



Interim Condensed Consolidated Financial Statements of

Route1 Inc.

For the three and six months ended June 30, 2026, and 2025

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 Standard 34, Interim Financial Reporting (IAS 34), using accounting policies consistent with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board.

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 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 of June 30, 2026, and December 31, 2025 (stated in Canadian dollars)

	Note	June 30, 2026 Unaudited	December 31, 2025 Audited
Assets			
Current assets			
Cash and cash equivalents	15	\$32,311	\$32,565
Accounts receivable	15	1,841,042	2,239,220
Other receivables		253,283	201,787
Inventory	3	347,167	331,079
Prepaid expenses		135,266	151,204
Total current assets		2,609,070	2,955,855
Non-current assets			
Right-of-use assets	5	341,891	482,671
Furniture and equipment	5	-	48,733
Intangible assets	6	1,263,367	1,261,003
Goodwill	7	3,509,820	3,385,334
Total non-current assets		5,115,078	5,177,741
Total assets		\$7,724,148	\$8,133,596
Liabilities			
Current liabilities			
Bank indebtedness	8	\$2,279,323	\$2,105,625
Accounts payable and other liabilities	12	4,063,795	4,106,607
Contract liability	9	932,564	1,065,354
Lease liabilities	4	242,553	322,455
Notes payable	10	284,171	229,083
Total current liabilities		7,802,405	7,829,126
Non-current liabilities			
Bank indebtedness	8	\$65,000	\$325,000
Contract liability	9	583	-
Lease liabilities	4	153,395	223,108
Notes payable	10	272,773	157,400
Total non-current liabilities		491,750	705,508
Total liabilities		8,294,155	8,534,633
Shareholders' equity (deficiency)			
Common shares	11	\$24,034,060	\$24,078,859
Contributed surplus - stock compensation reserve	11	17,355,988	17,355,988
Warrant reserve	11	215,024	215,024
Accumulated other comprehensive income	11	245,330	286,269
Deficit		(42,420,410)	(42,337,176)
Total shareholders' equity (deficiency)		(570,007)	(401,036)
Total shareholders' equity and liabilities		\$7,724,148	\$8,133,596

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

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

Route1 Inc.

For the three and six months ended June 30, 2026, and 2025 (stated in Canadian dollars)

	Note	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Revenue					
Subscription revenue and services	16	\$1,151,117	\$1,465,662	\$2,131,833	\$2,372,423
Devices and appliances	16	1,246,097	2,233,203	2,818,014	3,552,607
Other	16	1,565	(8,272)	16,028	(379)
Total revenue		2,398,779	3,690,592	4,965,875	5,924,651
Cost of revenue	3	1,313,439	2,342,628	2,873,467	3,666,253
Gross profit		1,085,340	1,347,964	2,092,408	2,258,398
Operating expenses					
General administration	5, 6, 12	942,166	979,787	1,844,991	1,981,460
Research and development		2,819	54,617	5,515	67,235
Selling and marketing		267,947	239,183	423,947	530,546
Total operating expenses		1,212,932	1,273,587	2,274,453	2,579,241
Operating income (loss) before other income (expense)		(127,591)	74,376	(182,045)	(320,843)
Other income (expense)					
Interest expense		(66,310)	(104,599)	(132,059)	(198,790)
Foreign exchange gain (loss)		26,968	(96,631)	59,281	(78,165)
Inventory write-off		-	-	(3,955)	-
Gain on sale of employee retention credits	17	179,155	90,623	188,646	347,764
Total other income (expense)		139,813	(110,607)	111,913	70,809
Income (loss) before income taxes		12,222	(36,232)	(70,132)	(250,034)
Income tax expense	18	13,101	25,262	13,101	25,565
Net income (loss) for the period		\$(879)	\$(61,494)	\$(83,232)	\$(275,599)
Other comprehensive income (loss)					
Foreign currency translation		(50,458)	70,237	(40,939)	49,962
Comprehensive income (loss)		\$(51,337)	\$8,743	\$(124,171)	\$(225,637)
Basic and diluted income (loss) per share		(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)
Weighted average number of common shares outstanding		46,873,820	42,497,156	46,873,820	42,497,156

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Route1 Inc.

For the six months ended June 30, 2026, and 2025 (stated in Canadian dollars)

	Note	Common shares	Contributed surplus and warrant reserve	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance on January 1, 2025		\$23,994,270	\$17,355,988	\$252,341	\$(41,986,418)	\$(383,819)
Stock-based compensation	11	-	-	-	-	-
Comprehensive income (loss) - Q1		-	-	(20,275)	(214,105)	(234,380)
Balance on March 31, 2025		23,994,270	17,355,988	232,068	(42,200,525)	(618,199)
Stock-based compensation	11	-	-	-	-	-
Comprehensive income (loss) - Q2		-	-	70,237	(61,494)	8,743
Balance on June 30, 2025		\$23,994,270	\$17,355,988	\$302,305	\$(42,262,019)	\$(609,456)
Balance on January 1, 2026		\$24,078,859	\$17,571,012	\$286,269	\$(42,337,176)	\$(401,036)
Share issuance costs	11	(44,799)	-	-	-	(44,799)
Comprehensive income (loss) - Q1		-	-	9,518	(82,353)	(72,835)
Balance on March 31, 2026		24,034,060	17,571,012	295,788	(42,419,531)	(518,671)
Stock-based compensation	11	-	-	-	-	-
Comprehensive income (loss) - Q2		-	-	(50,458)	(879)	(51,337)
Balance on June 30, 2026		\$24,034,060	\$17,571,012	\$245,330	\$(42,420,410)	\$(570,007)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Route1 Inc.

For the six months ended June 30, 2026, and 2025 (stated in Canadian dollars)

	Note	Six months ended June 30, 2026	Six months ended June 30, 2025
Operating activities			
Net loss		\$(83,232)	\$(275,599)
Items not affecting cash and cash equivalents			
Depreciation and amortization	5, 6	350,609	399,614
Interest on lease liabilities	4	15,720	24,585
Stock-based compensation	11	-	-
Net changes in working capital balances			
Accounts receivable		426,849	132,166
Other receivables		(1,044)	26,971
Inventory		(5,971)	33,153
Prepaid expenses		40,908	87
Accounts payable and other liabilities		(175,973)	(220,677)
Contract liability		(164,845)	(26,738)
Net cash generated by (used in) operating activities		403,021	93,562
Investing activities			
Acquisition of furniture and equipment	5	-	-
Acquisition of intangible assets	6	(160,763)	-
Employee retention credits	17	-	(98,552)
Net cash used in investing activities		(160,763)	(98,552)
Financing activities			
Net proceeds from (repayment of) notes payable	10	152,390	32,581
Repayment of lease liabilities	4	(170,858)	(225,393)
Proceeds from (repayment of) bank indebtedness	8	(142,082)	145,775
Net cash provided by (used in) financing activities		(160,550)	(47,037)
Net increase (decrease) in cash and cash equivalents for the period		81,709	(52,028)
Effects of exchange rate changes on cash		(81,963)	29,567
Cash and cash equivalents, beginning of the period		32,565	86,607
Cash and cash equivalents, end of the period		\$32,311	\$64,146

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

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 provides turn-key engineering and professional services through a complete life-cycle model.

With offices and staff in Scottsdale, Arizona, and Toronto, Canada, Route1 provides solutions to public and private sector clients. Route1 is listed on the TSX Venture Exchange under the symbol ROI.

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board. Certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted. 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, 2025.

The accounting policies applied in preparing 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, 2025. Effective January 1, 2026, the Company adopted the amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, relating to the classification and measurement of financial instruments. The adoption of these amendments did not have a material effect on the Company's interim condensed consolidated financial statements.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Interim results are not necessarily indicative of results for a full year.

The Company's operations are not considered materially seasonal. Quarterly revenue and operating results may nevertheless fluctuate because of the timing and size of orders for devices and appliances, customer procurement cycles and professional service engagements.

At June 30, 2026, the Company had a working capital deficiency of \$5,193,335, an accumulated deficit of \$42,420,410 and a shareholders' deficiency of \$570,007. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent on collecting accounts receivable as they become due, generating positive cash flows from operations and obtaining additional financing when required. Management's plans include continued working-capital management, collection of outstanding receivables, execution of contracted and prospective revenue opportunities and the pursuit of additional debt or equity financing. There can be no assurance that these actions will be successful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

3. INVENTORY AND COST OF REVENUE

	June 30, 2026	December 31, 2025
Inventory, net	\$347,167	\$331,079

The Company's inventory includes MobiKEY-related inventory, PocketVault finished products and raw materials, license plate recognition technology project inventory, warranty replacement inventory and other rugged device and information technology inventory. Warranty replacement inventory is included within inventory and is not separately presented.

During the second quarter of 2026, the Company identified inventory with a gross carrying amount of \$39,932 that had previously been transferred to furniture and equipment in error. The amount was reclassified to inventory and written off against the Company's existing inventory obsolescence allowance. The correction did not affect loss for the period or cash flows.

Cost of revenue includes the cost of devices, third-party licenses, travel and salaries of staff related to field services and operations, hosting of MobiNET and royalty-related fees.

For the six months ended June 30, 2026, cost of revenue recognized as an expense was \$2,873,467 (2025 - \$3,666,253).

4. LEASES

The Company has entered into premises lease agreements for office locations. In addition to basic monthly rents, certain leases require the Company to pay a proportionate share of property taxes, operating costs, utilities and additional services.

Six months ended June 30, 2026	
Lease liability, beginning of period	\$545,563
Lease payments	(170,858)
Interest expense	15,720
Foreign exchange and other adjustments	5,523
Lease liability, end of period	\$395,948

At June 30, 2026, the Company's active premises leases were the Toronto and Scottsdale locations.

The recognized lease liabilities are payable as follows:

	June 30, 2026
Within one year	\$242,553
Between one and five years	153,395
Total lease liabilities	\$395,948

The office locations have been recognized in right-of-use assets at the present value of minimum lease payments, less accumulated amortization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

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:

	Six months ended June 30, 2026	Six months ended June 30, 2025
Non-lease payments	\$48,322	\$245,912

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

Cost	Right-of-use assets	Computer equipment	Furniture & equipment	Total
Balance on January 1, 2026	\$2,982,860	\$2,787,802	\$777,503	\$6,548,165
Additions	-	-	-	-
Effect of exchange-rate changes	82,179	-	17,299	99,478
Balance on June 30, 2026	\$3,065,039	\$2,787,802	\$794,802	\$6,647,643

Accumulated depreciation and amortization	Right-of-use assets	Computer equipment	Furniture & equipment	Total
Balance on January 1, 2026	\$(2,500,189)	\$(2,787,802)	\$(728,770)	\$(6,016,761)
Depreciation and amortization expense	(149,617)	-	(48,733)	(198,350)
Effect of exchange-rate changes	(73,342)	-	(17,299)	(90,641)
Balance on June 30, 2026	\$(2,723,148)	\$(2,787,802)	\$(794,802)	\$(6,305,752)

Net Book value	Right-of-use assets	Computer equipment	Furniture & equipment	Total
Balance on December 31, 2025	\$482,671	\$-	\$48,733	\$531,404
Balance on June 30, 2026	\$341,891	\$-	\$-	\$341,891

For the six months ended June 30, 2026, depreciation and amortization expense associated with right-of-use assets, furniture and equipment was \$198,350 (2025 - \$198,045), of which \$149,617 related to right-of-use assets.

6. INTANGIBLE ASSETS

Cost	Patents	Computer software	Customer relationships	Vendor relationships	Trademarks & tradenames	Total
Balance on January 1, 2026	\$193,408	\$1,851,918	\$1,778,422	\$479,710	\$171,325	\$4,474,783
Additions	5,859	154,904	-	-	-	160,763
Effect of exchange-rate changes	-	12,695	65,397	17,640	6,300	102,032
Balance on June 30, 2026	\$199,267	\$2,019,517	\$1,843,819	\$497,350	\$177,625	\$4,737,578

Accumulated amortization and impairment	Total intangible assets
Balance on January 1, 2026	\$(3,213,780)
Amortization expense	(152,259)
Effect of exchange-rate changes	(108,172)
Balance on June 30, 2026	\$(3,474,211)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

Net book value	Total intangible assets
Balance on December 31, 2025	\$1,261,003
Balance on June 30, 2026	\$1,263,367

For the six months ended June 30, 2026, amortization expense of \$152,259 (2025 - \$201,569) was recognized in general administration expense.

7. GOODWILL

	Amount
Balance, January 1, 2026	\$3,385,334
Effect of exchange rate	124,486
Balance as of June 30, 2026	\$3,509,820

Goodwill is tested for impairment annually or when events or changes in circumstances indicate that its carrying value may exceed its recoverable amount. Goodwill is tested at the cash-generating-unit level, which is comprised of PCS.

Management concluded that no goodwill impairment indicators existed at June 30, 2026. The December 31, 2025 annual impairment assessment remains the most recent completed impairment test.

8. BANK INDEBTEDNESS

On October 1, 2025, Route1 entered into a revised credit agreement with its primary Canadian lender. On March 17, 2026, the Company entered into an accommodation agreement that revised the repayment schedule. From February 2026 to July 2026, principal was to be reduced by \$25,000 per month plus accrued interest. From August 2026 to June 2027, principal is to be reduced by \$60,000 per month plus accrued interest, followed by a final principal payment in July 2027.

At June 30, 2026, the Canadian facility balance was \$750,000, of which \$685,000 was classified as current and \$65,000 as non-current. The facility bears interest at the lender's prime rate plus 1.5%; the interest rate at June 30, 2026 was 5.95%. The facility is secured by the assets of Route1 Inc. and guaranteed by GMI and PCS.

PCS has an asset-based revolving credit facility with maximum availability of US \$1,200,000. The facility bears interest at 0.50% above the prime rate published in The Wall Street Journal; the interest rate at June 30, 2026 was 7.25%. At June 30, 2026, the balance drawn was US \$1,121,972, or CAD \$1,594,323 using the June 30 spot rate of 1.4210, and was classified as current. PCS met the fixed-charge coverage covenant at June 30, 2026.

9. CONTRACT LIABILITIES

Six months ended June 30, 2026	
Contract liabilities balance, beginning of period	\$1,065,354
Revenue deferred in previous periods and recognized in the current period	(927,431)
Net additions arising from operations and foreign exchange	795,224
Contract liabilities balance, end of period	\$933,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

Revenue to be recognized in the future	June 30, 2026	December 31, 2025
Within one year	\$932,564	\$1,065,354
Between two to five years	583	-
Total	\$933,147	\$1,065,354

Contract liabilities are comprised principally of software subscriptions and support contracts for license plate recognition technology customers.

10. NOTES PAYABLE AND TERM LOANS

	June 30, 2026	December 31, 2025
Term Loan D	\$247,518	\$317,954
Term Loan F	309,425	-
Promissory Note E	-	68,530
Total notes payable and term loans	\$556,943	\$386,483
Less: current portion	284,171	229,083
Long-term portion	\$272,773	\$157,400

The movement in notes payable and term loans was as follows:

	Six months ended June 30, 2026
Balance, beginning of period	\$386,483
Proceeds from Term Loan F	339,050
Principal repayments	(186,660)
Effect of exchange-rate changes	18,070
Balance, end of period	\$556,943

Term Loan D is a 36-month amortizing bank loan originally issued in November 2024 in the amount of US \$350,000, bearing interest at 6.75% and maturing on November 25, 2027.

Term Loan F is a 36-month amortizing bank loan issued on January 23, 2026 in the amount of US \$250,000, bearing interest at 6.75% and maturing on January 23, 2029.

The June 30, 2026 balances reflect scheduled principal repayments and foreign-exchange movements during the six-month period. The current and non-current portions are presented above.

11. SHARE CAPITAL, WARRANTS AND CONTRIBUTED SURPLUS

The Company's authorized share capital consists of an unlimited number of common shares with voting rights and no-par value, and the preferred-share classes described in the December 31, 2025 audited consolidated financial statements.

	Number of common shares	Common shares \$
Balance, December 31, 2025	46,873,820	\$24,078,859
Share issuance costs	-	(44,799)
Balance, June 30, 2026	46,873,820	\$24,034,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

The Company completed private placements in November and December 2025. There were no warrant issuances, exercises or expirations during the six months ended June 30, 2026. The warrants outstanding at June 30, 2026 were as follows:

Issue date	Investor warrants	Broker warrants	Exercise price	Expiry date
November 19, 2025	3,123,331	117,500	\$0.10	May 19, 2027
December 12, 2025	1,253,333	-	\$0.10	June 12, 2027

Options outstanding	Number of options	Weighted average exercise price
Balance, beginning of the year	250,000	\$0.50
Options expired during the period	-	-
Balance, end of the period	250,000	\$0.50

There were no common-share issuances, warrant issuances or warrant exercises during the second quarter of 2026. At June 30, 2026, 250,000 stock options remained outstanding and exercisable at an exercise price of \$0.50 per share, with an approximate remaining contractual life of 0.3 years.

Contributed surplus	June 30, 2026	December 31, 2025
Balance, beginning of the year	\$17,355,988	\$17,355,988
Options expensed in the period	-	-
Balance, end of the period	\$17,355,988	\$17,355,988

No dividends were declared or paid during the six months ended June 30, 2026 or 2025.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has directors and officers who are considered related parties. Transactions are recorded at their exchange amounts.

The Company incurred expenses payable to and on behalf of the independent members of the Board of Directors of \$39,550 for the three months ended June 30, 2026 and \$78,636 for the six months ended June 30, 2026 (2025 - \$39,152 and \$80,285, respectively). These transactions were incurred in the normal course of operations and were paid or payable for directorship services. At June 30, 2026, accrued liabilities included \$399,958 owing to directors (December 31, 2025 - \$439,423). The Company incurred no stock-based compensation expense related to stock options held by independent directors during either period.

The Company made payments, including applicable taxes, to Chodos Capital Group Inc. for management services provided by Mr. Peter Chodos, a director and former Chief Financial Officer of the Company, of \$42,375 for the three months ended June 30, 2026 and \$93,225 for the six months ended June 30, 2026 (2025 - \$50,850 and \$101,700, respectively). The Company incurred no stock-based compensation expense related to stock options held by Mr. Chodos during either period. Payments made to Mr. Chodos as an independent contractor are not included as part of key management compensation.

The Company made payments to or incurred expenses for key management personnel as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Short-term employee benefits	\$197,752	\$174,796	\$385,194	\$363,633
Stock-based compensation expense	-	-	-	-
Total	\$197,752	\$174,796	\$385,194	\$363,633

There were no other material related-party transactions or balances during the six months ended June 30, 2026.

13. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Company may be subject to litigation and claims from customers, suppliers and former employees. A provision is recognized when an outflow of resources is probable and can be reliably estimated.

There were no material changes to litigation, claims or contingencies during the six months ended June 30, 2026.

14. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain a flexible capital structure that optimizes the cost of capital at an acceptable level of risk. The Company manages debt and shareholders' equity and may issue shares, issue debt or replace existing debt with instruments having different characteristics.

Capital-management objectives, policies and procedures have not changed from the preceding annual period. In the normal course of business, GMI and PCS may be required to guarantee trade payables to value-added distributors and may enter into purchase-money security interests relating to products purchased from distributors and original equipment manufacturers.

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, bank indebtedness, accounts payable and other liabilities and the current portion of notes payable approximate fair value because of the short-term nature of these instruments. Long-term bank indebtedness and notes payable approximate fair value because market rates of interest are charged.

The Company is exposed to credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk-management framework.

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts and other receivables. At June 30, 2026, accounts receivable were \$1,841,042 and no expected-credit-loss allowance was recorded.

Accounts receivable aging	June 30, 2026	December 31, 2025
Current	\$787,878	\$1,423,304
Past due 1-60 days	370,020	227,343
Greater than 60 days	683,145	588,573
Total accounts receivable, net	\$1,841,042	\$2,239,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

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 manages liquidity by monitoring forecast and actual cash flows, collecting accounts receivable and maintaining access to credit facilities and other sources of capital.

The following table presents the contractual maturity profile of selected financial liabilities at June 30, 2026. The PCS asset-based revolving credit facility of \$1,594,323 is repayable on demand and is therefore excluded from the table.

	Within one year	After one year	Total
Accounts payable and other liabilities	\$4,063,795	\$-	\$4,063,795
Notes payable and term loans	284,171	272,773	556,944
Canadian bank indebtedness	685,000	65,000	750,000
Lease liabilities	242,553	153,395	395,948
Total	\$5,275,519	\$491,168	\$5,766,687

Foreign exchange risk

The functional currency of the parent company and the reporting currency of the Company are Canadian dollars. At June 30, 2026, the Company had non-Canadian-dollar net monetary liabilities of approximately US \$2,282,200 (December 31, 2025 - US \$1,847,361).

An increase or decrease in the U.S.-dollar to Canadian-dollar exchange rate of 5% at June 30, 2026 would have resulted in a gain or loss of approximately \$162,150 (December 31, 2025 - \$126,599).

At June 30, 2026, cash and cash equivalents were \$32,311 and total bank indebtedness was \$2,344,323.

16. REVENUE AND SEGMENTED INFORMATION

The Company operates as a single reportable segment providing software, engineering, professional and support services that help organizations using license plate recognition, secure remote access, and other data-capture technologies improve operational performance, supported by the sale of related devices and appliances.

Revenue from subscriptions and services is recognized as the related performance obligations are satisfied.

Amounts billed in advance are recorded as contract liabilities. Revenue from the sale of devices is recognized when control transfers to the customer.

	Six months ended June 30, 2026	% of total	Six months ended June 30, 2025	% of total
Subscription revenue and services	\$2,131,833	42.9	\$2,372,423	40.0
Devices and appliances	2,818,014	56.7	3,552,607	60.0
Other	16,028	0.3	(379)	0.0
Total	\$4,965,875	100.0	\$5,924,651	100.0

The following table provides a geographic presentation of the Company's revenue for the six months ended June 30, 2026 and 2025:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Route1 Inc.

June 30, 2026, and 2025 (stated in Canadian dollars)

	Six months ended June 30, 2026	% of total	Six months ended June 30, 2025	% of total
USA	\$4,873,074	98.1	\$5,846,833	98.7
Canada and International	92,802	1.9	77,818	1.3
Total	\$4,965,875	100.0	\$5,924,651	100.0

The following table provides a geographic presentation of the Company's right-of-use assets, furniture and equipment and intangible assets at June 30, 2026:

	June 30, 2026	% of total
USA	\$1,138,577	70.9
Canada	466,681	29.1
Total	\$1,605,258	100.0

17. EMPLOYEE RETENTION CREDITS

The Employee Retention Credit (ERC), also known as the Employee Retention Tax Credit, was designed to help businesses recover from the COVID-19 pandemic. Route1 filed ERC claims in 2023 and 2024 relating to wages paid by its wholly owned U.S. subsidiaries between April 1, 2020 and September 30, 2021.

In June and August 2025, Route1 sold portions of its ERC claims to a third party. A portion of the consideration was held back pending payment of the underlying claims by the U.S. government. In specified circumstances, including disallowance of claims by the Internal Revenue Service, Route1 may be required to refund proceeds received.

For the six months ended June 30, 2026, the Company recognized \$188,646 of income related to employee retention credits, of which approximately \$179,155 was recognized during the second quarter.

The second-quarter income arose following additional IRS payments on April 27, 2026 relating to PCS claims for the first and second quarters of 2021. At June 30, 2026, the remaining ERC receivable was US \$215,374. The recourse provisions associated with claims sold in 2025 remain in effect until the applicable claims are paid or otherwise resolved.

18. INCOME TAXES

For the three and six months ended June 30, 2026, the Company recognized current income-tax expense of \$13,101, principally relating to U.S. federal and state income taxes. The amount was based on calculations prepared by the Company's tax advisors and may be adjusted upon finalization of the related tax filings.

19. SUBSEQUENT EVENTS

These interim condensed consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on August 25, 2026.

Subsequent to June 30, 2026, the Company's wholly owned subsidiary, Portable Computer Systems, Inc. (PCS), entered into a US\$150,000 promissory note on August 13, 2026. The note bears interest at 24% per annum and matures on February 14, 2027. The proceeds were received for working capital purposes. The note is secured by specified customer contracts and the related accounts receivable and proceeds, subordinate to existing security interests under PCS's existing credit arrangements. No separate UCC financing statement or other lien-perfection filing has been authorized or made in connection with the note.