Interim Condensed Consolidated Financial Statements of

Route1 Inc.

June 30, 2020 and 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of Route1 Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited interim condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Route1 Inc.

As at June 30, 2020 and December 31, 2019
(stated in Canadian dollars)

	Note	**June 30, 2020 Unaudited**	December 31, 2019 Audited
Assets			
Current assets			
Cash and cash equivalents	20	$ 107,415	$ 125,544
Accounts receivable	20	3,579,886	4,964,615
Other receivables	20	111,569	134,640
Inventory	3	630,130	451,564
Prepaid expenses		706,203	497,748
Other current assets		312,432	32,027
Total current assets		5,447,635	6,206,138
Non-current assets			
Deferred tax asset		1,484,000	1,484,000
Right-of-use assets	5	706,533	419,010
Furniture and equipment	5	1,113,754	1,214,264
Intangible assets	6	1,412,521	1,265,741
Goodwill	7	2,108,352	2,019,031
Other non-current assets		9,933	21,845
Total non-current assets		6,835,093	6,423,891
Total assets		$12,282,728	$12,630,029
Liabilities			
Current liabilities			
Bank indebtedness	11	$ 337,717	$ 1,359,695
Accounts payable and other liabilities	20	3,489,934	5,147,494
Contract liability	12,20	4,252,678	1,750,169
Lease liabilities	4	399,927	389,480
Notes payable	13,20	420,888	388,014
Total current liabilities		8,901,144	9,034,852
Non-current liabilities			
Deferred tax liability		181,034	193,164
Contract liability	12,20	144,593	158,146
Other non-current liabilities	20	461,534	439,860
Lease liabilities	4	482,918	257,981
Litigation funding liability	8,9	898,645	898,645
Notes payable	13,20	434,416	667,656
Total non-current liabilities		2,603,140	2,615,452
Total liabilities		11,504,284	11,650,304
Shareholders' equity			
Capital and reserve			
Common shares	14,15,19	21,803,865	22,042,233
Warrants	15,19	534,000	534,000
Contributed surplus – stock compensation reserve	15,19	15,091,069	14,840,861
Accumulated other comprehensive income (loss)		31,377	1,547
Deficit		(36,681,867)	(36,438,916)
Total shareholders' equity		778,444	979,725
Total shareholders' equity and liabilities		$12,282,728	$12,630,029

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Route1 Inc.

For the three and six months ended June 30, 2020 and 2019
(stated in Canadian dollars)

	Note	Three months ended June 30 Unaudited		Six months ended June 30 Unaudited	
		2020	2019	**2020**	2019
Revenue					
Subscription revenue and services	21	**$2,489,049**	$1,609,793	**$4,446,771**	$3,185,906
Devices and appliances	21	**4,476,833**	1,819,062	**8,878,196**	3,702,398
Other		**2,779**	1,380	**7,016**	4,050
Total revenue		**6,968,661**	3,430,235	**13,331,983**	6,892,354
Cost of revenue	3	**4,187,707**	1,672,111	**8,185,460**	3,372,104
Gross profit		**2,780,954**	1,758,124	**5,146,523**	3,520,250
Operating expenses					
General administration		**1,481,786**	1,015,450	**2,841,006**	2,012,067
Research and development		**203,854**	147,147	**374,416**	231,732
Selling and marketing		**884,842**	661,545	**1,688,674**	1,273,650
Total operating expenses before stock-based compensation		**2,570,482**	1,824,142	**4,904,096**	3,517,449
Stock-based compensation	15	**141,170**	82,439	**250,208**	118,558
Total operating expenses		**2,711,652**	1,906,581	**5,154,304**	3,636,007
Operating profit (loss) before other income (expense)		**69,302**	(148,457)	**(7,781)**	(115,757)
Other income (expense)					
Patent litigation	8,9	**(66,511)**	(288,906)	**(170,612)**	(815,986)
Interest expense		**(35,270)**	(11,073)	**(79,972)**	(22,536)
Foreign exchange gain (loss)		**(32,097)**	8,769	**10,784**	18,420
Gain (loss) on asset disposal		**-**	-	**154**	(16,462)
Acquisition expense		**(16,145)**	(73,780)	**(16,145)**	(73,780)
Total other income (expense)		**(150,023)**	(364,990)	**(255,791)**	(910,344)
Loss before income taxes		**(80,721)**	(513,447)	**(263,572)**	(1,026,101)
Income tax recovery (expense)		**20,620**	(40,104)	**20,620**	(40,104)
Net loss for the period		**(60,101)**	(553,551)	**(242,952)**	(1,066,205)
Other comprehensive income (loss)					
Foreign currency translation		**(58,201)**	3,397	**29,829**	14,207
Comprehensive loss		**($118,302)**	($550,154)	**($213,123)**	($1,051,998)
Basic and diluted loss per share	17	**($0.00)**	($0.02)	**($0.01)**	($0.03)
Weighted average number of common shares outstanding		**35,730,796**	36,391,332	**35,794,900**	36,348,653

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Route1 Inc.

For the three and six months ended June 30, 2020 and 2019
(stated in Canadian dollars)

	Note	Common Shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total shareholders' equity
Balance at January 1, 2019		**$22,142,102**	**$534,000**	**$14,552,696**	**($6,694)**	**($35,757,441)**	**$1,464,963**
Stock-based compensation	**15**	**-**	**-**	**36,119**	**-**	**-**	**36,119**
Adoption of IFRS 16		**-**	**-**	**-**	**3,367**	**(127,298)**	**(123,931)**
Comprehensive loss		**-**	**-**	**-**	**(4,811)**	**(512,654)**	**(517,465)**
Balance at March 31, 2019		**$22,142,402**	**$534,000**	**$14,588,815**	**($8,138)**	**($36,397,393)**	**$859,686**
Repurchase of capital stock for cancellation	**14**	**(41,100)**	**-**	**-**	**-**	**-**	**(41,100)**
Exercise of stock options	**15**	**86,254**	**-**	**(34,404)**	**-**	**-**	**51,850**
Stock-based compensation	**15**	**-**	**-**	**82,439**	**-**	**-**	**82,439**
Consideration issued for PCS Mobile acquisition		**456,960**	**-**	**-**	**-**	**-**	**456,960**
Issuance costs	**15**	**(6,060)**	**-**	**-**	**-**	**-**	**(6,060)**
Comprehensive income (loss)		**-**	**-**	**-**	**3,397**	**(553,551)**	**(550,154)**
Balance at June 30, 2019		**$22,638,456**	**$534,000**	**$14,636,849**	**($4,740)**	**($36,950,944)**	**$853,621**

	Note	Common Shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total shareholders' equity
Balance at January 1, 2020		**$22,042,233**	**$534,000**	**$14,840,861**	**$1,547**	**($36,438,916)**	**$979,725**
Repurchase of common shares for cancellation	**14**	**(43,990)**	**-**	**-**	**-**	**-**	**(43,990)**
Stock-based compensation	**15**	**-**	**-**	**109,038**	**-**	**-**	**109,038**
Comprehensive income (loss)		**-**	**-**	**-**	**88,031**	**(182,850)**	**(94,819)**
Balance at March 31, 2020		**$21,998,243**	**$534,000**	**$14,949,899**	**$89,578**	**($36,621,766)**	**$949,954**
Repurchase of capital stock for cancellation	**14**	**(194,378)**		**-**	**-**	**-**	**(194,378)**
Stock-based compensation	**15**	**-**	**-**	**141,170**	**-**	**-**	**141,170**
Comprehensive loss		**-**	**-**	**-**	**(58,201)**	**(60,101)**	**(118,302)**
Balance at June 30, 2020		**$21,803,865**	**$534,000**	**$15,091,069**	**$31,377**	**($36,681,867)**	**$778,444**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Route1 Inc.

For six months ended June 30, 2020 and 2019
(stated in Canadian dollars)

	Note	June 30, 2020	June 30, 2019
Net cash (outflow) inflow related to the following activities			
Operating activities			
Net loss		**($242,952)**	($1,066,205)
Items not affecting cash and cash equivalents			
Depreciation and amortization		**672,052**	519,122
Interest accretion on notes payable		**20,134**	-
Interest on lease liabilities		**15,465**	-
Recovery of deferred tax liability expense		**(20,620)**	-
Stock-based compensation	15	**250,208**	118,558
		694,287	(428,525)
Net changes in working capital balances			
Decrease in accounts receivable		**1,512,197**	325,383
Decrease in other receivables		**29,156**	25,295
Increase in inventory		**(167,275)**	(383,088)
Increase in other assets		**(955)**	(23,058)
Increase in prepaid expenses		**(207,040)**	(192,980)
Decrease (increase) in deferred expenses		**(279,451)**	7,478
Increase (decrease) in accounts payable and other liabilities		**(1,805,930)**	440,571
Increase in contract liability		**2,470,779**	473,991
		1,551,481	673,592
Net cash generated (used) by operating activities		**2,245,768**	245,067
Investing activities			
Acquisition of furniture and equipment	5	**(241,281)**	(351,983)
Disposal of furniture and equipment	5	**2,737**	-
Disposal (acquisition) of right of use assets	5	**(432,446)**	89,203
Acquisition of intangible assets	6	**(214,029)**	(80,913)
Cash acquired in business combination		**-**	259,161
Other assets		**11,912**	(33,996)
Investment in subsidiary		**-**	(1,347,961)
Net cash generated (used) by investing activities		**(873,107)**	(1,466,489)
Financing activities			
Repayment of notes payable	13	**(274,813)**	-
Repurchase of common shares for cancellation	14	**(238,368)**	(41,100)
Increase (decrease) in lease liabilities		**195,908**	(198,784)
Increase in other non-current liabilities		**-**	(237)
Issuance of share capital - net		**-**	45,790
Bank indebtedness		**(1,061,237)**	654,350
Proceeds from litigation funding		**-**	437,645
Net cash generated (used) by financing activities		**(1,378,510)**	897,664
Net decrease in cash and cash equivalents for the period		**(5,849)**	(323,758)
Effects of exchange rate changes on cash		**(12,280)**	(47,097)
Cash and cash equivalents, beginning of period		**125,544**	1,073,195
Cash and cash equivalents, end of period		**$107,415**	$702,340

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

1. NATURE AND DESCRIPTION OF THE COMPANY

Route1 Inc. ("Route1" or "the Company") is a publicly traded company on the TSX Venture Exchange and the OTCQB Venture Market. The Company is incorporated under the laws of the Province of Ontario by articles of amalgamation dated January 1, 2006. The registered office of the Company is 8 King Street East, Suite 600, Toronto, Ontario, M5C 1B5.

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, Cincinnati, OH, 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.

The Company has three operating segments: Route1 Inc. and Route 1 Security Corporation, Group Mobile Int'l, LLC ("GMI") and Portable Computer Systems, Inc. ("PCS"). An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Company has one reportable segment.

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 significant volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

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 reflected in the financial results for the second quarter of 2020 and beyond as many of the new MobiKEY© sales occurred in the last two weeks of March 2020 and continued into the second quarter.

The impact of COVID-19 on the balance of the Company's business has been the disruption in the supply chain for ruggedized devices and accessories during the first quarter of 2020 that has mostly been corrected. In addition, client facility shutdowns and deferral of installation services for certain license plate recognition projects have also occurred as a result of the virus. As various states across the United States take steps to reopen the economy, facilities will reopen and installation activities will resume.

See https://www.route1.com/terms-of-use/ for notice of Route1's intellectual property.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – "*Interim Financial Reporting*" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies applied in preparation of these interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2019.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's interim condensed consolidated financial statements are consistent with those applied to the Company's consolidated financial statements for the year ended December 31, 2019.

Certain comparative figures have been adjusted to conform to the current period's presentation.

These interim condensed consolidated financial statements are presented in Canadian dollars ("Cdn $"), which is also the functional currency of the Company.

3. COST OF REVENUE

Cost of revenue includes the cost of devices, salaries of select staff, hosting of our MobiNET© and royalty related fees. For the three months ended June 30, 2020, the cost of revenue recognized as an expense was $4,187,707 (June 30, 2019 - $1,672,111). For the six months ended June 30, 2020, the cost of revenue recognized as an expense was $8,185,460 (June 30, 2019 - $3,372,104).

4. LEASES

The Company has entered into a variety of premise lease agreements for office locations in Toronto, Ontario; Burlington, Ontario; Chandler, Arizona; Chattanooga, Tennessee; Boca Raton, Florida; and Denver, Colorado. In addition to the basic monthly rents, as part of some of the leases, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services.

June 30, 2020 and 2019 (stated in Canadian dollars)

The minimum annual basic rent commitments are as follows:

	June 30, 2020
2020	$339,217
2021	538,412
2022 and beyond	382,238
Minimum lease payments	1,259,867
Less: interest portion	57,551
Net minimum lease payments	1,202,316
Less: Short-term or low value lease payments	319,471
	882,845
Less: current portion	399,927
	$482,918

The office locations have been recognized in right-of-use assets at the present value of minimum lease payments, less accumulated depreciation. 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 June 30, 2020, the Company recognized $90,572 (June 30, 2019 - $67,165) of depreciation and $9,964 (June 30, 2019 - $11,054) of interest expense from these leases. The Company also recognized $681 (June 30, 2019 - $702) of interest income related to a sublease of the Burlington, Ontario premises which commenced in January 2019.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	June 30, 2020
Short-term leases	$43,036
Non-lease components	137,131
	$180,167

June 30, 2020 and 2019 (stated in Canadian dollars)

5. RIGHT-OF-USE, FURNITURE AND EQUIPMENT ASSETS

Cost	Right-of-use Asset	Computer Equipment	Furniture and Equipment	TaaS Computer Equipment	Total Furniture and Equipment
Balance at December 31, 2019	$687,288	$2,264,221	$419,142	$1,491,630	$4,862,281
Additions	432,446	192,629	25,219	23,433	673,727
Disposals	-	-	(4,002)	-	(4,002)
Effect of exchange rate changes	24,877	-	6,229	83,108	114,214
Balance at June 30, 2020	1,144,611	2,456,850	446,588	1,598,171	5,646,220

Accumulated depreciation and impairment	Right-of-use Asset	Computer Equipment	Furniture and Equipment	TaaS Computer Equipment	Total Furniture and Equipment
Balance at December 31, 2019	(268,278)	(1,698,848)	(323,174)	(938,707)	(3,229,007)
Depreciation expense	(164,883)	(72,216)	(34,961)	(284,364)	(556,424)
Disposals	-	-	1,368	-	1,368
Effect of exchange rate changes	(4,917)	-	(2,533)	(34,420)	(41,870)
Balance at June 30, 2020	(438,078)	(1,771,064)	(359,300)	(1,257,491)	(3,825,933)

Net book value	Right-of-use Asset	Computer Equipment	Furniture and Equipment	TaaS Computer Equipment	Total Furniture and Equipment
Balance at December 31, 2019	419,010	565,373	95,968	552,923	1,633,274
Balance at June 30, 2020	**$706,533**	**$685,786**	**$87,288**	**$340,680**	**$1,820,287**

As at June 30, 2020, the net book value of Technology as a Service ("TaaS") assets was $340,680 representing computing equipment and related accessories owned by the Company and leased out to clients pursuant to contracts typically with a duration of 36 months. These assets are depreciated over the life of the contracts. The Company provides certain management services for this equipment including provision of equipment and related accessories, software, management, maintenance, support and documentation. The Company currently has five TaaS customers with contracts in place.

For the three months ended June 30, 2020, depreciation and amortization expense of $288,411 (June 30, 2019 - $235,920) was recognized in general administration expense. For the six months ended June 30, 2020, depreciation and amortization expense of $556,424 (June 30, 2019 - $469,858) was recognized in general administration expense.

June 30, 2020 and 2019 (stated in Canadian dollars)

6. INTANGIBLE ASSETS

Cost	Patents	Software	Brand	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2019	$190,266	$659,520	$122,225	$506,941	$458,045	$163,588	$2,100,585
Additions	**3,142**	**18,250**	**41,930**	**-**	**-**	**-**	**63,322**
Intangible assets under construction	**-**	**150,707**	**-**	**-**	**-**	**-**	**150,707**
Effect of exchange rate changes	**-**	**-**	**-**	**25,914**	**18,935**	**6,762**	**51,611**
Balance at June 30, 2020	**193,408**	**828,477**	**164,155**	**532,855**	**476,980**	**170,350**	**2,366,225**

Accumulated depreciation and impairment	Patents	Software	Brand	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2019	(42,419)	(590,765)	(106,900)	(65,010)	(23,139)	(6,611)	(834,844)
Depreciation expense	**(5,026)**	**(33,060)**	**(12,163)**	**(31,026)**	**(24,259)**	**(10,094)**	**(115,628)**
Effect of exchange rate changes	**-**	**-**	**-**	**(2,602)**	**(300)**	**(330)**	**(3,232)**
Balance at June 30, 2020	**(47,445)**	**(623,825)**	**(119,063)**	**(98,638)**	**(47,698)**	**(17,035)**	**(953,704)**

Net book value	Patents	Software	Brand	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2019	147,847	68,755	15,325	441,931	434,906	156,977	1,265,741
Balance at June 30, 2020	**$145,963**	**$204,652**	**$45,092**	**$434,217**	**$429,282**	**$153,315**	**$1,412,521**

For the three months ended June 30, 2020, depreciation and amortization expense of $56,651 (June 30, 2019 - $19,679) was recognized in general administration expense. For the six months ended June 30, 2020, depreciation and amortization expense of $115,628 (June 30, 2019 - $49,926) was recognized in general administration expense.

7. GOODWILL

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

Balance, January 1, 2020	$2,019,031
Effect of exchange rates	**89,321**
Balance at June 30, 2020	**$2,108,352**

The Company performs impairment assessments of goodwill at year-end or when an event occurs that impacts the value of the entities that gave rise to the goodwill.

8. 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 June 30, 2020, were $66,511 (June 30, 2019 - $288,906). Patent litigation expenses for the six months ended June 30, 2020, were $170,612 (June 30, 2019 - $815,986).

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 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. 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. Briefing on the appeal was completed in April 2020. The Federal Circuit Court of Appeal will hear the appeal on the briefs on September 3, 2020 and the Company expects that the court will enter a decision shortly thereafter.

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.

On August 24, 2020, the United States District Court for the District of Delaware issued an order granting AirWatch's motion for attorneys' fees in part and denying it in part, ordering a payment to AirWatch in the amount of $1,666,672.78. Route1 expects to appeal the decision to the United States Court of Appeals for the Federal Circuit. The federal rules provide an automatic stay of execution of the judgment for 30 days. Upon commencing the appeal, Route1 anticipates securing a stay of execution during the appeal by posting bond with the court for the amount of the award.

9. PATENT LITIGATION FINANCING

On June 18, 2018, an affiliate of Bench Walk Advisors LLC ("Bench Walk") entered into an agreement with the Company to invest up to US $1,000,000 on a non-recourse basis in the Company's lawsuit against AirWatch. The principal terms of Bench Walk's investment are as follows:

i. The US $1,000,000 investment will be paid by Bench Walk to Route1 as follows:
   a) US $152,510 paid within 10 business days after signing, representing 40% of the patent litigation expenses incurred to date; and thereafter
   b) 40% of the ongoing litigation expenses incurred by Route1 in connection with legal costs and out of pocket expenses including experts incurred in bringing the lawsuit to a maximum of US $1,000,000 including the reimbursement in (a) above.

ii. Bench Walk is entitled to a share of any proceeds awarded to Route1 from the lawsuit equal to:
   a) the sum of all investments advanced by Bench Walk; plus
   b) the greater of (1) US $2,000,000 (US $3,000,000 if the lawsuit proceeds to trial); and (2) 10% of the award from the lawsuit.

iii. Provided that Route1 is not in breach of any of its obligations under the agreement, Bench Walk will have no recourse to any other assets of Route1.

iv. Should Route1 pursue any follow-on lawsuit and not seek to sell a portion or to engage in a transaction having substantially similar economic effect, Route1 shall pay to Bench Walk 5% of the gross proceeds awarded to Route1 from that follow-on lawsuit (subject to a maximum aggregate payment to Bench Walk under this provision of US $1,500,000).

The reimbursements received from Bench Walk pursuant to its investment have been accounted for as a long-term liability within the consolidated financial statements. All such amounts are non-recourse to the Company. In connection with the terms of the agreement, the Company does not have a present obligation to pay any amounts until such time as the litigation has been settled or an event of default has occurred. In the event of an award or settlement of the litigation, the Company will be obligated to pay Bench Walk the greater of 10% of such award or settlement and US $2,000,000; or US $3,000,000 if the litigation proceeds to trial.

June 30, 2020 and 2019 (stated in Canadian dollars)

During the fourth quarter of 2019, the Company and Bench Walk agreed that Bench Walk would not fund the legal expenses for the appeal of the Delaware District Court's summary judgment decision rendered in August 2019. If the appeal is successful, Bench Walk will reimburse the Company for its portion of the expenses incurred.

10. BUSINESS COMBINATION – PCS

On June 28, 2019, the Company completed the acquisition of 100% of the outstanding shares of PCS. The purchase consideration consisted of (i) cash of US$1,030,000; (ii) a 3% unsecured, three year note in the amount of US $250,000 (Note A); (iii) a 2.37% unsecured note, payable monthly over 36 months in the amount of US $720,000 (Note B); and (iv) 1,120,000 common shares of Route1.

The purchase consideration has been accounted for as follows:

Cash	$1,347,961
Notes payable, discounted	1,207,962
Common shares, discounted	456,960
	$3,012,883

Based in Denver, Colorado, PCS is a computer reseller with expertise in mobile data applications, including wireless products for in-vehicle use. The company offers guidance and state-of-the-art mobile devices for a wide range of applications including utilities, telecommunications, field services, insurance, healthcare, police and public safety as well as state and local government. PCS services customers primarily located in the Southwestern and Rocky Mountain regions of the U.S. Rugged devices and applications include but are not limited to Panasonic Toughbook mobile computers, Xplore and Getac rugged tablets, Genetec license plate recognition solutions, and accessories from Gamber-Johnson and Havis.

The Company issued 1,120,000 common shares as partial consideration for the acquisition. 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 June 28, 2019 of $0.50 per share. The common shares issued are subject to an escrow whereby 100% of the common shares may not be traded until June 28, 2020 after which 50% of the shares may be traded. The balance of the shares is released from escrow pro rata over the following six months such that by December 28, 2020, 1,120,000 shares will be freely tradable. Given the restrictions on trading, the value of the shares issued as purchase consideration was discounted to $456,960. On June 28, 2019, 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 $1.3087.

The notes issued as part of the purchase consideration have been discounted to reflect a market-based rate of interest. Based on a market rate of interest of 6% per annum, the values of Notes A and B were discounted to market-based values of $309,009 and $898,953, respectively.

June 30, 2020 and 2019 (stated in Canadian dollars)

The acquisition of PCS 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 June 28, 2019. The goodwill recorded on the balance sheet represents the purchase price paid in excess of the fair value of the assets acquired is not tax deductible. The goodwill is attributed to the workforce and profitability of PCS.

PCS has contributed incremental revenue of $7,261,226 and gross profit of $1,519,986 for the six months ended June 30, 2020.

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.

Assets Acquired	**US Dollars**	**Canadian Dollars**
Cash and cash equivalents	$199,134	$260,607
Accounts receivable	1,414,842	1,851,604
Inventory	845,564	1,106,589
Prepaid expenses	16,789	21,971
Current assets	2,476,329	3,240,771
Furniture and equipment	45,853	60,008
Intangible assets	600,000	785,221
Goodwill	1,189,839	1,557,142
Non-current assets	1,835,692	2,402,371
Total assets	4,312,021	5,643,142
Liabilities Assumed		
Accounts payable and other liabilities	1,702,148	2,227,602
Contract liability	160,077	209,493
Deferred tax liability	147,600	193,164
Total liabilities	2,009,825	2,630,259
Fair value of net assets acquired	2,302,196	3,012,883
Net consideration issued	$2,302,196	$3,012,883

11. BANK INDEBTEDNESS

The Company's credit facility, which was renewed on May 28, 2020, consists of a revolving demand facility in the amount of $875,000, (June 30, 2019 - $500,000) and a $150,000 credit card facility (June 30, 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 has reverted to $875,000. The operating facility carries an interest rate equal to the lender's prime rate of interest plus 1.5% (June 30, 2019 – prime rate of interest plus 1%). As at June 30, 2020, the interest rate was 3.95%.

June 30, 2020 and 2019 (stated in Canadian dollars)

The credit facility is secured by the assets of Route1 Inc. and guaranteed by GMI and PCS. As at June 30, 2020, the balance drawn on the revolving demand facility was $265,000.

On June 28, 2019, the Company's wholly owned subsidiary, PCS, entered into an asset based revolving credit facility in the amount of US $1,500,000. The facility was renewed on July 31, 2020. The facility carries an interest rate of 50 basis points over the prime rate published daily in the Wall Street Journal. As at June 30, 2020, the interest rate was 3.75%. The availability under the facility is based on a percentage of the aggregate of certain accounts receivable and inventory. The facility is secured by the assets of PCS and is guaranteed by the Company and a wholly owned subsidiary of the Company. As at June 30, 2020, the balance drawn on the revolving demand facility was $72,717.

12. CONTRACT LIABILITY

Contract liability is comprised of:

	June 30, 2020	December 31, 2019
Subscription revenue and services – current	**$4,252,678**	$1,750,169
Subscription revenue and services – long-term	**144,593**	158,146
Total contract liability	**$4,397,271**	$1,908,315

Subscription revenue and services contract liability is mainly comprised of subscriptions to MobiKEY© services and support contracts for license plate recognition customers.

13. NOTES PAYABLE

	June 30, 2020
Promissory note A (US $170,000)	$231,676
Promissory note B (US $480,000)	654,144
	885,820
Less: unamortized deferred debt discount	(30,516)
	855,304
Less: current portion of notes payable	(420,888)
	$434,416

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US $1 = C $1.3628.

Pursuant to the acquisition of PCS on June 28, 2019, the Company's wholly owned subsidiary, PCS, issued two notes to the vendor of PCS. The terms of these notes are as follows:

Unsecured Promissory Note A

Principal Amount	US $250,000
Interest Rate	3% per annum, payable annually
Repayment	US $80,000 on June 28, 2020; US $80,000 on June 28, 2021; and US $90,000 on June 28, 2022

June 30, 2020 and 2019 (stated in Canadian dollars)

Unsecured Promissory Note B

Principal Amount	US $720,000
Interest Rate	2.37% per annum, payable monthly
Repayment	US $20,000 per month for 36 months commencing July 31, 2019

The notes are subordinated to the asset-based credit facility in PCS. The notes are guaranteed as to payment by the Company's wholly owned subsidiary, GMI.

Principal debt repayment, as at June 30, 2020, in each of the next three fiscal years is as follows:

	Cash Repayment	Reduction of Recorded Liability
2020	$163,536	$154,748
2021	436,096	419,327
2022	286,188	281,229
	$885,820	$855,304

14. 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 June 30, 2020 were 883,991 common shares.

In May 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.

For the three months ended June 30, 2020 the Company purchased 289,000 (June 30, 2019 – 77,200) shares for cancellation under the NCIB at an average price of approximately $0.67 per share.

For the six months ended June 30, 2020, the Company purchased 394,500 (June 30, 2019 – 77,200) shares for cancellation under the NCIB at an average price of approximately $0.60 per share.

June 30, 2020 and 2019 (stated in Canadian dollars)

15. SHARE CAPITAL, WARRANTS, OPTIONS AND CONTRIBUTED SURPLUS

Pursuant to a resolution passed at the Company's annual meeting on November 26, 2018, the Company amended its Articles of Amalgamation on August 13, 2019 to consolidate the number of shares outstanding on the basis of one new common share for ten old common shares. As a result of the share consolidation, all amounts have been adjusted retroactively.

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.

	Number of Common Shares	**Common Shares $**
Balance, January 1, 2019	36,305,500	$22,142,402
Shares issued April 19, 2019	103,700	86,254
Shares issued June 28, 2019	1,120,000	456,960
Shares repurchased for cancellation	(1,624,091)	(634,573)
Share issuance costs	-	(8,810)
Balance, December 31, 2019	35,905,109	22,042,233
Shares repurchased for cancellation	(394,500)	(238,368)
Balance, June 30, 2020	35,510,609	$21,803,865

- There are 3,232,500 common share purchase options ("Options") outstanding to acquire 3,232,500 common shares at various prices.
- There are 30,000,000 common share purchase warrants outstanding with an expiry date of March 22, 2021, that enable the holder to purchase 3,000,000 common shares at an exercise price of $0.50 per share.

Warrants Outstanding

	Number of Warrants	Warrant $
Balance, January 1, 2020	30,000,000	$534,000
Issued	**-**	**-**
Exercised	**-**	**-**
Expired	**-**	**-**
Balance, June 30, 2020	**30,000,000**	**$534,000**

June 30, 2020 and 2019 (stated in Canadian dollars)

Warrant Valuation

	2018
Share price on issue date	$0.20
Risk free interest rate	1.94%
Expected life (years)	3
Expected volatility	207%
Dividend yield	Nil
Fair value of warrants issued as partial consideration for the acquisition of GMI	$0.178

The Black-Scholes option pricing model is used by the Company to determine the fair value of the warrants issued as partial consideration for the purchase of GMI. A total fair value of $534,000 was determined.

Stock-based compensation

The Company has a Stock Option Plan (the "Plan") that was created in 1997 to attract, retain and motivate officers, salaried employees and directors who are in a position to make important contributions toward the success of the Company. Under the Plan, options may be granted to directors, officers, employees, and consultants of the Company at an exercise price determined by the Board provided that such exercise price should not be less than permitted under the rules of any stock exchange where the shares are listed. The period during which an option may be exercised (the "Option Period") is determined by the Board at the time the option is granted, subject to any vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time such option is granted. Options are exercisable as determined by the Board at the date of the grant. Shares covered by options granted pursuant to the Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of the grant, calculated on a non-diluted basis.

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

	June 30, 2020		December 31, 2019	
Options Outstanding	**Number of Options**	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	**3,397,500**	**$0.55**	2,637,700	$0.53
Options granted during the period	**1,325,000**	**0.68**	1,180,000	0.60
Options expired during the period	**(1,310,000)**	**0.55**	(87,500)	0.50
Options exercised during the period	**-**	**-**	(103,700)	0.50
Options forfeited during the period	**(180,000)**	**0.62**	(229,000)	0.60
Balance, end of the period	**3,232,500**	**$0.60**	3,397,500	$0.55

June 30, 2020 and 2019 (stated in Canadian dollars)

	Options Outstanding June 30, 2020		Options Exercisable June 30, 2020	
Exercise Price	**Number of Options**	**Weighted Average Remaining Contractual Life (Years)**	**Number of Options**	**Weighted Average Remaining Contractual Life (Years)**
$0.50	**1,147,500**	**2.5**	**677,500**	**1.4**
$0.55	**200,000**	**3.2**	**60,000**	**3.2**
$0.65	**560,000**	**3.8**	**168,000**	**3.8**
$0.68	**1,325,000**	**4.8**	**-**	**-**
	3,232,500	**3.7**	**905,500**	**2.0**

	Options Outstanding December 31, 2019		Options Exercisable December 31, 2019	
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Remaining Contractual Life (Years)
$0.50	1,222,500	2.9	642,500	1.7
$0.55	1,475,000	0.7	1,335,000	0.5
$0.65	700,000	4.3	-	-
	3,397,500	2.2	1,977,500	0.8

For the three months ended June 30, 2020, the Company recorded stock-based compensation expense of $141,170 (June 30, 2019 - $82,439). For the six months ended June 30, 2020, the Company recorded stock-based compensation expense of $250,208 (June 30, 2019 - $118,558).

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's black-out policy which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

All outstanding share options expected to vest were measured in accordance with IFRS 2, "Share-based Payment" at their market-based measure at the acquisition date. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility.

June 30, 2020 and 2019 (stated in Canadian dollars)

Option Valuation

	2020	2019
Share price on issue date	**$0.68**	$0.50 - $0.70
Risk free interest rate	**0.42%**	2.06%
Expected life (years)	**5**	5
Expected volatility	**133%**	193%
Forfeiture rate	**Nil**	Nil
Dividend yield	**Nil**	Nil
Fair value of options issued during the year	**$0.586**	$0.484 – $0.68

Contributed surplus

Contributed surplus represents expired warrants and the amortized fair value of stock options granted under the stock option plan, determined using the Black-Scholes option pricing model. The fair value is amortized to income on a graded, vested basis over the vesting period with a corresponding increase to contributed surplus. Upon exercise of stock options, the consideration paid by the holder is included in share capital and the related contributed surplus associated with the stock options exercised is transferred into share capital.

	Six months ended June 30, 2020	Year ended December 31, 2019
Balance, beginning of the period	**$14,840,861**	$14,552,696
Options expensed in the period	**250,208**	322,569
Options exercised in the period	**-**	(34,404)
Balance, end of the period	**$15,091,069**	$14,840,861

16. 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 $90,238 for the quarter ended June 30, 2020 (June 30, 2019 - $91,342) and $183,520 for the six months ended June 30, 2020 (June 30, 2019 - $185,979). These transactions are in the normal course of operations and are paid or payable for directorship services. As at June 30, 2020, accounts payable included $95,159 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 $41,893 for the quarter ended June 30, 2020 (June 30, 2019 - $3,070) and $73,405 for the six months ended June 30, 2020 (June 30, 2019 - $3,070)
- 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 and six months ended June 30, 2020 as follows, with 2019 comparatives.

June 30, 2020 and 2019 (stated in Canadian dollars)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2020**	Six Months Ended June 30, 2019
Short-term employee benefit	**$399,923**	$197,990	**$648,753**	$342,516
Stock-based compensation expense	**62,953**	14,165	**81,370**	21,458
	$462,876	$212,155	**$730,123**	$363,974

17. EARNINGS PER SHARE

The Company uses the treasury stock method to calculate basic and diluted earnings per share. Basic earnings per share have been calculated based on the weighted average number of common shares without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding which consist of options and warrants to purchase common shares. For the three and six months ended June 30, 2020 and 2019 all outstanding options and warrants were considered anti-dilutive because the Company recorded a loss over these periods.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2020**	Six Months Ended June 30, 2019
Net loss	**($60,101)**	($553,551)	**($242,952)**	($1,066,205)
Weighted average number of common shares outstanding	**35,730,796**	36,391,332	**35,794,900**	36,348,653
Basic and diluted loss per share	**($0.00)**	($0.02)	**($0.01)**	($0.03)

18. COMMITMENTS AND CONTINGENCIES

(i) Legal matters

In the normal course of operations, the Company may be subject to litigation and claims from customers, suppliers and former employees. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

(ii) Foreign exchange

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

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk. The Company manages its share capital, warrant reserve and contributed surplus as capital, the balance of which is $37,428,934 at June 30, 2020 ($37,417,094 at December 31, 2019).

The Company manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

Capital management objectives, policies and procedures have not changed from the preceding period.

In the normal course of business operations of GMI and PCS, the Company may be required to guarantee certain trade payables to the value-added distributors from which GMI and PCS purchase 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.

20. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The carrying amount of financial instruments including cash and cash equivalents, accounts receivable, other receivables, bank indebtedness 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within a three-level hierarchy, based on observability of significant inputs, as follows:

June 30, 2020 and 2019 (stated in Canadian dollars)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
Level 3: Unobservable inputs for the asset or liability.

Inputs into the determination of the fair value require management judgment or estimation. The Company's notes payable are valued using Level 2 inputs, such as the market rate of interest for a similar security.

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 June 30, 2020, the largest single customer represented approximately $541,000 of revenue (June 30, 2019 - $824,000).

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 June 30, 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 $107,415 (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.

June 30, 2020 and 2019 (stated in Canadian dollars)

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 June 30, 2020, the largest single customer's account receivable represented $321,743 (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 June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Current	**$2,889,541**	$3,704,055
Past due		
1 – 60 days	**479,077**	1,066,043
Greater than 60 days	**211,268**	194,517
Less: Allowance for doubtful accounts	**-**	-
Total accounts receivable, net	**$3,579,886**	$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 marketplace. The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments, as at June 30, 2020:

	2020	**2021**	**2022 and Beyond**	**Total**
Accounts payable and other liabilities	$3,489,934	$461,534	$-	$3,951,468
Notes payable	163,536	436,096	286,188	885,820
Lease commitments	339,217	546,510	382,238	1,267,965
	$3,992,687	$1,444,140	$668,426	$6,105,253

June 30, 2020 and 2019 (stated in Canadian dollars)

Bank indebtedness does not have a contractual maturity and as such has not been included in the above table.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operation.

Foreign exchange

The functional currency of the parent company is Canadian dollars and the reporting currency is Canadian dollars. As at June 30, 2020, the Company had non-Canadian dollar net monetary liabilities of approximately US $65,000 (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 June 30, 2020 would have resulted in a gain or loss in the amount of $3,250 (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 June 30, 2020, cash balances were $107,415 (December 31, 2019 - $125,544), bank indebtedness balances were $337,717 (December 31, 2019 – $1,359,695) and the interest rate sensitivity is not material.

21. REVENUE AND SEGMENTED INFORMATION

Revenue for the recurring revenue and services is reported as a 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.

The following table provides a presentation of the Company's revenue streams for the quarter ended June 30, 2020 and 2019:

	2020		2019	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and services	**$2,489,049**	**35.7**	$1,609,793	46.9
Devices and appliances	**4,476,833**	**64.2**	1,819,062	53.0
Other	**2,779**	**0.1**	1,380	0.1
	$6,968,661	**100.0**	$3,430,235	100.0

The following table provides a presentation of the Company's revenue streams for the six months ended June 30, 2020 and 2019:

	2020		2019	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and services	**$4,446,771**	**33.4**	$3,185,906	46.2
Devices and appliances	**8,878,196**	**66.6**	3,702,398	53.7
Other	**7,016**	**0.0**	4,050	0.1
	$13,331,983	**100.0**	$6,892,354	100.0

June 30, 2020 and 2019 (stated in Canadian dollars)

The following table provides a geographic presentation of the Company's revenue streams for the quarter ended June 30, 2020 and 2019:

	2020		2019	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$6,915,991**	**99.6**	$3,400,141	99.1
Canada	**52,670**	**0.8**	30,094	0.9
	$6,968,661	**100.0**	$3,430,235	100.0

The following table provides a geographic presentation of the Company's revenue streams for the six months ended June 30, 2020 and 2019:

	2020		2019	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$13,248,936**	**99.4**	$6,829,517	99.1
Canada	**83,047**	**0.6**	62,837	0.9
	$13,331,983	**100.0**	$6,892,354	100.0

The following table provides a geographic presentation of the Company's right-of-use assets, furniture and equipment and intangible assets as at June 30, 2020 and December 31, 2019:

	2020		2019	
	Assets	**% of Total**	Assets	% of Total
USA	**$1,942.948**	**67.2**	$1,866,553	65.5
Canada	**949,180**	**32.8**	1,032,462	34.5
	$2,892,129	**100.0**	$2,899,015	100.0