontario, Canada M5C 1B5 (telephone 416-848-8391).