Blackline Safety Corp.
Audited Consolidated Financial Statements

For the year ended October 31, 2022

Management's Report

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this report. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

To meet its responsibility for reliable and accurate financial statements, management has established and monitors systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The Board of Directors approves the consolidated financial statements. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Under the supervision of our Chief Executive Officer and our Chief Financial Officer we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we have concluded that as of October 31, 2022, our internal control over financial reporting is effective.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

/s/ Cody Slater
Chief Executive Officer and Chair

/s/ Shane Grennan
Chief Financial Officer

Calgary, Alberta
January 20, 2023

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, 2022 and 2021 and November 1, 2020, and its financial performance and its cash flows for the years ended October 31, 2022 and 2021 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at October 31, 2022 and 2021 and November 1, 2020;
- the consolidated statements of loss and comprehensive loss for the years ended October 31, 2022 and 2021;
- the consolidated statements of changes in equity for the years ended October 31, 2022 and 2021;
- the consolidated statements of cash flows for the years ended October 31, 2022 and 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessing the revenue and discounts for bundled product and service arrangements *Refer to note 2 – Summary of significant accounting policies, note 4 – Significant accounting judgments and estimates and note 22 – Revenue from contracts with customers to the consolidated financial statements.* For the year ended October 31, 2022, the Company recognized revenue from contracts with customers of $72,931 thousand, of which a portion was bundled product and service arrangements (bundled arrangements). Under bundled arrangements 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. 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. Management applies significant judgment in determining the amount of revenue and the discounts to allocate to individual elements in the bundled arrangement.	Our approach to addressing the matter involved the following procedures, among others: • Understood management's process for evaluating bundled product and service arrangements. • Tested a sample of the stand-alone selling prices determined by management by comparing to the underlying source contract or purchase orders, invoices and price lists to support the amount of revenue and the discounts to allocate to the individual elements in the bundled arrangement. • On a sample basis, recalculated the mathematical accuracy of management's allocation to the individual elements in the bundled arrangement.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment used by management to estimate the stand-alone selling prices for bundled revenue arrangements and the related discounts. This in turn resulted in significant audit effort and subjectivity in performing procedures.	

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
January 20, 2023

Blackline Safety Corp.
Consolidated Statements of Financial Position

(In thousands of CAD)	October 31, 2022	October 31, 2021 (revised, note 2a)	November 1, 2020 (revised, note 2a)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 6)	**22,640**	34,433	28,523
Short-term investments (Note 7)	**8,500**	20,083	23,000
Trade and other receivables (Note 8)	**22,881**	20,256	11,602
Inventory (Note 9)	**18,712**	12,710	10,771
Prepaid expenses and advances	**2,215**	2,639	1,400
Contract assets (Note 10)	**1,021**	531	499
Total current assets	**75,969**	90,652	75,795
NON-CURRENT ASSETS			
Property and equipment (Note 11)	**12,807**	9,866	8,562
Intangible assets (Note 12)	**2,195**	2,417	802
Right-of-use assets (Note 13)	**2,513**	2,234	1,486
Goodwill (Note 14)	**4,883**	-	-
Contract assets (Note 10)	**1,620**	781	224
Other receivables (Note 8)	**8,062**	3,353	1,740
Total non-current assets	**32,080**	18,651	12,814
TOTAL ASSETS	**108,049**	109,303	88,609
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other accrued liabilities (Note 16)	**19,155**	14,566	6,166
Warranty provision (Note 17)	**1,480**	1,018	838
Deferred revenue	**12,825**	10,859	9,288
Contract liabilities	**1,323**	920	632
Lease liabilities (Note 20)	**879**	784	497
Total current liabilities	**35,662**	28,147	17,421
NON-CURRENT LIABILITIES			
Bank indebtedness (Note 19)	**8,575**	-	-
Warranty provision (Note 17)	**477**	555	306
Deferred revenue	**7,374**	5,008	3,289
Contract liabilities	**1,806**	665	202
Lease liabilities (Note 20)	**1,793**	1,590	1,064
Total non-current liabilities	**20,025**	7,818	4,861
TOTAL LIABILITIES	**55,687**	35,965	22,282
SHAREHOLDERS' EQUITY			
Share capital (Note 21)	**194,431**	168,139	128,159
Contributed surplus	**11,224**	10,747	9,271
Accumulated other comprehensive loss	**3,865**	(2,036)	(896)
Deficit	**(157,158)**	(103,512)	(70,207)
TOTAL SHAREHOLDERS' EQUITY	**52,362**	73,338	66,327
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**108,049**	109,303	88,609

Commitments (Note 29)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

/s/ Cody Slater
Director

/s/ Robert J. Herdman
Director

Blackline Safety Corp.
Consolidated Statements of Loss and Comprehensive Loss

For the years ended (In thousands of CAD, except per share amounts)	**October 31, 2022**	**October 31, 2021**
Revenues (Notes 22 and 23)		
Product revenue	**35,223**	24,776
Service revenue	**37,708**	29,536
Total revenues	**72,931**	54,312
Cost of sales (Note 23)	**40,692**	27,918
Gross margin (Note 23)	**32,239**	26,394
Expenses (Note 24)		
General and administrative expenses	**23,000**	15,294
Sales and marketing expenses	**36,535**	27,004
Product research and development costs	**24,684**	16,394
Foreign exchange loss (Note 5 (b)(i))	**1,539**	992
Total expenses	**85,758**	59,684
Results from operating activities	**(53,519)**	(33,290)
Finance income, net (Note 26)	**267**	173
Net loss before income tax	**(53,252)**	(33,117)
Income tax expense (Note 27)	**394**	188
Net loss	**(53,646)**	(33,305)
Other comprehensive loss:		
Foreign exchange translation gain (loss) on foreign operations (Note 5 (b)(i))	**5,901**	(1,140)
Comprehensive loss for the period	**(47,745)**	(34,445)
Loss per common share (Note 32):		
Basic and diluted	**(0.86)**	(0.67)

See accompanying notes to the consolidated financial statements

Blackline Safety Corp.
Consolidated Statements of Changes in Equity

(In thousands of CAD, except number of shares)	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
		$	$	$	$	$
Balance as at October 31, 2020	54,295,715	128,159	9,271	(896)	(70,207)	66,327
Net Loss	-	-	-	-	(33,305)	(33,305)
Foreign exchange translation on foreign operations	-	-	-	(1,140)	-	(1,140)
Stock options exercised (Note 21)	362,532	1,705	(468)	-	-	1,237
Bought deal short-form prospectus offering (Note 21)	5,480,000	40,004	-	-	-	40,004
Share issuance costs (Note 21)	-	(2,390)	-	-	-	(2,390)
Stock-based compensation expense (Notes 21 and 31)	83,479	661	1,944	-	-	2,605
Balance as at October 31, 2021	60,221,726	168,139	10,747	(2,036)	(103,512)	73,338
Balance as at October 31, 2021	**60,221,726**	**168,139**	**10,747**	**(2,036)**	**(103,512)**	**73,338**
Net Loss	**-**	**-**	**-**	**-**	**(53,646)**	**(53,646)**
Foreign exchange translation on foreign operations	**-**	**-**	**-**	**5,901**	**-**	**5,901**
Stock options exercised (Note 21)	**82,518**	**335**	**(114)**	**-**	**-**	**221**
Shares issued in connection with business combination (Notes 21 and 34)	**270,776**	**1,554**	**-**	**-**	**-**	**1,554**
Issued for cash through private placement (Note 21)	**5,909,091**	**13,000**	**-**	**-**	**-**	**13,000**
Issued for cash though bought deal short-form prospectus offering (Note 21)	**5,405,885**	**11,893**	**-**	**-**	**-**	**11,893**
Share issuance costs (Note 21)	**-**	**(1,072)**	**-**	**-**	**-**	**(1,072)**
Stock-based compensation expense (Notes 21 and 31)	**173,097**	**582**	**591**	**-**	**-**	**1,173**
Balance as at October 31, 2022	**72,063,093**	**194,431**	**11,224**	**3,865**	**(157,158)**	**52,362**

See accompanying notes to the consolidated financial statements

Blackline Safety Corp.
Consolidated Statements of Cash Flows

For the years ended (In thousands of CAD)	**October 31, 2022**	**October 31, 2021**
Operating activities		
Net loss	(53,646)	(33,305)
Depreciation and amortization (Note 24)	6,616	5,055
Stock-based compensation expense (Notes 21 and 31)	591	1,944
Finance income, net (Note 26)	1	(60)
Unrealized foreign exchange (gain) loss	(7)	14
Loss (gain) on disposals of property and equipment (Note 11)	183	(31)
Net changes in non-cash working capital (Note 33)	(4,298)	(2,587)
Net cash provided by (used in) operating activities	(50,560)	(28,970)
Financing activities		
Proceeds from share issuances and option exercises (Note 21)	25,695	41,902
Proceeds from operating facility (Note 19)	8,575	-
Repayment of bank indebtedness (Note 19)	-	(138)
Share issuance costs (Note 21)	(1,072)	(2,390)
Repayment of lease liabilities (Note 20)	(965)	(652)
Net cash provided by (used in) financing activities	32,233	38,722
Investing activities		
Purchase of short-term investments (Note 7)	(16,557)	(42,133)
Redemption of short-term investments (Note 7)	28,140	45,051
Finance income, net (Note 26)	104	143
Purchase of property, equipment, and intangible assets (Notes 11 and 12)	(8,663)	(5,464)
Business combination (Note 34)	(2,987)	(878)
Net changes in non-cash working capital (Note 33)	212	236
Net cash provided by (used in) investing activities	249	(3,045)
Effect of foreign exchange changes on cash and cash equivalents	6,285	(797)
Net increase (decrease) in cash and cash equivalents	(11,793)	5,910
Cash and cash equivalents, beginning of year	34,433	28,523
Cash and cash equivalents, end of year	22,640	34,433

Supplementary cash flow information (Note 33)

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 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors on January 20, 2023.

2. Summary of significant accounting policies

a) Basis of preparation

The consolidated financial statements and accompanying notes 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 statements comply with IFRS as issued by the International Accounting Standards Board.

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. This includes warranty provision which has been reclassified on the consolidated statements of financial position and non-cash working capital changes on the consolidated statements of cash flows.

b) Changes in accounting policy and disclosures

i) *New and amended standards adopted by the Company*

Interest Rate Benchmark Reform

The International Accounting Standards Board (IASB) issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16. The amendments replaced the existing interest rate benchmark with an alternative benchmark rate. The amendment was effective for annual reporting periods beginning on or after January 1, 2021. The Company adopted the amendment on November 1, 2021. For the year ended October 31, 2022, these amendments did not have any impact on the Company's financial statements.

ii) *New accounting policies adopted by the Company*

There were no new policies that became applicable and were adopted by the Company for the year ended October 31, 2022.

iii) *New standards and interpretations not yet adopted*

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the October 31, 2022 reporting period and have not been early adopted by the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendment requires companies to recognize deferred tax assets and liabilities on transactions that on initial recognition give rise to equal amounts of taxable and deductible differences (e.g., leases and decommissioning liabilities). The deferred tax impact will need to be recognized on the beginning of the earliest comparative period presented. The cumulative effective effect of recognizing the deferred tax adjustment is recognized in retained earnings or other components of equity at that date. This amendment is for application on or after January 1, 2023.

The Company is assessing the impact of the amendment on the consolidated financial statements and on foreseeable future transactions.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

This amendment clarifies the requirement in determining whether a certain liability should be classified as current or non-current based on the rights that exist at the end of the reporting period and is to be applied beginning on or after January 1, 2023. Since the approval of these amendments, the IASB issued an exposure draft proposing further changes and the deferral of the amendments until at least January 1, 2024.

The Company is assessing the impact of the amendment on the consolidated financial statements and on foreseeable future transactions.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB amended IAS 1 to require companies to disclose material accounting policies rather than significant policies. The amendment clarifies what qualifies under material accounting policies and states that immaterial accounting policy information does not need to be disclosed. The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted.

The Company is assessing the impact of this amendment.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendment to IAS 8 clarifies changes in accounting policies from changes in accounting estimates. The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted.

The Company is assessing the impact of this amendment.

c) Consolidation

Subsidiaries are all entities (including structured entities) 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 it’s 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 re-measured. 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 statements of loss and comprehensive loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of loss and comprehensive loss within 'Finance income, net'.

iii) *Group companies*

The results and financial position of all the Company's entities that have a functional currency difference 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 the consolidated statements of financial position;
- Income and expenses are translated at average exchange rates for 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 (loss) ("OCI") as foreign exchange translation gain (loss) on foreign operations.

f) Cash and cash equivalents

For the purpose of presentation in the consolidated statements 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 maturities at purchase of three months or less. Any accrued interest earned at the period end date is recorded within other receivables.

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. The Company leases certain of its safety monitoring equipment to customers through the Company's G7 Lease program ("G7 Lease") with monthly payments. Other receivables include the net investment in 'G7 Lease' finance leases 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 and other 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 'G7 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 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 consolidated statements of loss and comprehensive 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 and other receivables, the Company applies the simplified approach permitted by IFRS 9 *Financial Instruments* ("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 expected credit loss ("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 FVPL, financial liabilities at FVOCI 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 if it is repayable on demand. Contract liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. Any 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 recognized 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 derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The Company offers its connected safety products and monitoring services through its 'G7 Lease' leasing program. The Company accounts for certain of these as operating leases within the meaning of IFRS 16 *Leases* and are separately accounted for within property and equipment. The cartridge asset category represents the modular cartridge options, including gas sensors, used in the Company's principal safety product devices.

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 'G7 Lease' 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	Life of certification (1-5 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.

Research costs are expensed as they are incurred in accordance with IAS 38 *Intangible Assets.*

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 recognized 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 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 reporting period 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 'G7 Lease' lease contracts. The obligations are recognized upon the start of a 'G7 Lease' 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) Leases

On the date that the leased asset becomes available for use, the Company recognizes a right-of-use ("ROU") asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the consolidated statements of loss and comprehensive loss over the duration of the lease. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation and amortization expense and services and materials expenses.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include fixed lease payments, variable lease payments that are based on an index or a rate, and expected payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The Company's incremental borrowing rate is used to determine the present value of the liability and ROU asset arising from a lease if the implicit rate is not readily available.

The Company applies the IFRS 16 practical expedient whereby short-term leases and leases of low-value assets are not recognized on the consolidated statements of financial position and lease payments are instead recognized in the consolidated statements of loss and comprehensive loss as incurred.

When the Company acts as a lessor, it determines at the inception of each lease whether it is a finance lease or an operating lease. The classification is dependent on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset; if this is the case, then the lease is a finance lease. The Company's operating lease payments received are recognized in service lease revenue on the consolidated statement of loss and comprehensive loss.

r) Provisions

Provisions for service warranties are recognized when the Company has a present legal or constructive obligation as a result of past events, and 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 recognized 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.

s) 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 current market price, meaning the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the date of the grant of options. Vesting is over an immediate to three-year period and the expiration of options is to be no greater than five 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 amount previously recorded as contributed surplus on a cashless exercise, where an option is surrendered in exchange for the issuance of common shares equal to the number determined by multiplying the number of common shares which the holder is entitled to purchase by a fraction of which the numerator is the difference between the current market price and the exercise price of such option and the denominator is the current market price, is recorded as share capital. The number of awards expected to vest is reviewed at least quarterly, with any impact being recognized immediately.

The Company is authorized to issue up to 10% of outstanding common shares from treasury in relation to its stock option plan.

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 consolidated statements of loss and comprehensive loss and values the amounts as either the cash contributed or the sum of the weighted average fair value of shares issued.

t) 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.

u) Loss per common share

i) *Basic loss per common share*

Basic loss per common share is calculated by dividing:

- the loss for the period
- by the weighted average number of common shares outstanding.

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.

v) 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 on the consolidated statements of financial position.

ii) *Software 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 use 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.

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 offers its safety products and monitoring services through its ‘G7 Lease’ leasing program. The Company accounts for a three-year ‘G7 Lease’ contract and associated consolidated statements of loss and comprehensive loss and consolidated statements of financial position impacts, as an operating lease within the meaning of IFRS 16 *Leases*. Revenues are recognized on a straight-line basis over the term of the lease with no deferred revenue element on the consolidated statements of financial position.

The Company also offers four-year ‘G7 Lease’ contracts which is accounted for as a 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 non-current other receivables on the consolidated statements of financial position. Revenues are recognized as product revenue upon initial inception of the lease, and service revenue is recognized on a straight-line basis over the term of the lease. 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) *Rental revenue*

The Company offers its safety products and monitoring services through short and long-term rental options. Revenues are recognized over the term of the contracted rental 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.

w) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Goodwill is measured at cost, being the difference between the acquisition date fair value of consideration transferred, including the recognized amount of any non-controlling interest in the

acquiree over the net fair value amount of the identifiable assets acquired and the liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of assets transferred (including cash and contingent consideration, if any) and liabilities.

The fair values of property and equipment are recognized, because of a business combination and are based on either the cost approach or market approach, as applicable. The market approach is the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein

the parties each act knowledgeably and willingly. The fair value of intangible assets is based on the income approach. This is derived from the discounted cash flows expected from ownership of the assets. The fair values of inventories acquired in a business combination are determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. Acquisition-related costs are expensed as incurred and are included in general and administrative expenses on the consolidated statements of loss and comprehensive loss.

Goodwill represents the excess of consideration transferred over the fair value of the net identifiable assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses. The Company monitors and tests goodwill at the cash-generating unit level to which goodwill has been allocated. Goodwill is tested annually for impairment during the fourth quarter, or more frequently when there is indication that goodwill may be impaired.

x) Government assistance

The Company may receive government assistance in connection with product research and development expenditures that qualify for funding. 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.

The Company’s repayable funding is 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.

The Company may receive government grants and subsidy funding which provide immediate financial assistance as compensation for costs or expenditures to be or have been incurred. Government grants and subsidy funding are accounted for when there is reasonable assurance that conditions attached to the grants or subsidy funding are met and that the funding will be received. The Company recognizes government grants and subsidy funding in the consolidated statements of loss and comprehensive loss on a systematic basis and in line with recognition of the expense that the funding is intended to compensate.

y) 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 recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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 senior secured operating facility, the Company is required to comply with the following financial covenant:

- cash burn ratio of not less than 6.0 to 1.0 until fiscal Q1 2023 with an increase to 9.0 to 1.0 for the subsequent quarters.

The Company was in compliance with this covenant as at October 31, 2022. See Note 19 for additional information regarding the Company's financial covenant requirements.

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.

d) Warranty provision

A provision is recognized for expected warranty claims on products sold during the year, based on previous levels of repairs and returns. Assumptions used to calculate the provision are based on current sales levels and information available about returns based on the warranty period for all products sold.

e) Business combinations

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. The Company develops the fair value by using appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management and can consist of the future performance of the related assets and the discount rate.

f) Impairment of non-financial assets

The Company tests goodwill annually irrespective of whether any indicators of impairment are present. Goodwill is tested at the cash generating unit ("CGU") or group of CGU level. Management has grouped CGU's together at the operating level for the purpose of goodwill impairment testing. The impairment test was based on significant estimates and assumptions to calculate the fair value less costs of disposal utilizing the discounted cash valuation model, including the allocation of goodwill to the operating segments, estimated discount rate, terminal value multiple, and revenue compounded annual growth rate.

The Company assesses for indicators of impairment at each reporting period that may indicate that property and equipment, right-of-use assets and intangible assets may be impaired.

The following are the most significant judgements 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 and discounts to allocate to individual elements in a bundled arrangement and whether a deliverable constitutes a separate unit of accounting.

b) Impairment of financial assets

The determination of the expected credit loss for the Company's trade and other receivables is determined by a provision matrix that is based on historical credit loss experiences, adjusted for forward looking factors specific to the debtors and the economic environment.

(In thousands of Canadian dollars and units, unless otherwise indicated)

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, 2022		$
Cash and cash equivalents	6	**22,640**
Short-term investments	7	**8,500**
Trade and other receivables	8	**30,943**
Total		**62,083**
As at October 31, 2021		
Cash and cash equivalents	6	34,433
Short-term investments	7	20,083
Trade and other receivables	8	23,609
Total		78,125

Financial liabilities	Notes	Carrying amount
As at October 31, 2022		$
Accounts payable and accrued liabilities	16	**19,155**
Contract liabilities		**3,129**
Lease liabilities	20	**2,672**
Bank indebtedness	19	**8,575**
Total		**33,531**
As at October 31, 2021		
Accounts payable and accrued liabilities	16	14,566
Contract liabilities		1,585
Lease liabilities	20	2,374
Total		18,525

The Company does not hold financial liabilities at FVPL as at October 31, 2022 and October 31, 2021.

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 or the interest receivable is 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 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.

(In thousands of Canadian dollars and units, unless otherwise indicated)

Exposure

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

				October 31, 2022
	USD	**GBP**	**EUR**	**AUD**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	**1,287**	**758**	**3,904**	**326**
Short-term investments	**-**	**-**	**-**	**-**
Trade and other receivables	**17,967**	**3,727**	**2,109**	**340**
Financial liabilities				
Accounts payable and accrued liabilities	**8,667**	**1,701**	**375**	**156**
Contract liabilities	**2,031**	**-**	**-**	**-**
Lease liabilities	**570**	**402**	**231**	**-**

				October 31, 2021
	USD	GBP	EUR	AUD
	$	$	$	$
Financial assets				
Cash and cash equivalents	270	3,065	1,002	82
Short-term investments	-	-	-	-
Trade and other receivables	13,567	3,478	2,745	213
Financial liabilities				
Accounts payable and accrued liabilities	5,620	2,696	525	30
Contract liabilities	1,311	-	-	-
Lease liabilities	592	614	119	-

Amounts recognized in Consolidated Statements of Loss and Comprehensive Loss

During the year, the following foreign exchange related amounts were recognized in the consolidated statements of loss and comprehensive loss.

	October 31, 2022 **$**	October 31, 2021 $
Amounts recognized in profit or loss		
Net foreign exchange loss	**1,539**	992
Net (gains) losses recognized in Comprehensive Loss		
Translation of foreign operations	**5,901**	(1,140)

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 accrued liabilities.

As at October 31, 2022, 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 trade accounts payable:

(In thousands of Canadian dollars and units, unless otherwise indicated)

	October 31, 2022 $	October 31, 2021 $
USD/CAD exchange rate – increase 10%	**283**	705
USD/CAD exchange rate – decrease 10%	**(283)**	(705)
GBP/CAD exchange rate – increase 10%	**6**	430
GBP/CAD exchange rate – decrease 10%	**(6)**	(430)
EUR/CAD exchange rate – increase 10%	**201**	255
EUR/CAD exchange rate – decrease 10%	**(201)**	(255)
AUD/CAD exchange rate – increase 10%	**55**	28
AUD/CAD exchange rate – decrease 10%	**(55)**	(28)

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 exposes 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 are subject to variable interest rate changes and the fixed interest rate short-term investments have contractual repricing dates of six months or less.

	October 31, 2022 $	October 31, 2021 $
Variable rate cash and cash equivalents	**22,640**	34,433
Variable rate bank indebtedness	**8,575**	-
Fixed interest rate short-term investments – repricing date: 6 months or less	**8,500**	20,083

Sensitivity

The net loss of the Company is sensitive to higher/lower interest income from cash and cash equivalents and to higher/lower interest expenses from bank indebtedness as a result of changes in interest rates. For the years ended October 31, 2022 and 2021, 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 consistently across the Company. The cash and cash equivalents are comprised of cash and highly liquid short-term deposits with two Canadian chartered banks, a Canadian financial institution, a United States chartered bank, two UK plc banks and a French bank. Bank indebtedness is comprised of the amount drawn, if any, on the Company's secured operating facility with a Canadian financial institution. 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.

(In thousands of Canadian dollars and units, unless otherwise indicated)

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

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, 2022 $	October 31, 2021 $
Cash and cash equivalents		
AA	**88**	16,106
A+	**22,552**	18,320
A	-	6
No external credit rating available	-	1
Short-term investments		
A-1	**8,500**	20,083
Total	**31,140**	54,516

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

Impaired trade and other receivables

The creation and release of the ECL has been included in 'sales and marketing expenses' in the consolidated statements of loss and comprehensive loss. Amounts specifically identified and charged to the loss allowance are generally written off when there is no expectation of recovery.

Individual trade and other receivables which are known to be uncollectible are written off by reducing the carrying amount directly. For the remaining trade and other 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 reorganization; and
- default or delinquency in payments.

Finance lease receivables have a loss rate consistent with current trade receivables as all outstanding payments are current from customers, these receivables are more secured, and risk of impairment loss is reduced by the Company's ability to re-possess the security should customers not make payment.

Receivables for which an impairment provision was recognized are written off against the provision when there is no expectation of recovering additional cash. Subsequent recoveries of amounts previously written off are credited against 'sales and marketing expenses' on the consolidated statements of loss and comprehensive loss.

(In thousands of Canadian dollars and units, unless otherwise indicated)

Movements in the ECL for trade and other receivables are as follows:

October 31, 2022	**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	**0.0%**	**0.2%**	**0.3%**	**0.5%**	**7.0%**
Gross carrying amount	**26,472**	**2,214**	**757**	**454**	**1,130**
Loss allowance	**-**	**5**	**2**	**3**	**74**

October 31, 2021	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%	1.2%	4.0%	5.0%	2.9%
Gross carrying amount	19,088	2,398	1,161	577	530
Loss allowance	26	29	46	29	15

	October 31, 2022	October 31, 2021
	$	$
Expected credit loss	**84**	145
Provision for specifically identified contracts	**-**	-
Loss allowance	**84**	145

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

	October 31, 2022	October 31, 2021
	$	$
Impairment losses – movement in the loss allowance	**48**	(85)
Reversal of previous impairment losses	**-**	-

Impairment losses recognized in 'sales and marketing' expenses on the consolidated statements of loss and comprehensive loss was $29 for the year ended October 31, 2022 (October 31, 2021: $1,039).

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 $22,640 (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 an operating facility.

Management maintains a forward-looking cash requirement forecast, comprising cash and cash equivalents, short-term investments and a senior secured operating facility with a Canadian financial institution. 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 secured operating 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, improving its unit economics and, if required, the ability to raise additional equity financing. The Company believes it has sufficient funds and access to capital for at least the next 12 months.

(In thousands of Canadian dollars and units, unless otherwise indicated)

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
As at October 31, 2022	**$**	**$**	**$**	**$**	**$**
Accounts payable and other accrued liabilities	**18,065**	**1,090**	**-**	**19,155**	**19,155**
Contract liabilities	**748**	**575**	**1,806**	**3,129**	**3,129**
Bank indebtedness	**-**	**-**	**8,575**	**8,575**	**8,575**
	18,813	**1,665**	**10,381**	**30,859**	**30,859**
Lease liabilities	**615**	**612**	**1,989**	**3,216**	**2,672**
Total	**19,428**	**2,277**	**12,370**	**34,075**	**33,531**
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

6. Cash and cash equivalents

	October 31, 2022 $	October 31, 2021 $
Cash at bank	**22,640**	32,433
Notice term deposits	**-**	2,000
Total	**22,640**	34,433

a) Restricted cash

Cash at bank includes $199 (October 31, 2021: $213) that is subject to restrictions and therefore not available for general use.

b) Notice term deposits

As of October 31, 2022, no notice term deposits were held (October 31, 2021: $2,000 CAD 31-day notice term deposits were held with a variable interest rate of 0.55%).

(In thousands of Canadian dollars and units, unless otherwise indicated)

7. Short-term investments

	October 31, 2022 $	October 31, 2021 $
Guaranteed investment certificate with fixed interest of 4.29% and maturity date of January 30, 2023	**8,500**	-
Guaranteed investment certificate with fixed interest of 0.50% and maturity date of January 26, 2022	**-**	4,000
Guaranteed investment certificate with fixed interest of 0.72% and maturity date of October 29, 2022	**-**	8,047
Term deposit with fixed interest of 0.52% and maturity date of April 23, 2022	**-**	8,036
Total	**8,500**	20,083

8. Trade and other receivables

	October 31, 2022 $	October 31, 2021 $
Trade accounts receivable	**17,714**	17,504
Other receivables – current	**5,251**	2,897
Other receivables – non-current	**8,062**	3,353
Loss allowance	**(84)**	(145)
Total	**30,943**	23,609

Non-current other receivables consist primarily of the net investment in ‘G7 Lease’ finance leases. Current other receivables consist of accrued interest from short-term investments, the current portion of the net investment in finance leases, and taxes receivables.

9. Inventory

	October 31, 2022 $	October 31, 2021 $
Parts	**12,805**	7,173
Finished goods	**5,907**	5,537
Total	**18,712**	12,710

Inventories recognized as an expense and included in ‘cost of sales’ in the consolidated statements of loss and comprehensive loss during the year ended October 31, 2022 amounted to $17,674 (October 31, 2021: $11,362). These are included in cost of sales for product.

Write-downs of obsolete parts inventory amounted to $615 for the year ended October 31, 2022 (October 31, 2021: $334). These were recognized as an expense and included in cost of sales for product.

10. Contract assets

	October 31, 2022 $	October 31, 2021 $
Asset recognized from costs incurred to fulfil a contract – current	**1,021**	531
Asset recognized from costs incurred to fulfil a contract – non-current	**1,620**	781
Total	**2,641**	1,312

(In thousands of Canadian dollars and units, unless otherwise indicated)

11. Property and equipment

Net book value

	October 31, 2021	Foreign exchange differences	Additions	Other Disposals & Transfers	Depreciation	October 31, 2022
	$	$	$	$	$	$
SMT equipment	1,180	-	941	-	199	1,922
Manufacturing equipment	999	(7)	558	3	381	1,172
Furniture and equipment	378	(6)	151	11	145	389
Equipment leased under 'G7 Lease' program	797	-	798	-	350	1,245
Rental equipment	643	(1)	2,092	17	413	2,338
Cartridges	4,127	-	2,379	(88)	2,532	3,886
Computer hardware	737	(14)	830	(66)	517	970
Evaluation kits	262	-	286	(100)	111	337
Leasehold improvements	743	-	166	2	363	548
Total	9,866	(28)	8,201	(221)	5,011	12,807

As at October 31, 2022	Cost $	Accumulated depreciation $	Net book value $
SMT equipment	2,576	654	1,922
Manufacturing equipment	2,555	1,383	1,172
Furniture and equipment	918	529	389
Equipment leased under 'G7 Lease' program	3,301	2,056	1,245
Rental equipment	2,904	566	2,338
Cartridges	10,927	7,041	3,886
Computer hardware	2,095	1,125	970
Evaluation kits	473	136	337
Leasehold improvements	1,439	891	548
Total	27,188	14,381	12,807

Net book value

	October 31, 2020	Foreign exchange differences	Additions	Other Disposals & Transfers	Depreciation	October 31, 2021
	$	$	$	$	$	$
SMT equipment	1,156	-	172	-	148	1,180
Manufacturing equipment	939	(2)	365	-	303	999
Furniture and equipment	330	(2)	173	-	123	378
Equipment leased under 'G7 Lease' program	870	-	382	-	455	797
Rental equipment	101	-	619	-	77	643
Cartridges	4,303	-	2,012	34	2,222	4,127
Computer hardware	295	(2)	708	-	264	737
Evaluation kits	14	-	291	(3)	40	262
Leasehold improvements	554	(1)	462	-	272	743
Total	8,562	(7)	5,184	31	3,904	9,866

(In thousands of Canadian dollars and units, unless otherwise indicated)

October 31, 2021	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

Depreciation expense of $3,415 (October 31, 2021: $3,213) is included in 'cost of sales', $1,024 (October 31, 2021: $614) in 'general and administrative expenses', $19 in 'sales and marketing expenses' (October 31, 2021: $8), and $553 (October 31, 2021: $69) in 'product research and development costs' in the consolidated statements of loss and comprehensive loss.

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

12. Intangible assets

					Net book value
	October 31, 2021 $	Foreign exchange differences $	Additions $	Amortization $	October 31, 2022 $
Computer software	99	-	-	44	55
Government certifications and product patent cost	2,318	13	509	700	2,140
Total	2,417	13	509	744	2,195

As at October 31, 2022	Cost $	Accumulated amortization $	Net book value $
Computer software	502	447	55
Government certifications and product patent cost	4,068	1,928	2,140
Total	4,570	2,375	2,195

					Net book value
	October 31, 2020 $	Foreign exchange differences $	Additions $	Amortization $	October 31, 2021 $
Computer software	97	-	41	39	99
Government certifications and product patent cost	706	(74)	2,291	605	2,318
Total	803	(74)	2,332	644	2,417

(In thousands of Canadian dollars and units, unless otherwise indicated)

	Cost	Accumulated amortization	Net book value
As at October 31, 2021	$	$	$
Computer software	502	403	99
Government certifications and product patent cost	3,546	1,228	2,318
Total	4,048	1,631	2,417

Amortization expense of $453 (October 31, 2021: $30) is included in 'cost of sales', $44 (October 31, 2021: $39) in 'general and administrative expenses', and $247 (October 31, 2021: $575) in 'product research and development costs' in the consolidated statements of loss and comprehensive loss.

13. Right-of-use assets

	October 31, 2022 $	October 31, 2021 $
Cost		
ROU assets, beginning of year	**3,308**	1,933
Foreign exchange differences	**(20)**	(25)
Additions	**1,166**	1,400
Other disposal and transfers	**(26)**	-
ROU assets, end of year	**4,428**	3,308
Accumulated depreciation		
ROU assets, beginning of year	**1,074**	446
Foreign exchange differences	**(20)**	(6)
Depreciation	**861**	634
ROU assets, end of year	**1,915**	1,074
Net book value	**2,513**	2,234
Offices and facilities	**2,335**	2,098
Vehicles and office equipment	**178**	136

14. Goodwill

As of October 31, 2022, the carrying amount of goodwill is $4,883 (October 31, 2021: $nil). The Company completed its annual impairment test of goodwill as of October 31, 2022 using a fair value less costs of disposal ("FVLCOD") model and concluded that no impairment was identified.

The Company allocated goodwill at the operating segment level and utilized gross margin percentages for the basis of allocation:

	October 31, 2022 $	October 31, 2021 $
Product	**1,465**	-
Service	**3,418**	-
Total	**4,883**	-

The recoverable amount of each operating segment was calculated using the FVLCOD method initially based on assessing the Company's market capitalization as compared to its' net asset value, but also considered market analysts reports. The Company's board-approved budgets adjusted EBITDA three-year forecast built from historical and current results, and management's business plans were also considered in the impairment test. The calculation of recoverable amount using the discounted cash flow approach was based on the following key assumptions:

(In thousands of Canadian dollars and units, unless otherwise indicated)

Discount rate	13%
Terminal value multiple	12.00x
Revenue compound annual growth	22%

The discount rate was determined using a weighted average cost of capital reflecting the current market assessment. The terminal value multiple was based on management's best estimate of transaction multiples at the time of the impairment test. Revenue growth is based on management's best estimates based on business plans and historical growth. A 10% decline in the market capitalization would not cause an impairment to goodwill. Only a significant change to the key assumptions used in determining the recoverable amount would result in any impairment of goodwill.

The fair value of the CGU to which goodwill was allocated is categorized as a Level 3 fair value based on the unobservable inputs.

15. Leasing arrangements

The Company leases certain of its safety monitoring equipment to customers through the Company's 'G7 Lease' program with monthly and quarterly 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 $1,273 as at October 31, 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:

	October 31, 2022	**October 31, 2021**
Within one year	**13,301**	5,233
Later than one year but not later than five years	**22,677**	11,029
Later than five years	**-**	-
Total	**35,978**	16,262

16. Accounts payable and accrued liabilities

	October 31, 2022 $	October 31, 2021 $
Trade accounts payable	**10,852**	8,633
Other accrued liabilities	**8,303**	5,933
Total accounts payable and accrued liabilities	**19,155**	14,566

17. Warranty provision

The following table shows the changes in warranty provision during the years ended October 31, 2022 and 2021:

	October 31, 2022 $	October 31, 2021 $
Warranty provision, beginning of year	**1,573**	1,145
Additional provisions recognized	**2,356**	1,680
Amounts used during the year	**(1,972)**	(1,252)
Warranty provision, end of year	**1,957**	1,573

(In thousands of Canadian dollars and units, unless otherwise indicated)

18. Government assistance

a) Canada Emergency Wage Subsidy

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 $nil for the year ended October 31, 2022 (October 21, 2021: $1,440) which was recorded as a reduction in related payroll expenses in the consolidated statements of loss and comprehensive loss.

The CEWS program ended on October 23, 2021 and no additional funding was received subsequently.

19. Bank indebtedness

a) Senior secured operating facility

The Company has a two-year $15,000 senior secured operating facility ("operating facility") with a Canadian financial institution. The facility includes a $5,000 accordion feature to increase the size of the facility. The loan facility borrowing base is derived from the Company's monthly recurring revenue and bears interest at the Canada prime rate plus 2.00% for CAD advances or U.S. base rate plus 2.00% for USD advances. The operating facility was signed on October 20, 2022, replacing the credit facility which the Company previously held with another lender.

The operating facility includes financial covenants, including a quarterly liquidity to cash burn ratio of not less than 6.0 to 1.0 until fiscal Q1 2023 with an increase to 9.0 to 1.0 for the subsequent quarters.

The operating facility is secured, including a general security agreement over the property of both Blackline Safety Corp. and its significant subsidiaries.

The operating facility was drawn against as at October 31, 2022 with a maturity date of October 20, 2024 and as such has classified the amount drawn as non-current. The Company was in compliance with all covenants as at October 31, 2022.

20. Lease liabilities

The following table details the movement of the Company's lease liabilities for the years ended October 31, 2022 and 2021.

	October 31, 2022 $	October 31, 2021 $
Lease liability, beginning of year	**2,374**	1,560
Foreign exchange differences	**(1)**	(23)
Additions	**1,166**	1,400
Disposals	**(22)**	-
Interest	**120**	85
Repayments	**(965)**	(648)
Lease liability, end of year	**2,672**	2,374
Lease obligations due within 12 months	**879**	784
Lease obligations due later than 12 months	**1,793**	1,590

Payments relating to short-term leases and leases of low-value assets were $32 for the year ended October 31, 2022 (October 31, 2021: $63).

(In thousands of Canadian dollars and units, unless otherwise indicated)

21. 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

(CAD thousands, except for number of shares)	Number of Shares	Amount $
As at October 31, 2020	54,295,715	128,159
Options exercised	362,532	1,705
Issued through stock-based compensation plan	83,479	661
Issued for cash through bought deal short-form prospectus offering	5,480,000	40,004
Share issue costs	-	(2,390)
As at October 31, 2021	**60,221,726**	**168,139**
Options exercised	**82,518**	**335**
Issued through stock-based compensation plan	**173,097**	**582**
Issued for cash through bought deal short-form prospectus offering	**5,405,885**	**11,893**
Issued for cash through private placement	**5,909,091**	**13,000**
Shares issued in connection with business combination	**270,776**	**1,554**
Share issue costs	**-**	**(1,072)**
As at October 31, 2022	**72,063,093**	**194,431**

During the year ended October 31, 2022, 82,518 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.

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.

On August 31, 2022, the Company closed a bought deal short-form prospectus offering and issued 5,405,885 common shares at an issue price of $2.20 per common share for aggregate gross proceeds of $11,893. The Company concurrently completed a non-brokered private placement of 5,909,091 common shares at an issue price of $2.20 per common share for gross proceeds of $13,000 and total share issuance costs of $1,072.

During the year ended October 31, 2021, 362,532 common share options were exercised for proceeds net of income tax withholdings of $1,237. On exercise of these common share options, $468 was credited to share capital from contributed surplus.

On October 19, 2021, the Company completed a bought deal short-form prospectus offering for an aggregate of 5,480,000 common shares at an issue price of $7.30 per common share for gross proceeds of $40,004 and share issuance costs of $2,390.

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 at October 31, 2022, are 91,675 (October 31, 2021: 36,603) unvested common shares and 1,290,037 (October 31, 2021: 885,282) vested common shares which are held by the above-noted vehicle.

(In thousands of Canadian dollars and units, unless otherwise indicated)

22. Revenue from contracts with customers

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

Revenue	**October 31, 2022 $**	**October 31, 2021 $**
Product revenue	**35,223**	24,776
Software services revenue	**32,648**	25,518
Operating lease revenue	**2,468**	3,119
Rental revenue	**2,592**	899
Total revenues	**72,931**	54,312
Timing of revenue recognition		
At a point in time	**34,965**	24,710
Over time	**37,966**	29,602
Total revenues	**72,931**	54,312

(In thousands of Canadian dollars and units, unless otherwise indicated)

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

	October 31, 2022	**October 31, 2021**
Revenue		
Product	**35,223**	24,776
Service	**37,708**	29,536
Total Revenues	**72,931**	54,312
Cost of sales		
Product	**29,110**	18,813
Service	**11,582**	9,105
Cost of sales	**40,692**	27,918
Gross margin		
Product	**6,113**	5,963
Service	**26,126**	20,431
Gross margin	**32,239**	26,394
General and administrative expenses	**23,000**	15,294
Sales and marketing expenses	**36,535**	27,004
Product research and development costs	**24,684**	16,394
Foreign exchange loss	**1,539**	992
Finance (income), net	**(267)**	(173)
Net loss before income tax	**(53,252)**	(33,117)
Income tax expense	**(394)**	(188)
Net loss	**(53,646)**	(33,305)

In the years ended October 31, 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:

	October 31, 2022	**October 31, 2021**
Canada	**20,045**	13,300
United States	**30,151**	22,787
Europe	**18,155**	15,699
Rest of World[1]	**4,580**	2,526
Total revenues	**72,931**	54,312

(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 the ongoing military conflict between Russia and Ukraine.

(In thousands of Canadian dollars and units, unless otherwise indicated)

24. Expenses by nature

Cost of sales includes employee compensation and benefit expenses, services and materials, and depreciation and amortization on assets relating to operations. Additional information on the nature of expenses is as follows:

	October 31, 2022 $	October 31, 2021 $
Employee compensation and benefit expenses	**60,276**	38,422
Operational expenses	**20,789**	15,616
Services and materials	**37,230**	27,517
Depreciation and amortization	**6,616**	5,055
Foreign exchange loss	**1,539**	992
Total costs of sales and expenses	**126,450**	87,602

25. Employee compensation and benefit expenses

	October 31, 2022 $	October 31, 2021 $
Salaries, wages, employment and termination benefits	**59,108**	35,883
ESOP and stock options granted to directors and employees	**1,168**	2,539
Total employee compensation and benefit expenses	**60,276**	38,422

26. Finance income and costs

	October 31, 2022 $	October 31, 2021 $
Finance income		
Interest received/receivable from finance leases and financial assets held for cash management purposes	**409**	279
Finance costs		
Interest and finance charges paid/payable for financial liabilities	**(142)**	(106)
Finance income, net	**267**	173

(In thousands of Canadian dollars and units, unless otherwise indicated)

27. Income taxes

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

	October 31, 2022 $	October 31, 2021 $
Loss before income taxes	**(53,252)**	(33,117)
Combined federal and provincial income tax rate	**23%**	23%
Tax calculated at applicable statutory rates applicable to profits	**(12,248)**	(7,617)
Tax losses and other items for which no deferred income tax asset was recognized	**12,309**	7,190
Stock-based compensation expense not deductible for tax purposes	**269**	584
Non-deductible expenses	**64**	31
Income tax expense	**394**	188

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

	October 31, 2022 $	October 31, 2021 $
Non-capital loss carry forwards	**138,146**	90,767
Undepreciated capital cost	**17,169**	11,386
Reserves	**2,041**	1,718
Share issuance costs	**3,238**	3,774
SR&ED expenditure pool	**6,909**	6,910
Total future tax deductions	**167,503**	114,555

In addition to the temporary differences listed above, the Company has $1,834 of investment tax credits available as of October 31, 2022 which will be included in the taxable income of the Company in the tax year following their use.

A deferred income tax asset has not been recognized as there is not sufficient certainty regarding future utilization. The loss carry forwards available for tax reporting purposes are as follows:

	October 31, 2022 $	**Expiration Date**
Non-capital loss carry forwards		
Canada	**116,631**	**2026 – 2042**
United Kingdom	**21,514**	**Indefinite**
France	**1,337**	**Indefinite**

(In thousands of Canadian dollars and units, unless otherwise indicated)

28. Interests in subsidiaries

The Company's interest in subsidiaries as at October 31, 2022 and 2021 is set out below. Unless otherwise stated, subsidiaries 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
		2022	2021	**2022**	2021	
		%	%	**%**	%	
Blackline Safety Europe Ltd.	United Kingdom	**100**	100	**-**	-	Sale of safety monitoring products and services in the United Kingdom and certain other countries
Blackline Safety Europe SAS	France	**100**	100	**-**	-	Facilitation of sale of safety monitoring products and services in the European Union
Wearable Technologies Limited	United Kingdom	**100**	100	**-**	-	Development and sale of smart safety clothing and services
Blackline Safety USA Corp.	USA	**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 and New Zealand
Swift Labs Inc. (1)	Canada	**100**	-	**-**	-	Internet of Things design, engineering consulting and product research and development support

(1) Swift Labs Inc. was acquired by the Company on March 31, 2022. Prior to that date, the Company did not have any interest in the subsidiary. See Note 34 for further details.

29. Commitments

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

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

	October 31, 2022	October 31, 2021
	$	$
Within one year	**1,354**	1,205
Later than one year but not later than five years	**1,567**	755
Later than five years	**5**	-
Total	**2,926**	1,960

(In thousands of Canadian dollars and units, unless otherwise indicated)

30. Related party transactions

Key management personnel compensation

Key management includes the Company's directors and executive officers. The Company's independent directors can receive compensation in the form of director fees, 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:

	October 31, 2022 $	October 31, 2021 $
Salaries, compensation and employment benefits	**2,533**	2,201
ESOP and stock options granted	**1,593**	1,784
Total	**4,126**	3,985

31. 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.

(CAD thousands, except number of options and per stock option amounts)	**Number of options**	**Weighted average price per stock option $**
As at October 31, 2020	3,213,595	4.67
Vested and exercisable at October 31, 2020	2,784,461	4.68
Granted during the period	1,581,500	8.22
Exercised during the period	(382,990)	3.63
Forfeited during the period	(173,712)	7.55
As at October 31, 2021	4,238,393	5.97
Vested and exercisable at October 31, 2021	3,377,934	5.54
Granted during the period	**2,568,500**	**2.85**
Exercised during the period	**(104,166)**	**3.54**
Forfeited during the period	**(593,083)**	**6.40**
Expired during the period	**(437,000)**	**4.40**
As at October 31, 2022	**5,672,644**	**4.68**
Vested and exercisable at October 31, 2022	**3,878,769**	**4.98**

The weighted average share price at the date of exercise of options exercised during the year ended October 31, 2022 was $6.67 (October 31, 2021: $8.18).

(In thousands of Canadian dollars and units, unless otherwise indicated)

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, 2022**	Stock options October 31, 2021
October 31, 2022	**2.85 – 4.40**	**-**	535,000
October 31, 2023	**4.85 – 5.50**	**603,892**	661,642
October 31, 2024	**5.26 – 5.84**	**683,084**	753,251
October 31, 2025	**4.25**	**710,751**	839,250
October 31, 2026	**6.55 – 8.93**	**1,194,917**	1,449,250
October 31, 2027	**1.75 – 6.05**	**2,480,000**	-
		5,672,644	4,238,393

The weighted average remaining contractual life of the options outstanding as at October 31, 2022 is 3.34 years (October 31, 2021: 2.95 years).

The Company uses the Black-Scholes model and a forfeiture rate of 25% (October 31, 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 October 31, 2022 was $2.85 per option (October 31, 2021: $8.22). 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.

The model inputs for the option tranches granted during the years ended October 31, 2022 and 2021 included:

	2022	**2021**
Risk-free interest rate	**1.43% - 3.49%**	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% - 45%**	28% - 33%

The expected price volatility is based on the historical volatility.

32. 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.

(CAD thousands, except number of shares and per share amounts)	**October 31, 2022**	**October 31, 2021**
Weighted average shares outstanding – basic and diluted	**62,584,204**	49,418,060
Net Loss for the period	**(53,646)**	(33,305)
Basic and diluted loss per share	**($0.86)**	($0.67)

(In thousands of Canadian dollars and units, unless otherwise indicated)

33. Supplementary cash flow information

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

	October 31, 2022	October 31, 2021
Operating activities		
Changes in non-cash working capital:		
Trade and other receivables	**(2,832)**	(8,569)
Inventory	**(6,335)**	(1,727)
Prepaid expenses and advances	**419**	(1,052)
Contract assets	**(490)**	(32)
Contract assets – non-current	**(839)**	(557)
Other receivables – non-current	**(4,715)**	(1,613)
Accounts payable and other accrued liabilities	**3,243**	6,504
Warranty provision	**383**	180
Deferred revenue	**2,305**	1,498
Contract liabilities	**402**	288
Warranty provision – non-current	**477**	249
Deferred revenue – non-current	**2,542**	1,781
Contract liabilities – non-current	**1,142**	463
	(4,298)	(2,587)
Investing activities[1]		
Changes in non-cash working capital:		
Accounts payable and other accrued liabilities	**212**	236

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

	October 31, 2022	October 31, 2021
Cash taxes paid (received)	**150**	106
Cash interest paid (received)	**(40)**	(32)

(In thousands of Canadian dollars and units, unless otherwise indicated)

34. Business combinations

Acquisition of Swift Labs

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 year ended October 31, 2022 amounting to $397 were incurred in relation to the acquisition. The amounts have been included in 'general and administrative expenses' in the Company's 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	**$**
Cash and cash equivalents	67
Trade and other receivables	31
Prepaid expenses and advances	15
Total current assets	113
NON-CURRENT ASSETS	
Property and equipment	82
Goodwill	4,883
Total non-current assets	4,965
TOTAL ASSETS	5,078
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	537
Notes payable	1,269
Total current liabilities	1,806
TOTAL LIABILITIES	1,806
Fair value of net assets acquired	3,272
Exclude: Notes payable	1,269
Fair value of net assets acquired, excluding notes payable assumed	4,541
Paid in common shares of the Company	1,554
Paid in cash	3,200
Purchase price adjustments	(213)
Fair value of consideration transferred	4,541

(In thousands of Canadian dollars and units, unless otherwise indicated)

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 consolidated statements of loss and comprehensive loss was immaterial for the year ended October 31, 2022. The strategic acquisition of Swift Labs would have contributed $1,017 in estimated revenues and $2,207 in estimated operating losses to the Company if acquired on November 1, 2021.

Acquisition of Wearable Technologies Limited

On February 10, 2021, the Company acquired 100% of the shares of a UK based industrial safety company WTL for $878,100 (GBP 500,000). 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	**$**
Trade and other receivables	265
Prepaid expenses and advances	198
Inventory	299
Total current assets	762
NON-CURRENT ASSETS	
Property and equipment	40
Intangible assets	1,997
Total non-current assets	2,037
TOTAL ASSETS	2,799
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	1,595
Bank indebtedness	159
Deferred revenue	167
Total current liabilities	1,921
TOTAL LIABILITIES	1,921
Fair value of net assets acquired	878
Exclude: bank indebtedness	159
Fair value of net assets acquired, excluding bank indebtedness assumed	1,037

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