Interim Condensed Consolidated Financial Statements of

Route1 Inc.

September 30, 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 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 September 30, 2022 and December 31, 2021
(stated in Canadian dollars)

	Note	September 30, 2022 Unaudited	December 31, 2021 Audited
Assets			
Current assets			
Cash and cash equivalents		**$102,966**	$62,568
Accounts receivable		**3,923,995**	4,396,886
Other receivables		**168,742**	186,573
Inventory		**794,928**	682,256
Prepaid expenses		**406,958**	330,584
Contract costs	11	**46,999**	66,763
Total current assets		**5,444,588**	5,725,630
Non-current assets			
Deferred tax asset		**1,484,000**	1,484,000
Right-of-use assets	5	**1,917,512**	1,634,969
Furniture and equipment	5	**571,003**	908,489
Intangible assets	6	**2,023,400**	2,212,411
Goodwill	7	**3,385,581**	3,131,422
Total non-current assets		**9,381,496**	9,371,291
Total assets		**$14,826,084**	$15,096,921
Liabilities			
Current liabilities			
Bank indebtedness	10	**2,392,904**	1,826,640
Accounts payable and other liabilities		**4,797,501**	4,564,165
Contract liability	11	**1,282,457**	2,632,310
Lease liabilities	4	**428,498**	377,967
Notes payable	12	**727,670**	1,161,851
Total current liabilities		**9,629,030**	10,562,933
Non-current liabilities			
Deferred tax liability		**378,674**	401,344
Contract liability	11	**31,807**	52,526
Lease liabilities	4	**1,577,698**	1,352,121
Total non-current liabilities		**1,988,179**	1,805,991
Total liabilities		**11,617,209**	12,368,924
Shareholders' equity			
Capital and reserve			
Common shares	13,14	**23,699,791**	23,700,961
Warrants	14	**-**	1,149,704
Contributed surplus – stock compensation reserve	14	**16,089,238**	15,879,054
Accumulated other comprehensive income (loss)		**185,574**	(77,771)
Deficit		**(36,765,728)**	(37,923,951)
Total shareholders' equity		**3,208,875**	2,727,997
Total shareholders' equity and liabilities		**$14,826,084**	$15,096,921

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

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

Route1 Inc.

For the three and nine months ended September 30, 2022 and 2021
(stated in Canadian dollars)

	Note	Three months ended September 30		Nine months ended September 30	
			Unaudited		Unaudited
		2022	2021	**2022**	2021
Revenue					
Subscription revenue and services	**20**	**$1,325,639**	$2,296,633	**$5,091,353**	$7,724,873
Devices and appliance	**20**	**5,518,858**	4,960,413	**13,550,798**	12,409,886
Other	**20**	**2,547**	30,587	**15,021**	101,925
Total revenue		**6,847,044**	7,287,633	**18,657,172**	20,236,684
Cost of revenue	**3**	**4,842,486**	4,696,188	**12,430,097**	11,786,508
Gross profit		**2,004,558**	2,591,444	**6,227,075**	8,450,176
Operating expenses					
General administration		**1,247,186**	1,517,909	**3,890,480**	4,441,510
Research and development		**121,427**	247,811	**600,649**	652,623
Selling and marketing		**433,450**	671,361	**1,294,538**	2,335,335
Total operating expenses before stock-based compensation		**1,802,063**	2,437,081	**5,785,667**	7,429,468
Stock-based compensation		**52,948**	104,610	**210,184**	478,217
Total operating expenses		**1,855,011**	2,541,691	**5,995,851**	7,907,685
Operating profit before other income (expense)		**149,547**	49,753	**231,223**	542,491
Other income (expense)					
Interest expense		**(81,297)**	(130,688)	**(191,411)**	(221,991)
Foreign exchange gain (loss)		**(6,291)**	64,013	**(19,378)**	51,668
Gain (loss) on asset disposal		**-**	-	**22,483**	(2,877)
Other expense		**-**	(11,020)	**(75,351)**	232,720
Acquisition expense		**-**	(39,656)	**-**	(78,617)
Total other income (expense)		**(87,588)**	(117,351)	**(263,657)**	(19,097)
Income (loss) before income taxes		**61,959**	(67,598)	**(32,433)**	523,394
Income tax recovery (expense)		**2,173**	6,288	**40,952**	13,994
Net income (loss) for the period		**64,132**	(61,310)	**8,519**	537,388
Other comprehensive income (loss)					
Foreign currency translation		**208,655**	118,613	**263,344**	29,464
Comprehensive income (loss)		**$272,787**	$57,303	**$271,863**	$566,852
Basic earnings (loss) per share	**16**	**$0.00**	($0.00)	**$0.00**	$0.01
Diluted earnings per share	**16**	**$0.00**	N/A	**$0.00**	$0.01
Weighted average number of common shares outstanding		**39,709,463**	39,719,246	**39,709,463**	39,501,583
Diluted average number of shares outstanding		**39,709,463**	N/A	**39,709,463**	40,586,803

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Route1 Inc.

For the three and nine months ended September 30, 2022 and 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	16	-	-	200,784	-	-	200,784
Exercise of warrants	15	534,000	(534,000)	-	-	-	-
Share repurchase costs	15	(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
Stock-based compensation	16	-	-	172,823	-	-	172,823
Repurchase of capital stock for cancellation	15	(115,362)	-	-	-	-	(115,362)
Comprehensive income (loss)		-	-	-	(55,057)	460,781	405,724
Balance at June 30, 2021		$23,786,212	$1,149,704	$15,685,144	($167,769)	($37,547,459)	$2,905,832
Repurchase of capital stock for cancellation	15	(82,751)	-	-	-	-	(82,751)
Stock-based compensation	16	-	-	104,610	-	-	104,610
Share repurchase costs	15	(2,500)	-	-	-	-	(2,500)
Comprehensive income (loss)		-	-	-	118,613	(61,310)	57,303
Balance at September 30, 2021		**$23,700,961**	**$1,149,704**	**$15,789,754**	**($49,156)**	**($37,608,769)**	**$2,982,494**

	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	14	-	-	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
Issuance Costs		(1,170)					(1,170)
Stock-based compensation	14	-	-	65,238	-	-	65,238
Warrant expiration			(1,149,704)			1,149,704	-
Comprehensive income (loss)		-	-	-	101,550	(56,685)	44,865
Balance at June 30, 2022		$23,699,791	$0	$16,036,290	($23,081)	($36,829,860)	$2,883,140
Stock-based compensation	14			52,948			52,948
Comprehensive income (loss)		-	-	-	208,655	64,132	272,787
Balance at September 30, 2022		**$23,699,791**	**$0**	**$16,089,238**	**$185,574**	**($36,765,728)**	**$3,208,875**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

Route1 Inc.

For the nine months ended September 30, 2022 and 2021
(stated in Canadian dollars)

	September 30, 2022	September 30, 2021
Net cash (outflow) inflow related to the following activities		
Operating activities		
Net income (loss)	**$8,519**	$537,388
Items not affecting cash and cash equivalents		
Depreciation and amortization	**1,007,230**	968,467
Interest accretion on notes payable	**3,827**	12,092
Interest on lease liabilities	**50,544**	55,306
Deferred taxes	**(40,952)**	(13,871)
Stock-based compensation	**210,184**	478,217
Net changes in working capital balances		
(Increase) decrease in accounts receivable	**808,192**	(1,755,294)
(Increase) decrease in other receivables	**29,234**	439,170
(Increase) decrease in inventory	**(72,659)**	226,640
(Increase) decrease in contract costs	**23,047**	105,032
(Increase) decrease in other assets	**-**	19,056
(Increase) decrease in prepaid expenses	**(71,817)**	53,384
Decrease in accounts payable and other liabilities	**(169,282)**	467,661
Increase (decrease) in contract liability	**(1,417,091)**	(16,704)
Net cash generated by operating activities	**368,976**	1,576,544
Investing activities		
Acquisition of furniture and equipment	**(7,600)**	(546,761)
Disposal of furniture and equipment	**22,483**	59,113
Acquisition of intangible assets	**(14,353)**	(35,665)
Cash paid in business combination	**-**	(1,637,220)
Cash acquired in business combinations	**-**	41,963
Other assets	**-**	(16,704)
Net cash generated by investing activities	**530**	(2,118,570)
Financing activities		
Issuance (repayment) of notes payable	**(447,958)**	(47,276)
Increase in/(repayment of) lease liabilities	**(359,226)**	(475,675)
Repurchase of common shares for cancellation	**-**	(198,113)
Share repurchase costs	**(1,170)**	(5,000)
Proceeds from bank indebtedness	**468,754**	823,719
Net cash used by financing activities	**(339,600)**	97,655
Net increase (decrease) in cash and cash equivalents for the period	**29,906**	(444,371)
Effects of exchange rate changes on cash	**10,492**	34,343
Cash and cash equivalents, beginning of period	**62,568**	1,137,474
Cash and cash equivalents, end of period	**$102,966**	$727,446

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 1801, Toronto, Ontario, M5C 1B5.

Route1 Inc. is an advanced North American engineering and professional services company using data capture technologies. The Company brings security and operations together with real-time actionable intelligence to enhance safety and security, drive greater profitability and improve operational efficiencies. With a deep-rooted background in software development, network operations, and cybersecurity, Route1 has ushered in a unique and valuable approach to the turn-key engineering and professional services arena. Route1's services follow a complete life-cycle model, ensuring the evolution of your technology to meet the client's desired outcomes.

With offices and staff in Boca Raton, FL, Scottsdale, AZ, Chattanooga, TN, Cincinnati, OH, Denver, CO 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.

On March 29, 2021 the Company completed the acquisition of 100% of the membership interests of DataSource Mobility, LLC. ("DSM"). There were no material events between acquisition date and March 31, 2021. DSM has been included in the Company's consolidated financial statements from April 1, 2021.

On September 15, 2021, the Company completed the acquisition of 100% of the outstanding shares of Spyrus Solutions, Inc. ("Spyrus"). Spyrus has been included in the Company's consolidated financial statements from the date of acquisition to September 30, 2021.

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 Spyrus Solutions Inc. ("Spyrus"). 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.

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 September 30, 2022, the cost of revenue recognized as an expense was $4,842,486 (September 30, 2021 - $4,696,188).

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.

September 30, 2022 and 2021 (stated in Canadian dollars)

The minimum annual basic rent commitments are as follows:

	September 30, 2022
2022	$168,310
2023	614,918
2024 and beyond	2,032,926
Minimum lease payments	2,816,154
Less: interest portion at rates between 3.81% and 8.25%	236,820
Net minimum lease payments	2,579,334
Less: Short-term or low value lease payments	573,138
	2,006,196
Less: current portion	428,498
Long-term portion	$1,577,698

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 September 30, 2022, the Company recognized $114,489 (September 30, 2021 - $119,621) of depreciation and $21,904 (September 30, 2021 - $16,980) 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:

	September 30, 2022
Short-term leases	-
Non-lease components	$105,257
	$105,257

September 30, 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
Additions	**484,700**	**7,601**	**-**	**492,301**
Additions from acquisition	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**
Effect of exchange rate changes	**174,996**	**-**	**31,667**	**206,663**
Balance at September 30, 2022	**3,079,122**	**2,885,304**	**728,883**	**6,693,309**

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)
Depreciation expense	**(313,126)**	**(273,593)**	**(81,951)**	**(668,670)**
Disposals	**-**	**-**	**-**	**-**
Effect of exchange rate changes	**(64,027)**	**-**	**(21,210)**	**(85,237)**
Balance at September 30, 2022	**(1,161,610)**	**(2,456,661)**	**(586,523)**	**(4,204,794)**

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
Balance at September 30, 2022	**$1,917,512**	**$428,643**	**$142,360**	**$2,488,515**

For the three months ended September 30, 2022, depreciation and amortization expense of $230,330 (September 30, 2021 - $230,383) was recognized in general administration expense.

For the nine months ended September 30, 2022, depreciation and amortization expense of $668,670 (September 30, 2021 - $744,890) was recognized in general administration expense.

September 30, 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	$158,473	$3,619,230
Additions		**14,353**	**-**		**-**	**14,353**
Effect of exchange rate changes	**-**	**-**	**133,518**	**36,015**	**12,864**	**182,395**
Balance at September 30, 2022	**193,408**	**1,192,938**	**1,778,552**	**479,745**	**171,337**	**3,815,978**

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	**(9,224)**	**(123,926)**	**(159,913)**	**(33,525)**	**(11,972)**	**(338,560)**
Effect of exchange rate changes	**-**	**-**	**(31,645)**	**(11,461)**	**(4,093)**	**(47,199)**
Balance at September 30, 2022	**(79,217)**	**(1,064,333)**	**(437,426)**	**(155,919)**	**(55,683)**	**(1,792,578)**

Net book value	Patents	Software	Customer Relationships	Vendor Relationships	Trademarks & Tradenames	Total Intangible Assets
Balance at December 31, 2021	$123,415	$238,177	$1,399,165	$332,797	$118,857	$2,212,411
Balance at September 30, 2022	**$114,191**	**$128,605**	**$1,341,126**	**$323,826**	**$115,654**	**$2,023,400**

For the three months ended September 30, 2022, depreciation and amortization expense of $109,857 (September 30, 2021 - $80,096) was recognized in general administration expense.

For the nine months ended September 30, 2022, depreciation and amortization expense of $338,560 (September 30, 2021 - $223,277) was recognized in general administration expense.

September 30, 2022 and 2021 (stated in Canadian dollars)

7. GOODWILL

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

Balance, December 31, 2021	$3,131,422
Effect of exchange rates	**254,159**
Balance at September 30, 2022	**$3,385,581**

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. 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 USD $1,300,000 cash paid at closing (CAD $1,637,220). The USD/CAD exchange rate on March 29, 2021 was US $1 = CAD $1.2594.

Based in Clarksville, Tennessee, 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. No Material transactions have occurred between the acquisition date and September 30, 2021. The goodwill recorded on the balance sheet represents the purchase price paid in excess of the fair value of the assets. Transaction costs of $864 related to the acquisition of DSM have been expensed and included in operating expenses in the consolidated statements of comprehensive income for the period ended September 30, 2021.

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.

September 30, 2022 and 2021 (stated in Canadian dollars)

Assets Acquired	US Dollars	Canadian Dollars
Cash and cash equivalents	$20,632	$25,984
Accounts receivable	182,094	229,329
Prepaid expenses	4,750	5,982
Capital assets	1,000	1,258
Intangible assets	450,153	566,924
Goodwill	808,777	1,018,574
Total assets	1,467,406	1,848,051
Liabilities Assumed		
Accounts payable and other liabilities	163,520	205,937
Accrued liabilities	3,886	4,894
Total liabilities	167,406	210,831
Fair value of net assets acquired	1,300,000	1,637,220
Net Consideration Issued	$1,300,000	$1,637,220

9. BUSINESS COMBINATION – Spyrus Solutions, Inc.

On September 15, 2021, the Company completed the acquisition of 100% of the outstanding shares of Spyrus Solutions, Inc. The prior owners of Spyrus received no cash consideration on the date of the acquisition as the Company agreed to the assumption of certain liabilities related to unpaid employee wages and obligations of approximately US $0.58 million with US $0.22 million paid at closing and the balance to be paid out over the subsequent 12 months. Route1 has also agreed to pay the prior owners of Spyrus additional compensation based on certain gross profit metrics being met (the “Earnout”). The Earnout payment for calendar years 2021 to 2024 will work as follows: (1) From date of closing to Dec 31, 2021, the prior owners will receive 20% of Spyrus’ gross profit above US $1 million; and (2) For each of the calendar years 2022, 2023 and 2024, the prior owners will receive 20% of Spyrus’ gross profit once a minimum gross profit threshold of US $1.5 million is met. If the gross profit in any one year exceeds US $2.5 million, the Earnout percentage increases from 20% to 25%. The USD/CAD exchange rate on September 15, 2021 was US $1 = CAD $1.2651.

Based in San Jose, California, Spyrus develops and manufactures cryptographic products, including the SPYCOS smart card operating system, enabling strong protection for data-in-motion, data-at-rest and data-in-process. For more than 20 years, Spyrus has delivered encryption, authentication, and digital content security products to U.S. defense and civilian agencies, international government, financial, and healthcare enterprises.

The acquisition of Spyrus 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 September 15, 2021.

The table below summarizes the estimated fair values of the major classes of assets acquired and liabilities assumed.

September 30, 2022 and 2021 (stated in Canadian dollars)

Assets Acquired	**US Dollars**	**Canadian Dollars**
Cash and cash equivalents	$12,631	$15,979
Accounts receivable	230,605	291,738
Prepaid expenses	1,391	1,760
Inventory	255,397	323,103
Contract costs	49,713	62,892
Intangible Assets	291,718	369,052
Total assets	841,455	1,064,524
Liabilities Assumed		
Accounts payable and other liabilities	451,755	571,515
Deferred revenue	109,700	138,781
Notes payable	280,000	354,228
Total liabilities	841,455	1,064,524
Fair value of net assets acquired	-	-
Net Consideration Issued	$-	$-

10. 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 September 30, 2022, the interest rate was 6.95% (December 31, 2021 – 3.95%). The credit facility is secured by the assets of Route1 Inc. and guaranteed by GMI. As at September 30, 2022, the balance drawn on the revolving demand facility was $1,109,242. (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 September 30, 2022, the interest rate was 6.75% (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 September 30, 2022, the balance drawn on the revolving demand facility was $1,283,662 (December 31, 2021 - $951,640). PCS is required to maintain a Fixed Charge Coverage Ratio equal to or greater than 1.10:1.

September 30, 2022 and 2021 (stated in Canadian dollars)

11. CONTRACT LIABILITIES AND CONTRACT COSTS

Contract liabilities are comprised of:

	September 30, 2022	December 31, 2021
Balance, beginning of year	**$2,684,836**	$3,727,274
Revenue deferred in previous period and recognized in current period	**(2,532,320)**	(3,538,771)
Business acquisition	**-**	138,781
Revenue deferred on business acquisition and recognized in current period	**-**	(60,542)
Net additions arising from operations	**1,117,918**	2,406,068
Effect of exchange rates	**43,830**	12,026
Total contract liability	**$1,314,264**	$2,684,836

Revenue to be recognized in the future:

Within one year	**$1,282,457**	$2,632,310
Between two to five years	**31,807**	52,526
Total	**$1,314,264**	$2,684,836

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 September 30, 2022, the balance was $46,999 (December 31, 2021 - $66,763).

12. NOTES PAYABLE

	September 30, 2022	December 31, 2021
Promissory Note A (US $90,000, 2021 US $90,000)	**$-**	$114,102
Amended Promissory Note A (US $92,700)	**95,298**	-
Promissory Note B (US $Nil, 2021 US $120,000)	**-**	152,136
	95,298	266,238
Less: unamortized deferred debt discount	**-**	(2,997)
	95,298	263,241
Promissory Note C	**632,372**	632,372
Promissory Note D	**0**	266,238
	727,670	1,161,851
Less: current portion of notes payable	**(727,670)**	(1,161,851)
Long-term portion	**$-**	$-

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US $1 = C $1.3707 (December 31, 2021 – US $1 = C $1.2678).

September 30, 2022 and 2021 (stated in Canadian dollars)

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

On June 28, 2022, Promissory Note A in the amount of US $92,700 was amended to provide for repayment at a rate of US $7,725 per month for the 12 months ending June 28, 2023 plus interest at a rate of 6% per annum on the declining balance. All other terms remain the same.

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 September 30, 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 (Promissory 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 September 30, 2022 the balance owing on the notes is $0 (US $0) – December 31, 2021 - $266,238 (US $210,000).

Principal debt repayment for the remainder of the current fiscal year is as follows:

	Cash Repayment	Reduction of Recorded Liability
2022	$653,549	$653,549

September 30, 2022 and 2021 (stated in Canadian dollars)

13. SHARE REPURCHASE PROGRAM

On September 28, 2020, the Company received approval from the TSX Venture Exchange to make a Normal Course Issuer Bid ("2020 NCIB"). The NCIB permitted the Company to purchase for cancellation up to 5% of the common shares in the public float. The maximum number of shares allowed for repurchase was 1,755,980. Purchases under the 2020 NCIB occurred during the 12-month period that was commenced September 27, 2020 and ended September 26, 2021.

Purchases for cancellation under this particular 2020 NCIB during the period January 1, 2021 to September 26, 2021 were 340,000 common shares at an average price of $0.58 per common share.

On September 28, 2021, the Company received approval from the TSX Venture Exchange to make another NCIB ("2021 NCIB"). The 2021 NCIB permitted the Company to purchase for cancellation up to 5% of the common shares in the public float. The maximum number of shares allowed for repurchase was 1,985,473. Purchases under the 2021 NCIB occurred during the 12-month period that was commenced September 28, 2021 and ended September 27, 2022. There were no purchases for cancellation under the 2021 NCIB during the period from September 28, 2021 to December 31, 2021.

For the period January 1, 2022 to September 27, 2022, the Company purchased no shares for cancellation under the 2021 NCIB.

14. 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.

	Number of Common Shares	Common Shares $
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	39,709,463	$23,700,961
Share repurchase costs	-	(1,170)
Balance, September 30. 2022	**39,709,463**	**$23,699,791**

September 30, 2022 and 2021 (stated in Canadian dollars)

- There are 2,925,000 common share purchase options ("Options") outstanding to acquire 2,925,000 common shares at various prices.

Private Placement of Common Shares and Warrants

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 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
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, 2020	3,000,000	$534,000
Issued	3,574,411	1,191,889
Issuance Costs	-	(42,185)
Balance, December 31, 2020	6,574,411	1,683,704
Exercised	(3,000,000)	(534,000)
Balance, June 30, 2021	3,574,411	$1,149,704
Expired unexercised	(3,574,411)	($1,149,704)
Balance, September 30, 2022	**NIL**	**$NIL**

September 30, 2022 and 2021 (stated in Canadian dollars)

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:

	September 30, 2022		December 31, 2021	
Options Outstanding	**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)**	**1.05**	(550,000)	0.64
Balance, end of the period	**2,925,000**	**$0.58**	3,225,000	$0.60

	Options Outstanding September 30, 2022		Options Exercisable September 30, 2022	
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Remaining Contractual Life (Years)
$0.50	**650,000**	**3.6**	**100,000**	**1.0**
$0.55	**200,000**	**0.9**	**200,000**	**0.9**
$0.62	**300,000**	**2.9**	**90,000**	**2.9**
$0.65	**500,000**	**1.6**	**500,000**	**1.6**
$0.68	**1,275,000**	**2.6**	**765,000**	**2.6**
	2,925,000	**2.5**	**1,655,000**	**2.0**

September 30, 2022 and 2021 (stated in Canadian dollars)

	Options Outstanding December 31, 2021		Options Exercisable December 31, 2021	
Exercise Price	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
	3,225,000	3.2	1,372,500	2.6

For the quarter ended September 30, 2022, the Company recorded stock-based compensation expense of $52,948 (September 30, 2021 - $104,610).

For the nine months ended September 30, 2022, the Company recorded stock-based compensation expense of $210,184 (September 30, 2021 - $478,217).

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

	2021
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	Nil
Fair value of options issued during the period	$0.104 - $0.404

September 30, 2022 and 2021 (stated in Canadian dollars)

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.

	September 30, 2022	December 31, 2021
Balance, beginning of the period	**$15,879,054**	$15,311,537
Options expensed in the period	**210,184**	567,517
Options exercised in the period	**-**	-
Balance, end of the period	**$16,089,238**	$15,879,054

15. 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 $75,422 for the quarter (September 30, 2021 - $123,569) and for the nine-month period ended September 30, 2022 $283,622 (September 30, 2021 - $338,808). These transactions are in the normal course of operations and are paid or payable for directorship services. As at September 30, 2022, accounts payable included $278,778 owing to directors (September 30, 2021 - $140,259). The Company also incurred stock-based compensation expense related to stock options granted to directors in the amount of $10,253 and $53,817 respectively for the quarter and nine-month periods ended September 30, 2022 (September 30, 2021 - $29,760 and $119,654).
- The Company made payments (including HST) to Chodos Capital Group Inc. for management services provided by Mr. Peter Chodos, a director and the Chief Financial Officer of the Company, in the amount of $72,575 for the quarter ended September 30, 2022 (September 30, 2021 - $nil) and for the nine-month period ended September 30, 2022 $233,035 (September 30, 2021 - $nil). As at September 30, 2022, accounts payable included $15,276 owing to Mr. Chodos (September 30, 2021 - $nil). The Company also incurred stock-based compensation expenses related to stock options granted to Mr. Chodos in the amount of $17,154 (September 30, 2021 -$nil). Prior to November 1, 2021, Mr. Chodos was employed by the Company and payments made are included as part of key management. Payments made to Mr. Chodos as an independent contractor are not included as part of key management.
- The Company made payments to or incurred expenses for key management employees (President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer) in the quarter and nine-month period ended September 30, 2022 as follows, with 2021 comparatives:

September 30, 2022 and 2021 (stated in Canadian dollars)

	Three months ended September 30, 2022	Three months ended September 30, 2021	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
Short-term employee benefit	**$188,555**	$329,452	**$560,342**	$1,047,262
Stock-based compensation expense	**$16,599**	52,205	**$71,454**	219,591
	$205,154	$381,657	**$631,769**	$1,266,583

- As at September 30, 2022, accounts payable included $56,951 owing to the President and Chief Executive Officer and Executive Vice President and Chief Operating Officer (September 30, 2021 - $nil).

16. 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. The Company uses the treasury stock method to calculate diluted earnings per share. 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 September 30, 2022, the dilution calculation did not increase the diluted average number of shares outstanding. For the period ending September 30, 2021, the dilution calculation increased the fully diluted weighted average number of shares outstanding to 40,586,803 resulting in a diluted earnings per share of $0.01.

	Three months ended September 30, 2022	Three months ended September 30, 2021	**Nine months ended September 30, 2022**	Nine months ended September 30, 2021
Net income (loss)	**$64,132**	($61,310)	**$8,519**	$537,388
Weighted average number of common shares outstanding	**39,709,463**	39,719,246	**39,709,463**	39,501,583
Diluted weighted average number of common shares outstanding	**39,709,463**	N/A	**39,709,463**	40,586,803
Basic income (loss) per common share	**$0.00**	($0.00)	**$0.00**	$0.01
Diluted income per common share	**$0.00**	N/A	**$0.00**	$0.01

17. 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.

18. 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 $39,789,029 at September 30, 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 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.

19. 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 Spyrus on September 15, 2021 which could require a payment to the previous owners of Spyrus should the gross profit exceed certain targets. For more information, see Note 10 to these financial statements.

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 considers 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.

The Company's financial instruments and the nature of the risks to which they may be subject are set out in the following table:

September 30, 2022 and 2021 (stated in Canadian dollars)

	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, considering their financial position, past experience and other factors. During the quarter ended September 30, 2022, the largest single customer represented approximately $2,251,588 of revenue (September 30, 2021 - $1,367,000).

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 September 30, 2022, the Company had cash consisting of deposits with a Schedule 1 bank in Canada, a large money centre bank in the U.S. and two large regional banks in the U.S. of $102,966 (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 September 30, 2022, the largest single customer's account receivable represented $1,556,053 (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.

September 30, 2022 and 2021 (stated in Canadian dollars)

The following table outlines the details of the aging of the Company's accounts receivables as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Current	**$2,797,053**	$3,452,297
Past due		
1 – 60 days	**862,929**	675,991
Greater than 60 days	**264,013**	268,598
Total accounts receivable, net	**$3,923,995**	$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 September 30, 2022:

	2022	**2023**	**2024 and beyond**	**Total**
Accounts payable and other liabilities	$4,797,501	$-	$-	$4,797,501
Notes payable	727,670	-	-	727,670
Lease commitments	168,310	614,918	2,032,926	2,816,154
	$5,693,481	$614,918	$2,032,926	$8,341,325

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 September 30, 2022, the Company had non-Canadian dollar net monetary liabilities of approximately US $1,065,315 (September 30, 2021 – assets of approximately US $92,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as at September 30, 2022 would have resulted in a gain or loss in the amount of $73,011 (September 30, 2021 – gain or loss of $5,900).

September 30, 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 September 30, 2022, cash balances were $102,966 (December 31, 2021 - $62,568) and bank indebtedness was $2,392,904 (December 31, 2021 – $1,826,640).

20. 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 September 30, 2022, the Company had $1,314,264 (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 September 30, 2022 and 2021:

	2022		2021	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and services	**$1,325,639**	**19.4**	$2,296,633	31.5
Devices and appliances	**5,518,858**	**80.6**	4,960,413	68.1
Other	**2,547**	**0.00**	30,587	0.4
	$6,847,044	**100.0**	$7,287,633	100.0

The following table provides a presentation of the Company's revenue streams for the nine-month period ended September 30, 2022 and 2021:

	2022		2021	
	Revenue	**% of Total**	Revenue	% of Total
Subscription revenue and services	**$5,091,353**	**27.3**	$7,724,873	38.2
Devices and appliances	**13,550,798**	**72.6**	12,409,886	61.3
Other	**15,021**	**0.1**	101,925	0.5
	$18,657,172	**100.0**	$20,236,684	100.0

The following table provides a geographic presentation of the Company's revenue streams for the quarter ended September 30, 2022 and 2021:

	2022		2021	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$6,789,142**	**99.1**	$7,272,912	99.8
Canada	**57,902**	**0.9**	14,721	0.2
	$6,847,044	**100.0**	$7,287,633	100.0

September 30, 2022 and 2021 (stated in Canadian dollars)

The following table provides a geographic presentation of the Company's revenue streams for the nine-month period ended September 30, 2022 and 2021:

	2022		2021	
	Revenue	**% of Total**	Revenue	% of Total
USA	**$18,472,618**	**99.0**	$20,176,566	99.7
Canada	**184,554**	**1.0**	60,118	0.3
	$18,657,172	**100.0**	$20,236,684	100.0

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 September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Assets	**% of Total**	Assets	% of Total
USA	**$3,744,889**	**83.0**	$4,223,555	88.8
Canada	**767,026**	**17.0**	532,314	11.2
	$4,511,915	**100.0**	$4,755,869	100.0

21. SUBSEQUENT EVENT

On October 25, 2022, Route1 entered into an amending agreement (the "Amendment") with the private lender for Promissory Note C. The Promissory Note C at the time of the Amendment had a principal sum outstanding of CAD $632,347. As part of the Amendment, Route1 agreed to a renewal fee with the private lender of CAD $12,647. The amended maturity date for the promissory is April 30, 2024. The note bears interest at 12% per annum and has a monthly repayment schedule. All other terms remain the same. See Note 12 for additional information.