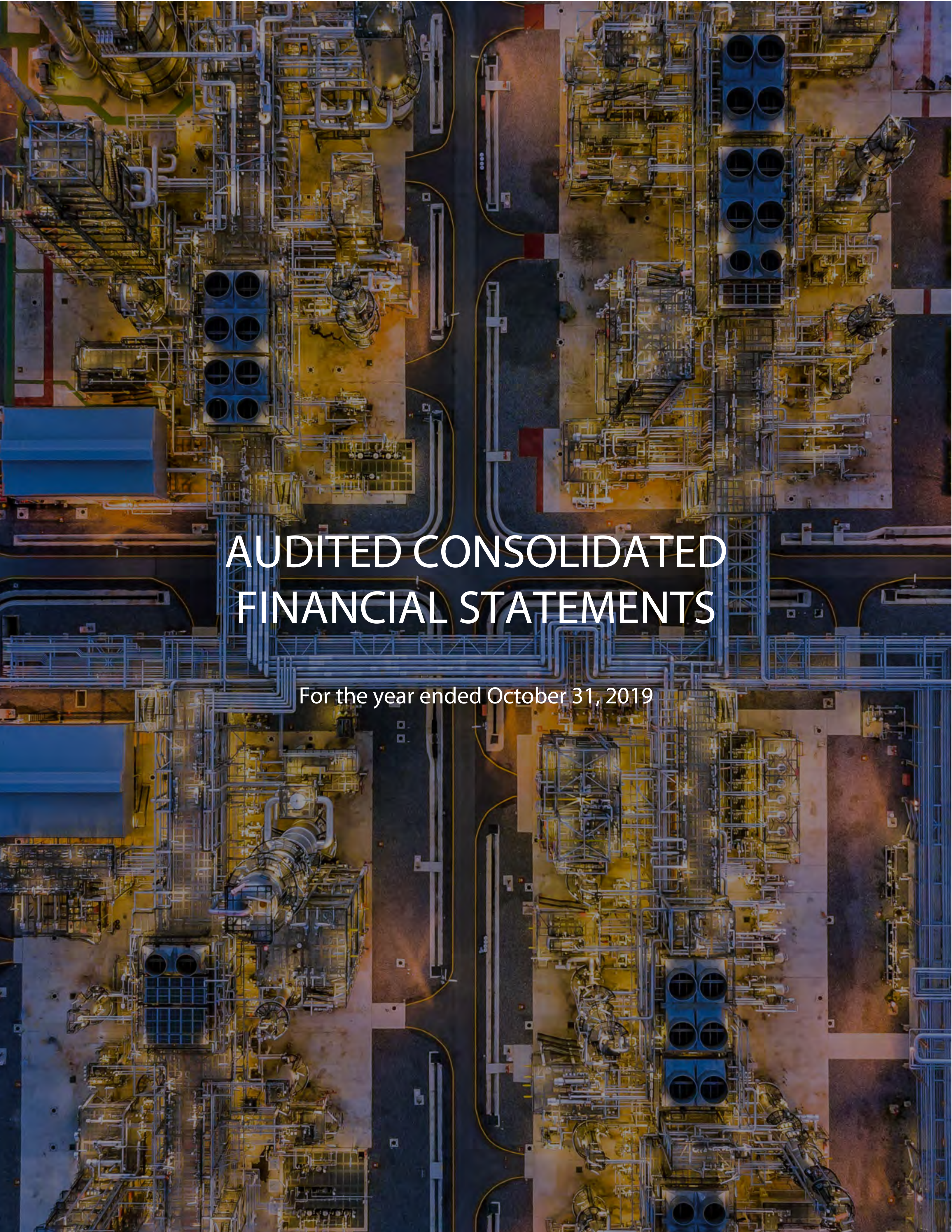

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2019

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL RESULTS

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and have been approved by the Board of Directors.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The consolidated financial statements include amounts which are based on the best estimates and judgments of management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility principally through the Audit Committee.

The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, PricewaterhouseCoopers LLP, appointed by the shareholders of the Company, have audited the consolidated financial statements and have expressed an unqualified opinion on the statements. The external auditors have free access to the Audit Committee. Their report is included with the consolidated financial statements.

(Signed) *"Shane Grennan"*
Shane Grennan, CPA, CA
Chief Financial Officer

Independent auditor's report

To the Shareholders of Blackline Safety Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Blackline Safety Corp. and its subsidiaries (together, the Company) as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at October 31, 2019 and 2018;
- the consolidated statement of loss and comprehensive loss for the years then ended;
- the consolidated statement of changes in equity for the years then ended;
- the consolidated statement of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Reynold Tetzlaff.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Calgary, Alberta
January 28, 2020

Blackline Safety Corp.
Consolidated Statement of Financial Position

	October 31, 2019 $	October 31, 2018 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 6)	13,636,427	11,361,640
Short-term investments (note 7)	17,003,361	28,332,055
Trade and other receivables (note 8)	9,840,853	4,242,421
Inventory (note 9)	5,849,769	6,231,482
Prepaid expenses and advances	754,511	468,558
Contract assets (note 10)	515,017	495,020
Total current assets	47,599,938	51,131,176
NON-CURRENT ASSETS		
Property and equipment (note 11)	9,449,817	5,691,544
Intangible assets (note 13)	658,638	694,791
Long-term contract assets (note 10)	460,595	367,803
Long-term other receivables (note 8)	564,816	-
Total non-current assets	11,133,866	6,754,138
TOTAL ASSETS	58,733,804	57,885,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 14)	7,367,353	4,037,251
Deferred revenue	7,099,703	4,713,078
Current portion of contract liabilities	611,143	262,629
Current portion of government assistance (note 16 (a))	288,793	200,000
Current portion of deferred lease incentives	-	60,043
Total current liabilities	15,366,992	9,273,001
NON-CURRENT LIABILITIES		
Deferred revenue	3,630,635	1,842,118
Contract liabilities	193,405	155,675
Government assistance (note 16 (a))	-	200,000
Deferred lease incentives	171,725	18,127
Total non-current liabilities	3,995,765	2,215,920
TOTAL LIABILITIES	19,362,757	11,488,921
SHAREHOLDERS' EQUITY		
Share capital (note 17)	92,781,280	90,791,496
Contributed surplus (note 17)	8,770,346	7,940,859
Accumulated other comprehensive income (loss)	177,465	97,623
Deficit	(62,358,044)	(52,433,585)
TOTAL SHAREHOLDERS' EQUITY	39,371,047	46,396,393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	58,733,804	57,885,314

Commitments (note 25)

See accompanying notes to the consolidated financial statements

Approved by the Board

(signed) *"Cody Z. Slater", Director*
Cody Z. Slater

(signed) *"Robert J. Herdman", Director*
Robert J. Herdman

Blackline Safety Corp.
Consolidated Statement of Loss and Comprehensive Loss

	Years Ended October 31, 2019 $	Years Ended October 31, 2018 $
Revenues (note 18 and 19)		
Product revenue	15,288,315	6,470,709
Service revenue	17,983,135	11,301,490
Total revenues	33,271,450	17,772,199
Cost of sales (note 19)	17,769,438	10,041,084
Gross margin	15,502,012	7,731,115
Expenses (note 20)		
Selling, general and administrative expenses	19,430,341	11,574,184
Product development costs (note 16)	6,797,194	5,328,556
Total expenses	26,227,535	16,902,740
Results from operating activities	(10,725,523)	(9,171,625)
Finance income, net (note 22)	801,064	169,399
Net loss	(9,924,459)	(9,002,226)
Other comprehensive income (loss)		
Foreign exchange translation gain (loss) on foreign operations (note 5 (b)(i))	79,842	(165,249)
Comprehensive loss for the year	(9,844,617)	(9,167,475)
Loss per common share (note 28)		
Basic and diluted	(0.21)	(0.23)

See accompanying notes to the consolidated financial statements

Blackline Safety Corp.
Consolidated Statement of Changes in Equity

	Number of Shares	Share Capital $	Contributed Surplus $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	Total Equity $
Balance at October 31, 2017	34,798,845	49,214,818	8,647,905	262,872	(43,431,359)	14,694,236
Loss for the year	-	-	-	-	(9,002,226)	(9,002,226)
Foreign exchange translation of foreign operations	-	-	-	(165,249)	-	(165,249)
Exercising of options (note 17)	513,497	1,273,433	(392,987)	-	-	880,446
Exercising of warrants (note 17)	5,463,787	10,661,380	(1,774,976)	-	-	8,886,404
Brokered private placement (note 17)	6,325,000	31,625,000	-	-	-	31,625,000
Share issuance costs (note 17)	-	(2,225,971)	-	-	-	(2,225,971)
Stock-based compensation expense (note 17)	46,409	242,836	1,460,917	-	-	1,703,753
Balance at October 31, 2018	47,147,538	90,791,496	7,940,859	97,623	(52,433,585)	46,396,393
Loss for the year	-	-	-	-	(9,924,459)	(9,924,459)
Foreign exchange translation of foreign operations	-	-	-	79,842	-	79,842
Exercising of options (note 17)	636,362	1,694,259	(513,289)	-	-	1,180,970
Stock-based compensation expense (note 17)	51,943	295,525	1,342,776	-	-	1,638,301
Balance at October 31, 2019	47,835,843	92,781,280	8,770,346	177,465	(62,358,044)	39,371,047

See accompanying notes to the consolidated financial statements

Blackline Safety Corp.
Consolidated Statement of Cash Flows

	Years Ended October 31, 2019 $	Years Ended October 31, 2018 $
Cash provided by (used in)		
Operating activities		
Loss for the year	(9,924,459)	(9,002,226)
Depreciation and amortization (note 20)	2,575,124	1,323,902
Stock-based compensation expense (note 21)	1,343,252	1,681,160
Finance Income, net (note 22)	(790,399)	(169,399)
Unrealized foreign exchange (gains) losses	(14,635)	(130,251)
Loss on disposals of property and equipment	58,004	-
	(6,753,113)	(6,296,814)
Net changes in non-cash working capital (note 29)	1,630,099	(1,646,802)
Net cash provided by (used in) operating activities	(5,123,014)	(7,943,616)
Financing activities		
Proceeds from share issuances, and warrant and option exercises (note 17)	1,476,021	41,414,444
Share issuance costs (note 17)	-	(2,225,971)
Proceeds from bank indebtedness (notes 15 and 29)	-	200,230
Repayments of bank indebtedness (notes 15 and 29)	-	(400,230)
Proceeds from government assistance (notes 16 (a) and 29)	100,000	200,000
Repayments of government assistance (notes 16 (a) and 29)	(211,207)	(418,912)
Net cash provided by (used in) financing activities	1,364,814	38,769,561
Investing activities		
Purchase of short-term investments (note 7)	(20,000,000)	(35,333,345)
Redemption of short-term investments (note 7)	31,327,404	15,070,000
Finance Income, net (note 22)	795,625	212,475
Purchase of property and equipment and intangible assets (notes 11 and 13)	(6,268,956)	(4,983,557)
Net cash provided by (used in) investing activities	5,854,073	(25,034,427)
Effect of foreign exchange changes on cash and cash equivalents	178,914	(38,106)
Net increase (decrease) in cash and cash equivalents	2,274,787	5,753,412
Cash and cash equivalents, beginning of year	11,361,640	5,608,228
Cash and cash equivalents, end of year	13,636,427	11,361,640

Supplementary cash flow information (note 29)

See accompanying notes to the consolidated financial statements

1. Nature of operations

Blackline Safety Corp. (the "Company") is a global connected safety technology company that develops, manufactures and markets products and services that empower businesses with real-time safety insights to manage emergency responses, evacuations and gas detection compliance programs. The Company is publicly listed on the Toronto Venture Exchange (TSXV) under the ticker symbol "BLN" and is incorporated and domiciled in Canada.

The Company's principal business office is Unit 100, 803 24 Ave S.E., Calgary, Alberta, T2G 1P5 and the Company's registered office is Suite 2400, 525 8 Avenue S.W., Calgary, Alberta, T2P 1G1.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on January 28, 2020.

2. Summary of significant accounting policies

a) Basis of preparation

The consolidated financial statements and accompanying notes of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as issued by IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

b) Changes in accounting policy and disclosures

i) New and amended standards adopted by the Company

The following new standards were adopted by the Company in the year:

- IFRS 9 *Financial Instruments;* and
- IFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards on November 1, 2018 and the new accounting policies applied for the current period are disclosed below.

As a result of the changes in the Company's accounting policies, the comparative period did not have to be restated and continues to be presented under the accounting policies disclosed in the audited consolidated financial statements for the year ended October 31, 2018.

IFRS 9 *Financial Instruments* – Impact of adoption

IFRS 9 *Financial Instruments* ("IFRS 9") replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Company adopted IFRS 9 on November 1, 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 9, the Company has adopted the standard using the modified retrospective approach which meant that the cumulative impact of adoption, if any, would be recognized in opening retained earnings as of November 1, 2018 and the comparative prior year period would not be restated. The adoption of IFRS 9 did not result in any adjustments to the Company's deficit as of November 1, 2018.

i) *Classification and measurement*

On adoption the Company assessed which business models apply to the financial assets and liabilities held by the Company and classified its financial instruments into the appropriate IFRS 9 categories as follows:

	IAS 39 classification	IFRS 9 classification
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Contract liabilities	Other financial liabilities	Amortized cost
Government assistance	Other financial liabilities	Amortized cost

The reclassifications did not result in any impact on the Company's financial position, net loss or comprehensive loss on the date of initial adoption.

ii) *Impairment of financial assets*

The Company was required to revise its impairment methodology under IFRS 9 for its financial assets.

Trade and other receivables
The Company applied the IFRS 9 simplified approach for measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for trade and other receivables. To measure the ECL, trade receivables have been grouped based on past days due.

On that basis, the trade receivables loss allowance was determined at November 1, 2018 with no impact on opening deficit noted when compared to previous methodology.

Other financial assets at amortized cost
Other financial assets at amortized cost are cash and cash equivalents and short-term investments. Applying the expected credit risk model did not result in a loss allowance at November 1, 2018 (October 31, 2018: $nil) for the Company's cash and cash equivalents and short-term investments.

Prior to adoption of IFRS 9 the accounting policy applicable under IAS 39 was as follows:

Financial instruments

i) *Classification*

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The Company holds the following financial assets at the end of the reporting period:

Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

The Company's trade and other receivables are generally due for settlement within 30 days and therefore are all classified as current with trade receivables with settlement terms longer than one year being classified as long-term trade receivables within non-current assets.

The Company's cash and cash equivalents and short-term investments are also classified as loans and receivables financial assets.

ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on the trade-date, this being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

iii) *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortized cost using the effective interest method should the fair values be deemed to be significantly different to their carrying amounts.

iv) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognized in profit or loss.

Financial liabilities

i) *Classification*

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Company holds the following financial liabilities at the end the reporting period:

Other financial liabilities

Other financial liabilities are financial liabilities which are not classified at fair value through profit or loss and are measured at amortized cost. If payment of the amounts is expected in one year or less they are classified as current liabilities. If not, they are presented as non-current liabilities.

The Company's accounts payable and accrued liabilities are generally due for settlement within 30 days and therefore are all classified as current. Bank indebtedness is classified as current as it is repayable on demand. Contract liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. The government assistance is repayable in accordance with the terms of the agreements with the estimated repayable amount due within one year classified as current with the remainder classified as a non-current liability.

ii) *Measurement*

At initial recognition, the Company measures a financial liability at its fair value less transaction costs.

Other financial liabilities are subsequently carried at amortized cost using the effective interest method should the fair values be deemed to be significantly different to their carrying amounts.

IFRS 15 *Revenue from Contracts with Customers* – Impact of adoption

The IASB has issued a new standard, IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") for the recognition of revenue. This replaces IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Company adopted IFRS 15 on November 1, 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Company adopted the standard using the modified retrospective approach which meant that the cumulative impact of adoption, if any, would be recognized in retained earnings as of November 1, 2018 and the comparative prior period would not be restated. The adoption of IFRS 15 did not result in any adjustments to the Company's opening deficit as at November 1, 2018.

There were no changes to the presentation of the statement of financial position at the date of initial application.

Prior to adoption of IFRS 15 the accounting policy applicable under IAS 18 was as follows:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognized for the Company's business activities using the methods outlined below:

i) Product revenues

The Company designs, manufactures and sells a range of safety monitoring products. Revenue from the sale of hardware devices is recognized upon delivery of products or when title passes to the customer, the customer has accepted the product, the price to the customer is fixed or determinable and collectability is reasonably assured.

ii) Service revenues

The Company provides monitoring and supporting services for its range of safety products. Revenues for safety monitoring and supporting services are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue.

Revenues from the rental of modular cartridge options are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue.

The Company also delivers its safety products and monitoring services through its 'Blackline Complete' leasing program. The Company accounts for a 'Blackline Complete' contract, and associated statement of loss and statement of financial position impacts, as an operating lease within the meaning of IAS 17 *Leases*.

Revenues are recognized on a straight-line basis over the term of the lease with no deferred revenue element on the statement of financial position.

Revenues from development contracts are recognized by reference to the stage of completion of the contract activity at the statement of financial position date.

The Company offers certain arrangements whereby a customer can purchase products and services together. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. When the fair value cannot be determined based on when it was sold separately, the Company uses the residual method to determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Any discounts identified as part of a multi-element arrangement are proportionately allocated to all separately identifiable components.

ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for October 31, 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of relevant new standards and interpretations is set out below.

IFRS 16 *Leases*
IFRS 16 *Leases* ("IFRS 16") was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized with available practical expedients for short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments. The Company has determined to what extent these commitments will result in the recognition of an asset and a liability for future payments. Some of the commitments are covered by practical expedients for short-term and low-value leases.

The new standard is mandatory for financial years commencing on or after January 1, 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

c) Consolidation

Subsidiaries are all entities (including structured entity) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

Unless otherwise indicated the term “Company” refers both to the Company and its wholly owned subsidiaries.

d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

e) Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Canadian dollars (“CAD”), which is also the Company’s presentation currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of loss within ‘Finance income, net’.

iii) *Group companies*

The results and financial position of all the Company’s entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates of the year (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates); and
- All resulting exchange differences are recognized in other comprehensive income as foreign exchange gain (loss) on translation of foreign operations.

f) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities at purchase of three months or less. Any accrued interest earned at the period end date is recorded within other receivables.

Bank overdrafts are shown as bank indebtedness within current liabilities in the consolidated statement of financial position.

g) Short-term investments

Short-term investments consist of short-term interest-bearing securities which mature more than three months but less than 12 months from the date of purchase. Short-term investments are held with highly rated financial institutions. Any accrued interest earned at the period end date is recorded within other receivables.

h) Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Other receivables include the net investment in ‘Blackline Complete’ finance lease and transactions outside the usual operating activities of the Company.

Due to the short-term nature of the current receivables, their carrying amount is considered to approximate their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Trade receivables are recognized initially at their carrying value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment through an expected credit loss assessment.

i) Contract assets

Contract assets consist of costs related to the fulfilment of a Blackline Complete lease contract and any other revenue contracts in progress at the period end. The costs are recognized over the life of the contract. If contract costs are expected to be recognized in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

j) Inventory

Raw materials and finished goods are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method using the standard costing method which is updated regularly to reflect current conditions and approximate cost. The cost of finished goods inventory comprises of raw materials, direct labour, other direct costs and related production overhead expenditures, the latter being allocated on the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Finished goods are comprised of finished hardware units ready for sale.

k) Financial instruments and risk management

Financial assets

i) *Classification*

The Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss) and those to be measured at amortized cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company's financial instruments are all classified at amortized cost. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

ii) *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company currently classifies all financial assets in the amortized cost category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets are included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of loss.

The Company's cash and cash equivalents and short-term investments are held at amortized cost and considered to have low credit risk with the loss allowance recognized during the period limited to 12 months expected losses. Management considers 'low credit risk' for short-term investments to be an investment grade credit rating with at least one major rating agency.

iii) *Impairment*

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Company assesses, on a forward-looking basis, the ECL associated with its financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

i) *Classification*

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss, financial liabilities at fair value through other comprehensive income or amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Company holds the following financial liabilities at the end of the reporting period:

Financial liabilities at amortized cost

Financial liabilities held by the Company are measured at amortized cost. If payment of the amounts is expected in one year or less they are classified as current liabilities. If not, they are presented as non-current liabilities.

The Company's accounts payable and accrued liabilities are generally due for settlement within 30 days and therefore are all classified as current. Bank indebtedness is classified as current as it is repayable on demand. Contract liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. The government assistance is repayable in accordance with the terms of the agreements with the estimated repayable amount due within one year classified as current with the remainder classified as a non-current liability.

ii) *Measurement*

At initial recognition, the Company measures a financial liability at its fair value less transaction costs.

Financial liabilities are subsequently carried at amortized cost using the effective interest method should the fair values be deemed to be significantly different to their carrying amounts.

l) Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The Company delivers its safety products and monitoring services through its 'Blackline Complete' leasing program. The cartridge asset category represents the modular cartridge options, including gas sensors, used in the Company's principal safety product device. The Company accounts for these as operating leases within the meaning of IAS 17 *Leases* and are separately accounted for within property and equipment.

Depreciation is calculated using the straight-line method to expense the cost of property and equipment, less their residual values, over their estimated useful lives as follows:

Surface mount technology (SMT) equipment	10 years
Furniture and equipment	5 years
Manufacturing equipment	5 years
Equipment leased under 'Blackline Complete' program	4 years
Rental equipment	4 years
Cartridges	4 years
Computer hardware	3 years
Evaluation kits	3 years
Service equipment	1 year
Leasehold improvements	Length of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

m) Intangible assets

The Company's intangible assets consist of computer software, government certifications for products and product patent costs. The assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

Computer software	5 years
Government certifications	Estimated life of product certified (5 years)
Product patent costs	Estimated life of product (5 years)

The amortization of government certifications and product patent costs commences when the associated products are available for commercial sale.

Product development costs are expensed in the year they are incurred and are not recognized as an intangible asset for deferral in accordance with IAS 38 *Intangible Assets.* Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

n) Impairment of non-financial assets

Property and equipment and intangible assets subject to depreciation and amortization respectively are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible indicators of reversal at the end of each reporting period.

o) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods or services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. The carrying amounts of accounts payable and accrued liabilities are considered to be the same as their fair values, due to their short-term nature.

p) Contract liabilities

Contract liabilities are obligations to pay commissions to third-party distributors who assist with the fulfilment of ‘Blackline Complete’ lease contracts. The obligations are recognized upon the start of a ‘Blackline Complete’ lease contract. Contract liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. The carrying amounts of contract liabilities are considered to be the same as their fair values.

q) Provisions

Provisions for service warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period, adjusted for discounting if considered significant.

r) Stock-based compensation

The Company operates two equity-settled, stock-based compensation plans, under which the Company grants equity instruments (options and common stock) as consideration for services provided by employees and directors of the Company.

i) Stock option plan

Under the Company’s stock option plan, options can be granted to officers, employees, consultants, and members of the Board of Directors. The exercise price of options is determined by the Board, but will be no less than the closing market price of the Company’s stock on the trading day immediately prior to the grant of the option in accordance with TSX Venture Exchange guidelines. Vesting is provided for at the discretion of the Board and the expiration of options is to be no greater than 10 years from the date of grant.

The Company recognizes the value of stock options awarded to employees and non-employees in the consolidated financial statements based on the estimated fair value at the date of grant. The Company calculates the value of stock options issued using the Black-Scholes option pricing model with consideration of factors specific to the Company. Each tranche in an award is considered a separate award with its own vesting year and grant date fair value. Stock-based compensation expense is recognized over the tranche’s vesting period, with a corresponding increase to contributed surplus based on the number of awards expected to vest.
When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. The number of awards expected to vest is reviewed at least quarterly, with any impact being recognized immediately.

ii) Employee Share Ownership Plan

Under the Employee Share Ownership Plan (the "ESOP") employees can contribute up to 10% of their salary to purchase shares of the Company with the Company matching 50%. The Company has the option of contributing its employer portion as cash to purchase shares off the market or to issue the shares from treasury.

The employer portion of the ESOP has a one-year vesting period during the first year of an employee's contributions, six month vesting period during the second year of employee contributions and immediately vest during the third and later years of employee contributions.

The Company records the employer portion of the ESOP as stock-based compensation expense in the statement of comprehensive loss and values the amounts as either the cash contributed or the sum of the weighted average fair value of shares issued.

In addition to its stock-based compensation plans, the Company may issue warrants in conjunction with a non-brokered private placement of common shares and common share warrants. Proceeds received from issuances of these units are allocated on a pro-rata basis as determined by the fair value of each element. The fair value of common share warrants is estimated using the Black-Scholes option pricing model. In circumstances where broker warrants are issued coincidentally with a unit offering as broker compensation, the broker warrants are valued using the Black-Scholes option pricing model and recorded as issuance costs against the common share warrants and common shares issued, allocated on a pro-rata basis as determined by the fair value of each element.

s) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Loss per common share

i) Basic loss per common share

Basic loss per common share is calculated by dividing:

- the loss attributable to owners of the Company
- by the weighted average number of common shares outstanding during the financial year.

ii) Diluted loss per common share

Diluted loss per common share adjusts the figures used in the determination of basic loss per common share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential common shares, and
- the weighted average number of additional common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

u) Revenue recognition

Revenue is recognized for the Company’s business activities using the methods outlined below:

i) *Product revenue*

The Company designs, manufactures and sells a range of safety monitoring products. Revenue from the sale of hardware devices is recognized when control of the products has been transferred, this being when the products are shipped to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the customer’s location, and the risks of loss have been transferred to the customer, the price to the customer is fixed or determinable and collectability is reasonably assured.

Payment of the transaction price is due upon the product being shipped to the customer in accordance with the agreed credit terms.

The Company’s obligation to provide a replacement for defective products under the standard warranty terms is recognized as a warranty provision within ‘Accounts payable and accrued liabilities’.

ii) *Service revenue*

The Company provides monitoring and supporting services for its range of safety products. Revenues for safety monitoring and supporting services are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue. Payment of the transaction price is due from the customer in accordance with the agreed credit terms.

Revenues from the rental of modular cartridge options are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue. Payment of the transaction price is due from the customer in accordance with the agreed credit terms.

Revenues from development contracts are recognized using the input method on the basis of the Company’s costs incurred relative to total estimated costs to determine the extent of progress towards completion. Payment of the transaction price is due from the customer in accordance with the agreed credit terms.

iii) *Bundled product and service arrangements*

The Company offers certain arrangements whereby a customer can purchase products and services together.

Where such bundled arrangements exist, the amount of the transaction price allocated to each performance obligation is based upon the relative stand-alone selling prices of each distinct product or service in the contract. The best evidence of a stand-alone selling price is the observable price of a product or service when the Company sells that product or service separately in similar circumstances and to similar customers.

When a stand-alone selling price is not directly observable, the Company estimates using the residual approach method to determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone contract with a customer. This method is applied consistently to similar arrangements. Consideration is given to all reasonably available information and suitable methods.

Any discounts identified as part of a bundled arrangement are proportionately allocated across all distinct performance obligations in the contract, based on their relative stand-alone selling prices.

iv) *Lease revenue*

The Company delivers its safety products and monitoring services through its 'Blackline Complete' leasing program. The Company accounts for a three-year 'Blackline Complete' contract, and associated statement of loss and statement of financial position impacts, as an operating lease within the meaning of IAS 17 *Leases*. Revenues are recognized on a straight-line basis over the term of the lease with no deferred revenue element on the statement of financial position.

The Company may also deliver its safety products and monitoring services through a 'Blackline Complete' finance lease. Assets subject to finance leases are initially recognized at an amount equal to the net investment in the lease and are included in current and long-term other receivables. Interest income is recognized over the term of the applicable leases based on the effective interest rate method.

Customers are generally invoiced on a monthly basis and consideration is payable when invoiced in accordance with the agreed credit terms in each lease contract.

v) Government assistance

The Company may receive government assistance in connection with product development expenditures that qualify for the Scientific Research and Experimental Development program ("SR&ED"). Federal and provincial investment tax credits are accounted for as a reduction of expenditures in the period in which the credits are determinable and when there is likely assurance of their recovery. The tax credit amounts received can be subject to a detailed technical and financial review which could result in the repayment of certain of the amounts received.

Assistance from governmental funding agencies related to supporting product development is recorded in the period that the assistance is received. The manner in which the assistance is recorded is dependent on the terms of the agreement between the Company and the relevant governmental agency.

The Company's repayable funding has been recorded at its carrying value. The fair value of the repayable funding equals its carrying value, as the impact of discounting is not deemed to be significant.

The classification of that debt as short or long-term is dependent on the period in which the repayments are estimated to become due under the terms of the agreement with the relevant governmental agency.

w) Income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

x) Leases

Leases of property and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3. Capital management

The Company's primary objectives when managing capital are to profitably grow its business while maintaining adequate financing flexibility to fund new investment opportunities and other unanticipated requirements or opportunities that may arise. Profitable growth is defined as earnings growth commensurate with the additional capital being invested in the business in order for the Company to earn an appropriate rate of return on that capital.

The Company's capital structure is comprised of shareholders' equity and repayable debt. The Company's objectives when managing its capital structure are to:

- maintain sufficient cash to finance operations; and
- minimize dilution to shareholders.

The Company monitors its financing requirements through regular forecasting of its cash position. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. The factors considered when determining whether to issue new debt or equity include the amount of cash estimated to be required, the availability of debt or equity capital and the related costs, and the need to balance value creation for shareholders against the increased liquidity risks associated with debt. The Company may require additional equity and/or debt capital to fund any significant acquisition or development opportunities. The Company's capital management objectives have not changed over the years presented.

Under the terms of the demand operating revolving loan facility, the Company is required to comply with the following financial covenants:

- ratio of debt to tangible net worth, defined as total equity less intangible assets, shall not at any time exceed 3.00 to 1.00, tested quarterly;
- ratio of current assets to current liabilities shall not at any time be less than 1.25 to 1.00, tested quarterly; and
- deposits with the Bank shall not be less than $1,500,000 at any time.

The Company was in compliance with these covenants during the 2019 and 2018 reporting periods.

4. Significant accounting judgments and estimates

The preparation of financial statements requires the use of accounting estimates with management also needing to use judgment in applying the Company's accounting policies.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most significant accounting estimates that the Company has made in the preparation of the consolidated financial statements:

a) Stock-based compensation

The determination of the fair value of stock options requires the use of a pricing model which requires the estimation of stock price volatility, the expected term of the underlying instruments, the estimation of the risk-free interest rate, and if applicable the resulting number of options that will ultimately vest.

b) Property and equipment and intangible assets

Measurement of property and equipment and intangible assets involves the use of estimates in determining the expected useful lives of those assets and the depreciation and amortization methods used.

c) Standard costing of inventory

By their nature, estimates used in the standard costing of inventory are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in estimates in future periods could be significant.

The following is the most significant judgement that the Company has made in the preparation of the consolidated financial statements

a) Revenue recognition – bundled arrangements

The determination of the amount of revenue to allocate to individual elements in a bundled arrangement and whether a deliverable constitutes a separate unit of accounting.

5. Financial instruments and risk management

a) Financial instruments

The Company holds the following financial instruments:

Financial assets	Notes	Carrying amount $
As at October 31, 2019		
Cash and cash equivalents	6	13,636,427
Short-term investments	7	17,003,361
Trade and other receivables	8	10,405,669
		41,045,457
As at October 31, 2018		
Cash and cash equivalents	6	11,361,640
Short-term investments	7	28,332,055
Trade and other receivables	8	4,242,421
		43,936,116

Financial liabilities	Notes	Carrying amount $
As at October 31, 2019		
Accounts payable and accrued liabilities	14	7,367,353
Contract liabilities		804,548
Government assistance	16	288,793
		8,460,694
As at October 31, 2018		
Accounts payable and accrued liabilities	14	4,037,251
Contract liabilities		418,304
Government assistance	16	400,000
		4,855,555

The Company does not hold financial liabilities at fair value through profit or loss as at October 31, 2019 and October 31, 2018.

The carrying amounts of the financial assets and liabilities are deemed to be the same as their fair values due to their short term nature and the interest receivable being close to current market rates.

The Company's risk exposure to various risks associated with the financial instruments is discussed in note 5 b). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

b) Financial risk management

The Company's risk management includes foreign exchange risk, interest rate risk, credit risk and liquidity risk.

i. Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including the U.S. dollar ("USD"), British pound ("GBP"), Euro ("EUR") and Australian dollar ("AUD"). Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company's policy with respect to foreign currency risk management, is to obtain natural hedges of revenue and expenses to the extent possible. The Company does not speculate in foreign currency and remains at risk to the market where natural hedges are not in place.

Exposure
The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Canadian dollars, was as follows:

				2019
	USD $	GBP $	EUR $	AUD $
Financial assets				
Cash and cash equivalents	1,959,071	2,444,733	1,166,582	727,999
Short-term investments	1,003,361	-	-	-
Trade and other receivables	4,814,033	2,298,543	1,082,422	210,663
Financial liabilities				
Accounts payable and accrued liabilities	2,767,875	853,652	30,507	33,330
Contract liabilities	96,729	-	-	-

				2018
	USD $	GBP $	EUR $	AUD $
Financial assets				
Cash and cash equivalents	3,785,637	254,377	1,005,377	362,150
Short-term investments	1,312,110	-	-	-
Trade and other receivables	2,055,775	503,514	512,934	35,997
Financial liabilities				
Accounts payable and accrued liabilities	1,462,680	261,494	79,859	4,067
Contract liabilities	58,703	-	-	-

Amounts recognized in Consolidated Statement of Loss and Comprehensive Loss
During the year, the following foreign-exchange related amounts were recognized in loss and other comprehensive loss.

	October 31, 2019 $	October 31, 2018 $
Amounts recognized in profit or loss		
Net foreign exchange gain/(loss)	15,419	157,431
Net gains (losses) recognized in Comprehensive Loss		
Translation of foreign operations	79,842	(165,249)

Sensitivity
As disclosed in the table above, the Company is primarily exposed to changes in USD/CAD, GBP/CAD, EUR/CAD and AUD/CAD exchange rates. The sensitivity of profit or loss to changes in exchange rates arises mainly from USD, GBP, EUR and AUD denominated cash and cash equivalents, short-term investments, trade and other receivable and accounts payable and accrued liabilities.

As at October 31, 2019, if the Canadian dollar had weakened/strengthened by 10% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the year would have been as follows, mainly as a result of foreign exchange gains/(losses) on translation of USD, GBP, EUR and AUD denominated cash and cash equivalents, short-term investments, trade accounts receivable and accounts payable and accrued liabilities:

	October 31, 2019 $	October 31, 2018 $
USD/CAD exchange rate – increase 10%	621,573	698,170
USD/CAD exchange rate – decrease 10%	(621,573)	(698,170)
GBP/CAD exchange rate – increase 10%	351,872	41,117
GBP/CAD exchange rate – decrease 10%	(351,872)	(41,117)
EUR/CAD exchange rate – increase 10%	352,589	143,359
EUR/CAD exchange rate – decrease 10%	(352,589)	(143,359)
AUD/CAD exchange rate – increase 10%	85,499	39,037
AUD/CAD exchange rate – decrease 10%	(85,499)	(39,037)

The Company's exposure to other foreign exchange risk is not significant.

Interest rate risk

The Company's interest rate risk arises from its cash and cash equivalents and bank indebtedness with variable rates which expose the Company to cash flow interest rate risk. The Company's short-term investments have fixed interest rates.

Exposure
The exposure of the Company's cash and cash equivalents and bank indebtedness to interest rate changes and the contractual repricing dates of the fixed interest rate short-term investments at the end of the reporting period are as follows:

	October 31, 2019 $	October 31, 2018 $
Variable rate cash and cash equivalents	9,560,307	7,049,530
Fixed rate cash and cash equivalents	4,076,120	4,312,110
Fixed interest rate short-term investments – repricing date: 6 months or less	17,003,361	28,332,055
	30,639,788	39,693,695

Sensitivity
The net loss of the Company is sensitive to higher/lower interest income from cash and cash equivalents, short-term investments and to higher/lower interest expenses from bank indebtedness as a result of changes in interest rates. As at October 31, 2019 and October 31, 2018 if the interest rate had increased/decreased by 100 basis points, with all other variables held constant, the impact on net loss for the periods would not have been significant.

ii. Credit risk

Credit risk arises from cash and cash equivalents, short-term investments held with banks as well as credit exposure to customers, including outstanding trade accounts receivables.

Risk management
Credit risk is managed on a Company-wide basis. The cash and cash equivalents are comprised of cash and highly liquid short-term deposits with a Canadian chartered bank, United States chartered bank and a UK plc bank. The bank indebtedness is comprised of the amount drawn on the Company's demand operating loan facility with a Canadian chartered bank. The Company only deals with highly rated financial institutions.

The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings with compliance with credit limits regularly monitored.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. A substantial portion of the Company's trade receivables are with customers in the oil and gas industry and are subject to normal credit terms.

Credit quality
The credit quality of the following financial assets that are neither past due nor impaired can be assessed by reference to an external credit rating.

	October 31, 2019 $	October 31, 2018 $
Cash and cash equivalents		
AA-	13,636,427	11,361,640
Short-term investments		
AA-	17,003,361	26,312,110
R – 1 (low)	-	2,019,945
	30,639,788	39,693,695

The external credit ratings are those of Standard and Poor's (where available) and DBRS for long-term senior debt as at the year end reporting dates. None of the held-to-maturity short-term investments are either past due or impaired.

Impaired trade receivables
Individual trade receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The remaining trade receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified.

For these trade receivables the estimated impairment losses are recognized in a separate provision for an ECL.

The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within selling, general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses.

Movements in the ECL for trade receivables are as follows:

October 31, 2019	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due
Expected loss rate	0.1%	0.4%	2.0%	7.0%	7.0%
Gross carrying amount	7,875,390	961,421	222,894	61,690	649,951
Loss allowance	7,875	3,846	4,458	4,318	45,497

November 1, 2018	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due
Expected loss rate	0.2%	1.0%	2.0%	2.0%	3.0%
Gross carrying amount	3,077,148	522,990	133,891	162,332	55,002
Loss allowance	6,154	5,230	2,678	3,247	1,650

	October 31, 2019 $	November 1, 2018 $
Expected credit loss	65,994	18,959
Provision for specifically identified contracts	396,912	-
Loss allowance	462,906	18,959

The creation and release of the ECL has been included in 'selling, general and administrative' expenses in the consolidated statement of loss. Amounts specifically identified and charged to the loss allowance are generally written off, when there is no expectation of recovery.

During the year, the following losses were recognized in relation to impaired receivables.

	October 31, 2019 $	October 31, 2018 $
Impairment losses – movement in the loss allowance	(14,853)	(5,657)
Reversal of previous impairment losses	-	-

Past due but not impaired
As at October 31, 2019, trade receivables of $1,444,588 (October 31, 2018: $869,421) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	October 31, 2019 $	October 31, 2018 $
Up to 3 months	1,235,101	819,213
3 to 6 months	209,487	50,208

There were no amounts which were deemed to be impaired which were not included in the ECL assessment.

iii. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Company held cash and cash equivalents of $13,636,427 (October 31, 2018: $11,361,640) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining availability under a committed credit line.

Management maintains a forward-looking cash requirement forecast, comprising cash and cash equivalents, short-term investments and a demand operating revolving loan facility with a Canadian chartered bank. This ensures that funds are readily available to meet its financial obligations as they become due, as well as ensuring that adequate funds exist to support business strategies.

The Company has financed its activities primarily through cash flows from operations, funds from brokered and non-brokered private placements, a bank demand operating revolving loan facility and government assistance in the form of repayable debt. The ability to sustain operations is dependent on successfully commercializing its products, continuing to increase sales of the Company's products and services and, if required, the ability to raise additional equity through financing. The Company currently has sufficient funds and access to capital for the next 12 months.

Financing arrangements
The Company had access to the following borrowing facility with the balance drawn against the operating line at the end of the reporting period is as follows:

	October 31, 2019 $	October 31, 2018 $
Floating rate		
Demand operating revolving loan facility	-	-

The demand operating revolving loan facility may be drawn on at any time and may be repaid on demand by the bank. The demand operating revolving loan facility is secured by a general security agreement creating a first priority security interest in all present and after acquired personal property of the Company and a floating charge over all of the Company's present and after acquired real property.

Maturity of financial liabilities
The tables below analyze the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 24 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Total contractual cash flows	Carrying amount
As at October 31, 2019	$	$	$	$	$
Accounts payable and accrued liabilities	6,640,778	726,575	-	7,367,353	7,367,353
Contract liabilities	393,157	217,986	193,405	804,548	804,548
Bank indebtedness	-	-	-	-	-
Government assistance	200,000	88,973	-	288,793	288,793
Total	7,233,935	1,033,534	193,405	8,460,694	8,460,694
As at October 31, 2018					
Accounts payable and accrued liabilities	3,741,353	295,898	-	4,037,251	4,037,251
Contract liabilities	80,682	181,947	155,675	418,304	418,304
Bank indebtedness	-	-	-	-	-
Government assistance	-	200,000	200,000	400,000	400,000
Total	3,822,035	677,845	355,675	4,855,555	4,855,555

6. Cash and cash equivalents

	October 31, 2019	October 31, 2018
	$	$
Cash at bank	9,560,307	7,049,530
Notice term deposits	4,076,120	4,312,110
	13,636,427	11,361,640

a) Restricted cash

Cash at bank includes $214,101 (October 31, 2018: $17,568) that is subject to restrictions and therefore not available for general use.

b) Notice term deposits

Notice term deposits are comprised of a $3,000,000 (October 31, 2018: $3,000,000) and $1,000,000 (October 31, 2018: $nil) CAD 31 day notice term deposits with fixed interest rates of 2.73% and 2.14%, respectively, and a USD denominated 31 day notice term deposit of $nil (October 31, 2018: $1,312,110).

7. Short-term term investments

	October 31, 2019 $	October 31, 2018 $
Guaranteed investment certificate with fixed interest of 2.20% and maturity date of December 2, 2019	2,000,000	-
Guaranteed investment certificate with fixed interest of 2.23% and maturity date of January 27, 2020	3,000,000	-
Term deposit of USD $762,000 with fixed interest of 1.95% and maturity date of January 27, 2020	1,003,361	-
Guaranteed investment certificate with fixed interest of 2.28% and maturity date of February 26, 2020	1,000,000	-
Guaranteed investment certificate with fixed interest of 2.33% and maturity date of April 27, 2020	2,000,000	-
Guaranteed investment certificate with fixed interest of 2.20% and maturity date of October 29, 2020	8,000,000	-
Guaranteed investment certificate with fixed interest of 2.50% and maturity date of January 28, 2019	-	2,019,945
Term deposit of USD $1,000,000 with fixed interest of 2.66% and maturity date of February 26, 2019	-	1,312,110
Guaranteed investment certificate with fixed interest of 2.22% and maturity date of March 11, 2019	-	3,000,000
Guaranteed investment certificate with fixed interest of 2.75% and maturity date of April 29, 2019	-	5,000,000
Guaranteed investment certificate with fixed interest of 2.75% and maturity date of October 29, 2019	-	17,000,000
	17,003,361	28,332,055

8. Trade and other receivables

	October 31, 2019 $	October 31, 2018 $
Trade accounts receivable	9,771,346	3,951,363
Loss allowance	(462,906)	(4,780)
Trade accounts receivables - net	9,308,440	3,946,583
Other receivables	1,097,229	295,838
Total trade and other receivables	10,405,669	4,242,421

9. Inventory

	October 31, 2019 $	October 31, 2018 $
Parts	3,056,325	3,647,825
Finished goods	2,793,444	2,583,657
	5,849,769	6,231,482

Inventories recognized as an expense and included in ‘cost of sales’ in the consolidated statement of loss during the year ended October 31, 2019 amounted to $7,854,321 (October 31, 2018: $3,950,836). These were included in cost of sales for product.

Write-downs of obsolete parts inventory amounted to $266,244 for the year ended October 31, 2019 (October 31, 2018: $17,130). These were recognized as an expense and included in cost of sales for product. There were reversals of $nil (October 31, 2018: $6,252) previously written-down amounts in the years noted.

10. Contract assets

	October 31, 2019 $	October 31, 2018 $
Asset recognised from costs incurred to fulfil a contract – short term	515,017	249,896
Asset recognised from costs incurred to fulfil a contract – long term	460,595	367,803
Development contract in progress	-	245,124
	975,612	862,823

11. Property and equipment

						Net book value
	At November 1, 2018	Exchange differences	Additions	Other Disposals & Transfers	Deprecia-tion	At October 31, 2019
	$	$	$	$	$	$
Furniture and equipment	132,605	(1,434)	326,430	-	80,596	377,005
Leasehold improvements	87,161	(638)	769,740	(15,603)	173,335	667,325
Manufacturing equipment	431,768	(69)	212,424	-	158,431	485,692
SMT equipment	1,045,880	-	118,245	-	117,952	1,046,173
Computer hardware	157,614	(59)	164,966	-	96,728	225,793
Equipment leased under ‘Blackline Complete’ program	1,654,818	1,684	571,315	13,311	622,184	1,618,944
Equipment rental	26,332	-	146,087	-	24,776	147,643
Service equipment	5,878	-	-	13,781	16,214	3,445
Evaluation kits	134,253	24	50,462	6,260	61,740	129,259
Cartridges	2,015,235	18	3,777,697	(75,753)	968,659	4,748,538
	5,691,544	(474)	6,137,366	(58,004)	2,320,615	9,449,817

			October 31, 2019
	Cost	Accumulated depreciation	Net book value
	$	$	$
Furniture and equipment	574,173	197,168	377,005
Leasehold improvements	753,885	86,560	667,325
Manufacturing equipment	1,106,818	621,126	485,692
SMT equipment	1,218,365	172,192	1,046,173
Computer hardware	400,751	174,958	225,793
Equipment leased under ‘Blackline Complete’ program	2,659,065	1,040,121	1,618,944
Equipment rental	176,276	28,633	147,643
Service equipment	19,659	16,214	3,445
Evaluation kits	199,321	70,062	129,259
Cartridges	5,991,168	1,242,630	4,748,538
	13,099,481	3,649,664	9,449,817

						Net book value
	At November 1, 2017	Exchange differences	Additions	Other Disposals & Transfers	Deprecia-tion	At October 31, 2018
	$	$	$	$	$	$
Furniture and equipment	136,232	33	55,035	-	58,695	132,605
Leasehold improvements	141,363	1	37,449	-	91,652	87,161
Manufacturing equipment	394,109	-	156,780	2,987	122,109	431,767
SMT equipment	-	-	1,100,120	-	54,240	1,045,880
Computer hardware	83,443	(74)	136,302	-	62,057	157,614
Equipment leased under 'Blackline Complete' program	829,423	(1,460)	1,195,517	(5,252)	363,410	1,654,818
Equipment rental	-	-	30,189	-	3,857	26,332
Service equipment	-	-	-	5,878	-	5,878
Evaluation kits	131,454	-	41,476	10,320	48,997	134,253
Cartridges	373,436	-	1,951,071	(626)	308,645	2,015,236
	2,089,460	(1,500)	4,703,939	13,307	1,113,662	5,691,544

			October 31, 2018
	Cost	Accumulated depreciation	Net book value
	$	$	$
Furniture and equipment	309,202	176,597	132,605
Leasehold improvements	451,294	364,133	87,161
Manufacturing equipment	1,031,064	599,297	431,767
SMT equipment	1,100,120	54,240	1,045,880
Computer hardware	433,209	275,595	157,614
Equipment leased under 'Blackline Complete' program	2,161,563	506,745	1,654,818
Equipment rental	30,189	3,857	26,332
Service equipment	5,878	-	5,878
Evaluation kits	187,242	52,989	134,253
Cartridges	2,338,170	322,934	2,015,236
	8,047,931	2,356,387	5,691,544

Depreciation expense of $1,915,450 (October 31, 2018: $859,377) is included in 'cost of sales', $360,626 (October 31, 2018: $215,226) in 'selling, general and administrative expenses' and $44,539 (October 31, 2018: $39,059) in 'product development costs' in the consolidated statement of loss.

The impairment loss primarily relates to leasehold improvements from a vacated property and cartridges that are no longer in use, the amounts were recognized in selling, general and administrative expenses and cost of sales, respectively.

12. Leasing arrangements

The Company leases certain of its safety monitoring equipment to customers through the Company's 'Blackline Complete' program with monthly payments. The payments under the 'Blackline Complete' program include the undiscounted operating lease payments for the right to use the equipment and safety monitoring service. The approximate amount of the total payments related to the use of the equipment is estimated to be 32% (October 31, 2018: 31%). The total payments under non-cancellable operating lease contracts of the 'Blackline Complete' leasing program not recognized in the financial statements are receivable as follows:

	October 31, 2019 $	October 31, 2018 $
Within one year	3,801,357	3,780,479
Between one and not later than three years	2,947,312	4,178,199
	6,748,669	7,958,678

13. Intangible assets

					Net book value
	At November 1, 2018 $	Exchange differences $	Additions $	Amortization $	At October 31, 2019 $
Computer software	220,542	1	26,837	90,310	157,070
Government certifications and product patent cost	474,249	-	191,518	164,199	501,568
	694,791	1	218,355	254,509	658,638

			October 31, 2019
	Cost $	Accumulated amortization $	Net book value $
Computer software	460,941	303,871	157,070
Government certifications and product patent cost	932,487	430,919	501,568
	1,393,428	734,790	658,638

					Net book value
	At November 1, 2017 $	Exchange differences $	Additions $	Amortization $	At October 31, 2018 $
Computer software	141,777	(3)	150,478	71,710	220,542
Government certifications and product patent cost	483,641	-	129,138	138,530	474,249
	625,418	(3)	279,616	210,240	694,791

			October 31, 2018
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer software	434,104	213,562	220,542
Government certifications and product patent cost	861,112	386,863	474,249
	1,295,216	600,425	694,791

Amortization expense of $26,106 (October 31, 2018: $18,300) is included in ‘cost of sales’, $90,310 (October 31, 2018: $71,710) in ‘selling, general and administrative expenses’ and $138,063 (October 31, 2018: $120,230) in ‘product development costs’ in the consolidated statement of loss.

14. Accounts payable and accrued liabilities

	October 31, 2019	October 31, 2018
	$	$
Trade accounts payable	3,635,092	2,281,092
Accrued liabilities	3,732,261	1,756,159
	7,367,353	4,037,251

15. Bank indebtedness

The Company has a demand operating revolving loan facility (‘loan facility’) of up to $1,500,000 with a Canadian chartered bank. The loan facility bears interest at the bank’s annual prime rate plus 1% (October 31, 2018: 1.00%) and is repayable on demand. In the event that the total indebtedness of the Company to the bank exceeds $500,000 the Company shall ensure that the amount advanced and loan outstanding shall at no time exceed the margin requirements of the loan facility. The loan facility is secured, including by a general security agreement creating a first priority security interest in all present and after acquired personal property of the Company.

The loan facility was not drawn against as at October 31, 2019 and October 31, 2018.

16. Government assistance

a) TECTERRA Inc. funding

The Company has a compensation and funding agreement with TECTERRA Inc. (“Tecterra”), an Alberta provincial technology organization which supports the development and commercialization of geomatic solutions. Under the terms of the agreement, the Company receives funding for the development of a geomatic product. The agreement contains security in the form of a first security interest (subject only to any security interest and charge granted by the Company to its principal bank) on all present and after acquired property of the Company for the performance of its agreement obligations. The funding received is fully repayable by the Company on a quarterly basis with the amounts of each quarterly payment based on the lesser of a percentage of sales of that product or 20% of the funding amount. The Company shall commence repayment at the end of the calendar quarter in which the first sale of the product for which funding has been provided occurs.

On June 16, 2017, the Company entered into a compensation and funding agreement with Tecterra whereby up to $500,000 in funding was made available to the Company, interest free, for the creation and development of a new product. The Company has received all $500,000 of the available funding under this agreement (October 31, 2018: $400,000). As at October 31, 2019, the Company has repaid $211,207 of the amount received (October 31, 2018: $nil).

Of the total amount outstanding as at October 31, 2019, $288,793 (October 31, 2018: $200,000) is estimated to be repayable within 12 months of the year end date and classified as a current liability with $nil (October 31, 2018: $200,000) estimated to be repayable after 12 months of the year end date and is classified as a non-current liability.

b) SR&ED program

During the year, the Company recorded $89,506 (October 31, 2018: $69,197) in refundable SR&ED tax credits for the 2018 tax year which were credited as a reduction of product development costs.

17. Share capital and warrants

a) Authorized

An unlimited number of common voting shares without nominal or par value. An unlimited number of preferred shares without nominal or par value.

b) Issued

	Number of shares	Amount $
Common Shares		
As at November 1, 2017	34,798,845	49,214,818
Warrants exercised	5,229,937	10,079,002
Broker warrants exercised	233,850	582,378
Options exercised	513,497	1,273,433
Issued through stock-based compensation plan	46,409	242,836
Issued for cash through private placement	6,325,000	31,625,000
Share issue costs	-	(2,225,971)
As at October 31, 2018	47,147,538	90,791,496
Options exercised	636,362	1,694,259
Issued through stock-based compensation plan	51,943	295,525
As at October 31, 2019	47,835,843	92,781,280

During the year ended October 31, 2019, 636,362 common share options were exercised for cash proceeds net of income tax withholdings of $1,180,970. On exercise of these common share options, $513,289 was credited to share capital from contributed surplus.

During the year ended October 31, 2018, 513,497 common share options were exercised for cash proceeds net of income tax withholdings of $880,446. On exercise of these common share options, $392,987 was credited to share capital from contributed surplus.

On October 22, 2018, the Company completed a brokered private placement for an aggregate of 6,325,000 common shares at an issue price of $5.00 per common share for gross proceeds of $31,625,000 and share issuance costs of $2,225,971.

On April 12, 2017, the Company completed a non-brokered private placement for an aggregate of 2,000,000 common shares at an issue price of $3.00 per common share for gross proceeds of $6,000,000.

On April 12, 2017, the Company also completed a brokered private placement of 3,500,000 common shares of the Company at an issue price of $3.00 per common share for aggregate gross proceeds of $10,500,000 and share issuance costs of $906,561.

On June 22, 2016, the Company completed financing of 3,750,000 units at a price of $1.75 per unit for aggregate gross proceeds of $6,562,520. Each unit comprised one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at any time on or prior to February 12, 2018 at an exercise price of $2.00 per common share.

In addition to the warrants that were attached to the units, there were 233,850 broker warrants issued with an exercise price of $1.75 per warrant. Each broker warrant entitles the holder thereof to acquire one unit at any time prior to February 12, 2018 at an exercise price of $1.75. Each unit comprised one common share of the Company and one-half of one common share purchase warrant. Share issuance costs were $506,873, including $207,436 representing the estimated fair value of the broker warrants. The gross proceeds from the exercise of the warrants was $6,562,520.

No warrants remain at October 31, 2019, all warrants were exercised before their expiry date of February 12, 2018.

c) Employee Share Ownership Plan

The Company has a custody and administration vehicle to facilitate its employee share ownership program and hold shares of the Company allocated to individual directors and employees. The Company has concluded that it in substance controls the above-noted vehicle and as such it has been consolidated by the Company. Included in the outstanding common shares of the Company as of October 31, 2019, are 17,771 (October 31, 2018: 14,032) unvested common shares and 631,993 (October 31, 2018: 569,780) vested common shares which are held by the above-noted vehicle.

18. Revenue from contracts with customers

Revenue	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Revenue from contracts with customers – Product	15,288,315	6,470,709
Revenue from contracts with customers – Service	13,625,576	8,577,738
Revenue from operating leases	4,357,559	2,723,752
Total	33,271,450	17,772,199
Timing of revenue recognition		
At a point in time	15,288,315	6,470,709
Over time	17,983,135	11,301,490
Total	33,271,450	17,772,199

19. Segment information

The Chief Executive Officer is the Company's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Chief Executive Officer considers the business performance from a product and service perspective. The product revenues are driven by sales of the Company's suite of safety products with the service revenue generated by the monitoring and the support of those products.
There are no sales between segments and revenue from external parties is measured in a manner consistent with that in the consolidated statement of loss.

The Chief Executive Officer regularly reviews the following for each reportable segment of revenue from contracts with customers:

	Product		Service	
	Year ended October 31, 2019 $	Year ended October 31, 2018 $	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Revenue	15,288,315	6,470,709	17,983,135	11,301,490
Cost of sales	11,678,174	6,238,998	6,091,264	3,802,086
Gross margin	3,610,141	231,711	11,891,871	7,499,404

The Company's expenses, finance income and costs, assets and liabilities are not allocated to reportable segments.

In the years ended October 31, 2019, there were no customers representing 10% or more of the Company's revenue (October 31, 2018: no one customer represented greater than 10%).

Revenues from external customers and distributors by country/geographic area are as follows:

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Canada	12,130,392	7,502,108
United States	12,829,094	6,647,201
Europe	7,111,438	2,975,580
Australia & New Zealand	692,482	407,815
Other international	508,044	239,495
Total	33,271,450	17,772,199

All property and equipment and intangible assets are located in Canada with the exception of property and equipment with a net book value of $202,912 (October 31, 2018: $99,607) that is located in Europe.

20. Expenses by nature

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Employee compensation and benefit expenses	17,570,148	12,766,034
Operational expenses	10,941,205	4,063,433
Services and materials	12,819,931	8,897,788
Royalties	105,984	50,098
Depreciation and amortization	2,575,124	1,323,902
Foreign exchange (gain)/loss	(15,419)	(157,431)
Total costs of sales and expenses	43,996,973	26,943,824

21. Employee compensation and benefit expenses

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Salaries, wages, employment and termination benefits	15,944,487	11,084,874
ESOP and stock options granted to directors and employees	1,625,661	1,681,160
Total employee compensation and benefit expenses	17,570,148	12,766,034

22. Finance income and costs

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Finance income		
Interest received/receivable from finance leases and financial assets held for cash management purposes	802,466	170,104
Finance costs		
Interest and finance charges paid/payable for financial liabilities	1,402	705
Finance income, net	801,064	169,399

23. Income taxes

Income tax expense (recovery) is calculated using the combined federal and provincial statutory income tax rates. The combined provision for taxes in the consolidated statement of loss reflects an effective tax rate which differs from the expected statutory rate as follows:

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Loss before income taxes	(9,924,459)	(9,002,226)
Combined federal and provincial income tax rate	26.67%	27.0%
Tax calculated at applicable statutory rates applicable to profits	(2,646,853)	(2,430,601)
Tax losses and other items for which no deferred income tax asset was recognized	2,342,045	1,988,338
Stock-based compensation expense not deductible for tax purposes	354,201	424,053
Non-deductible expenses	12,692	18,210
Income tax expense (recovery)	62,085	-

Income tax expense is included in 'selling, general and administrative expenses' in the consolidated statement of loss during the year ended October 31, 2019.

The significant components of the Company's net future income tax deductions are summarized as follows:

	October 31, 2019 $	October 31, 2018 $
Non-capital loss carry forwards	46,024,673	40,329,047
Undepreciated capital cost	4,071,842	1,297,100
Reserves	1,397,828	427,000
Share issuance costs	1,815,496	2,559,291
SR&ED expenditure pool	7,105,289	6,832,015
Other	171,725	78,000
Total future tax deductions	60,586,853	51,522,453

The Company has $46,024,673 of non-capital loss carry forwards which begin to expire in 2026.

24. Interests in other entities

The Company's subsidiaries as at October 31, 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of common shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / Country of incorporation	Ownership interest held by the Company		Ownership interest held by non-controlling interests		Principal activities
		2019 %	2018 %	2019 %	2018 %	
Blackline Safety Europe Ltd.	United Kingdom	100	100	-	-	Sale of safety monitoring products and services in Europe
Blackline Safety USA Corp.	U.S.A.	100	100	-	-	Facilitation of sale of safety monitoring products and services in the United States
Blackline Safety Australia Pty. Ltd.	Australia	100	100	-	-	Facilitation of sale of safety monitoring products and services in Australia

25. Commitments

The Company has no significant capital expenditures contracted for at the end of the current and prior reporting period but not recognized as liabilities.

The Company has various commitments to minimum inventory purchases and has contracted for the services of certain third-parties. The Company leases office space and has other miscellaneous contracts to which there are minimum required payments.

The future aggregate minimum lease payments and remaining commitments under the above contracts, including estimated operating costs for the office space leases, are as follows:

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Within one year	1,937,288	1,759,945
Later than one year but not later than five years	3,684,934	2,808,198
Later than five years	-	110,565
Total	5,622,222	4,678,708

Rental expense in the amount of $1,420,600 (October 31, 2018: $720,916) was incurred on operating leases during the year.

26. Related party transactions

a) Purchases of services

The Company purchased consulting services from an entity controlled by a related party of a member of key management personnel on normal credit terms and conditions in the amounts of $40,500 for the year ended October 31, 2019 (October 31, 2018: $34,700). As at October 31, 2019, the amount of $15,356 (October 31, 2018: $4,725) was outstanding in accounts payable and accrued liabilities in relation to transactions with that related party.

b) Key management personnel compensation

Key management includes the Company's directors and executive officers. The Company's directors can receive compensation in the form of stock options and/or participate in the Company's ESOP. The compensation paid or payable to key management for employee and director services is shown below:

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Salaries, compensation and employment benefits	1,072,000	1,012,859
Termination benefits	-	267,916
ESOP and stock options granted	957,636	1,047,318
Total	2,029,636	2,328,093

27. Stock-based compensation

The Company has an established stock-based compensation plan ("stock option plan" or the "plan") which was reapproved by shareholders at the prior year annual general meeting. The purpose of the stock option plan is to provide long-term incentives for directors, officers, employees and consultants of the Company to deliver long-term shareholder returns.

Participation in the plan is at the Board of Directors' discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The plan allows for the purchase of one common share for each option granted, at a fixed price not less than the fair market value of the stock at the time of grant, subject to certain conditions being met.

The number of options that may be exercised depends on the Company's share price as listed on the TSXV. Options granted under the plan vest over an immediate to three-year period. For those options which vest immediately, they remain exercisable for a period of five years and for those options which vest after three years, the options remain exercisable for a period of two years after vesting.

Options granted under the plan are for no consideration and carry no dividend or voting rights. When exercised, each option converts into one common share.

	Number of options	Weighted average exercise price per stock option $
As at October 31, 2017	2,438,417	2.62
Vested and exercisable at October 31, 2017	2,062,250	2.42
Granted during the year	784,000	5.48
Exercised during the year	(513,497)	1.72
Forfeited during the year	(26,768)	4.76
Expired during the year	(1,500)	1.13
As at October 31, 2018	2,680,652	3.61
Vested and exercisable at October 31, 2018	2,171,435	3.33
Granted during the year	812,000	5.27
Exercised during the year	(636,362)	1.85
Forfeited during the year	(97,486)	4.80
Expired during the year	(7,000)	1.31
As at October 31, 2019	2,751,804	4.46
Vested and exercisable at October 31, 2019	2,368,112	4.36

The weighted average share price at the date of exercise of options exercised during the year ended October 31, 2019 was $4.46 (October 31, 2018: $3.61).

Stock options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date – Year ended	Exercise price $ per share	Stock options October 31, 2019	Stock options October 31, 2018
October 31, 2019	1.31 – 2.27	-	343,500
October 31, 2020	1.60 – 2.15	263,167	442,834
October 31, 2022	2.85 – 4.40	982,004	1,124,668
October 31, 2023	4.85 – 5.50	715,883	769,650
October 31, 2024	5.26 – 5.84	790,750	-
		2,751,804	2,680,652

The weighted average remaining contractual life of the options outstanding as at October 31, 2019 is 3.15 years (October 31, 2018: 3.13 years).

The Company uses the Black-Scholes model and a forfeiture rate of 11% (October 31, 2018: 18%), based on historical data, to calculate the stock-based compensation expense during the year. The weighted average assessed fair value at grant date of options granted during the year ended October 31, 2019 was $5.27 per option (October 31, 2018: $5.48). The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the expected dividend yield.

The model inputs for the option tranches granted during the year ended October 31, 2019 and 2018 included:

	Year end October 31, 2019	Year ended October 31, 2018
Risk-free interest rate	1.41% - 1.65%	2.01% - 2.32%
Expected life of the option – employees	3 years	3 years
Expected life of the option – directors, officers and consultant	4 years	4 years
Expected dividend per share	$nil per share	$nil per share
Expected volatility of the Company's shares	33% - 41%	42% - 49%

The expected price volatility is based on the historical volatility.

28. Loss per common share

The effects of potentially dilutive instruments such as stock options and warrants on loss per common share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per common share.

	Year end October 31, 2019	Year ended October 31, 2018
Weighted average common shares outstanding – basic and diluted	47,433,795	39,294,841
Loss for the year	(9,924,459)	(9,002,226)
Basic and diluted loss per common share	(0.21)	(0.23)

29. Supplementary cash flow information

The net change in non-cash working capital items increases (decreases) cash flows as follows:

	October 31, 2019 $	October 31, 2018 $
Trade and other receivables	(5,659,927)	(1,577,762)
Inventory	401,925	(1,338,114)
Prepaid expenses and advances	(281,942)	(139,187)
Contract assets	(128,153)	(495,020)
Contract assets – long-term	15,282	(367,803)
Other receivables – long-term	(564,816)	-
Accounts payable and accrued liabilities	3,255,415	524,945
Deferred revenue	2,399,548	1,455,906
Contract liabilities	348,514	262,629
Deferred lease incentives	(60,043)	(2,567)
Deferred revenue – long-term	1,713,164	(91,457)
Contract liabilities – long-term	37,730	155,675
Deferred lease incentives – long-term	153,402	(34,047)
	1,630,099	(1,646,802)

The analysis of net debt and the movements in net debt for the years presented is as follows:

	October 31, 2019 $	October 31, 2018 $
Gross debt – fixed interest rates	-	-
Gross debt – variable interest rates	-	-
Gross debt – interest free	(288,793)	(400,000)
Net debt	(288,793)	(400,000)

	Debt due within one year $	Debt due after one year $	Total $
Net debt as at November 1, 2018	(200,000)	(200,000)	(400,000)
Cash flows	(111,207)	-	(111,207)
Other non-cash movements	(200,000)	200,000	-
Net debt as at October 31, 2019	(288,793)	-	(288,793)

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