



*Interim Condensed Consolidated Financial Statements of*

**Route1 Inc.**

*March 31, 2022 and 2021*

## **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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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### Route1 Inc.

As at March 31, 2022 and December 31, 2021  
(stated in Canadian dollars)

	Note	March 31, 2022 Unaudited	December 31, 2021 Audited
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$480,873	\$62,568
Accounts receivable		1,882,731	4,396,886
Other receivables		229,346	186,573
Inventory		639,181	682,256
Prepaid expenses		332,647	330,584
Contract costs	10	55,325	66,763
<b>Total current assets</b>		<b>3,618,103</b>	<b>5,725,630</b>
Non-current assets			
Deferred tax asset		1,484,000	1,484,000
Right-of-use assets	5	1,510,382	1,634,969
Furniture and equipment	5	786,487	908,489
Intangible assets	6	2,088,368	2,212,411
Goodwill	7	3,086,468	3,131,422
<b>Total non-current assets</b>		<b>8,955,705</b>	<b>9,371,291</b>
<b>Total assets</b>		<b>\$12,573,808</b>	<b>\$15,096,921</b>
<b>Liabilities</b>			
Current liabilities			
Bank indebtedness	9	1,784,209	\$1,826,640
Accounts payable and other liabilities		2,816,212	4,564,165
Contract liability	10	2,191,610	2,632,310
Lease liabilities	4	360,995	377,967
Notes payable	11	993,571	1,161,851
<b>Total current liabilities</b>		<b>8,146,596</b>	<b>10,562,933</b>
Non-current liabilities			
Deferred tax liability		366,645	401,344
Contract liability	10	39,866	52,526
Lease liabilities	4	1,246,495	1,352,121
<b>Total non-current liabilities</b>		<b>1,653,006</b>	<b>1,805,991</b>
<b>Total liabilities</b>		<b>9,799,602</b>	<b>12,368,924</b>
<b>Shareholders' equity</b>			
Capital and reserve			
Common shares	13,14	23,700,961	23,700,961
Warrants	14	1,149,704	1,149,704
Contributed surplus – stock compensation reserve	14	15,971,052	15,879,054
Accumulated other comprehensive income (loss)		(124,631)	(77,771)
Deficit		(37,922,880)	(37,923,951)
<b>Total shareholders' equity</b>		<b>2,774,206</b>	<b>2,727,997</b>
<b>Total shareholders' equity and liabilities</b>		<b>\$12,573,808</b>	<b>\$15,096,921</b>

Commitments and contingencies

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

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

## Route1 Inc.

As at March 31, 2022 and March 31, 2021  
(stated in Canadian dollars)

	Note	March 31, 2022	March 31, 2021
<b>Revenue</b>			
Subscription revenue and services	19	\$1,911,292	\$2,757,540
Devices and appliance	19	2,781,237	3,786,392
Other	19	2,939	67,342
<b>Total revenue</b>		<b>4,695,468</b>	<b>6,611,274</b>
<b>Cost of revenue</b>	3	<b>2,572,331</b>	<b>3,647,445</b>
<b>Gross profit</b>		<b>2,123,137</b>	<b>2,963,829</b>
<b>Operating expenses</b>			
General administration		1,298,860	1,470,987
Research and development		266,299	203,906
Selling and marketing		446,695	866,850
<b>Total operating expenses before stock-based compensation</b>		<b>2,011,854</b>	<b>2,541,743</b>
Stock-based compensation		91,998	200,784
<b>Total operating expenses</b>		<b>2,103,852</b>	<b>2,742,527</b>
<b>Operating profit before other income (expense)</b>		<b>19,286</b>	<b>221,302</b>
<b>Other income (expense)</b>			
Interest expense		(51,692)	(46,088)
Foreign exchange gain (loss)		(12,993)	(1,024)
Gain (loss) on asset disposal		22,486	(2,877)
Acquisition expense	8	-	(38,097)
Other expense		(6,953)	-
<b>Total other income (expense)</b>		<b>(49,152)</b>	<b>(88,086)</b>
<b>Income (loss) before income taxes</b>		<b>(29,866)</b>	<b>133,216</b>
<b>Income tax recovery</b>		<b>30,937</b>	<b>4,702</b>
<b>Net income (loss) for the period</b>		<b>1,071</b>	<b>137,918</b>
<b>Other comprehensive income (loss)</b>			
Foreign currency translation		(46,860)	(34,078)
<b>Comprehensive income (loss)</b>		<b>(\$45,789)</b>	<b>\$103,840</b>
<b>Basic earnings per share</b>	15	<b>\$0.00</b>	<b>\$0.00</b>
<b>Diluted earnings per share</b>	15	<b>\$0.00</b>	<b>\$0.00</b>
<b>Weighted average number of common shares outstanding</b>		<b>39,709,463</b>	<b>38,754,504</b>
<b>Diluted weighted average number of commons shares outstanding</b>		<b>39,709,463</b>	<b>39,111,446</b>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Route1 Inc.

For the Periods ended March 31, 2022 and March 31, 2021  
(stated in Canadian dollars)

	Note	Common Shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total shareholders' equity
Balance at January 1, 2021		\$23,370,074	\$1,683,704	\$15,311,537	(\$78,625)	(\$38,146,158)	\$2,140,532
Stock-based compensation	13	-	-	200,784	-	-	200,784
Exercise of warrants	13	534,000	(534,000)	-	-	-	-
Share repurchase costs	13	(2,500)	-	-	-	-	(2,500)
Comprehensive income (loss)		-	-	-	(34,087)	137,918	103,831
Balance at March 31, 2021		\$23,901,574	\$1,149,704	\$15,512,321	\$(112,712)	(\$38,008,240)	\$2,442,647
	Note	Common Shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total shareholders' equity
Balance at January 1, 2022		\$23,700,961	\$1,149,704	\$15,879,054	(\$77,771)	(\$37,923,951)	\$2,727,997
Stock-based compensation	13	-	-	91,998	-	-	91,998
Comprehensive income (loss)		-	-	-	(46,860)	1,071	(45,789)
Balance at March 31, 2022		\$23,700,961	\$1,149,704	\$15,971,052	(\$124,631)	(\$37,922,880)	\$2,774,206

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

### Route1 Inc.

For the three months ended March 31, 2022 and March 31, 2021  
(stated in Canadian dollars)

	March 31, 2022	March 31, 2021
<b>Net cash (outflow) inflow related to the following activities</b>		
<b>Operating activities</b>		
Net income (loss)	\$1,071	\$137,918
Items not affecting cash and cash equivalents		
Depreciation and amortization	335,303	341,625
Interest accretion on notes payable	1,798	4,770
Interest on lease liabilities	14,754	20,026
Deferred taxes	(30,937)	(4,702)
Gain on asset disposal	(22,483)	-
Stock-based compensation	91,998	200,784
Net changes in working capital balances		
Accounts receivable	2,529,826	58,291
Other receivables	(45,475)	282,258
Inventory	37,022	(91,354)
Contract costs	12,733	(104,467)
Other assets	-	129,469
Prepaid expenses	(2,362)	103,219
Accounts payable and other liabilities	(1,732,163)	135,695
Contract liability	(446,976)	52,387
Net cash generated by operating activities	744,109	1,265,919
<b>Investing activities</b>		
Acquisition of furniture and equipment	-	(132,863)
Disposal of furniture and equipment	22,483	59,113
Acquisition of intangible assets	(14,353)	(14,951)
Cash paid in business combination	-	(1,637,220)
Cash acquired in business combination	-	25,984
Net cash generated (used) by investing activities	8,130	(1,699,937)
<b>Financing activities</b>		
Repayment of notes payable	(165,212)	(76,461)
Repayment of lease liabilities	(115,599)	(155,170)
Share issuance costs	-	(2,500)
(Repayment of) proceeds from bank indebtedness	(29,739)	23,496
Net cash used by financing activities	(310,550)	(210,635)
<b>Net increase (decrease) in cash and cash equivalents for the period</b>	<b>441,689</b>	<b>(644,653)</b>
<b>Effects of exchange rate changes on cash</b>	<b>(23,384)</b>	<b>20,032</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>62,568</b>	<b>1,137,474</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$480,873</b>	<b>\$512,853</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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### 1. NATURE AND DESCRIPTION OF THE COMPANY

Route1 Inc. (“Route1” or “the Company”) is a publicly traded company on the TSX Venture Exchange. 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 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 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, Scottsdale, 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.

The Company has four operating segments: Route1 Inc. and Route 1 Security Corporation, Portable Computer Systems, Inc. (“PCS”), Group Mobile Int’l, LLC (“GMI”) and Spyryus Solutions, Inc. (“Spyryus”). 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 severely impacted many local economies around the globe. In many countries, including Canada and the United States, businesses were forced to cease or limit operations for long or indefinite periods of time. Governments and central banks responded with monetary and fiscal interventions to stabilize economic conditions and continued to do so. Central banks in developed countries have recently begun to indicate that monetary policy may become more restrictive in 2022 and beyond. In addition, the central banks have begun raising interest rates and reducing their balance sheets.

The COVID-19 pandemic has affected the Company’s business both positively and negatively. The Company’s secure remote access technology initially benefited from the requirements to telework both in government and business. Some of this increase in MobiKEY users has not been sustained as more employees return to the office.

The impact of COVID-19 on the balance of the Company’s business had initially been the disruption in the supply chain for ruggedized devices and accessories. In addition, client facility shutdowns and deferral of installation services for certain license plate recognition projects also occurred as a result of the virus. At the present time, the economy in the United States has broadly reopened and the Company’s business has returned to a more normal level as facilities have reopened and installation activities are moving forward. The most significant lasting impact of the pandemic has been and continues to be the increased lead times for deliveries of products from certain manufacturers especially those whose products require components from and manufacturing of products in Asia. In addition, projects that are dependent on the delivery of automotive vehicles have been delayed as delivery times and prices of those vehicles have increased. The



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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global supply situation has been exacerbated by the reopening of developed economies and the continued limited ability of lesser developed economies to meet the increased demand. The recent rise in COVID-19 cases in Asia has further exacerbated the supply chain issues.

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, 2021.

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, 2021.

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, 2021.

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 March 31, 2022, the cost of revenue recognized as an expense was \$2,572,331 (March 31, 2021 - \$3,647,445).

## 4. LEASES

The Company has entered into a variety of premise lease agreements for office locations in Toronto, Ontario; Scottsdale, Arizona; Cincinnati, Ohio; 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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The minimum annual basic rent commitments are as follows:

	March 31, 2022
2022	\$325,960
2023	422,530
2024 and beyond	1,057,734
Minimum lease payments	<u>1,806,224</u>
Less: interest portion at rates between 3.81% and 5%	125,765
Net minimum lease payments	<u>1,680,459</u>
Less: Short-term or low value lease payments	72,969
	<u>1,607,490</u>
Less: current portion	360,995
Long-term portion	<u>\$1,246,495</u>

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 March 31, 2022, the Company recognized \$102,814 (March 31, 2021 - \$135,076) of depreciation and \$14,754 (March 31, 2021 - \$19,642) of interest expense from these leases.

The expense relating to payments not included in the measurement of the lease liability (including but not limited to property taxes, operating expenses, utilities and additional services) is as follows:

	March 31, 2022
Short-term leases	\$-
Non-lease components	63,608
	<u>\$63,608</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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

Cost	Right-of-use Asset	Computer Equipment	Furniture and Equipment	Total
Balance at December 31, 2021	\$2,419,426	\$2,877,703	\$697,216	\$5,994,345
<b>Additions</b>	-	-	-	-
<b>Disposals</b>	-	-	-	-
<b>Effect of exchange rate changes</b>	<b>(30,951)</b>	-	<b>(5,600)</b>	<b>(36,551)</b>
<b>Balance at March 31, 2022</b>	<b>2,388,475</b>	<b>2,877,703</b>	<b>691,616</b>	<b>5,957,794</b>

Accumulated depreciation and impairment	Right-of-use Asset	Computer Equipment	Furniture and Equipment	Total
Balance at December 31, 2021	(784,457)	(2,183,068)	(483,362)	(3,450,887)
<b>Depreciation expense</b>	<b>(102,814)</b>	<b>(91,906)</b>	<b>(27,710)</b>	<b>(222,430)</b>
<b>Disposals</b>	-	-	-	-
<b>Effect of exchange rate changes</b>	<b>9,179</b>	-	<b>3,212</b>	<b>12,391</b>
<b>Balance at March 31, 2022</b>	<b>(878,092)</b>	<b>(2,274,974)</b>	<b>(507,860)</b>	<b>(3,660,926)</b>

Net book value	Right-of-use Asset	Computer Equipment	Furniture and Equipment	Total
Balance at December 31, 2021	\$1,634,969	\$694,635	\$213,854	\$2,543,458
<b>Balance at March 31, 2022</b>	<b>\$1,510,382</b>	<b>\$602,729</b>	<b>\$183,759</b>	<b>\$2,296,868</b>

For the three months ended March 31, 2022, depreciation and amortization expense of \$222,430 (March 31, 2021 - \$276,593) was recognized in general administration expense.

During the three months ended March 31, 2022, the Company disposed of certain TaaS assets with zero net book value, resulting in a net gain of \$22,486.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

#### 6. INTANGIBLE ASSETS

Cost	Patents	Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2021	\$193,408	\$1,178,585	\$1,645,034	\$443,730	\$158,475	\$3,619,230
<b>Additions</b>		<b>14,353</b>	-		-	<b>14,353</b>
Effect of exchange rate changes	-	-	(23,615)	(6,370)	(2,275)	(32,260)
<b>Balance at March 31, 2022</b>	<b>193,408</b>	<b>1,192,938</b>	<b>1,621,419</b>	<b>437,360</b>	<b>156,200</b>	<b>3,601,323</b>

  

Accumulated depreciation and impairment	Patents	Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2021	(69,993)	(940,407)	(245,868)	(110,933)	(39,618)	(1,406,819)
Depreciation expense	(3,473)	(46,659)	(47,651)	(11,120)	(3,971)	(112,873)
Effect of exchange rate changes	-	-	4,324	1,778	635	6,737
<b>Balance at March 31, 2022</b>	<b>(73,466)</b>	<b>(987,066)</b>	<b>(289,195)</b>	<b>(120,275)</b>	<b>(42,954)</b>	<b>(1,512,955)</b>

  

Net book value	Patents	Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2021	<u>\$123,415</u>	<u>\$238,177</u>	<u>\$1,399,165</u>	<u>\$332,797</u>	<u>\$118,857</u>	<u>\$2,212,411</u>
<b>Balance at March 31, 2022</b>	<b><u>\$119,942</u></b>	<b><u>\$205,872</u></b>	<b><u>\$1,332,224</u></b>	<b><u>\$317,086</u></b>	<b><u>\$113,245</u></b>	<b><u>\$2,088,368</u></b>

For the three months ended March 31, 2022, depreciation and amortization expense of \$112,873 (March 31, 2021 - \$65,032) was recognized in general administration expense.

#### 7. GOODWILL

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

Balance, December 31, 2021	\$3,131,422
Effect of exchange rates	<u>(44,954)</u>
<b>Balance at March 31, 2022</b>	<b><u>\$3,086,468</u></b>

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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#### 8. BUSINESS COMBINATION – DataSource Mobility, LLC

On March 29, 2021, the Company completed the acquisition of 100% of the membership interests of DataSource Mobility, LLC (“DSM”). The purchase consideration was US \$1,300,000 cash paid at closing (CAD \$1,637,220). The US/CAD exchange rate on March 29, 2021 was US \$1 = CAD \$1.2594.

DSM is primarily a reseller of ruggedized tablets and laptops along with associated accessories. DSM offers guidance and state-of-the-art mobile devices for a wide range of sectors including public safety, utilities, field services, logistics and healthcare as well as state and local governments. DSM services customers primarily located in the Southeastern United States.

The acquisition of DSM was accounted for using the acquisition method of accounting in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective March 29, 2021.

The goodwill recorded on the statement of financial position represents the purchase price paid in excess of the fair value of the assets. The Company expects the DSM acquisition to allow it to expand the Company’s business model in Texas, through adding Texas-based customers. Further, by leveraging DSM’s current and future rugged mobile device sales, it will allow the Company to expand its field service installation business as well as open additional opportunities to sell data security and analytics software applications and capabilities.

The intangible assets recorded on the balance sheet represent the fair value of the customer lists acquired.

The operating results of DSM have been combined with PCS. Accordingly, separate disclosure of revenue and profit generated by DSM since acquisition is impracticable.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

#### March 31, 2022 and 2021 (stated in Canadian dollars)

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.

<b>Assets Acquired</b>	<b>US Dollars</b>	<b>Canadian Dollars</b>
Cash and cash equivalents	\$20,632	\$25,984
Accounts receivable	182,094	229,329
Prepaid expenses	4,750	5,982
Current assets	207,476	261,295
Furniture and equipment	1,000	1,258
Intangible assets	450,153	566,924
Goodwill	922,891	1,162,289
Non-current assets	1,374,044	1,730,471
Total assets	1,581,520	1,991,766
<b>Liabilities Assumed</b>		
Accounts payable and other liabilities	167,406	210,831
Deferred tax liability	114,114	143,715
Total liabilities	281,520	354,546
Fair value of net assets acquired	1,300,000	1,637,220
<b>Net consideration issued</b>	<b>\$1,300,000</b>	<b>\$1,637,720</b>

### 9. BANK INDEBTEDNESS

The Company's credit facility consists of a revolving demand facility in the amount of \$1,025,000 (December 31, 2021 - \$1,025,000) and a \$150,000 credit card facility (December 31, 2021 - \$150,000). The operating facility carries an interest rate equal to the lender's prime rate of interest plus 1.5% (December 31, 2021 – prime rate of interest plus 1.5%). As at March 31, 2022, the interest rate was 4.2% (December 31, 2021 – 3.95%). The credit facility is secured by the assets of Route1 Inc. and guaranteed by GMI. As at March 31, 2022, the balance drawn on the revolving demand facility was \$880,000 (December 31, 2021 - \$875,000).

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. As at March 31, 2022, the interest rate was 4% (December 31, 2021 – 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 March 31, 2021, the balance drawn on the revolving demand facility was \$904,209 (December 31, 2021 - \$951,640). PCS is required to maintain a Fixed Charge Coverage Ratio equal to or greater than 1.10:1 on an annual basis. This covenant was met as of December 31, 2021.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

#### 10. CONTRACT LIABILITIES AND CONTRACT COSTS

Contract liabilities are comprised of:

	March 31, 2022	December 31, 2021
Balance, beginning of year	\$2,684,836	\$3,727,274
Revenue deferred in previous period and recognized in current period	(1,355,106)	(3,538,771)
Business acquisition	-	138,781
Revenue deferred on business acquisition and recognized in current period	(32,735)	(60,542)
Net additions arising from operations	942,038	2,406,068
Effect of exchange rates	(7,557)	12,026
Total contract liability	<u>\$2,231,476</u>	<u>\$2,684,836</u>

Revenue to be recognized in the future:

Within one year	\$2,191,610	\$2,632,310
Between two to five years	39,866	52,526
Total	<u>\$2,231,476</u>	<u>\$2,684,836</u>

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

Contract costs arise primarily as the result of the deferral of commissions and cost of sales on MobiKEY© services and device sales. As at March 31, 2022, the balance was \$55,325 (December 31, 2021 - \$66,763).

#### 11. NOTES PAYABLE

	March 31, 2022	December 31, 2021
Promissory note A (US \$90,000, 2021 US \$90,000)	\$112,464	\$114,102
Promissory note B (US \$60,000, 2021 US \$120,000)	74,976	152,136
	187,440	266,238
Less: unamortized deferred debt discount	(1,185)	(2,997)
	186,255	263,241
Promissory note C	632,372	632,372
Promissory note D	174,944	266,238
	993,571	1,161,851
Less: current portion of notes payable	(993,571)	(1,161,851)
Long-term portion	<u>\$-</u>	<u>\$-</u>

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US \$1 = C \$1.2496 (December 31, 2021 – US \$1 = C \$1.2678).

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:

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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#### 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

#### 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.

On September 16, 2020, Route1 entered into a promissory note agreement with a private lender in the amount of \$650,000 (Promissory Note C). The note bears interest at 10% per annum and any amounts drawn must remain outstanding for a minimum of six months from the date of the agreement and thereafter may be repaid without premium, penalty or bonus. The original note maturity of September 30, 2021 was extended to October 31, 2022 and can be further extended by mutual agreement. The promissory note is secured by a pledge of the shares of the Company's wholly owned subsidiary, Route 1 Security Corporation, and a general security agreement over all current and hereafter acquired personal property of the Company. The promissory note is subordinated to the Company's existing bank credit facilities in both Canada and the United States. At March 31, 2022, the balance drawn on the promissory note was \$632,372 (December 31, 2021 - \$632,372). The note was entered into in order to provide part of the collateral for the bond posted in connection with the Company's previous litigation in the United States and for working capital purposes.

On September 15, 2021, as part of the SpyruS acquisition, the Company assumed promissory notes (Note D) to certain former employees in the amount of US \$280,000. The notes are fully subordinated, bear no interest and will mature on October 15, 2022. At March 31, 2022 the balance owing on the notes is \$174,944 (US \$140,000) – December 31, 2021 - \$266,238 (US \$210,000).

Principal debt repayment in the current fiscal year is as follows:

	Cash Repayment	Reduction of Recorded Liability
2022	\$994,756	\$993,571

## 12. SHARE REPURCHASE PROGRAM

On September 28, 2020, 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 1,755,980. Purchases under the NCIB may occur during the 12-month period commencing September 27, 2020 and ending September 26, 2021, 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, 2020 to December 31, 2020 were 15,000 common shares.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

#### March 31, 2022 and 2021 (stated in Canadian dollars)

On September 28, 2021, 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 1,985,473. Purchases under the NCIB may occur during the 12-month period commencing September 28, 2021 and ending September 27, 2022, or the date upon which the maximum number of common shares has been purchased by the Company. There were no purchases for cancellation under the NCIB during the period from September 28, 2021 to December 31, 2021.

For the three months ended March 31, 2022, the Company purchased no shares for cancellation (March 31, 2021 – no shares purchased for cancellation).

### 13. SHARE CAPITAL, WARRANTS AND CONTRIBUTED SURPLUS

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

- Unlimited number of common shares with voting rights and no par value.
- Unlimited number of non-cumulative, non-voting first preferred shares with no fixed dividend rate, issuable in series.
- Unlimited number of non-cumulative, non-voting second preferred shares with no fixed dividend rate, issuable in series.
- Unlimited number of non-cumulative, non-voting Series A first preferred shares with no fixed dividend rate, issuable in series and convertible into common shares at the option of the holder on a one-for-one basis at any time after October 31, 2000.

	<u>Number of Common Shares</u>	<u>Common Shares \$</u>
Balance, January 1, 2021	38,694,020	\$23,370,074
Warrants exercised	1,355,443	534,000
Shares repurchased for cancellation	(340,000)	(198,113)
Share repurchase costs	-	(5,000)
Balance, December 31, 2021	<u>39,709,463</u>	<u>\$23,700,961</u>
<b>Balance, March 31, 2022</b>	<b><u>39,709,463</u></b>	<b><u>\$23,700,961</u></b>

- There are 2,925,000 (December 31, 2021 – 3,225,000) common share purchase options (“Options”) outstanding to acquire 2,925,000 (December 31, 2021 - 3,225,000) common shares at various prices.
- There are 3,574,411 common share purchase warrants outstanding with an expiry date of June 16, 2022, enabling the holders to purchase 3,573,411 common shares at an exercise price of \$1.00 per share.

#### *Private Equity Placement*

On December 16, 2020, the Company completed a private placement of 3,529,411 units (comprised of one common share and one warrant) for gross proceeds of \$3,000,000. A portion of the proceeds were allocated to warrants based on the valuation below with the residual value allocated to common shares.

#### *Warrant Exercise*

On March 19, 2021, the holder of 3,000,000 common share purchase warrants enabling the holder to purchase 3,000,000 common shares at an exercise price of \$0.50 per share, exercised the warrants on a cashless basis in accordance with their terms. The holder received 1,355,443 common shares of the Company.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

#### *Warrant Valuation*

	December 16, 2020
Share price on issue date	\$1.04
Risk free interest rate	0.25%
Expected life (years)	1.5
Expected volatility	80%
Dividend yield	Nil
	<hr/>
Fair value of warrants issued	\$0.334

The Black-Scholes option pricing model is used by the Company to determine the fair value of the warrants issued as part of the equity private placement in December 2020. A total fair value of \$1,191,889 was determined.

#### *Warrants Outstanding*

	Number of Warrants	Warrant \$
Balance, January 1, 2021	6,574,411	\$1,683,704
Exercised	(3,000,000)	(534,000)
Balance, December 31, 2021	3,574,411	1,149,704
<b>Balance, March 31, 2022</b>	<b>3,574,411</b>	<b>\$1,149,704</b>

#### *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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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

Options Outstanding	March 31, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	3,225,000	\$0.60	3,312,500	\$0.61
Options granted during the period	-	-	950,000	0.56
Options expired during the period	(100,000)	0.50	(487,500)	0.50
Options exercised during the period	-	-	-	-
Options forfeited during the period	(200,000)	-	(550,000)	0.64
Balance, end of the period	<u>2,925,000</u>	<u>\$0.58</u>	<u>3,225,000</u>	<u>\$0.60</u>

Exercise Price	Options Outstanding March 31, 2022		Options Exercisable March 31, 2022	
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Remaining Contractual Life (Years)
\$0.50	650,000	4.1	100,000	1.5
\$0.55	200,000	1.4	200,000	1.4
\$0.62	300,000	3.4	90,000	3.4
\$0.65	500,000	2.1	300,000	2.1
\$0.68	1,275,000	3.1	382,500	3.1
	<u>2,925,000</u>	<u>3.0</u>	<u>1,072,500</u>	<u>2.4</u>

Exercise Price	Options Outstanding December 31, 2021		Options Exercisable December 31, 2021	
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Remaining Contractual Life (Years)
\$0.50	750,000	3.8	200,000	0.9
\$0.55	200,000	1.6	200,000	1.6
\$0.62	300,000	3.7	90,000	3.7
\$0.65	500,000	2.3	300,000	2.3
\$0.68	1,275,000	3.3	382,500	3.3
\$1.05	200,000	2.0	200,000	2.0
	<u>3,225,000</u>	<u>3.2</u>	<u>1,372,500</u>	<u>2.6</u>

For the quarter ended March 31, 2022, the Company recorded stock-based compensation expense of \$91,998 (March 31, 2021 - \$200,784).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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.

#### Option Valuation

	<u>2021</u>
Share price on issue date	\$0.50 - \$0.64
Risk free interest rate	0.77% - 1.30%
Expected life (years)	5
Expected volatility	124% - 126%
Forfeiture rate	3.5% - 75.0%
Dividend yield	<u>Nil</u>
Fair value of options issued during the period	<u>\$0.104 - \$0.404</u>

#### 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.

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Balance, beginning of the period	\$15,879,054	\$15,311,537
Options expensed in the period	91,998	567,517
Options exercised in the period	-	-
Balance, end of the period	<u>\$15,971,052</u>	<u>\$15,879,054</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

#### 14. 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 \$101,083 for the quarter (March 31, 2021 - \$90,237). These transactions are in the normal course of operations and are paid or payable for directorship services. As at March 31, 2022, accounts payable included \$210,326 owing to directors (March 31, 2021 - \$100,430). The Company also incurred stock-based compensation expense related to stock options granted to directors in the amount of \$25,821 for the quarter ended March 31, 2022 (March 31, 2021 - \$54,189).
- The Company made payments (including HST) to Chodos Capital Group Inc. for management services provided by Mr. Peter Chodos, a director and the CFO of the Company, in the amount of \$80,230 for the quarter ended March 31, 2022 (March 31, 2021 - \$nil). The Company also incurred stock-based compensation expenses related to stock options granted to Mr. Chodos in the amount of \$22,551 (March 31, 2021 - \$nil). Prior to November 1, 2021, Mr. Chodos was employed by the Company and payments made are included as part of key management.
- The Company made payments to or incurred expenses for key management (President and Chief Executive Officer and the Chief Operating Officer) in the quarter ended March 31, 2022 as follows, with 2021 comparatives:

	<b>March 31, 2022</b>	March 31, 2021
Short-term employee benefit	<b>\$185,864</b>	\$256,486
Stock-based compensation expense	<b>33,597</b>	89,577
	<b>\$219,461</b>	\$346,063

#### 15. 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 period ending March 31, 2022, the dilution calculation did not increase the diluted average number of shares outstanding. For the period ending March 31, 2021, the dilution calculation increased the fully diluted weighted average number of shares outstanding to 39,111,446 resulting in a diluted earnings per share of \$0.00.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net income	\$1,071	\$137,918
Weighted average number of common shares outstanding	39,709,463	38,679,201
Diluted average number of shares outstanding	39,709,463	39,111,446
Basic earnings per share	\$0.00	\$0.00
Diluted earnings per share	\$0.00	\$0.00

## 16. 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.

## 17. 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 \$40,821,717 at March 31, 2022 (\$40,729,719 at December 31, 2021).

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

**March 31, 2022 and 2021 (stated in Canadian dollars)**

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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.

#### **18. 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.

The Company has an earn-out provision from the acquisition of Spyryus on September 15, 2021 which could require a payment to the previous owners of Spyryus should the gross profit exceed certain targets. It is not anticipated that any payouts will be required under this provision.

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:

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 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

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 and other receivables. 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, 2022, the largest single customer represented approximately \$475,000 of revenue (March 31, 2021 - \$786,000).

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, 2022, the Company had cash consisting of deposits with a Schedule 1 bank in Canada and a large money centre bank in the U.S. and a large regional bank in the U.S. of \$480,873 (December 31, 2021 - \$62,568).

Accounts receivable consist primarily of accounts receivable from invoicing for subscriptions, devices and services. Other receivables consist primarily of unbilled accounts receivable, marketing development funds, sales tax refunds to be received and an amount due for the refund of the excess of the posted bond over the patent litigation settlement amount. 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, 2022, the largest single customer's account receivable represented \$118,501 (December 31, 2021 - \$1,716,281) of the total accounts receivable. This account receivable was collected in full subsequent to the end of the period.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

#### March 31, 2022 and 2021 (stated in Canadian dollars)

The following table outlines the details of the aging of the Company's receivables as at March 31, 2022 and December 31, 2021:

	<b>March 31, 2022</b>	December 31, 2021
Current	<b>\$1,279,549</b>	\$3,452,297
Past due		
1 – 60 days	<b>423,493</b>	675,991
Greater than 60 days	<b>179,689</b>	268,598
Less: Allowance for doubtful accounts	-	-
Total accounts receivable, net	<b>\$1,882,731</b>	\$4,396,886

#### *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 March 31, 2022:

	<b>2022</b>	<b>2023</b>	<b>2024 and Beyond</b>	<b>Total</b>
Accounts payable and other liabilities	\$2,816,212	\$-	\$-	\$2,816,212
Notes payable	993,571	-	-	993,571
Lease commitments	325,960	422,530	1,057,734	1,806,224
	<b>\$4,135,743</b>	<b>\$422,530</b>	<b>\$1,057,734</b>	<b>\$5,616,007</b>

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 March 31, 2022, the Company had non-Canadian dollar net monetary liabilities of approximately US \$1,038,000 (March 31, 2021 – liabilities of approximately US \$1,600,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as at March 31, 2021 would have resulted in a gain or loss in the amount of \$52,000 (March 31, 2021 – gain or loss of \$83,000).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Route1 Inc.

March 31, 2022 and 2021 (stated in Canadian dollars)

#### Interest rate

The Company has cash balances and bank indebtedness which may be exposed to interest rate fluctuations. At March 31, 2022, cash balances were \$480,873 (December 31, 2021 - \$62,568) and bank indebtedness was \$1,784,209 (December 31, 2021 – \$1,826,640).

#### 19. 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. At March 31, 2022, the Company had \$2,231,476 (December 31, 2021 \$2,684,836) in contract liabilities.

The following table provides a presentation of the Company's revenue streams for the quarter ended March 31, 2022 and 2021:

	2022		2021	
	Revenue	% of Total	Revenue	% of Total
Subscription revenue and services	\$1,911,292	40.7	\$2,757,540	41.7
Devices and appliances	2,781,237	59.2	3,786,392	57.3
Other	2,939	0.1	67,342	1.0
	<b>\$4,695,468</b>	<b>100.0</b>	<b>\$6,611,274</b>	<b>100.0</b>

The following table provides a geographic presentation of the Company's revenue streams for the year ended March 31, 2022 and 2021:

	2022		2021	
	Revenue	% of Total	Revenue	% of Total
USA	\$4,578,562	97.5	\$6,585,997	99.6
Canada & International	116,906	2.5	25,277	0.4
	<b>\$4,695,468</b>	<b>100.0</b>	<b>\$6,611,274</b>	<b>100.0</b>

The following table provides a geographic presentation of the Company's right-of-use assets, furniture and equipment and intangible assets for the periods ending March 31, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	Assets	% of Total	Assets	% of Total
USA	\$3,965,705	90.4	\$4,223,555	88.8
Canada	419,532	9.6	532,314	11.2
	<b>\$4,385,237</b>	<b>100.0</b>	<b>\$4,755,869</b>	<b>100.0</b>