
**Blackline Safety Corp.
Unaudited Condensed Consolidated
Interim Financial Statements**

For the three and six-month periods ended April 30, 2022



Blackline Safety Corp.
Condensed Consolidated Statements of Financial Position

(CAD thousands) unaudited	April 30, 2022	October 31, 2021 (revised, note 2a)	November 1, 2020 (revised, note 2a)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	21,992	34,433	28,523
Short-term investments	8,046	20,083	23,000
Trade and other receivables	18,088	20,256	11,602
Inventory	17,518	12,710	10,771
Prepaid expenses and advances	2,867	2,639	1,400
Contract assets	645	531	499
Total current assets	69,156	90,652	75,795
NON-CURRENT ASSETS			
Property and equipment (note 4)	11,734	9,866	8,562
Intangible assets	2,307	2,417	802
Right-of-use assets	2,065	2,234	1,486
Goodwill (note 14 (a))	4,883	-	-
Contract assets	1,110	781	224
Other receivables	4,812	3,353	1,740
Total non-current assets	26,911	18,651	12,814
TOTAL ASSETS	96,067	109,303	88,609
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other accrued liabilities (note 3 (b)(iii))	19,192	14,566	6,166
Warranty provision	1,126	1,018	838
Deferred revenue	15,385	10,859	9,288
Contract liabilities (note 3 (b)(iii))	836	920	632
Lease liabilities (note 3 (b)(iii))	867	784	497
Total current liabilities	37,406	28,147	17,421
NON-CURRENT LIABILITIES			
Warranty provision	542	555	306
Deferred revenue	7,311	5,008	3,289
Contract liabilities (note 3 (b)(iii))	1,138	665	202
Lease liabilities (note 3 (b)(iii))	1,358	1,590	1,064
Total non-current liabilities	10,349	7,818	4,861
TOTAL LIABILITIES	47,755	35,965	22,282
SHAREHOLDERS' EQUITY			
Share capital (note 8)	170,217	168,139	128,159
Contributed surplus	10,813	10,747	9,271
Accumulated other comprehensive income (loss)	(1,790)	(2,036)	(896)
Deficit	(130,928)	(103,512)	(70,207)
TOTAL SHAREHOLDERS' EQUITY	48,312	73,338	66,327
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	96,067	109,303	88,609

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Condensed Consolidated Statements of Loss and Comprehensive Loss

(CAD thousands, except per share amounts) unaudited	Three-months ended April 30,		Six-months ended April 30,	
	2022	2021	2022	2021
Revenues (notes 9 and 10)				
Product revenue	7,858	4,572	15,182	8,401
Service revenue	8,807	7,103	17,152	13,952
Total revenues	16,665	11,675	32,334	22,353
Cost of sales (note 10)	9,603	5,712	18,886	10,836
Gross margin	7,062	5,963	13,448	11,517
Expenses (notes 5 and 10)				
General and administrative expenses	6,226	4,662	11,161	7,002
Sales and marketing expenses	8,960	5,510	17,838	9,809
Product research and development costs	6,329	4,040	11,598	7,364
Foreign exchange (gain) loss (note 3 (b)(i))	(1)	229	241	770
Total expenses	21,514	14,441	40,838	24,945
Results from operating activities	(14,452)	(8,478)	(27,390)	(13,428)
Finance income, net	57	35	122	105
Net loss before income tax	(14,395)	(8,443)	(27,268)	(13,323)
Income tax expense	(148)	(115)	(148)	(119)
Net loss	(14,543)	(8,558)	(27,416)	(13,442)
Other comprehensive loss				
Foreign exchange translation gain (loss) on foreign operations	(332)	(615)	246	(140)
Comprehensive loss for the period	(14,875)	(9,173)	(27,170)	(13,582)
Loss per common share (note 12):				
Basic and diluted	(0.24)	(0.16)	(0.45)	(0.26)

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Condensed Consolidated Statements of Changes in Equity

(CAD thousands) unaudited	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at October 31, 2020	128,159	9,271	(896)	(70,207)	66,327
Net Loss	-	-	-	(13,442)	(13,442)
Foreign exchange translation on foreign operations	-	-	(140)	-	(140)
Exercising of options (note 8)	749	(177)	-	-	572
Stock-based compensation expense (notes 8 and 11)	310	1,498	-	-	1,808
Balance at April 30, 2021	129,218	10,592	(1,036)	(83,649)	55,125
Balance at October 31, 2021	168,139	10,747	(2,036)	(103,512)	73,338
Net Loss	-	-	-	(27,416)	(27,416)
Foreign exchange translation on foreign operations	-	-	246	-	246
Exercising of options (note 8)	335	(114)	-	-	221
Stock-based compensation expense (notes 8 and 11)	189	180	-	-	369
Shares issued in connection with business combination (notes 8 and 14 (a))	1,554	-	-	-	1,554
Balance at April 30, 2022	170,217	10,813	(1,790)	(130,928)	48,312

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Condensed Consolidated Statements of Cash Flows

(CAD thousands) unaudited	Three-months ended April 30,		Six-months ended April 30,	
	2022	2021	2022	2021
Operating activities				
Net loss	(14,543)	(8,558)	(27,416)	(13,442)
Depreciation and amortization	1,619	1,274	3,134	2,361
Stock-based compensation expense	185	1,285	180	1,498
Finance income, net	(1)	(9)	(16)	(54)
Unrealized foreign exchange (gain) loss	30	(81)	(70)	(73)
Loss (gain) on disposals of property and equipment	(7)	31	88	67
Net changes in non-cash working capital (note 13)	4,035	712	6,616	131
Net cash provided by (used in) operating activities	(8,682)	(5,346)	(17,484)	(9,512)
Financing activities				
Proceeds from share issuances and option exercises	170	597	410	882
Repayment of lease liabilities	(239)	(149)	(444)	(289)
Net cash provided by (used in) financing activities	(69)	448	(34)	593
Investing activities				
Purchase of short-term investments	-	(15,040)	-	(22,050)
Redemption of short-term investments	8,036	15,010	12,036	22,010
Finance income, net	37	27	38	70
Purchase of property, equipment, and intangible assets	(2,915)	(929)	(4,445)	(2,001)
Business acquisition (note 14)	(2,987)	(878)	(2,987)	(878)
Net changes in non-cash working capital (note 13)	(257)	(73)	(125)	(174)
Net cash provided by (used in) investing activities	1,914	(1,883)	4,517	(3,023)
Effect of foreign exchange changes on cash and cash equivalents	(137)	(541)	560	(62)
Net increase (decrease) in cash and cash equivalents	(6,974)	(7,322)	(12,441)	(12,004)
Cash and cash equivalents, beginning of period	28,966	23,841	34,433	28,523
Cash and cash equivalents, end of period	21,992	16,519	21,992	16,519

Supplementary cash flow information (note 13)

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2022 and 2021
(Unaudited)

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 a public company listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "BLN" and is incorporated and domiciled in Canada.

The Company's principal business office is Unit 100, 803 24 Avenue 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 condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on June 10, 2022.

2. Summary of significant accounting policies

a) Basis of preparation

The condensed consolidated interim financial statements and accompanying notes have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended October 31, 2021, other than as described in note 2b).

These condensed consolidated interim financial statements do not contain all the disclosures required for full annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended October 31, 2021.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. This includes warranty provision which has been reclassified on the condensed consolidated statements of financial position and non-cash working capital changes on the condensed consolidated statements of cash flows.

b) Changes in accounting policy and disclosures

i) New and amended standards adopted by the Company

There were no new or amended standards that became applicable and were adopted by the Company for the current reporting period.

ii) New standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the April 30, 2022 reporting period and have not been early adopted by the Company.

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

Blackline Safety Corp.

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3. Financial instruments and risk management

a) Financial instruments

The carrying value of the Company's cash and cash equivalents, short-term investments, trade and other receivables and accounts payable and other accrued liabilities, bank indebtedness, contract liabilities and lease liabilities approximate their fair values.

The Company's risk exposure to various risks associated with the financial instruments is discussed in note 3 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 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.

Sensitivity

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 receivables and accounts payable and other accrued liabilities.

For the three and six-month periods ended April 30, 2022 and 2021, if the Canadian dollar had weakened/strengthened by 1% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the periods would not have been significant.

Interest rate risk

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

Exposure

The Company's cash and cash equivalents are subject to variable interest rate changes and the fixed interest rate short-term investments have contractual repricing dates of six months or less.

Sensitivity

The net loss of the Company is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. For the three and six-month periods ended April 30, 2022 and 2021, if the interest rate had increased/decreased by 1%, with all other variables held constant, the impact on net loss for the periods would not have been significant.

Blackline Safety Corp.

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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 consistently across the Company. The cash and cash equivalents are comprised of cash and highly liquid short-term deposits with three Canadian chartered banks, a United States chartered bank, a Chinese bank, two UK plc banks and a French bank. Bank indebtedness is comprised of the amount drawn, if any, on the Company's demand operating line of credit 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. There is no concentration of credit risk as the Company sells to diverse verticals and geographic markets.

Sales to certain customers, or customers without credit terms, are required to be settled in cash or using major credit cards, mitigating credit risk.

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 \$21,992 (October 31, 2021: \$34,433) that are readily available for managing liquidity risk. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining availability under a demand operating line of credit facility.

Management maintains a forward-looking cash requirement forecast, comprising cash and cash equivalents, short-term investments and a demand operating line of credit with a Canadian chartered bank. This ensures that funds are readily available to meet 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 short-term investments, cash flows from operations, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, a bank demand operating line of credit 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 believes it has sufficient funds and access to capital for at least the next 12 months.

Blackline Safety Corp.
Notes to the Condensed Consolidated Interim Financial Statements

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Maturity of financial liabilities

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

The amounts disclosed in the table are the contractual undiscounted cash flows. The undiscounted cash flows equal the carrying value, with the exception of lease liabilities.

	Less than 6 months	6 – 12 months	Over 1 year	Total contractual cash flows	Carrying amount
(CAD thousands)					
As at April 30, 2022					
Accounts payable and other accrued liabilities	17,626	1,566	-	19,192	19,192
Contract liabilities	517	319	1,138	1,974	1,974
	18,143	1,885	1,138	21,166	21,166
Lease liabilities	477	479	1,454	2,410	2,225
Total	18,620	2,364	2,592	23,576	23,391
As at October 31, 2021					
Accounts payable and other accrued liabilities	13,368	1,198	-	14,566	14,566
Contract liabilities	657	263	665	1,585	1,585
	14,025	1,461	665	16,151	16,151
Lease liabilities	428	462	1,692	2,582	2,374
Total	14,453	1,923	2,357	18,733	18,525

4. Property and equipment

	November 1, 2021	Foreign exchange differences	Additions	Other Disposals & Transfers	Depreciation	Net book value April 30, 2022
(CAD thousands)						
SMT equipment	1,180	-	403	-	93	1,490
Manufacturing equipment	999	(4)	498	-	261	1,232
Furniture and equipment	378	(6)	123	-	90	405
Equipment leased under 'G7 Lease' program	797	(2)	240	(279)	176	580
Rental equipment	643	(2)	1,254	-	126	1,769
Cartridges	4,127	-	1,286	(24)	1,270	4,119
Computer hardware	737	(9)	773	-	319	1,182
Evaluation kits	262	-	178	(64)	45	331
Leasehold improvements	743	(3)	58	-	172	626
Total	9,866	(26)	4,813	(367)	2,552	11,734

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2022 and 2021
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	April 30, 2022		
(CAD thousands)	Cost	Accumulated depreciation	Net book value
SMT equipment	2,038	548	1,490
Manufacturing equipment	2,431	1,199	1,232
Furniture and equipment	861	456	405
Equipment leased under 'G7 Lease' program	2,466	1,886	580
Rental equipment	2,043	274	1,769
Cartridges	10,275	6,156	4,119
Computer hardware	2,062	880	1,182
Evaluation kits	453	122	331
Leasehold improvements	1,325	699	626
Total	23,954	12,220	11,734

	October 31, 2021		
(CAD thousands)	Cost	Accumulated depreciation	Net book value
SMT equipment	1,635	455	1,180
Manufacturing equipment	1,938	939	999
Furniture and equipment	748	370	378
Equipment leased under 'G7 Lease' program	2,513	1,716	797
Rental equipment	792	149	643
Cartridges	9,011	4,884	4,127
Computer hardware	1,304	567	737
Evaluation kits	375	113	262
Leasehold improvements	1,271	528	743
Total	19,587	9,721	9,866

Additions to the cartridge asset category represents the modular cartridge options, including gas sensors, used in the Company's principal safety product devices which generate service revenue for the Company.

5. Government assistance

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS") that was available to any employer, subject to eligibility criteria, whose business had been adversely affected by COVID-19. The Company received wage subsidy funding of \$555 and \$1,366 for the three and six-months ended April 30, 2021, respectively which has been recorded as a reduction in related payroll expenses in the condensed consolidated statements of loss and comprehensive loss.

On November 19, 2020, the Government of Canada enacted legislation for the Canada Emergency Rent Subsidy ("CERS") to provide support for qualifying tenants, subject to eligibility criteria, whose business has been adversely affected by COVID-19. The Company recorded rent subsidy funding of \$37 and \$102 for the three and six-months ended April 30, 2021, respectively which has been recorded as a reduction in related rent expenses in the condensed consolidated statements of loss and comprehensive loss.

The CEWS and CERS programs ended on October 23, 2021 and no additional funding was received during the three and six-months ended April 30, 2022.

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Notes to the Condensed Consolidated Interim Financial Statements

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6. Bank indebtedness

The Company has a demand operating line of credit (“loan facility”) of up to \$15,000 with a Canadian chartered bank. The loan facility bears interest at the Canada prime rate plus 1.97% for CAD advances or U.S. base rate plus 1.97% for USD advances. The borrowing base for the operating line of credit is determined using a formula driven by the Company’s monthly recurring revenue. The loan facility also includes a credit card facility and a facility for the sale or purchase of foreign currencies and other treasury products.

The loan facility includes general covenants and a cash to cash burn financial covenant, tested quarterly, that shall not at any time be below 12.00 to 1.00. The Company was in compliance with all covenants as at April 30, 2022.

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 Blackline Safety Corp. and its subsidiaries Blackline Safety Europe Ltd., Blackline Safety Europe SAS and Wearable Technologies Limited.

The loan facility was not drawn against as at April 30, 2022.

7. Leasing arrangements

The Company leases certain of its safety monitoring equipment to customers through the Company’s ‘G7 Lease’ program with monthly payments. The terms of the lease determine whether the G7 Lease is accounted for as an operating or finance lease within the meaning of IFRS 16 *Leases*. Total payments due to the Company under non-cancellable operating lease contracts were \$1,422 as at April 30, 2022 (October 31, 2021: \$2,607).

The total undiscounted payments under non-cancellable finance lease contracts for the right to use the equipment and safety monitoring services of the Company are as follows:

(CAD thousands)	April 30, 2022	October 31, 2021
Within one year	7,898	5,233
Later than one year but not later than five years	15,234	11,029
Later than five years	-	-
Total	23,132	16,262

Blackline Safety Corp.
Notes to the Condensed Consolidated Interim Financial Statements

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8. Share capital

a) **Authorized**

The Company is authorized to issue an unlimited number of common voting shares without nominal or par value and an unlimited number of preferred shares without nominal or par value.

b) **Issued**

(thousands)	Number of Shares	Amount \$
As at October 31, 2020	54,296	128,159
Options exercised	127	749
Issued through stock-based compensation plan	39	310
As at April 30, 2021	54,462	129,218
As at October 31, 2021	60,222	168,139
Options exercised	83	335
Issued through stock-based compensation plan	32	189
Shares issued in connection with business combination	271	1,554
As at April 30, 2022	60,608	170,217

During the six-month period ended April 30, 2022, 83 common share options were exercised for proceeds net of income tax withholdings of \$221. On exercise of these common share options, \$114 was credited to share capital from contributed surplus.

During the six-month period ended April 30, 2021, 127 common share options were exercised for cash proceeds net of income tax withholdings of \$572. On exercise of these common share options, \$177 was credited to share capital from contributed surplus.

9. Revenue from contracts with customers

The disaggregation of the Company's revenue from contracts with customers was as follows:

(CAD thousands)	Three-months ended April 30,		Six-months ended April 30,	
<i>Revenue</i>	2022	2021	2022	2021
Product revenue	7,858	4,572	15,182	8,401
Software services revenue	7,793	6,206	15,214	12,164
Operating lease revenue	564	804	1,247	1,611
Rental revenue	450	93	691	177
Total revenues	16,665	11,675	32,334	22,353
<i>Timing of revenue recognition</i>				
At a point in time	7,807	4,555	15,078	8,383
Over time	8,858	7,120	17,256	13,970
Total revenues	16,665	11,675	32,334	22,353

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10. 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 condensed consolidated statement of loss and comprehensive loss. The Company's expenses, finance income and costs, assets and liabilities are not allocated to reportable segments.

(CAD thousands)	Three-months ended April 30,		Six-months ended April 30,	
	2022	2021	2022	2021
Revenue				
Product	7,858	4,572	15,182	8,401
Service	8,807	7,103	17,152	13,952
Total Revenues	16,665	11,675	32,334	22,353
Cost of sales				
Product	6,870	3,436	13,489	6,471
Service	2,733	2,276	5,397	4,365
Cost of sales	9,603	5,712	18,886	10,836
Gross margin				
Product	988	1,136	1,693	1,930
Service	6,074	4,827	11,755	9,587
Gross margin	7,062	5,963	13,448	11,517
General and administrative expenses	6,226	4,662	11,161	7,002
Sales and marketing expenses	8,960	5,510	17,838	9,809
Product research and development costs	6,329	4,040	11,598	7,364
Foreign exchange loss (gain)	(1)	229	241	770
Finance (income), net	(57)	(35)	(122)	(105)
Net loss before income tax	(14,395)	(8,443)	(27,268)	(13,323)
Income tax expense	148	115	148	119
Net loss	(14,543)	(8,558)	(27,416)	(13,442)

In the three and six-month periods ended April 30, 2022 and 2021, there were no customers representing greater than 10% of the Company's revenue.

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

(CAD thousands)	Three-months ended April 30,		Six-months ended April 30,	
	2022	2021	2022	2021
Canada	5,134	3,119	8,445	6,517
United States	6,953	4,591	13,881	8,447
Europe	3,741	3,447	7,988	6,258
Rest of World ⁽¹⁾	837	518	2,020	1,131
Total revenues	16,665	11,675	32,334	22,353

(1) The Company's rest of world market is primarily in Asia, the Middle East, Australia and New Zealand and is not directly impacted by ongoing military conflict between Russia and Ukraine.

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11. Stock-based compensation

The Company has established a stock-based compensation plan (“stock option plan” or the “plan”) which was approved 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. Options granted under the plan are for no consideration and carry no dividend or voting rights. The plan allows for the purchase of one common share for each option granted, at the volume weighted average trading price for five days prior to the date of grant, subject to certain conditions being met.

The number of options that are expected to be exercised depends on the Company’s share price as listed on the TSX. 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 are fully vested after three years, the options remain exercisable for a period of two years after vesting.

(thousands, except per stock option amounts)	Number of options	Weighted average price per stock option \$
As at October 31, 2020	3,214	4.67
Vested and exercisable at October 31, 2020	2,784	4.68
Granted during the period	1,382	8.12
Exercised during the period	(127)	4.52
Forfeited during the period	(37)	2.85
As at April 30, 2021	4,432	5.75
Vested and exercisable at April 30, 2021	3,456	5.31
As at October 31, 2021	4,238	5.97
Vested and exercisable at October 31, 2021	3,378	5.54
Granted during the period	763	5.46
Exercised during the period	(104)	3.54
Forfeited during the period	(209)	7.43
Expired during the period	(1)	2.85
As at April 30, 2022	4,687	5.88
Vested and exercisable at April 30, 2022	3,400	5.67

The weighted average share price at the date of exercise of options exercised during the three and six-months ended April 30, 2022 was \$5.92 and \$6.67, respectively (April 30, 2021: \$8.47 and \$8.15, respectively).

The weighted average remaining contractual life of the options outstanding as at April 30, 2022 is 2.86 years (April 30, 2021: 3.27 years).

The Company uses the Black-Scholes model and a forfeiture rate of 30% (April 30 2021: 13%), based on historical data, to calculate the stock-based compensation expense during the period. The weighted average assessed fair value of options granted for the period ended April 30, 2022 was \$5.46 per option (April 30, 2021: \$8.12). The valuation 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.

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The model inputs for the option tranches granted during the periods ended April 30, 2022 and 2021 included:

	Period ended April 30,	
	2022	2021
Risk-free interest rate	1.43% - 2.67%	0.30% - 0.69%
Expected life of the option – employees	3 years	3 years
Expected life of the option – directors and officers	4 years	4 years
Expected dividend per share	\$nil per share	\$nil per share
Expected volatility of the Company's shares	39% - 40%	30% - 33%

The expected price volatility is based on the historical volatility.

12. Loss per common share

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

(thousands, except per share amounts)	Three-months ended April 30,		Six-months ended April 30,	
	2022	2021	2022	2021
Weighted average shares outstanding – basic and diluted	60,410	54,380	60,339	52,574
Loss for the period	(14,543)	(8,558)	(27,416)	(13,442)
Basic and diluted earnings per share	(0.24)	(0.16)	(0.45)	(0.26)

13. Supplementary cash flow information

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

(CAD thousands)	Three-months ended April 30,		Six-months ended April 30,	
	2022	2021	2022	2021
Operating activities				
Changes in non-cash working capital:				
Trade and other receivables	2,267	1,251	1,995	(1,501)
Inventory	(2,564)	(1,548)	(5,036)	(1,914)
Prepaid expenses and advances	42	(324)	(226)	227
Contract assets	(26)	39	(113)	77
Contract assets – non-current	(28)	35	(329)	14
Other receivables – non-current	(1,047)	(129)	(1,463)	(179)
Accounts payable and other accrued liabilities	2,425	648	4,092	1,563
Warranty provision	19	14	108	(299)
Deferred revenue	2,996	826	4,779	2,113
Contract liabilities	(203)	3	(84)	(154)
Warranty provision – non-current	(30)	58	(13)	363
Deferred revenue – non-current	79	(190)	2,432	(219)
Contract liabilities – non-current	105	29	474	40
	4,035	712	6,616	131
Investing activities⁽¹⁾				
Changes in non-cash working capital:				
Accounts payable and other accrued liabilities	(257)	(73)	(125)	(174)

(1) Relates to changes in accounts payable and other accrued liabilities for purchases of property, equipment, and intangible assets on the condensed consolidated statements of cash flows.

Blackline Safety Corp.
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For the three and six-month periods ended April 30, 2022 and 2021
(Unaudited)

(CAD thousands)	Three-months ended		Six-months ended	
	April 30,		April 30,	
	2022	2021	2022	2021
Cash taxes paid	143	115	143	119
Cash interest paid (received)	(16)	3	(12)	(30)

14. Business combinations

a) Swift Labs Inc.

On March 31, 2022, the Company acquired 100% of the shares of Swift Labs Inc. ("Swift Labs"), a Canadian based Internet of Things design and engineering consulting firm. The fair value of consideration of \$4,541 consisted of \$3,200 cash paid on the closing date, net of note payable acquired, and 270,776 common shares, at a fair value of \$5.74 per share, which is based on the quoted price of the common shares on the TSX on the closing date.

Transaction costs related to due diligence fees, legal costs, advisory fees and other professional fees for the three and six-months ended April 30, 2022 amounting to \$194 were incurred in relation to the acquisition. The amounts have been included in general and administrative expenses in the Company's condensed consolidated statements of loss and comprehensive loss.

The results of operations of Swift Labs have been consolidated with those of the Company from March 31, 2022. The acquisition has been accounted for as a business combination in accordance with IFRS 3 *Business Combination*, using the acquisition method whereby the assets acquired and liabilities assumed are recorded at fair value.

The following table summarizes the preliminary allocation of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date. The purchase price allocation is subject to change based on information that may not yet be available. The Company expects the purchase price allocation to be finalized within one year following the acquisition date, during which time the value of the assets acquired and liabilities assumed may be revised as appropriate.

CURRENT ASSETS	(CAD thousands)
Cash and cash equivalents	67
Trade and other receivables	31
Prepaid expenses and advances	15
Total current assets	<u>113</u>
NON-CURRENT ASSETS	
Property and equipment	82
Goodwill	4,883
Total non-current assets	<u>4,965</u>
TOTAL ASSETS	<u>5,078</u>
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	537
Notes payable	1,269
Total current liabilities	<u>1,806</u>
TOTAL LIABILITIES	<u>1,806</u>
Fair value of net assets acquired	3,272
Exclude: Notes payable	1,269
Fair value of net assets acquired, excluding notes payable assumed	<u>4,541</u>

Blackline Safety Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2022 and 2021
(Unaudited)

Paid in common shares of the Company	1,554
Paid in cash	3,200
Purchase price adjustments	(213)
Fair value of consideration transferred	<u>4,541</u>

The goodwill related to the acquisition of Swift Labs is composed of expected synergies in utilizing Swift Labs expertise in the Company's product offerings and integrating an assembled workforce that does not qualify for separate recognition. The goodwill is not deductible for tax purposes.

The amount of revenues and operating losses contributed by Swift Labs from the date of acquisition and included in the Company's condensed consolidated statements of loss and comprehensive loss was immaterial for the three and six-months ended April 30, 2022. The strategic acquisition of Swift Labs would have contributed \$966 in estimated revenues and \$1,216 in estimated operating losses to the Company if acquired on November 1, 2021.

b) Wearable Technologies Limited

On February 10, 2021, the Company acquired 100% of the shares of Wearable Technologies Limited ("WTL"), a UK based industrial safety company WTL for \$878 (GBP 500). WTL enhances the Company's current safety offering with a focus in the construction and light industrial safety market. WTL has developed a complete platform comprised of smart safety clothing, a cloud-connected safety wearable, personal area networking, sensor partnerships, user portal, software infrastructure and data analytics.

The transaction was accounted for as a business combination. The purchase price allocation was determined following the closing date, during which time the value of the net assets and liabilities acquired was revised as indicated in the agreement and is reflected in the final purchase price allocation as follows:

CURRENT ASSETS	(CAD thousands)
Trade and other receivables	265
Prepaid expenses and advances	198
Inventory	299
Total current assets	<u>762</u>
NON-CURRENT ASSETS	
Property and equipment	40
Intangible assets	1,997
Total non-current assets	<u>2,037</u>
TOTAL ASSETS	<u>2,799</u>
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	1,595
Bank indebtedness	159
Deferred revenue	167
Total current liabilities	<u>1,921</u>
TOTAL LIABILITIES	<u>1,921</u>
Fair value of net assets acquired	878
Exclude: bank indebtedness	159
Fair value of net assets acquired, excluding bank indebtedness assumed	<u>1,037</u>

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