Q3 2016 Operations Update

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Company Snapshot

Route1 technologies enable a more productive and flexible workforce without compromising system access, data-at-rest or data-in-use.

Overview

Route1's suite of patented enterprise security solutions combines best-in-class authentication, data security and secure communications with streamlined administration tools, running on a proven, trusted infrastructure.

From mobile access to business continuity to best-in-class full system encryption, Route1 is the most effective, affordable way to secure the digital fortress, while meeting or exceeding the highest standards for government and industry.

Route1 has authority to operate from the U.S. Department of Defense, the U.S. Department of the Navy, the U.S. Department of Homeland Security, the U.S. Department of the Interior, and other government agencies. Route1 is also trusted by enterprise security teams in the health care, banking, legal and education sectors.

Key Metrics as at Sep 30-16

Stock Price	CAD $0.05
52 Week High / Low	CAD $0.04-$0.06
Common Shares Outstanding	351.1 MM
Average Daily Volume 3 months	169,762
Market Capitalization	CAD $17.6 MM
Fiscal Year End	December 31
Headquarters	Toronto, Canada
TSXV Ticker	ROI

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MobiKEY Technology

MobiKEY is a complete desktop, secure remote access technology that integrates multi-factor authentication and identity management in a mobile computing environment.

Technology Differentiators:

- CAC/PIV card-based multi-factor authentication in compliance with HSPD-12 mandate.

- Your data stays within your network's perimeter. No DAR. No risk of data leakage.

- Remote device operating system agnostic. No software required on remote asset.

- Not a browser-based technology. Not vulnerable to Man-in-the-Browser attack vectors.

- Not a VPN. No open inbound ports. Mitigates risk of penetration attacks.

- No external nodes on your network. Mitigates risk of malware introduction.

- **Built with security as its first priority.**

We didn't follow the technology trends - we architected a better and more secure solution - MobiKEY.

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Solution Architecture - MobiNET

MobiKEY/MobiNET
Direct Connection

MobiNET

Enterprise Network

MobiKEY   **Remote Asset**
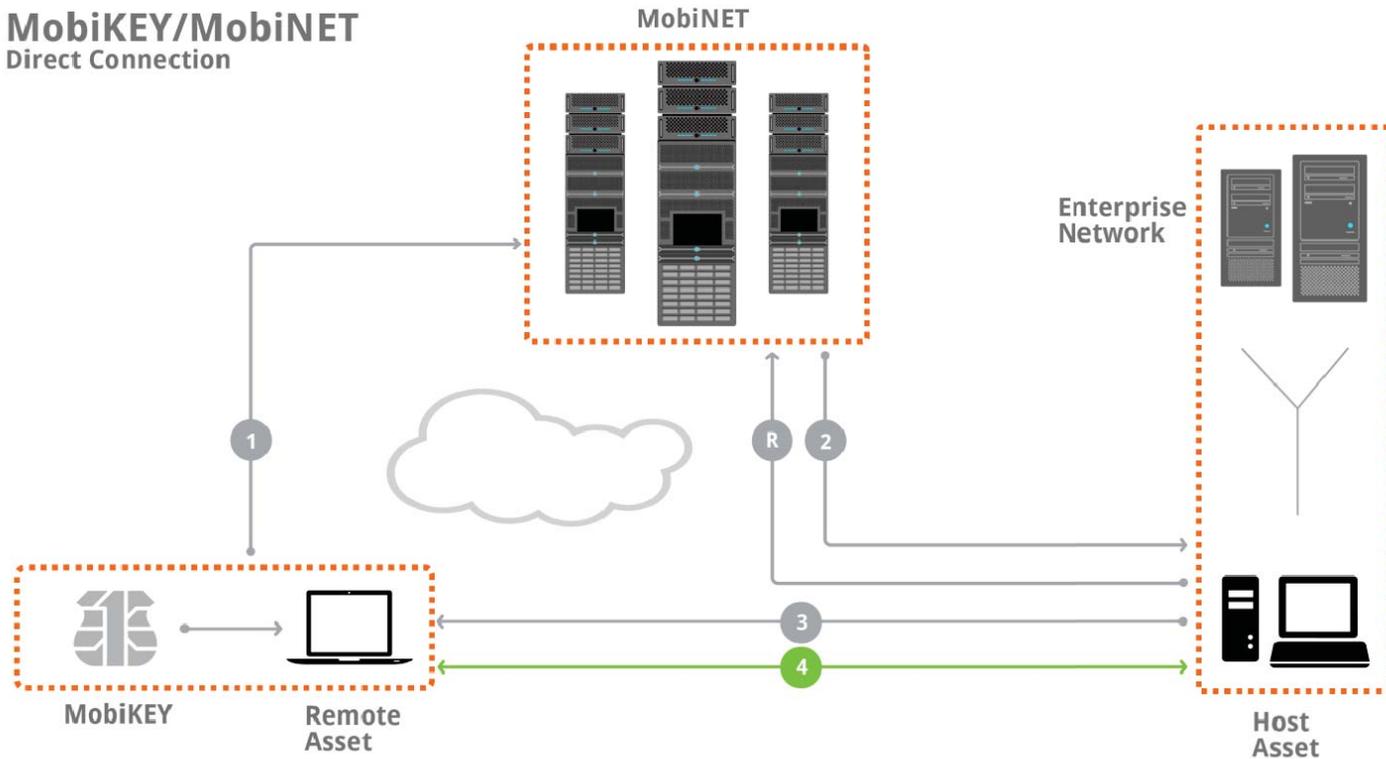
Host Asset

R The MobiNET Agent software (on Host Asset) registers with the MobiNET platform.

1 MobiKEY authenticates with the MobiNET platform, a list of Hosts is presented by the MobiNET platform, and a request for a connection with one of the Hosts is made.

2 The MobiNET Agent software is notified of the request.

3 Mutually authenticated TLS session request.

4 Secure computing session established.

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MobiENCRYPT - Remote FDE Access

- Pre-boot authentication

- True multi-factor authentication using CAC and PIV

- Full access to any encrypted digital workspace from any device

- Ideal for scenarios where government-furnished equipment (GFE) could be lost or stolen

- No Data-at-Rest exposure

- Transparent on-the-fly encryption

- Identification of non-encrypted assets

- Remote key revocation

MobiENCRYPT protects government and enterprise from the risk of data loss due to unauthorized system access and privacy non-compliance.

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MobiKEY Paid, Active Subscribers in CAD Dollars

Quarter	Q3	Q2	Q1	Q4	Q3
Fiscal Year	2016			2015	
Total Services Revenue (in thousands)	$1,808	$1,760	$1,648	$1,616	$1,572
MobiKEY Subscription Revenue (in thousands)	$1,639	$1,591	$1,496	$1,467	$1,424
Closing No. of MobiKEY Subscribers	**17,344**	**16,800**	**16,490**	**16,286**	**15,989**
MobiKEY Revenue per Subscriber	$383	$383	$367	$361	$362
Adjusted EBITDA [2] (in thousands)	[1] $440	$278	$171	$279	$242
Outstanding Debt	$0	$0	$0	$0	$0
Common Shares OS (in millions)	351.1	353.1	360.9	362.7	365.1

(1) Forecasted value.

(2) Route1 uses the term Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock-based compensation, restructuring and other costs). Accordingly, the Adjusted EBITDA should not be considered in isolation nor as a substitute for analyses of Route1's financial information reported under IFRS. For more information on Route1's use of the term Adjusted EBITDA please see page 4 of Route1's Q2 2016 MD&A - www.route1.com/investors/financial-releases.html.

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Business Plan Execution - Q3 2016

✓ Launched MobiENCRYPT smart card based full disk encryption technology

✓ Received a purchase order from a component of the U.S. Navy for 100 MobiKEY Fusion3 devices and 100 MobiKEY application software subscribers with contractual options to expand the user base to 300 subscribers

• Shipped the balance of 300 subscriptions in quarter

✓ Added an additional U.S. Department of the Interior bureau as a client

• 100 user order

✓ Released MobiKEY for Android 5.0 and MobiKEY A2T for Android 5.0

✓ Appointed Peter Chodos as Executive Vice President and Chief Financial Officer

✓ Received a purchase order from a component of the U.S. Department of Defense for 2,000 MobiKEY Fusion3 devices

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Q4 2016 Objectives

1. Complete the contracting process with a new branch of the U.S. Armed Forces, which will position MobiKEY to be available enterprise-wide

2. Increase the number of U.S. Department of the Interior MobiKEY users

3. Release the Company's first standalone user authentication offering – DerivID
   - Derived credential offering for the U.S. government

4. Complete the accreditation process with a new branch of the U.S. Armed Forces – not related to #1 above

5. Launch MobiKEY for Android 5.1 and MobiKEY A2T for Android 5.1

6. Release MobiKEY 5.2, with new desktop management protocol and support of audio in both directions

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The Impact of MobiKEY User Growth

- The gross margin on each **new** MobiKEY subscription is 90%

- The average revenue per MobiKEY subscriber is CAD $380 per year

- **500 new MobiKEY users will generate:**

  - CAD $190,000 per year in additional services revenue,

  - CAD $171,000 per year in additional Adjusted EBITDA, and

  - CAD $171,000 per year in additional net income
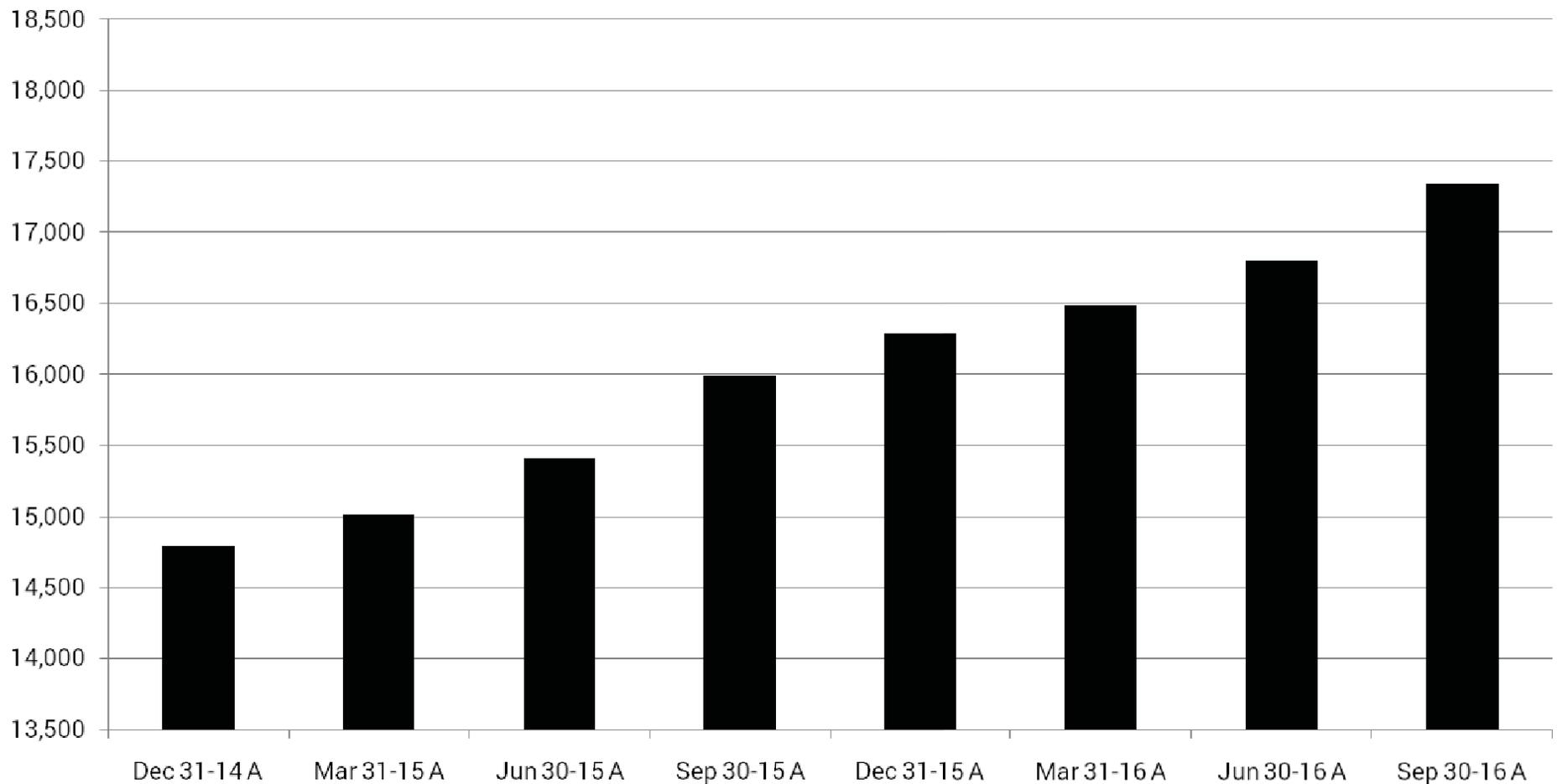

Q4 2016

- MobiKEY subscriber growth projected to be be in the range of 400 to 1,000 users

  - Actual new subscriber count will be influenced by the timing of the successful completion of the contracting process with a branch of the U.S. Armed Forces to set up the MobiKEY technology on an enterprise-wide contract vehicle
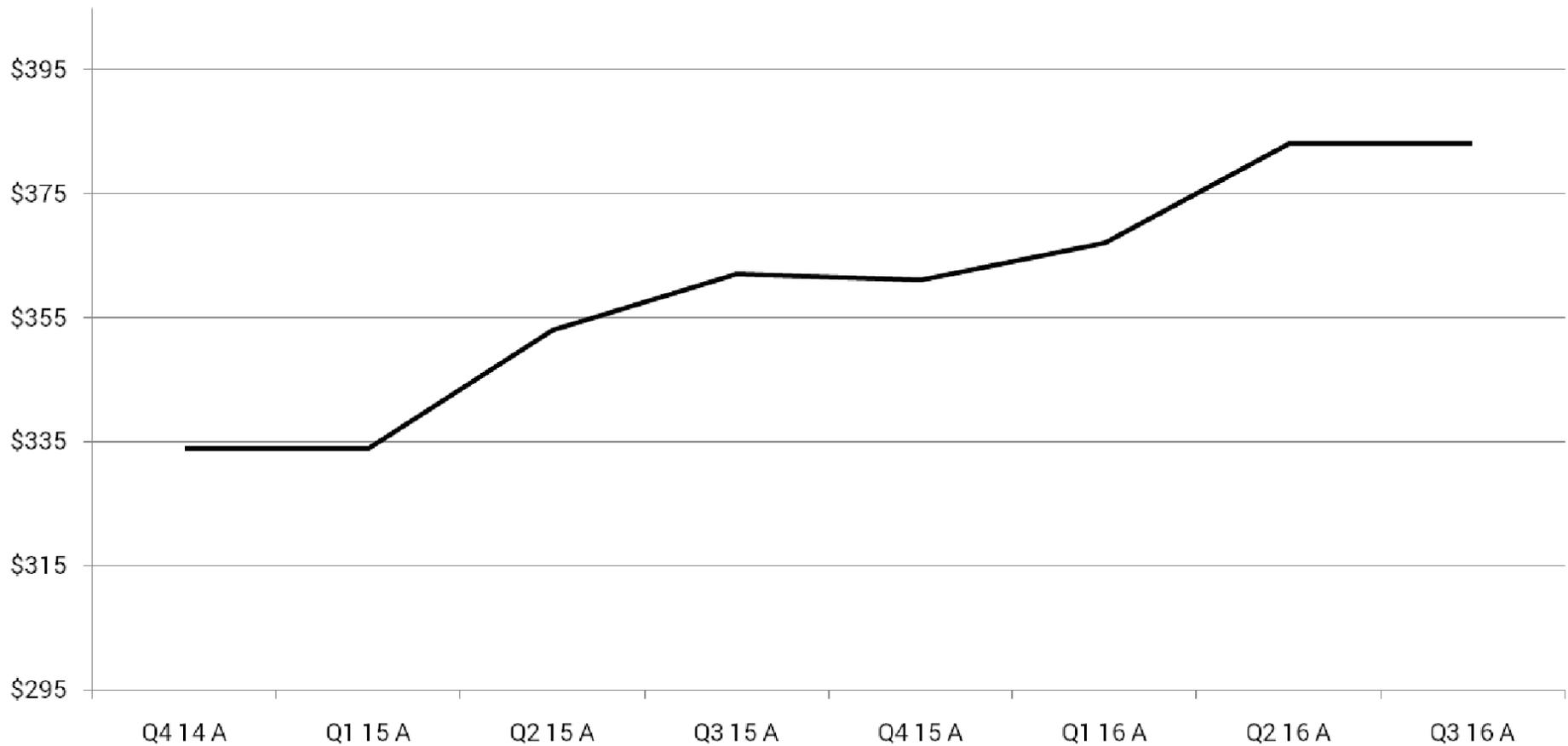
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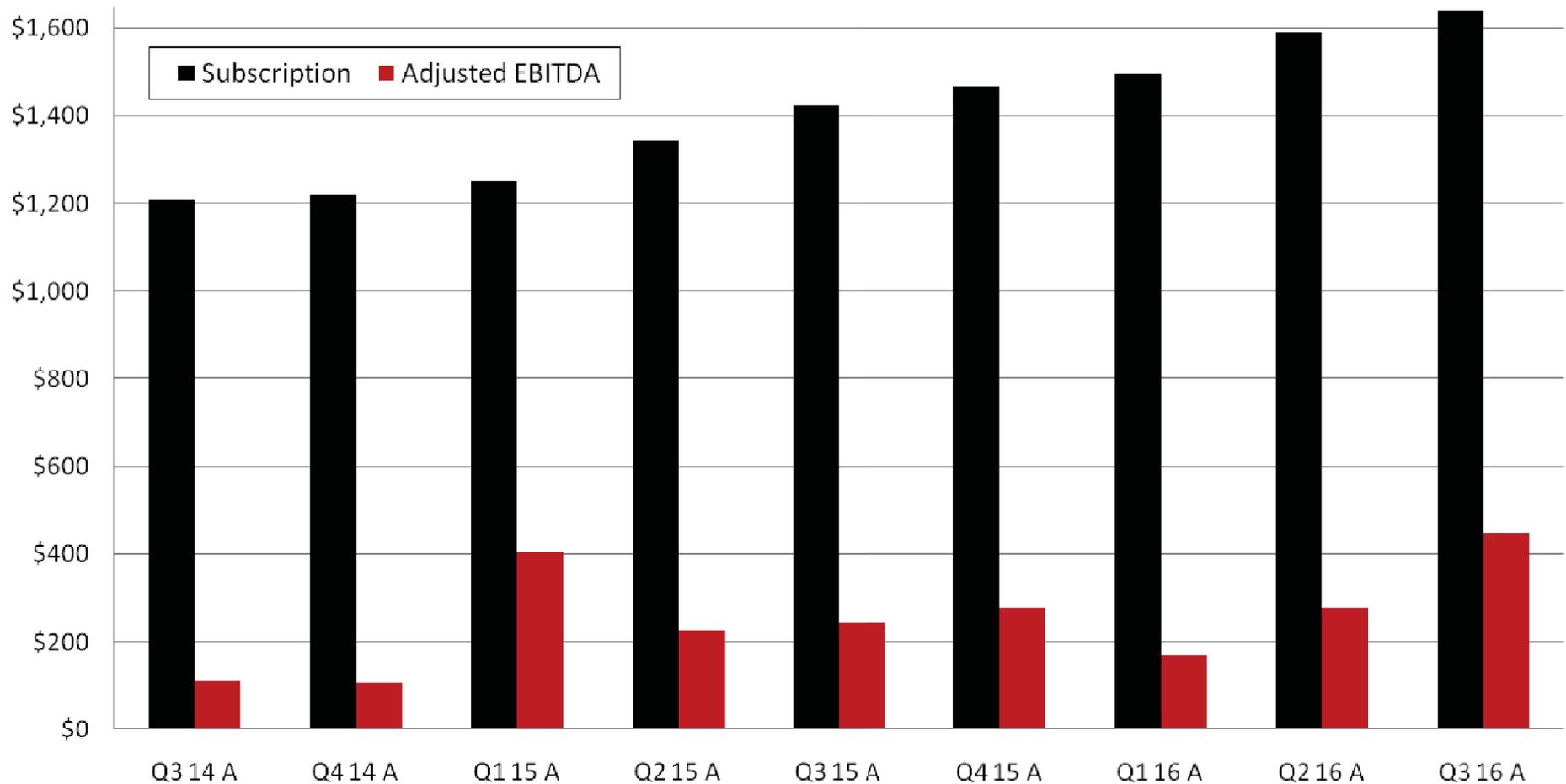
MobiKEY Paid, Active Users - No.

MobiKEY Paid, Active Users - ARPU in CAD 000s

Investment Highlights

- Unique, best-in-class technology

- Product adoption by the world's most security-conscious entities such as the U.S. Department of Homeland Security validates the quality and reliability of the technology

- Growing user base, revenues, cash flow and net income

- Company poised for accelerating growth
  - ✓ Sales cycle should shorten due to validation by anchor clients, growing crisis of data breaches and established relationships with network of prospective clients that are coming to fruition

- Fast adoption cycle
  - ✓ Easy to implement, low cost, plug and play technology that requires no significant changes to IT infrastructure

- Growing cash flow enables Company to exploit strategic M&A opportunities

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Authentication & Identity Management | Data Security & Secure Communications

MobiKEY.