

## ROUTE1 INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2025

As at April 29, 2026

The following discussion and analysis of the financial condition and results of operations (this “**MD&A**”) of Route1 Inc. (also referred to as “**we**”, “**us**”, “**our**”, “**Route1**”, or the “**Company**”), should be read in conjunction with the Company’s consolidated financial statements and related notes as at and for the year ended December 31, 2025. These consolidated financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

This Management Discussion & Analysis (“**MD&A**”) has been reviewed and approved by the Company’s Board of Directors prior to filing.

The information in this MD&A is current to April 29, 2026 and all amounts are in Canadian dollars, unless otherwise noted.

#### **FORWARD-LOOKING STATEMENTS**

The following discussion may contain forward-looking statements about matters that involve risks and uncertainties, such as statements of Route1’s plans, objectives, expectations and intentions, as well as financial trends. The discussion also includes cautionary statements about these matters. You should read the cautionary statements made below as being applicable to all forward-looking statements wherever they appear in this document. In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company’s ability to execute on its business plan; the integration of acquired businesses; the acceptance of the Company’s devices and services by its customers; the timing of execution of outstanding or potential customer orders by the Company; the sales opportunities available to the Company; the Company’s subjective assessment of the likelihood of success of a sales lead or opportunity; the Company’s historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company’s estimated margins. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully, and readers should not place undue reliance on such forward-looking information.

Factors that could cause Route1’s actual results to differ materially from the forward-looking statements are contained herein and include, but are not limited to, overall economic conditions, competitive pressures, successfully integrating acquired businesses and unexpected technology changes. Additional information concerning risks and uncertainties affecting Route1’s business and other factors that could cause financial results to fluctuate is set forth later in this document, as well as elsewhere herein, and is contained in Route1’s filing with Canadian securities regulatory authorities, available on the SEDAR website

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(www.sedar.com) under Route1 Inc. and on the Company's website (www.route1.com).

This MD&A includes additional disclosures on the critical accounting policies and estimates, additional disclosure on the quarterly selected financial information, additional discussion and analysis on the factors affecting the Company's financial performance, additional disclosure on future liquidity and capital needs including the addition of a tabular presentation of contractual obligations, additional disclosure on the last eight quarters, and details of related party transactions. The Company does not believe that any of the additional information provided, and that has not been otherwise disclosed in other filings, is material in nature.

## INTELLECTUAL PROPERTY NOTICES

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

## OVERVIEW

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 Scottsdale, AZ, 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.

## HIGHLIGHTS

**On April 10, 2025**, Route1 announced new sales orders in excess of \$1,400,000 from procurement departments of two major U.S. cities. The Company also announced it is expanding its engineering and professional services to focus on acquisitions of first responder vehicle and equipment upfitters.

**On April 28, 2025**, Route1 announced its full year 2024 audited financial results.

**On May 29, 2025**, Route1 announced its three months March 31, 2025 financial results.

**On June 19, 2025**, Route1 announced that it had completed a sale of certain of its employee retention credits, entered into a parking revenue sharing model with a smart parking partner, and launched its actionable business intelligence software application for its automated license plate recognition clients.

**On August 26, 2025**, Route1 announced its three- and six-months June 30, 2025 financial results.

**On September 4, 2025**, Route1 announced that one of the largest, privately owned parking management and transportation companies in the United States has purchased the Route1 ABI software application for

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five (5) of their end users, and that this purchase increases Route1’s annualized recurring revenue to an amount in excess of USD \$1.2 million.

**On October 1, 2025**, Route1 announced updates to its Actionable Business Intelligence (“ABI”) software application. Route1 released ABI 3.5 which delivers a pathway to capturing historically missed revenue opportunities. By not relying on basic data, users will clearly understand how their ALPR technology is performing by visualizing its coverage and performance like never before. The new revenue platform offers real-time insights, allowing users to pinpoint areas of underperformance and uncover opportunities for increased revenue.

In addition, users of ABI can now maximize their return on investment by identifying lost revenue and discovering new sources of income that were previously hidden. By leveraging powerful visualization tools, users can accelerate their revenue cycle and optimize pricing strategies, creating additional revenue opportunities that directly impact their bottom line.

Further, the newest release of Route1 ABI allows parking professionals to unlock significant cost savings while scaling operations with a solution that leverages their current ALPR mobile technology. By integrating our ABI tool into their program, they can seamlessly design and execute parking surveys, reducing reliance on expensive third-party providers. Users can take full control of their data collection, enhance resource efficiency, and boost their bottom line with a highly adaptable, in-house approach.

Lastly, Route1 announced details surrounding the planned release of ABI 4.0 - AI Co-Pilot. To be released in early 2026, Route1’s co-pilot will be an AI operations co-pilot that acts as a force multiplier - exponentially extending staff capability. It will be purpose-built to optimize parking operations by combining advanced machine learning with a secure, scalable platform that keeps control of sensitive data in-house. The system will run on a dedicated on-premises AI infrastructure including three GPU servers, backed by shared storage, solid-state checkpointing, and high-speed networking to deliver consistent low-latency performance.

Route1’s AI co-pilot will be designed for continuous refinement and understanding of unique parking operations and how socioeconomic factors and decisions can impact those operations in real time. Engineered for adaptive learning through feedback, measurement and refinement cycles, Route1’s AI co-pilot will empower our clients to achieve even more in the future by unlocking advanced capabilities such as event-aware staffing, predictive compliance sweeps, proactive curb allocation, and strategic “what-if” investment planning. The more it is used, the stronger it becomes - growing into a domain-specialized AI expert in parking operations.

**On October 27, 2025**, Route1 announced details about Route1’s upcoming annual general and special meeting, which is to be held at Fasken Martineau DuMoulin LLP on December 4, 2025 at 10:00 a.m. (Toronto time) (the “Meeting”). The Company confirmed the availability of its Meeting materials and wished to advise shareholders of alternative ways to vote their shares for the Meeting, due to delays of postal services in Canada as a result of labor action.

The Meeting is being held for the following purposes: (1) to receive the Company’s audited financial statements for the year ended December 31, 2024, together with the auditor’s report thereon, (2) to fix the number of directors of the Company for the ensuing year at four, (3) to elect directors of the Company for the ensuing year, (4) to re-appoint MNP LLP as the auditors of the Company for the ensuing year and to

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authorize the directors to fix their remuneration, (5) to re-approve the long-term incentive plan of the Company, (6) to consider, and, if deemed advisable, to pass, with or without variation, a special resolution authorizing a change of name of the Company to a name determined by the board of directors, subject to all required regulatory approval, and (7) to transact such other business as may properly come before the Meeting or any adjournment thereof.

**On November 4, 2025**, announced a non-brokered private placement of units (each, a “Unit”) at a price of \$0.075 per Unit for gross proceeds of up to \$500,000 (the “Offering”). Each Unit consists of one common share in the capital of the Company (a “Common Share”) and one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to purchase one Common Share at a price of \$0.10 for a period of 18 months following the issue date of the Units.

The Company intends to use the net proceeds of the Offering to fund the development of Route1’s ABI software application.

The Offering was expected to close in multiple tranches with the first tranche anticipated to close on or about November 19, 2025, or such other date as the Company may determine. Closing of the Offering is subject to customary conditions, including the acceptance of the TSX Venture Exchange.

**On November 19, 2025**, Route1 announced that it had completed the first tranche of its non-brokered private placement (announced November 4, 2025) of units at a price of C\$0.075 per Unit for gross proceeds of approximately C\$234,250.

**On November 20, 2025**, Route1 announced business updates and its three- and nine-months September 30, 2025 financial results.

**On November 27, 2025**, Route1 announced that it had applied for extension of price protection in connection with the non-brokered private placement of units originally announced in the Company’s news release of November 4, 2025. The Company applied to the TSX Venture Exchange for an extension of a further 30 days price protection in order to complete further subscriptions for the second and final tranche of the Offering (the “Final Closing”).

**On December 4, 2025**, Route1 announced that it received approval for all of the proposals submitted to shareholders at the Company’s annual general and special meeting of shareholders (the “Meeting”), which was held earlier today in Toronto, Canada. The matters voted on and were approved are: (1) Tony P. Busseri, Peter F. Chodos, Michael D. Harris and John Marino were re-elected as the Company’s Directors. Following the Meeting, the Board of Directors met and selected Mr. Harris to continue to serve as Chairman of the Board of Route1; (2) MNP LLP were appointed as the Company’s auditors in respect of the year ending December 31, 2025; (3) Re-approval of Route1’s long-term incentive plan (“LTIP”); and (4) Approval to change the name of the Company to a name to be determined by the Board of Directors.

**On December 16, 2025**, Route1 announced the completion of the second and final tranche of its previously announced non-brokered private placement of units at a price of C\$0.075 per Unit. The first tranche closed on November 19, 2025 and the Final Closing, completed on December 15, 2025, added 1,253,333 Units for additional gross proceeds of C\$94,000. In total, Route1 issued 4,376,665 Units for aggregate gross proceeds of approximately C\$328,250 under the Offering.

**On December 18, 2025**, Route 1 announced that it filed on December 16, 2025 a provisional patent application with the U.S. Patent and Trademark Office titled “Hierarchical and Distributed Signal Processing Pipeline Architecture for Low-latency Machine Learning and Scalable Agentic Artificial Intelligence Coordination and Training”. The provisional patent filing advances a wider intellectual property (“IP”) strategy to secure Route1’s breakthroughs in real time ALPR processing, scalable model orchestration, and adaptive learning. It also codified Route1’s technical leadership and protects the foundational technologies behind our artificial intelligence (“AI”) co-pilot. Route1 will continue to refine and protect the technology as it brings future versions of ABI to market.

**On January 8, 2026**, Route1 provided a year-end review of its operational progress in 2025 and outlined its strategic priorities for 2026 as the Company continues its focus on recurring revenue, execution discipline, and the application of intelligence to real-world parking operations.

**On March 18, 2026**, Route1 announced that it has filed a patent application with the United States Patent and Trademark Office related to the Company’s parking copilot technology framework. The patent application, U.S. Application No. 19/552,368, filed on February 27, 2026, covers elements of Route1’s approach to structured intelligence and operational performance management for automated license plate recognition (“ALPR”) programs. The Company also confirmed that development of “Mr. Parking,” an operational copilot capability within the Route1 ABI platform, remains on track for launch on or around April 21, 2026, subject to final development and testing.

**On April 21, 2026**, announced the commercial launch of “Mr. Parking,” a new operational capability designed to improve performance across live parking environments while expanding recurring revenue within existing customer relationships.

## **BASIS OF PREPARATION**

The consolidated financial statements of Route1 include its wholly owned subsidiaries, Route 1 Security Corporation, Group Mobile Int’l, LLC (“GMI”) and Portable Computer Systems, Inc. (“PCS”). Route1 acquired GMI on March 22, 2018, and PCS on September 28, 2019.

Route1 acquired DataSource Mobility, LLC. and its wholly owned subsidiary, VetSource Mobility, LLC (collectively “DSM”) on March 29, 2021. Financial results of DSM are included in PCS.

Route1 acquired Spyru Solutions, Inc. (“Spyru”) on September 15, 2021. Financial results of Spyru are included in PCS.

## **NON-IFRS FINANCIAL MEASURE: Adjusted EBITDA**

Within this MD&A, we use the term Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock-based compensation, patent litigation, restructuring and other costs). Adjusted EBITDA does not have any standardized meaning prescribed under IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

Adjusted EBITDA allows us to compare our operating performance over time on a consistent basis. We

believe that certain investors and analysts use Adjusted EBITDA to measure a company’s ability to service debt and to meet other payment obligations, or as a common valuation measurement in the technology industry.

The table below reconciles Adjusted EBITDA to operating profit before other income (expense) for the quarters presented.

<i>In thousands of Canadian dollars</i>	<b>Dec 31</b>	Sep 30	Jun 30	Mar 31	Dec 31
	<b>2025</b>	2025	2025	2025	2024
Adjusted EBITDA	<b>\$19</b>	\$220	\$269	(\$190)	\$130
Depreciation and amortization	<b>178</b>	176	195	205	205
Stock-based compensation	-	-	-	-	1
Operating profit (loss) before other income (expense)	<b>(\$159)</b>	\$44	\$74	(\$395)	(\$76)

## SELECTED FINANCIAL INFORMATION

The following table outlines selected unaudited financial information of the Company on a consolidated basis for the three months, and year ended December 31, 2025 and 2024.

<i>(in thousands of Canadian dollars, except per share amounts)</i>	For the Three Months Ended		For the Year Ended	
	Dec 31, 2025	Dec 31, 2024	Dec 31, 2025	Dec 31, 2024
<b>STATEMENT OF OPERATIONS</b>				
<b>Revenue</b>				
Subscription revenue and services	\$1,041	\$1,130	\$4,617	\$4,342
Devices and appliances	1,596	2,804	6,923	10,821
Other	-	(3)	(24)	(9)
<b>Total revenue</b>	<b>2,637</b>	<b>3,931</b>	<b>11,516</b>	<b>15,154</b>
<b>Cost of revenue</b>	<b>1,610</b>	<b>2,542</b>	<b>7,051</b>	<b>9,903</b>
<b>Gross profit</b>	<b>1,027</b>	<b>1,389</b>	<b>4,464</b>	<b>5,251</b>
<b>Operating expenses</b>				
General administration	948	1,104	3,759	4,332
Research and development	24	52	154	180
Selling and marketing	213	309	988	1,259
<b>Total operating expenses before stock-based compensation</b>	<b>1,186</b>	<b>1,464</b>	<b>4,901</b>	<b>5,771</b>
Stock-based compensation	-	1	-	14
<b>Total operating expenses</b>	<b>1,186</b>	<b>1,465</b>	<b>4,901</b>	<b>5,785</b>
<b>Operating profit (loss) before other income (expense)</b>	<b>(159)</b>	<b>(76)</b>	<b>(437)</b>	<b>(534)</b>
<b>Other income (expense)</b>				
Interest expense	(70)	(115)	(349)	(446)
Foreign exchange loss (gain)	(11)	(82)	(68)	11
Gain on asset disposal	(191)	(21)	(230)	(54)
Other income (expense)	109	-	766	-
<b>Total other income (expense)</b>	<b>(163)</b>	<b>(218)</b>	<b>119</b>	<b>(490)</b>
<b>Income (loss) for the period before income tax</b>	<b>(322)</b>	<b>(295)</b>	<b>(317)</b>	<b>(1,024)</b>
<b>Income tax expense (recovery)</b>	<b>5</b>	<b>(7)</b>	<b>33</b>	<b>(38)</b>
<b>Net income (loss) for the period</b>	<b>(327)</b>	<b>(301)</b>	<b>(351)</b>	<b>(1,061)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency translation	(6)	129	34	79
<b>Comprehensive income (loss)</b>	<b>(316)</b>	<b>(173)</b>	<b>(317)</b>	<b>(982)</b>
<b>Basic and diluted income (loss) per share</b>	<b>(322)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>

<i>(in thousands of Canadian dollars, except per share amounts)</i>	For the Three Months Ended		For the Year Ended	
	Dec 31, 2025	Dec 31, 2024	Dec 31, 2025	Dec 31, 2024
<b>CASH FLOW INFORMATION</b>				
Operating activities	\$111	\$168	\$455	\$888
Investing activities	(121)	35	(216)	(28)
Financing activities	(55)	(531)	(323)	(774)
Net cash inflow (outflow)	(65)	(328)	84	86
Consolidation currency adjustment	19	462	(137)	(37)
Cash, beginning of period	79	(47)	87	38
<b>Cash, end of period</b>	<b>\$33</b>	<b>\$87</b>	<b>\$33</b>	<b>\$87</b>
Working capital	(\$4,873)	(\$4,151)	(\$4,873)	(\$4,151)
Total assets	\$8,134	\$9,380	\$8,134	\$9,380
Shareholders' equity	\$(401)	\$(384)	\$(401)	\$(384)

## COMPARISON FOR THE THREE MONTHS ENDED DECEMBER 31, 2025 AND 2024

### Revenue

Revenue for the three months ended December 31, 2025 was \$2,636,961, representing a decrease of \$1,293,955 from \$3,930,916, for the same period in 2024. The comparison, discussed by segment, is as follows:

#### *Subscription Revenue and Services*

Revenue from the subscription revenue and services segment includes: (a) application software subscription-based revenue; (b) yearly support or maintenance; and (c) turn-key engineering services.

For the three months ended December 31, 2025, revenue from the subscription revenue and services segment was \$1,041,451, representing a decrease of \$88,250, from \$1,129,701, for the same period in 2024. The small decrease was the result of decreased MobiKEY revenues.

Subscription revenue and services, as a percentage of total revenue, represented 39% for the current period compared to 29% for the prior year period.

<b>Subscription revenue and services by quarter</b> <i>(in thousands of Canadian dollars)</i>	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024
Application software	16	\$14	\$15	\$17	\$24
Other services	1,025	1,189	1,451	890	1,106
<b>Total</b>	<b>1,041</b>	<b>\$1,203</b>	<b>\$1,466</b>	<b>\$907</b>	<b>\$1,130</b>

<b>Other services revenue by quarter</b> <i>(in thousands of Canadian dollars)</i>	<b>Dec 31</b> <b>2025</b>	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024
Technology life-cycle maintenance and support	<b>438</b>	\$413	\$412	\$381	\$378
Professional services	<b>587</b>	776	1,039	526	727
<b>Total</b>	<b>\$1,025</b>	\$1,189	\$1,451	\$907	\$1,106

### *Devices and Appliances*

Revenue from MobiKEY devices and appliances, ruggedized computing devices and accessories, license plate recognition equipment and accessories for the three months ended December 31, 2025 was \$1,590,037, representing a decrease of \$1,214,012 from \$2,804,049 for the same period in 2024. The decrease is reflective of the variability and transactional nature of device revenue, partially offset by increased PocketVault P-3X sales.

Devices and appliance revenue as a percentage of total revenue represents 60% of total revenue for the current period compared to 71% for the prior year period.

### *Other revenue*

Other revenue for the three months ended December 31, 2025 was (\$24,194), representing a decrease of \$15,312 compared to (\$8,882) for the same period in 2024.

### **Gross Profit**

Gross profit is revenue minus the cost of revenue. The cost of revenue includes the cost of our devices and appliances sold to clients, the cost to operate and maintain the Route1 MobiNET platform, the cost to install video capture technology at our client locations, and the cost of shipping and packaging.

The cost of revenue for the three months ended December 31, 2025 was \$1,610,439, representing a decrease of \$931,890 from \$2,542,329 for the same period in 2024. The decrease in cost of revenue is a result of a decrease in corresponding devices and appliances sales.

Gross profit for the three months ended December 31, 2025 was \$1,026,522 or 38.9% of gross revenue, representing a decrease of \$110,152 from a gross profit of \$1,388,586 or 35.3% of gross revenue for the same period in 2024.

### **Expenses**

Operating expenses consist of general administration, research and development, and selling and marketing. Operating expenses for the three months ended December 31, 2025 were \$1,185,941, representing a decrease of \$278,673 from \$1,464,614, for the same period in 2024.

### *General administration*

General administration expenses consist primarily of salaries and benefits for administrative staff, professional fees, rent, telephone, computer related expenses, directors' fees, insurance, public company

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and regulatory costs, depreciation and amortization and other indirect costs.

General administration expenses for the three months ended December 31, 2025 were \$948,025 representing a decrease of \$156,127 from \$1,104,262 for the same period in 2024. The majority of the change can be summarized as follows:

- Amortization expense decreased by approximately \$27,000.
- Other General and Admin fees decreased by approximately \$18,000
- Salaries and Wages decreased by approximately \$59,000
- Audit and tax fees decreased by approximately \$70,000
- Professional fees increased by approximately \$8,000
- Legal Fees increased by approximately \$21,000
- Insurance decreased by approximately \$8,000

#### *Research and development*

Research and development expenses consist of salaries and benefits for the research and development department, and other professional fees associated with development work.

Research and development expenses for the three months ended December 31, 2025 were \$24,901, representing a decrease of \$26,714 from \$51,615 for the same period in 2024.

#### *Selling and marketing*

Selling and marketing expenses consist primarily of salaries and commissions, agent fees, marketing and trade shows, and travel and entertainment.

Selling and marketing expenses for the three months ended December 31, 2025 were \$213,015, representing a decrease of \$95,721 from \$308,736 for the same period in 2024. The majority of the change can be summarized as follows:

- Decrease in salary and commission expense of approximately \$34,000
- Decrease in Brand Building of approximately \$10,000
- Decrease in travel of \$50,000

#### **Other Items**

##### *Stock-based compensation*

Stock-based compensation was \$0 for the three months ended December 31, 2025, a decrease of \$572 from \$572 for the same period in 2024. The contributing factor to the decreased expense was the lower number of options vesting during the year ended December 31, 2025 as compared to the same period in 2024.

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### *Foreign exchange (loss) gain*

Foreign exchange gains or losses are primarily attributable to fluctuations in the Canadian/U.S. dollar exchange rates on balance sheet items such as Accounts Receivable, Accounts Payable and bank accounts that are denominated in foreign currencies.

There was moderate volatility of the Canadian dollar against the U.S. dollar during the fourth quarter of 2025, from a high of \$1.4120 to a low of \$1.3674, and there was moderate volatility of the Canadian dollar against the U.S. dollar during the fourth quarter of 2024, from a high of \$1.4416 to a low of \$1.3504.

### **Comprehensive Income (Loss) After Taxes**

Comprehensive loss for the three months ended December 31, 2025 was \$227,558, representing a decrease of \$50,000 from a comprehensive loss of \$273,558 for the same period in 2024.

## **COMPARISON FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024**

### **Revenue**

Revenue for the year ended December 31, 2025 was \$11,515,658, representing a decrease of \$3,638,267 from \$15,153,925, for the same period in 2024. The comparison, discussed by segment, is as follows:

#### *Subscription Revenue and Services*

Revenue from the subscription revenue and services segment includes: (a) application software subscription-based revenue; (b) yearly support or maintenance; and (c) turn-key engineering services.

For the year ended December 31, 2025, revenue from the subscription revenue and services segment was \$4,616,510, representing an increase of \$274,802 from \$4,341,708 for the same period in 2024.

Subscription revenue and services, as a percentage of total revenue, represented 40% for the current period as compared to 29% for the prior year period.

#### *Devices and Appliances*

Revenue from MobiKEY devices and appliances, ruggedized computing devices and accessories and license plate recognition equipment and accessories for the year ended December 31, 2025 was \$6,923,342, representing a decrease of \$3,897,757 from \$10,821,099 for the same period in 2024. The decrease is reflective of the variability in device revenue.

Devices and appliances revenue as a percentage of total revenue represents 60% of total revenue for the current period compared to 71% for the prior year period.

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### *Other revenue*

Other revenue for the year ended December 31, 2025 was (\$24,197) compared to \$(8,882) for the same period in 2024.

### **Gross Profit**

Gross profit is revenue minus the cost of revenue. The cost of revenue includes the cost of our devices and appliances sold to clients, the cost to operate and maintain the Route1 MobiNET platform, the cost to install video capture technology at our client locations, and the cost of shipping and packaging.

The cost of revenue for the year ended December 31, 2025 was \$7,051,249 representing a decrease of \$2,851,616 from \$9,902,865, for the same period in 2024. The decrease in cost of revenue is a result of a decrease in corresponding devices and appliances sales.

Gross profit for the year ended December 31, 2025 was \$4,464,408 or 38.9% of gross revenue, representing a decrease of \$786,651 from a gross profit of \$5,251,060 or 34.7% of gross revenue for the same period in 2024.

### **Expenses**

Operating expenses consist of general administration, research and development, and selling and marketing. Operating expenses for the year ended December 31, 2025 were \$4,901,017, representing a decrease of \$870,382 from \$5,771,397 for the same period in 2024.

#### *General administration*

General administration expenses consist primarily of salaries and benefits for administrative staff, professional fees, rent, telephone, computer related expenses, directors' fees, insurance, public company and regulatory costs, depreciation and amortization and other indirect costs.

General administration expenses for the year ended December 31, 2025 were \$3,758,991, representing a decrease of \$572,727 from \$4,331,718 for the same period in 2024. The majority of the change can be summarized as follows:

- Decrease of salaries expense of approximately \$192,000 due to changes in headcount mix
- Decrease in director Fees of approximately \$40,000
- Decrease in audit and tax fees of approximately \$14,000
- Decrease in insurance cost of approximately \$26,000
- Decrease of legal costs of \$54,000.
- Decreased amortization expense of \$178,000.
- Decrease in rent expense of approximately \$25,000
- Decrease in professional communication fees of \$16,000
- Decrease in other General and administrative costs of approximately \$26,000

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### *Research and development*

Research and development expenses consist of salaries and benefits for the research and development department, and other professional fees associated with development work.

Research and development expenses for the year ended December 31, 2025 were \$154,032, representing a decrease of \$26,424 from \$180,458, for the same period in 2024. The majority of the change can be summarized as follows:

- Salaries expense decreased by approximately \$16,000.
- SRED expense decrease by \$10,500

### *Selling and marketing*

Selling and marketing expenses consist primarily of salaries and commissions, agent fees, marketing and trade shows, and travel and entertainment.

Selling and marketing expenses for the year ended December 31, 2025 were \$987,992 representing a decrease of \$271,230 from \$1,259,223 for the same period in 2024. The majority of the change can be summarized as follows:

- Increase of brand building of approximately \$15,000
- Decreased salary expenses of approximately \$115,000 as a result of a decrease in headcount.
- Increase of commissions of approximately \$5,000
- Decrease of TME of approximately \$169,000

### **Other Items**

#### *Stock-based compensation*

Stock-based compensation was \$0 for the year ended December 31, 2025, a decrease of \$13,784 from \$13,784 for the same period in 2024. The contributing factor to the decreased expense was the lower number of options vesting during the year ended December 31, 2025 as compared to the same period in 2024.

#### *Foreign exchange (loss) gain*

Foreign exchange gains or losses are primarily attributable to fluctuations in the Canadian/U.S. dollar exchange rates on balance sheet items such as Accounts Receivable, Accounts Payable and bank accounts that are denominated in foreign currencies.

There was moderate volatility of the Canadian dollar against the U.S. dollar during the year ended December 31, 2025, from a high of \$1.4603 to a low of \$1.3558, whereas there was high volatility of the Canadian dollar against the U.S. dollar during the year ended December 31, 2024, from a high of \$1.4416 to a low of \$1.3316.

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.

### **Comprehensive Income After Taxes**

Comprehensive loss for the year ended December 31, 2025 was \$316,830 representing an improvement of \$665,118 from a comprehensive loss of \$981,948 for the same period in 2024.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters. The information has been derived from the Company's quarterly unaudited interim condensed consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the consolidated annual financial statements and are reviewed and approved by the Company's Board of Directors. The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

(in thousands of Canadian dollars, except for per share data)	As at and for the three months ended				
	Dec-31 2025	Sep-30 2025	Jun-30 2025	Mar-31 2025	Dec-31 2024
<b>STATEMENT OF OPERATIONS</b>					
<b>Revenue</b>					
Subscription revenue and services	\$1,041	\$1,203	\$1,466	\$907	\$1,130
Devices and appliances	1,596	1,758	2,233	1,327	2,804
Other	-	(7)	(8)	0	(3)
<b>Total revenue</b>	<b>2,637</b>	<b>2,954</b>	<b>3,691</b>	<b>2,234</b>	<b>3,931</b>
<b>Cost of revenue</b>	<b>1,610</b>	<b>1,775</b>	<b>2,343</b>	<b>1,324</b>	<b>2,542</b>
<b>Gross profit</b>	<b>1,027</b>	<b>1,179</b>	<b>1,348</b>	<b>910</b>	<b>1,389</b>
<b>Operating expenses</b>					
General administration	948	830	980	1,002	1,104
Research and development	24	62	55	13	52
Selling and marketing	213	244	239	291	309
<b>Total operating expenses before stock-based compensation</b>	<b>1,186</b>	<b>1,136</b>	<b>1,274</b>	<b>1,306</b>	<b>1,464</b>
Stock-based compensation	-	-	-	-	1
<b>Total operating expenses</b>	<b>1,186</b>	<b>1,136</b>	<b>1,274</b>	<b>1,306</b>	<b>1,465</b>
<b>Operating profit (loss)</b>	<b>(159)</b>	<b>44</b>	<b>74</b>	<b>(395)</b>	<b>(76)</b>
<b>Other income (expenses)</b>					
Interest expense	(70)	(81)	(105)	(94)	(115)
Foreign exchange translation	(11)	22	(97)	18	(82)
Asset disposal gain (loss)	(191)	(39)	-	-	(21)
Employee Retention Credits	109	310	91	257	-
<b>Total other expense</b>	<b>(163)</b>	<b>212</b>	<b>(111)</b>	<b>181</b>	<b>(218)</b>
<b>Total income (loss) for the period before income tax expense</b>	<b>(322)</b>	<b>256</b>	<b>(36)</b>	<b>(214)</b>	<b>(263)</b>
Income tax recovery (expense)	5	3	25	-	(7)
<b>Total income (loss) for the period</b>	<b>(327)</b>	<b>253</b>	<b>(61)</b>	<b>(214)</b>	<b>(301)</b>
<b>Other comprehensive income</b>					
Foreign currency translation	(6)	(10)	70	(20)	129
<b>Comprehensive income (loss)</b>	<b>(316)</b>	<b>\$242</b>	<b>\$9</b>	<b>(\$234)</b>	<b>(\$173)</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>(\$0.01)</b>	<b>\$0.01</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.01)</b>
<b>Adjusted EBITDA</b>	<b>(\$19)</b>	<b>220</b>	<b>269</b>	<b>(\$190)</b>	<b>\$128</b>

<b>As at and for the three-month periods ended</b> (in thousands of Canadian dollars, except for per share data)	<b>Dec-31 2025</b>	Sep-30 2025	Jun-30 2025	Mar-31 2025	Dec-31 2024
<b>CASH FLOW INFORMATION</b>					
Operating activities	<b>\$111</b>	\$251	(\$33)	\$126	(\$57)
Investing activities	<b>(121)</b>	(5)	167	(257)	(61)
Financing activities	<b>(55)</b>	(219)	(113)	64	267
Net cash inflow (outflow)	<b>(65)</b>	27	21	(67)	(216)
Consolidation currency adjustment	<b>19</b>	(12)	42	(19)	202
Cash, beginning of period	<b>79</b>	64	1	87	(47)
Cash, end of period	<b>\$33</b>	\$79	\$64	\$1	\$86
<b>BALANCE SHEET INFORMATION</b>					
Working capital	<b>(\$4,873)</b>	(\$4,684)	(\$4,020)	(\$4,378)	(\$4,151)
Total assets	<b>\$8,134</b>	8,220	\$8,501	\$7,942	\$9,380
Shareholders' equity	<b>\$(401)</b>	(\$367)	(\$609)	(\$618)	\$(384)

The Company's revenue and financial results are difficult to forecast and have historically fluctuated on a quarterly basis. It is expected that quarterly revenue and financial results will become more stable than previously; however, revenues may continue to fluctuate as the Company grows its revenues and customer base. Fluctuations in results are related to the growth of the Company's revenue, the timing of revenue being recognized and sales to customers, who may place large single orders in any one quarter, the timing of staffing and infrastructure additions to support growth and future acquisitions.

## LIQUIDITY AND CAPITAL RESOURCES

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including fluctuations in the levels of accounts receivable, inventory, prepaid expenses, accounts payable and contract liability; (ii) investing activities including the purchase of capital assets; and (iii) financing activities including the issuance of and/or repurchase of capital stock.

### *Cash used in operating activities*

The net cash generated by operating activities for the three months ended December 31, 2025 was \$110,527 compared to cash used of \$56,915, in the same period in 2024 representing an increase in cash generated of \$167,442. Cash generated by non-cash working capital was \$150,961 for the three months ended December 31, 2025 compared to cash used of \$29,165 a year earlier, representing an increase of cash generated of \$180,127. Net cash generated by the day-to-day operations for the three months ended December 31, 2025 was \$59,564 compared to cash generated of \$(27,568) in 2024, representing an increase of \$87,132.

Cash generated by operating activities for the year ended December 31, 2025 was \$455,033, compared to cash generated of \$887,522 in the same period in 2024, representing a decrease of \$432,489. Non-cash working capital used was \$222,634 for the year ended December 31, 2025 compared to \$882,991 generated in the same period a year earlier, representing a decrease in cash generated of \$1,105,625.

### *Cash used in investing activities*

Cash used in investing activities for the three months ended December 31, 2025, was \$121,279 compared to \$61,282 in the same period in 2024, representing a decrease of \$59,997.

Cash used in investing activities for the year ended December 31, 2025, was \$215,939 compared to cash used of \$27,820 in the same period in 2024, representing an increase of \$188,119. The increase in cash used is primarily driven by the new ABI software development and “Mr. Parking.”

### *Cash generated in financing activities*

Cash used by financing activities was \$54,909 for the three months ended December 31, 2025, compared to cash generated of \$266,671 for the same period in 2024, an increase of \$321,580.

Cash used by financing activities was \$322,785 for the year ended December 31, 2025, compared to \$773,910 used for the same period in 2024, an increase in cash used of \$451,124. The increase in cash used is primarily due to an increase in the repayment of notes payable.

The Company’s sales growth is tied to its core services and engineering competencies with the goal of reducing our dependency on original equipment manufacturers (“OEM”) and the cyclicity of supply chain and manufacturing disruptions, and addressing the strong enterprise and government trend to move desktop computing to applications accessed in the cloud.

Route1 will emphasize its turn-key engineering services for clients using video and sensor capture technology to deliver real-time, secure actionable intelligence. The Company amplifies its customers’ return on investment by driving outcomes through the application of advanced technological solutions and by leveraging its expertise in video intelligence data.

Route1 currently is or intends to be active with its turn-key engineering and professional services to support clients investing in video and sensor capture technologies including ALPR, surveillance video, body worn cameras and drones. Further, the Company intends to expand on its capability to support clients adopting access control technology. Genetec will continue to be an important technology partner for Route1.

The Company will also continue to invest in data security and user authentication technologies including its flagship software application MobiKEY and service delivery platform DEFIMNET, and PocketVault P-3X, which separates us from our turn-key engineering services competitors as we bring a unique data security skill set as a service to our clients.

The Company’s need for capital includes items such as computer hardware and software, expenditures to support sales, marketing and general administration activities and working capital. The Company has financed its cash and/or capital requirements through operating cash flow, bank and other indebtedness and the issuance of equity.

On October 1, 2025 Route1 entered into a revised credit agreement with its primary Canadian lender. The agreement provides that (i) the outstanding principal amount of \$1,075,000 will be repaid over 24 months commencing July 31, 2025 and ending on July 31, 2027, in the amount of \$50,000 per month plus interest,

(ii) the final month's payment will be the amount required to repay any remaining balance on the loan, and  
(iii) the credit facility is non-revolving and each payment will reduce the amount of the credit facility.

Further, the prior \$150,000 credit card facility was paid out and not renewed.

The revised credit facility continues to carry an interest rate equal to the lender's prime rate of interest plus 1.5%. As of December 31, 2025, the interest rate was 5.95%. The credit facility continues to be secured by the assets of Route1 Inc. and guaranteed by Group Mobile Int'l LLC ("GMI") and PCS. As of December 31, 2025, the balance drawn on the revolving demand facility was \$925,000 (December 31, 2024 - \$1,225,000).

Also, the Company's wholly owned subsidiary, PCS, has an asset-based revolving credit facility in the amount of US \$1,350,000. The facility carries an interest rate of fifty basis points over the prime rate published daily in the Wall Street Journal. As of December 31, 2025, the interest rate was 7.25% (December 31, 2024 - 8.0%). 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 of December 31, 2025, the balance drawn on the revolving demand facility was US \$1,098,516 or CAD \$1,505,625 (December 31, 2024 - US \$870,787 or CAD \$1,252,975). PCS is required to maintain a Fixed Charge Coverage Ratio of greater or equal to 1.10:1 and this covenant was met as of December 31, 2025.

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

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

## **INVENTORY**

On a quarterly basis or when necessary, management reviews the carrying value of inventory. Inventory is valued at the lower of cost and net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. For the quarters ended December 31, 2025 and 2024, management determined no adjustment to the carrying value was required.

## **RELATED PARTY TRANSACTIONS**

The Company has directors and officers who are considered related parties. The Company had the following transactions and/or outstanding amounts with related parties. All transactions are recorded in 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 \$159,335 in the year ended December 31, 2025 (2024 - \$199,301). These transactions are in the normal course of operations and are paid or payable for directorship services. As of December 31, 2025, accrued liabilities included \$439,423 owing to directors (December 31, 2024 - \$360,108). The Company also incurred stock-based compensation expense related to stock options granted to independent directors in the amount of \$0 (2024 - \$0).
- The Company made payments (including HST) to Chodos Capital Group Inc. for management services provided by Mr. Peter Chodos, a director, and the prior CFO of the Company, in the amount of \$203,400 in the year ended December 31, 2025 (2024- \$203,400). The Company also incurred stock-based compensation expenses related to stock options granted to Mr. Chodos in the amount of \$0 for the year ended December 31, 2025 (2024 - \$10,310). Payments made to Mr. Chodos as an independent contractor are not included as part of key management.
- During the period, key management personnel participated in the Company’s capital raise. These transactions were conducted on terms and conditions consistent with those offered to external investors. Related Parties included, Mr. Tony Busseri, Mr. Peter Chodos, Mr. John Marino and Mr. Mike Harris.
- 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 year ended December 31, 2025 as follows, with 2024 comparatives:

	December 31, 2025	December 31, 2024
Short-term employee benefit	\$717,275	\$727,699
Stock-based compensation expense	0	0
	\$717,275	\$727,699

## CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared in accordance with IFRS. Management makes certain estimates and relies on certain assumptions relating to reporting the Company’s assets and liabilities as well as operating results in order to prepare the audited financial statements in conformity with IFRS. On an on-going basis, the Company evaluates its estimates and assumptions including those related to revenue, the valuation of accounts receivable, the estimation of useful lives of the various classes of capital assets, the valuation of assets acquired in business combinations, stock-based compensation expense, and the measurement of income tax valuation allowances. Actual results could differ from those estimates, which are as follows:

- The Company’s revenue is derived from (i) sales of its own hardware (i.e. MC3 device, the MobiKEY Fusion3 device and PocketVault P-3X device), and recurring revenue support contracts and subscription software applications (i.e. MobiKEY application software); and (ii) the resale of ruggedized computing devices and related accessories and services, as well as license plate recognition hardware and related services. The Company recognizes revenue in accordance with IFRS 15.
- In the determination of the valuation of accounts receivable, including the allowance for doubtful accounts, the Company relies on current customer information, payment history and trends as well as future business and economic conditions.
- The determination of inventory obsolescence allowance.

- The estimation of useful lives of the various classes of capital assets is based upon history and experience of similar assets within each class.
- The Company estimates the value of the assets acquired in the business combinations on the basis of fair value to the ongoing operations of the acquired business.
- The fair value of stock options is based on certain estimates applied to the Black-Scholes option-pricing model as disclosed in the Company's financial statements.
- The recognition of SRED tax credits and government grants (if any).
- The recoverable amount of the cash generate units based on discounted future cash flow projections.
- The measurement of the income tax valuation allowance is based upon estimates of future taxable income and the expected timing of reversals of temporary differences.

## **NEW STANDARDS ADOPTED**

At the date of the authorization of the consolidated financial statements for the year ended December 31, 2025, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The standard must be applied retrospectively with restatement of comparative information. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18. The Company expects the standard will primarily affect the presentation and disclosure of information within the consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income. These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted and the amendments are to be applied retrospectively. The Company is currently evaluating the impact these amendments may have on its consolidated financial statements and related disclosures.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and are not expected to have a significant impact on the Company's consolidated financial statements.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact to the Company's consolidated financial statements.

## FINANCIAL INSTRUMENTS

### *Establishing fair value*

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. It is not anticipated that any payouts will be required under this provision.

The following table sets out the classification, carrying amount, and fair value of the Company's financial assets and liabilities as at December 31, 2025, and December 31, 2024:

	December 31, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	\$32,565	\$32,565	\$86,607	\$86,607
Accounts receivable	\$2,239,220	\$2,282,040	\$2,282,040	\$2,282,040
<b>FINANCIAL LIABILITIES</b>				
Bank indebtedness	\$2,430,625	\$2,430,625	\$2,477,926	\$2,477,926
Accounts payable and other liabilities	\$4,106,607	\$4,106,607	\$4,682,950	\$4,682,950
Notes payable	\$386,483	\$386,483	\$669,819	\$669,819

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.

## FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The carrying amount of financial instruments including cash and cash equivalents, accounts receivable, other receivables, bank indebtedness, accounts payable, current portion of notes payable, and other liabilities approximate fair value because of the short-term nature of these instruments. Long term bank indebtedness and notes payable approximate fair value due to market rate of interest being charged.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 fair value require management judgment or estimation. The Company does not have any assets or liabilities measured at fair value.

The Company has exposure 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. 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 of Directors on its activities.

The Company’s risk management program seeks to minimize potential adverse effects on the Company’s financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a system of internal controls and sound business practices.

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

	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	Yes
Accounts receivable	Yes		Yes	
Other receivables	Yes		Yes	
Bank indebtedness		Yes	Yes	Yes
Accounts payable and other liabilities		Yes	Yes	
Notes payable		Yes	Yes	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 year ended December 31, 2025, the largest single customer represented approximately \$1,326,640 of revenue or 11.52% of total revenue (December 31, 2024 - \$1,148,335 or 7.58% of total revenue).

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. On December 31, 2025, the Company had cash consisting of deposits with a Schedule 1 bank in Canada, a large money center bank in the U.S. and one large regional bank in the U.S. of \$32,565 (December 31, 2024 - \$86,607).

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 consolidated statements of income (loss) and comprehensive income (loss). As of December 31, 2025, the largest single customer’s account receivable represented \$342,507 (December 31, 2024 – \$363,269) of the total accounts receivable.

The following table outlines the details of the aging of the Company’s receivables as of December 31, 2025, and December 31, 2024:

	<b>December 31, 2025</b>	December 31, 2024
Current	<b>\$1,423,304</b>	\$1,956,409
Past Due 1-60 days	<b>227,343</b>	181,504
Greater than 60 days	<b>588,573</b>	144,128
Total accounts receivable, net	<b>\$2,239,220</b>	\$2,282,041

The Company incurred bad debt charges on trade accounts receivable in the amount of \$24,549 during the year ended December 31, 2025 (2024 - \$37,047).

### 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 of December 31, 2025:

	2026	2027	2028 and beyond	Total
Accounts payable and other liabilities	\$4,106,607	\$-	\$-	\$4,106,607
Notes payable & loan commitment	229,037	157,401	-	386,438
Bank indebtedness	600,000	325,000	-	925,000
Lease commitments	331,622	99,696	128,699	560,017
	<b>\$5,267,265</b>	<b>\$582,097</b>	<b>\$128,699</b>	<b>\$5,978,061</b>

Bank indebtedness related to the revolving loan of credit in Vectra Bank 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 of December 31, 2025, the Company had non-Canadian dollar net monetary liabilities of approximately US \$1,847,361 (December 31, 2024 - US \$1,831,941). An increase or decrease in the U.S. to Canadian dollar exchange rate by 5% as of December 31, 2025, would have resulted in a gain or loss in the amount of \$126,599 (December 31, 2024 – \$131,799).

### Interest Rate

The Company has cash balances and bank indebtedness which may be exposed to interest rate fluctuations. On December 31, 2025, cash balances were \$32,565 (December 31, 2024 - \$86,607), bank indebtedness balances were \$2,430,625 (December 31, 2024 – \$2,477,926).

## SHARE CAPITAL WARRANTS AND OPTIONS

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

- An unlimited number of common shares with voting rights and no-par value.
- An unlimited number of non-cumulative, non-voting first preferred shares with no fixed dividend rate, issuable in series.
- An unlimited number of non-cumulative, non-voting second preferred shares with no fixed dividend rate, issuable in series.
- An 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, December 31, 2024	42,497,156	\$23,994,270
<b>Private placement</b>	<b>4,494,664</b>	<b>\$284,589</b>
<b>Balance, December 31, 2025</b>	<b>46,873,820</b>	<b>\$24,078,859</b>

### Private Equity Placement (1)

On November 19, 2025, the Company completed a private placement of 3,123,331 units at \$.075 per unit (comprised of one common share and one warrant with exercise price of \$0.10 for 18 months) for gross proceeds of \$225,297. An Additional 117,500 were issued associated with the broker fees. A portion of the proceeds were allocated to warrants based on the valuation below with the residual value allocated to common shares.

#### Warrant Valuation

	November 19, 2025
Share price on issue date	\$0.07
Risk free interest rate	2.49%
Expected life (years)	1.5
Expected volatility	175.65%
Dividend yield	Nil
Fair value of warrants issued	\$0.05

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 November 2025. A total fair value of \$162,042 was determined.

### Private Equity Placement (2)

On December 12, 2025, the Company completed a private placement of 1,253,333 units (comprised of one common share and one warrant with exercise price of \$0.10 for 18 months) for gross proceeds of \$94,000. A portion of the proceeds were allocated to warrants based on the valuation below with the residual value allocated to common shares.

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*Warrant Valuation*

	<b>December 12, 2025</b>
Share price on issue date	<b>\$0.07</b>
Risk free interest rate	<b>2.49%</b>
Expected life (years)	<b>1.5</b>
Expected volatility	<b>169.93%</b>
Dividend yield	<b>Nil</b>
Fair value of warrants issued	<b>\$0.05</b>

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 2025. A total fair value of \$62,667 was determined.

The total warrants purchased during the period between private equity placement one and private equity placement two totaled 4,494,664.

There are 250,000 (December 31, 2024 – 1,675,000) common share purchase options (“Options”) outstanding to acquire 250,000 (December 31, 2024 – 1,675,000) common shares at \$0.50 per share.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2025, there are no off-balance sheet arrangements.

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## RISK FACTORS AND UNCERTAINTY

Although management has a positive outlook for the Company and continually improves and adapts the Company's risk mitigation strategies, operating in the technology industry inherently involves a certain level of risk and uncertainty. In management's opinion, the following risk factors, among others, should be considered when evaluating the Company's business and its results of future operations:

- Management's ability to secure additional financing, if needed, on reasonable terms. Access to such financing on acceptable commercial terms will be dependent on the timing of recognition and receipt of cash from our current receivables and contracts, on our ability to demonstrate execution of our business strategy and the general condition of the credit and/or equity markets. Such additional financing may be dilutive in nature to existing shareholders
- During the year ended December 31, 2024, the Company had a working capital deficiency and an accumulated deficit. The Company's ability to continue as a going concern is dependent on its ability to achieve positive net cash flows or ability to raise financing. Operations could be negatively impacted by current U.S. government mandates including actions implemented by the recently established Department of Government Efficiency ("DOGE"), which may affect demand and volatility for the Company's products and services. As a result, these events and 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 access to credit or capital could be restricted based on an economic downturn that would restrict credit availability worldwide and could also impact its ability to continue operations.
- A portion of the Company's projected revenue in the short-term is tied to approximately US \$0.5 million in renewals from MobiKEY application software subscriptions with one or more U.S. Government ("USG") accounts. If one or more USG accounts were to discontinue their relationship with the Company, such events could have a material adverse impact on the Company's operating results and financial condition.
- The Company's revenues are derived primarily from the United States and, with respect to MobiKEY application software subscriptions, from U.S. federal governmental agencies and departments as well as state and local governments and agencies. With a change in administration, governmental agencies and departments often defer material changes in their operations and purchases of products and services until a new cabinet is appointed, the political direction is confirmed, and agency leadership is appointed. This deferral and possible change in political direction following an election could have a material adverse effect on the prospects, operations and results of operations of the Company.
- The current U.S. President has publicly supported certain policies, including those related to changes to international trade agreements and policies favoring U.S. persons and companies. There is continued uncertainty as to which measures and policies will be maintained by the United States government, governmental agencies and departments in 2025 and beyond. Certain of these measures, including trade and tariff uncertainty, could have a material and adverse effect on the Company.
- Certain Chief Information Officers of governmental agencies in the United States are required to resign following the election of a new President. There is no assurance that a resigning Chief Information Officer will be reappointed or that a newly appointed Chief Information Officer will be supportive (or continue to be supportive) of the Company's products and services. A change in the senior officers and decision makers in the U.S. government and its agencies could have a material adverse effect on the Company.

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- In addition to the risks discussed above and as a consequence of this transition process, the confirmation of the approval and/or renewal of the Company's products and services could be delayed and/or not subject to the approval process experienced in the past and that such delay and/or change in process will make it difficult for the Company to effectively forecast revenues and to plan and budget its operations and this could have a material adverse effect on the Company.
  - Funding of the United States government is a complex and contentious process and may result in temporary funding of government through continuing resolutions or government shutdowns. Such circumstances may result in delays in sales and renewals of existing contracts with government agencies.
  - The Company's ability to collect payment on a timely basis for products and services delivered may have a material adverse impact on the Company's liquidity position.
  - Third-party claims for infringement of intellectual property rights by Route1, and the outcome of any litigation with respect thereto, may harm the Company's competitive advantage in the secure remote access industry;
  - Should Route1 be unable to successfully obtain patent or other proprietary or statutory protection for its technologies and products, the Company's competitive advantage in the secure remote access industry may be harmed;
  - Route1's ability to obtain rights to use certain software or components which are supplied by third parties may not be sufficient to support future sales volumes;
  - Should Route1 be unable to run efficient and uninterrupted operation of its MobiNET platform, such inability could impact on the credibility of the Company's product and services;
  - Should Route1 be unable to establish new customers, and to build on its existing customer base, such inability could also slow the Company's continued growth;
  - Should Route1 be unable to integrate acquired businesses successfully, such inability could have an adverse effect on the Company;
  - The occurrence of a breach or perception of a breach of Route1's secure product and service offering may have an impact on the credibility of the Company's product and services;
  - The inappropriate disclosure of confidential information of the Company may have an impact on the credibility of the Company's product and services;
  - Competition, both with existing providers as well as with any future providers entering the marketplace, within the secure remote access industry may hamper future sales growth;
  - Route1's reliance on its suppliers and the risk that suppliers will not be able to deliver required components on a timely basis may slow future sales growth;
  - Any future government(s) regulation of the secure remote access industry, including but not limited to restrictions on encryption of the MobiKEY device and the MobiNET platform may limit future growth;
  - Any significant economic downturn in geographic areas where Route1 engages in business activities may cause those government agencies to reduce discretionary budget spending in areas such as secure access solutions, and purchases of other services and products offered by the Company.
  - Any delays in the budget approval process by the U.S. government may delay the procurement and spending in areas such as digital security solutions.
  - The Company's rugged mobile technology solutions and license plate recognition business depends on a small group of large vendors from whom the Company purchases equipment to sell to end users. The Company expects that purchases will be delivered by the vendor on a timely basis. Any disruption in the supply chain could adversely affect the business.

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- The Company is dependent on obtaining acceptable payment and credit terms with certain vendors. The lack of such terms could adversely affect the ability of the Company to purchase and sell product.
  - The Company depends on purchasing product from its vendors at acceptable prices and being able to sell the product to end users at acceptable margins. Unfavorable variances in the prices from vendors and the prices paid by end users would have an adverse effect on the business.
  - The Company resells its products and solutions to a wide variety of manufacturing companies and state and local governments. Any deterioration in the creditworthiness of the Company's customer base could have an adverse effect on the Company's ability to sustain the business without collecting the amounts due from customers.
  - The Company resells its products and sells its solutions to state and local governments and law enforcement agencies. Any delay or decrease in funding of these entities would have an adverse impact on the Company's business.
  - The products sold by the Company are subject to technological obsolescence. To the extent that the Company has non-current inventory, it could be subject to a loss on the sale or write-down of such old or obsolete inventory.
  - Counterparties to purchase and sale agreements of businesses may be in breach of their representations and warranties or covenants to the Company requiring the Company to seek indemnification or other contractual or legal remedy.
  - The majority of the Company's customers purchase product on a purchase order basis. The Company is dependent on the strength of the economy as well as that of the customer and the customer's capital budget and ability to continue purchasing product sold by the Company.
  - The Company ships its product to customers through third parties and price increases, and transportation disruptions could adversely affect the business.
  - The rugged mobile technology solutions business is highly competitive, and profit margins can be adversely affected by a host of factors including the availability of sufficient working capital to operate the business. The required working capital may not be available to the Company on acceptable terms or in the amounts required to operate the business profitably.
  - The Company records transactions in Canadian dollars and conducts business primarily in the United States. The volatility of the Canadian dollar against the U.S. dollar can impact financial results negatively should the Canadian dollar appreciate significantly.
  - The Company is a Canadian corporation. While the Company has not yet been affected by the imposition of tariffs on various goods and services, any such tariffs may have an adverse impact on the Company's ability to be price competitive in the markets in which it operates.
  - There is no assurance that any forward-looking statement will materialize. Unless otherwise indicated, forward-looking statements describe expectations as of the date of this document.
  - Route1 disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
  - Claims filed under the CARES Act and subsequent legislation by Route1 are subject to approval of the IRS. There is no assurance that the IRS will approve, in whole or in part, the amounts claimed by Route1, accordingly this may impact the realizable value of amounts claimed by Route1.
  - The recognition of Employee Retention Credits involves significant management estimates, particularly in determining qualified wages and eligibility periods. Changes in IRS guidance or audit outcomes may lead to revisions of previously recognized credits.

- Employee Retention Credits -related receivables are included in our long-term assets. Delays in processing or denial of these credits may adversely impact our working capital and cash position.
- We engaged a third-party advisor to assist with the calculation and filing of Employee Retention Credit claims. We cannot guarantee that their interpretations will align with future IRS rulings. Adverse outcomes may impact the realizability of amounts claimed by Route1.

### Legal proceedings

In the course of operations, the Company may (i) be subject to litigation claims from customers, suppliers, patent holders, resellers and former employees and (ii) seek to enforce its intellectual and other property rights and rights to indemnification. A provision is recognized when the probability that the event will occur is greater than the probability that it will not. The Company regularly reviews any outstanding claims to see if they meet the criteria. A provision is calculated based on management’s best estimate of probable outflow of economic resources.

## REVENUE INFORMATION

Revenue for the recurring revenue and services is reported as a contract liability on the consolidated 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. On December 31, 2025, the Company had \$1,065,354 (December 31, 2024 - \$1,002,925) in contract liability.

The following table provides a presentation of the Company’s revenue streams for the year ended December 31, 2025, and 2024:

	December 31, 2025		December 31, 2024	
	Revenue	% of Total	Revenue	% of Total
Subscription revenue and services	\$4,616,510	40.1	\$4,341,708	28.7
Devices and appliances	6,923,342	60.1	10,821,099	71.4
Other	(24,194)	-0.2	(8,882)	-0.1
	<b>\$11,515,658</b>	<b>100.0</b>	<b>\$15,153,925</b>	<b>100.0</b>

The following table provides a geographic presentation of the Company’s revenue streams for the year ended December 31, 2025, and 2024:

	December 31, 2025		December 31, 2024	
	Revenue	% of Total	Revenue	% of Total
USA	\$11,247,431	97.7	\$14,678,487	96.9
Canada and International	268,227	2.3	475,438	3.1
	<b>\$11,515,658</b>	<b>100.0</b>	<b>\$15,153,925</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 year ended December 31, 2025, and December 31, 2024:

	December 31, 2025		December 31, 2024	
	Assets	% of Total	Assets	% of Total
USA	\$1,186,102	68.8	\$1,675,803	69.8
Canada	536,689	31.2	725,060	30.2
	<b>\$1,722,791</b>	<b>100.0</b>	<b>\$2,400,864</b>	<b>100.0</b>

## SUBSEQUENT EVENT

### *Bank Indebtedness Amendment*

On January 23, 2026, PCS entered into an additional 36-month straight-line amortization Term Loan with a bank in the amount of USD \$250,000. The term loan bears an interest rate of 6.75% with a maturity date of January 23, 2029. Monthly payments are in the amount of USD \$7,700.69. The monthly payment is for principal and interest.

The Company’s wholly owned subsidiary, PCS, has an asset-based revolving credit facility in the amount of US \$1,350,000 was also renewed as of January 23, 2026, to an asset-based revolving credit facility in the amount of US \$1,200,000. The asset-based revolving facility carries an interest rate of fifty basis points over the prime rate published daily in the Wall Street Journal. As of December 31, 2025, the interest rate was 7.25% (December 31, 2024 – 8.0%). 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.

On March 17, 2026, Route1 Inc. entered into an accommodation agreement with RBC, which replaced the prior repayment terms of \$50,000 per month plus interest with the following repayment schedule: (a) from February 2026 to July 2026, the principal will be reduced by \$25,000 per month, plus accrued interest, reducing the principal balance from \$875,000 to \$725,000; (b) from August 2026 to June 2027, the principal will be reduced by \$60,000 per month, plus accrued interest, reducing the principal balance from \$725,000 to \$65,000; and (c) in July 2027, the Borrower will make a final principal payment of \$65,000, together with all accrued interest and any outstanding legal fees, including those required to discharge the security.

## ADDITIONAL INFORMATION

Additional information about Route1 is available from Route1’s website at [www.route1.com](http://www.route1.com), the SEDAR website at [www.sedar.com](http://www.sedar.com), or by request from Route1’s head office at 8 King Street East, Suite 1801, Toronto, Ontario, Canada M5C 1B5 (telephone (416) 848-8391).

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