ROUTE1 INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

As at May 26, 2020

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 consolidated financial statements and related notes as at and for the year ended December 31, 2019. These consolidated financial statements, including comparatives, have been prepared in accordance 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 26, 2020 and all amounts are in Canadian dollars, 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

 GROUPMOBILE, Route1, Route 1, the Route1 and shield design Logo, MobiDESK, Mobi, Route1 MobiVDI, Route1 MobiDESK, Route1 MobiBOOK, Route1 MobiKEY, Route1 MobiNET, IBAD, MobiVDI, MobiNET, DEFIMNET, Powered by MobiNET, Route1 Mobi, Route1 MobiLINK, TruOFFICE, MobiLINK, EnterpriseLIVE, PurLINK, TruCOMMAND, MobiMICRO and MobiKEY are either registered trademarks or trademarks of Route1 Inc. in the United States and/or Canada. All other trademarks and trade names are the property of their respective owners. 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, 10,148,641, and 10,320,774, 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, also operating under the tradenames GroupMobile and PCS Mobile, is an advanced North American technology company that empowers their clients with data-centric solutions necessary to drive greater profitability, improve operational efficiency and gain sustainable competitive advantages, while always emphasizing a strong cybersecurity and information assurance posture. Route1 delivers exceptional client outcomes through real-time secure delivery of actionable intelligence to decision makers, whether it be in a manufacturing plant, in-theater or in a university parking lot.

With offices and staff in Boca Raton, FL, Chandler, AZ, Chattanooga TN, Denver, CO, Glen Allen, VA, and Toronto, Canada, Route1 provides leading-edge solutions to public and private sector clients around the world. Route1 is listed in Canada on the TSX Venture Exchange under the symbol ROI and on the OTCQB in the United States under the symbol ROIUF.

HIGHLIGHTS

On January 31, 2020, the Company announced that at Genetec's Connect 20 event held the previous night in San Diego, California, Route1's wholly owned subsidiary PCS Mobile was named the "Genetec AutoVu Premier Partner of the Year – North America".

- The Genetec AutoVu™ automatic license plate recognition or ALPR system automates license plate reading and identification, making it easier for law enforcement and for municipal and commercial organizations to locate vehicles of interest and enforce parking restrictions.
- PCS Mobile has been successful as a premier partner for Genetec AutoVu for more than five years in the states of Arizona, California, Colorado, Nevada, New Mexico, Oregon and Washington.

On February 3, 2020, the Company announced that Dr. Barry C. West has stepped down as a member of Route1's Board of Directors and accepted an invitation from the Company to Chair its U.S. Government Advisory board.

On March 16, 2020, the Company provided an update on the use of its MobiKEY technology during the COVID-19 outbreak.

- Over the last five business days previous to this date, there has been a significant spike in the demand for MobiKEY enabling devices, particularly Fusion3 devices, and MobiKEY software subscription sales and quote activity for both Department of Defense ("DoD") and certain civilian agencies of the U.S. government as well as financial services companies and banks across North America.
- Route1 added 209 paying MobiKEY subscribers and sold 174 MobiKEY Fusion3 devices. Based on purchase orders in hand and funds obligated to purchase, Route1 expects to add more than 500 additional paying MobiKEY subscribers and sell 3,000 additional MobiKEY Fusion3 devices over the next five to seven business days.
- Route1 expects to make a further order for 5,000 MobiKEY Fusion3 devices early next week, however this number could grow based on quick responses from clients. Subsequent to the issuance of this press release an order for 6,000 devices was placed.

On March 19, 2020, the Company announce today an update on its business operations.

- The Company announced Q4 2019 gross profit of $2,750 (in 000s of Canadian dollars) compared to $1,858 (in 000s of Canadian dollars) for Q4 2018

Corporate Development

- In order to expand our enterprise and public safety client base, and grow profitability through the leveraging of our human and technology capital, on April 3, 2020 Route1 will acquire the assets of Mobile-Tek Consulting, LLC, a reseller of rugged mobile device hardware. Route1 will pay cash of US $50,000 in two instalments for the assets of the company and also assume US $25,000 in net working capital.
- Based in Cincinnati, Ohio, Mobile-Tek sells rugged devices and applications including but not limited to Panasonic Toughbook mobile computers, Fujitsu and Getac rugged and semi-rugged tablets, Zebra handheld devices, and accessories from Gamber-Johnson and Havis to public safety and enterprise clients principally in the states of Ohio, West Virginia, Michigan, Indiana and Kentucky. The company also refurbishes off warranty rugged devices and resells them.

Airwatch Litigation

- On October 7, 2019, Route1 appealed to the United States Court of Appeals for the Federal Circuit from the district court's August 7, 2019 decision finding that AirWatch has not infringed Route1's U.S. Patent No 7,814,216. Briefings will be complete on March 20, 2020, and Route1 expects that a decision is likely in the fourth quarter of 2020 or first quarter of 2021.

VMWare Canadian Lawsuit

- In December 2018, Route1 Inc. commenced a patent infringement lawsuit in Canada against VMware, Inc., asserting that at least five claims of Route1's patent were infringed.
- The case has since proceeded and Route1 Inc. has received further disclosure from VMware, Inc. As a result, on March 11, 2020 Route1 Inc. filed an amended Statement of Claim increasing the number of infringed claims from Route1's patent from five to thirty-four.
- The Canadian lawsuit continues to proceed, with inventor and corporate examinations having been conducted in Toronto, Ontario and Chandler, Arizona in Q1 2020.

On March 23, 2020, the Company provided an update to its March 16, 2020 news release in regards to the use of its MobiKEY technology during the COVID-19 outbreak.

- Sale and quote activity for both Department of Defense ("DoD") and certain civilian agencies of the U.S. government as well as Corporate America and Canada has dramatically increased as the working implications of COVID-19, particularly the requirement to work from home, have been mandated by most levels of government and business.
- Last week Route1 added 654 paying MobiKEY subscribers and sold 3,157 MobiKEY Fusion3 and MobiKEY Classic 3 devices.
- Last week Route1 placed an order for 6,000 MobiKEY Fusion3 devices. The Company currently has a purchase order backlog in excess of 4,000 MobiKEY Fusion3 devices, with the majority of the backlog for clients with an enterprise license agreement – thus there is not a 1:1 relationship between device sales and new subscriptions.

On April 23, 2020, the Company announced Q4 and full year 2019 financial results and provided an update on use of the MobiKEY technology during the COVID-19 outbreak.

- Demand for the Company's MobiKEY technology has increased signicantly.
- Over the previous 7 weeks the company added net 2,675 MobiKEY subscribers and sold 4,975 devices.
- The Company granted independent board directors, officers and employees stock options in the aggregate amount of 1,325,000 with an exercise price equal to the closing share price that day, or $0.68 per share.

On May 4, 2020, the Company announced an amendment to the Normal Course Issuer Bid (NCIB), increasing the maximum purchase price per common share purchased under the NCIB to $0.75 from $0.60.

BASIS OF PREPARATION

The interim condensed consolidated financial statements of Route1 include its wholly-owned subsidiaries, Route 1 Security Corporation, Group Mobile Int'l, LLC ("GMI") and Portable Computer Systems, Inc. ("PCS"). Route1 acquired GMI on March 22, 2018. Route1 acquired PCS on June 28, 2019. No operational activity occurred between the acquisition date and June 30, 2019. The operations of PCS 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 other income (expense) for the quarters presented.

	For the Quarters Ended				
In thousands of Canadian dollars	**Mar 31 2020**	Dec 31 2019	Sept 30 2019	June 30 2019	Mar 31 2019
Adjusted EBITDA	**$358**	$676	$743	$200	$322
Depreciation and amortization	**(326)**	(286)	(318)	(266)	(254)
Stock-based compensation	**(109)**	(98)	(106)	(82)	(36)
Operating profit (loss) before other income (expense)	**(77)**	$292	$319	($148)	$32

SELECTED FINANCIAL INFORMATION

The following table outlines selected financial information of the Company on a consolidated basis for the three months ended March 31, 2020 and 2019.

	For the Three Months Ended	
	Mar-31 2020	Mar-31 2019
STATEMENT OF OPERATIONS		
Revenue		
Subscription revenue and services	**$1,958**	**$1,576**
Devices and appliances	**4,401**	**1,883**
Other	**4**	**3**
Total revenue	**6,363**	3,462
Cost of revenue	**3,997**	1,700
Gross profit	**2,366**	1,762
Operating expenses		
General administration	**1,359**	997
Research and development	**171**	84
Selling and marketing	**804**	612
Total operating expenses	**2,334**	1,693
Operating profit (loss) before stock-based compensation and patent litigation	**32**	69
Patent litigation	**(104)**	(527)
Stock-based compensation	**(109)**	(36)
Operating profit (loss) after stock-based compensation and patent litigation	**(181)**	(494)
Loss on asset disposal	**-**	(16)
Interest income (expense)	**(45)**	(11)
Foreign exchange gain (loss)	**43**	9
Total income (loss) for the period before income tax	**(183)**	(512)
Income taxes	**-**	-
Total income (loss) for the period after income tax	**(183)**	(512)
Other comprehensive income		
Foreign currency translation	**88**	(5)
Comprehensive income (loss)	**($95)**	($517)
Earnings (Loss) per share	**($0.01)**	($0.01)

(in thousands of Canadian dollars, except per share amounts)

CASH FLOW INFORMATION		
Operating activities	**$472**	($617)
Investing activities	**(633)**	(268)
Financing activities	**165**	201
Net cash inflow (outflow)	**4**	(684)
Consolidation currency adjustment	**(14)**	(22)
Cash, beginning of period	**126**	1,073
Cash, end of period	**$116**	$367
Working capital	**($3,141)**	($927)
Total assets	**$11,501**	$8,803
Shareholders' equity	**$950**	$860

COMPARISON FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

Revenue

Revenue for the three months ended March 31, 2020 was $6,363,322, representing an increase of $2,901,203 from $3,462,119, for the same period in 2019. 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, 2020, revenue from the subscription revenue and services segment was $1,957,722, representing an increase of $381,609 from $1,576,113, for the same period in 2019. The increase was the result of the inclusion of PCS service revenues for the quarter and growth in MobiKEY services.

Subscription revenue and services, as a percentage of total revenue, represented 30.8% for the current period compared to 45.5% for the prior year period.

Subscription revenue and services by quarter *(in thousands of Canadian dollars)*	**Mar 31 2020**	Dec 31 2019	Sept 30 2019	June 30 2019	Mar 31 2019
Application software	**1,217**	1,202	1,182	1,196	1,186
Technology as a service (TaaS)	**321**	353	322	311	307
Other services	**420**	956	632	103	83
Total	**1,958**	2,511	2,136	1,610	1,576

Devices and Appliances

Revenue from MobiKEY devices (MC3 device, the MobiKEY Fusion device and the MobiKEY Fusion3 device) and appliances (the DEFIMNET platform and the MobiNET Aggregation Gateway), GMI ruggedized computing devices and accessories, and PCS ruggedized computing devices, license plate recognition equipment and accessories for the three months ended March 31, 2020 was $4,401,363, representing an increase of $2,518,027 from $1,883,336 for the same period in 2019. The increase is reflective of the variability in device revenue as well as the inclusion of PCS device revenues for the quarter.

Devices and appliances revenue as a percentage of total revenue represents 69.2% of total revenue for the current period compared to 54.4% for the prior year period.

Other revenue

Other revenue for the three months ended March 31, 2020 was $4,237, representing an increase of $1,567 compared to $2,670 for the same period in 2019. The increase is attributable to a grant received from the Ontario Centres of Excellence in 2020.

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, 2020 was $3,997,752, representing an increase of $2,297,759 from $1,699,993 for the same period in 2019. The increase in cost of revenue is a result of increased device and appliance revenue resulting from the inclusion of PCS device revenues and cost of revenues for the quarter.

Gross profit for the three months ended March 31, 2020 was $2,365,570 or 37.2% of gross revenue, representing an increase of $603,444 from a gross profit of $1,762,126 or 50.9% of gross revenue for the same period in 2019.

Expenses

Operating expenses consist of general administration, research and development, and selling and marketing. Operating expenses for the three months ended March 31, 2020 were $2,333,615, representing an increase of $640,308 from $1,693,307, for the same period in 2019.

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, 2020 were $1,359,220, representing an increase of $362,603 from $996,617 for the same period in 2019. The majority of the change can be summarized as follows:

- Increased rent expense of $69,000, $38,000 of which is due to the acquisition of PCS and $31,000 the result of property taxes paid and annualized rent increases.

- Increased director fees of $21,000.
- Increased amortization expense of approximately $73,000, primarily due to the acquisition of PCS and the addition of technology as a service (TaaS) assets.
- Increased salary expenses of approximately $108,000, with $47,000 resulting from the acquisition of PCS and $34,000 resulting from increased salaries and headcount changes, as well as $27,000 related to the reversal of certain accruals related to the acquisition of GMI that were booked in 2019.
- Increased professional fees expense of approximately $4,000 due to increased recruitment fees.
- Increased accounting expense of approximately $10,000 to reflect increased costs as a result of the acquisition of PCS.
- Increased insurance costs of approximately $9,000 as the result of the acquisition of PCS.
- Increase in other costs of approximately $68,000, with $34,000 as the result of the acquisition of PCS, $12,000 from credit card processing fees in Route1, $11,000 as the result of reversing certain accruals in 2019 and $11,000 related to increased telecommunications costs and charitable donations.

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, 2020 were $170,562, representing an increase of $85,977 from $84,585 for the same period in 2019. The majority of the change can be summarized as follows:

- Salary costs increased by approximately $80,000 due to the capitalization of salaries related to the development of ScreenSTOP and CipherSPOT in 2019.
- The accrual for expected SR&ED recoveries decreased by approximately $6,000, as a result of continued evaluation of the estimated amount of eligible expenditures.

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, 2020 were $803,833, representing an increase of $191,728 from $612,105 for the same period in 2019. The majority of the change can be summarized as follows:

- Increased salary expenses of approximately $183,000 resulting primarily from the acquisition of PCS.
- Decreased commissions costs of approximately $32,000.
- Increased travel and tradeshow expenses of approximately $60,000 with an increase of $33,000 resulting from the acquisition of PCS and approximately $27,000 due to increased sales travel.
- Increased brand building costs of approximately $15,000 due to increased Internet marketing efforts.
- Decreased other expenses of approximately $34,000, primarily as a result of marketing development funds received.

Other Items

Stock-based compensation

Stock-based compensation was $109,038 for the three months ended March 31, 2020, an increase of $72,919 from $36,119 for the same period in 2019. The contributing factor to the increased expense was the higher number of options granted in 2019 compared to 2018, resulting in a higher number of options vesting during the three months ended March 31, 2020 as compared to the same period in 2019.

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, 2020 was $104,101, a decrease of $422,979 from $527,080 for the same period in 2019.

For additional information see **"PATENT LITIGATION"** 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 $42,881 for the three months ended March 31, 2020, an increase of $33,230 from a gain of $9,651 for the same period in 2019. There was high volatility of the Canadian dollar against the U.S. dollar during the first quarter of 2020, from a high of $1.2970 to a low of $1.4496, whereas there was lower volatility during the first quarter of 2019, with a high of $1.3095 to a low of $1.3600.

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. There were no such forward contracts outstanding as of March 31, 2020.

Comprehensive Income (Loss) After Taxes

Comprehensive loss for the three months ended March 31, 2020 was $94,819, representing a decrease of $422,646 from a comprehensive loss of $517,465 for the same period in 2019.

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 interim condensed 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 2020	Dec-31 2019	Sep-30 2019	Jun-30 2019	Mar-31 2019	Dec-31 2018	Sep-30 2018	Jun-30 2018
STATEMENT OF OPERATIONS								
Revenue								
Subscription revenue and services	**$1,958**	$2,511	$2,136	$1,610	$1,576	$1,628	$1,684	$1,633
Devices and appliances	**4,401**	5,891	6,576	1,819	1,883	2,440	13,207	3,936
Other	**4**	1	2	1	3	6	4	7
Total revenue	**$6,363**	8,403	8,714	3,430	3,462	4,074	14,895	5,577
Cost of revenue	**3,997**	5,653	5,953	1,672	1,700	2,216	12,311	3,620
Gross margin	**2,366**	2,750	2,761	1,758	1,762	1,858	2,584	1,957
Operating expenses								
General administration	**1,359**	1,133	1,157	1,015	997	942	1,349	1,090
Research and development	**171**	192	186	147	84	164	166	193
Selling and marketing	**804**	1,035	993	662	612	608	634	607
Total operating expenses	**2,334**	2,360	2,336	1,824	1,693	1,714	2,150	1,891
Operating profit (loss) before stock-based compensation and patent litigation	**32**	390	425	(66)	69	144	434	65
Patent litigation	**(104)**	(195)	(279)	(289)	(527)	(479)	(181)	(70)
Stock-based compensation	**(109)**	(98)	(106)	(82)	(36)	(32)	(43)	(23)
Operating profit (loss) after stock-based compensation and patent litigation	**(181)**	97	40	(437)	(494)	(367)	209	(27)
Acquisition expenses	**-**	-	-	(74)	-	(17)	-	-
Foreign exchange translation	**43**	(4)	(6)	9	9	29	(21)	40
Interest expense	**(45)**	(34)	(33)	(11)	(11)	-	-	-
Asset disposal gain (loss)	**-**	-	-	-	(16)	-	-	-
Other expenses	-	(262)	-	-	-	-	-	-
Total income (loss) for the period before income tax expense	**(183)**	(203)	1	(513)	(512)	(355)	188	13
Income tax (expense) recovery	**-**	713	-	(40)	-	-	-	-
Total income (loss) for the period after income tax expense	**(183)**	510	1	(553)	(512)	(355)	188	13
Other comprehensive income								
Foreign currency translation	**88**	29	(22)	3	(5)	(5)	20	(10)
Comprehensive income (loss)	**($95)**	$539	($21)	($550)	($517)	($359)	$208	$3
Earnings (loss) per share	**($0.01)**	$0.01	$0.00	($0.02)	($0.01)	($0.01)	$0.01	$0.00
Adjusted EBITDA	**358**	676	743	200	322	330	627	272

CASH FLOW INFORMATION								
Operating activities	**$472**	$64	$20	$965	($617)	($928)	$1,401	$770
Investing activities	**(633)**	(174)	(154)	(1,303)	(268)	(343)	(24)	(221)
Financing activities	**165**	(28)	(247)	696	201	8	(159)	128
Net cash inflow (outflow)	**4**	(138)	(381)	358	(684)	(1,264)	1,218	481
Consolidation currency adjustment	**(14)**	(56)	(1)	(23)	(22)	48	(13)	3
Cash, beginning of period	**126**	320	702	367	1,073	2,289	1,084	600
Cash, end of period	**$116**	$126	$320	$702	$367	$1,073	$2,289	$1,084
BALANCE SHEET INFORMATION								
Working capital	**($3,141)**	($2,829)	($2,643)	($2,406)	($927)	($370)	($36)	($355)
Total assets	**$11,501**	$12,630	$11,780	$12,268	$8,803	$6,673	$8,733	$7,892
Shareholders' equity	**$950**	$980	$473	$854	$860	$1,465	$1,928	$1,888

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

The net cash flow generated from operating activities for the three months ended March 31, 2020 was $472,126, compared to cash used of $617,345 in the same period in 2019, representing an increase of $1,089,471. Non-cash working capital generated was $203,063 for the three months ended March 31, 2020 compared to $394,427 used a year earlier, representing an increase in cash generated of $597,490. Net cash generated by the day–to-day operations for the three months ended March 31, 2020 was $269,063 compared to $222,918 used in 2019, representing an increase of $491,981. The increase in net cash generated by operating activities for the three months ended March 31, 2020, compared to the prior year is due to a decrease in accounts receivable offset by decreases in accounts payable and contract liability.

Cash used in investing activities

Cash used in investing activities for the three months ended March 31, 2020 was $633,030 compared to cash used of $267,598 in the same period in 2019, representing an increase of $365,432. The increase in cash used is primarily driven by the acquisition of right of use and intangible assets.

Cash used in financing activities

Cash generated by financing activities was $164,618 for the three months ended March 31, 2020 compared to cash generated of $201,059 for the same period in 2019, a decrease of $36,441. The increase was primarily as a result of an increase in lease liabilities, offset by the repayment of notes payable and bank indebtedness.

The Company's current business plan projects further revenue growth in 2020 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 will increase in 2020 and beyond as a result of an increase in teleworking and the development of new software applications. In addition, the Company expects to increase revenue in GMI and PCS and expects to leverage these acquisitions by offering its products and services to corporate and industrial clients.

The Company's need for capital 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. The Company has financed its cash and/or capital requirements through operating cash flow, bank and other indebtedness, the issuance of equity.

The Company's credit facility consists of a revolving demand facility in the amount of $875,000 (March 31, 2019 - $500,000) and a $100,000 credit card facility (March 31, 2019 - $100,000). In March 2020 the revolving demand facility was increased by 10% to $962,500 until July 20, 2020 as a result of the lender's credit policy during the COVID-19 pandemic. The operating facility carries an interest rate equal to the lender's prime rate of interest plus 1.5% (March 31, 2019 – prime rate of interest plus 1%). As at March 31, 2020, the interest rate was 3.95%. The credit facility is secured by the assets of Route1 Inc. and guaranteed by GMI. As at March 31, 2020, the balance drawn on the revolving demand facility was $844,812.

The Company's wholly owned subsidiary, PCS, has an asset based revolving credit facility in the amount of US$1,500,000. The facility carries an interest rate of 50 basis points over the prime rate published daily in the Wall Street Journal. The availability under the facility is based on a percentage of the aggregate of certain accounts receivable and inventory. The facility is secured by the assets of PCS and is guaranteed by the Company and a wholly owned subsidiary of the Company.

In the normal course of business operations of GMI and PCS, the Company may be required to guarantee certain trade payables to the value-added distributors from which GMI and PCS purchase product to sell to their customers. Such guarantees would be enforced only if GMI or PCS could not pay the distributor for goods acquired from such distributor and the amounts under such guarantees would vary from time to time based on the volume of purchases from the particular distributor. The Company has entered into these continuing, unconditional guarantees with several of the larger vendors/suppliers to GMI and PCS.

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

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 December 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. All transactions are recorded at their exchange amounts.

- The Company incurred expenses (including CPP and EHT) payable to and on behalf of the independent members of the Board of Directors of $93,282 for the quarter ended March 31, 2020 (March 31, 2019 - $72,398). These transactions are in the normal course of operations and are paid or payable for directorship services. As at March 31, 2020, accounts payable included $97,813 owing to or payable on behalf of the directors (December 31, 2019 - $102,088). The Company also incurred stock-based compensation expense related to stock options granted to directors in the amount of $31,512 for the quarter ended March 31, 2020 (March 31, 2019 - $2,065).
- The Company made payments to or incurred expenses for key management (Chief Executive Officer, Chief Technology Officer and the Chief Financial Officer) in the three months ended March 31, 2020 as follows, with 2019 comparatives.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Short-term employee benefit	**$248,830**	$144,526
Stock-based compensation expense	**18,417**	15,499
	$267,247	$160,025

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, 2020, were $104,101 (March 31, 2019 - $527,080).

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, 2018.

In December 2018, Route1 Inc. commenced a patent infringement lawsuit in Canada against VMware, Inc., asserting that at least five claims of Route1’s patent was infringed. The case has since proceeded and Route1 has received further disclosure from VMware, Inc. As a result, on March 11, 2020 Route1 filed an amended Statement of Claim increasing the number of infringed claims from Route1’s patent from five to thirty-four. The Canadian lawsuit continues to proceed, with inventor and corporate examinations having been conducted in Toronto, Ontario and Chandler, Arizona. Route1 continues to work with its counsel to build its case in preparation for trial before the Federal Court of Canada.

On August 7, 2019, Route1 was provided with a court order in relation to Route1’s action against AirWatch. The court granted AirWatch’s motion for summary judgment for non-infringement (the “Order”). On October 7, 2019, Route1 appealed to the United States Court of Appeals for the Federal Circuit from the district court’s August 7, 2019 decision. The district court’s decision became appealable after the stipulated dismissal of AirWatch’s counterclaim challenging the validity of the 216 Patent. Route1 expects that briefing on the appeal will begin this year and that all briefing on the appeal will be completed during the first quarter of 2020.

On October 28, 2019, AirWatch filed a motion in district court to claim cost reimbursement for the litigation. On March 31, 2020, the district court entered an order granting AirWatch’s request for attorneys’ fees in part, and directing further submissions from the parties regarding the amount of fees to be awarded.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared in accordance with IFRS. 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, the valuation of assets acquired in business combinations, 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, the MobiKEY Fusion3 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, as well as license plate recognition hardware and related services. The Company recognizes revenue in accordance with IFRS 15.
- 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 Company estimates the value of the value of the assets acquired in the business combinations on the basis of fair value to the ongoing operations of the acquired business.
- 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.

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, 2020 and December 31, 2019:

	March 31, 2020		December 31, 2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	**$115,561**	**$115,561**	$125,544	$125,544
Accounts receivable	**$2,982,903**	**$2,982,903**	$4,964,615	$4,964,615
FINANCIAL LIABILITIES				
Bank indebtedness	**$1,382,575**	**$1,382,575**	$1,359,695	$1,359,695
Accounts payable and other liabilities	**$3,725,387**	**$3,725,387**	$5,147,494	$5,147,494
Notes payable	**$1,078,800**	**$1,078,800**	$1,055,670	$1,055,670

FINANCIAL INSTRUMENTS - RISK MANAGEMENT

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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	
Other receivables	Yes		Yes	
Bank indebtedness		Yes	Yes	Yes
Accounts payable and other liabilities		Yes	Yes	
Notes payable		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, 2020, the largest single customer represented approximately $464,000 of revenue (March 31, 2019 - $1,856,000).

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, 2020, the Company had cash consisting of deposits with Schedule 1 banks in Canada and their subsidiaries in the U.S., a large money centre bank in the U.S. and a large regional bank in the U.S. of $115,561 (December 31, 2019 - $125,544).

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

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off reduce other expenses in the statement of comprehensive income. As at March 31, 2020, the largest single customer's account receivable represented $319,060 (December 31, 2019 – $1,148,251) of the total accounts receivable. This account receivable was collected in full subsequent to the end of the period.

The following table outlines the details of the aging of the Company's receivables as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Current	**$2,638,493**	$3,704,055
Past due		
1 – 60 days	**238,250**	1,066,043
Greater than 60 days	**106,160**	194,517
Less: Allowance for doubtful accounts	**-**	-
Total accounts receivable, net	**$2,982,903**	$4,964,615

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. In order to meet its financial liabilities, the Company has primarily relied and expects to continue to rely primarily on collecting its accounts receivable as they come due.

The Company's ability to manage its liquidity risk going forward will require some or all of the following: the ability to generate positive cash flows from operations and secure capital and/or credit facilities on reasonable terms in the current 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, 2020:

	2020	**2021**	**2022 and Beyond**	**Total**
Accounts payable and other liabilities	$3,725,387	$480,466	$-	$4,205,853
Notes payable	368,862	454,010	297,927	1,120,799
Lease commitments	515,187	555,296	397,916	1,468,399
	$4,609,436	$1,489,772	$695,843	$6,795,051

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, 2020, the Company had non-Canadian dollar net monetary liabilities of approximately US $207,000 (December 31, 2019 – net monetary assets of approximately US $443,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as at March 31, 2020 would have resulted in a gain or loss in the amount of $10,350 (December 31, 2019 – gain or loss of $22,150).

Interest rate

The Company has cash balances and bank indebtedness which may be exposed to interest rate fluctuations. At March 31, 2020, cash balances were $115,561 (December 31, 2019 - $125,544), bank indebtedness balances were $1,382,575 (December 31, 2019 – $1,359,695) and the interest rate sensitivity is not material.

SHARE REPURCHASE PROGRAM

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 1,840,535. 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 has been purchased by the Company. Purchases for cancellation under the NCIB during the period from September 27, 2018 to September 26, 2019 were 1,608,700 common shares.

On September 24, 2019, the Company received approval from the TSX Venture Exchange 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 1,816,855. Purchases under the NCIB may occur during the 12-month period commencing September 27, 2019 and ending September 26, 2020, or the date upon which the maximum number of common shares has been purchased by the Company. Purchases for cancellation under the NCIB during the period from September 27, 2019 to March 31, 2020 were 487,491 common shares.

For the three months ended March 31, 2020, the Company purchased 105,491 (March 31, 2019 – nil) shares for cancellation under the NCIBs at an average price of approximately $0.42 per share.

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, 2020, the following was outstanding:

	Number of Common Shares	Common Shares $
Balance, January 1, 2020	35,905,100	$22,042,233
Shares repurchased for cancellation	(105,491)	(43,990)
Balance, March 31, 2020	35,799,609	$21,998,243

- There are 35,738,609 common shares outstanding as of May 26, 2020.

- There are 3,397,500 common share purchase options ("Options") outstanding to acquire 3,397,500 common shares at various prices.
- 30,000,000 common share purchase warrants are outstanding with an expiry date of March 22, 2021, and enable the holder to purchase 3,000,000 common shares at an exercise price of $0.50 per share.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2020, there are no off-balance sheet arrangements.

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 an economic downturn 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 operating results and financial condition.
- The Company's revenues are derived primarily from the United States and, with respect to MobiKEY application software subscriptions, from U.S. federal governmental agencies and departments as well as state and local governments and agencies. 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 current U.S. President has publicly supported certain policies, including those related to changes to international trade agreements and policies favoring U.S. persons and companies. There is continued uncertainty as to which measures and policies will be maintained by the United States government, governmental agencies and departments in 2020 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 shutdowns. 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"). The Court found for the defendant and the finding is under appeal. The defendant has filed a motion with the Court requiring the Company to pay the defendant's legal costs. If the 216 Patent is found to be either invalid or patent ineligible and/or if the Company is required to pay the defendant's legal costs, the Company's business could be materially and adversely affected.
- The Company is currently defending the validity of its 216 Patent at the United States Patent and Trademark Office. Should the Company be unsuccessful, the Company's business may be adversely affected.
- The Company's ability to collect payment on a timely basis for products and services delivered may have a material adverse impact on the Company's liquidity position.
- 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, the Company's competitive advantage in the secure remote access industry may be harmed;
- 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, such inability 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, such inability could also slow the Company's continued growth;
- Should Route1 be unable to integrate acquired businesses successfully, such inability 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 limit 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 access solutions, and purchases of other services and products offered by the Company.
- 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 and license plate recognition 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 products and solutions 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 effect on the Company's ability to sustain the business without collecting the amounts due from customers.
- The Company resells its products and sells its solutions to state and local governments and law enforcement agencies. Any delay or decrease in funding of these entities would have an adverse impact on the Company's business.
- 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 or write-down 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 budget 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 primarily in the United States. The volatility of the Canadian dollar against the U.S. dollar 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.
- 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.

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact.

The COVID-19 pandemic has affected the Company's business both positively and negatively. The Company's secure remote access technology has benefited from the requirements to telework. Sales of MobiKEY subscriptions and related enabling devices have increased and will be primarily reflected in the financial results for the second quarter of 2020 and beyond as many of the new MobiKEY sales transpired in the last two weeks of March 2020 and into the second quarter.

The impact of COVID-19 on the balance of Company's business was the disruption in the hard good supply chain in January and February 2020 that has subsequently been corrected, client facility shutdowns and deferral of installation services for certain license plate recognition projects.

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 component 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 the sale of devices, revenue or contract liability is recognized at the time transfer of ownership of the device occurs. At March 31, 2020, the Company had $1,758,293 (December 31, 2019 - $1,908,315) in contract liability.

The following table provides a presentation of the Company's revenue streams for the quarter ended March 31, 2020 and 2019:

	2020		2019	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and services	**$1,957,722**	**30.8**	$1,576,113	45.5
Devices and appliances	**4,401,363**	**69.1**	1,883,336	54.4
Other	**4,237**	**0.1**	2,670	0.1
	$6,363,322	**100.0**	$3,462,119	100.0

The following table provides a geographic presentation of the Company's revenue streams for the quarter ended March 31, 2020 and 2019:

	2020		2019	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$6,335,232**	**99.6**	$3,428,769	99.0
Canada	**28,090**	**0.4**	33,350	1.0
	$6,363,322	**100.0**	$3,462,119	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).