Blackline Safety Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTHS ENDED JANUARY 31, 2023

blacklinesafety

Blackline Safety Corp.
Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of CAD)	January 31, 2023	October 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	23,523	22,640
Short-term investments	-	8,500
Trade and other receivables	25,992	22,881
Inventory	18,914	18,712
Prepaid expenses and advances	2,299	2,215
Contract assets	1,034	1,021
Total current assets	71,762	75,969
NON-CURRENT ASSETS		
Property and equipment (Note 4)	12,045	12,807
Intangible assets	2,064	2,195
Right-of-use assets	2,419	2,513
Goodwill (Note 13)	4,883	4,883
Contract assets	1,574	1,620
Other receivables	7,297	8,062
Total non-current assets	30,282	32,080
TOTAL ASSETS	102,044	108,049
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities (Note 3(b)(iii))	17,857	19,155
Warranty provision	1,469	1,480
Deferred revenue	12,060	12,825
Contract liabilities (Note 3(b)(iii))	1,545	1,323
Lease liabilities (Note 3(b)(iii))	889	879
Total current liabilities	33,820	35,662
NON-CURRENT LIABILITIES		
Bank indebtedness (Note 5)	7,991	8,575
Warranty provision	627	477
Deferred revenue	9,791	7,374
Contract liabilities (Note 3(b)(iii))	1,662	1,806
Lease liabilities (Note 3(b)(iii))	1,697	1,793
Total non-current liabilities	21,768	20,025
TOTAL LIABILITIES	55,588	55,687
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	194,571	194,431
Contributed surplus	11,421	11,224
Accumulated other comprehensive loss	5,314	3,865
Deficit	(164,850)	(157,158)
TOTAL SHAREHOLDERS' EQUITY	46,456	52,362
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	102,044	108,049

See accompanying notes to the condensed consolidated interim financial statements

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

(Unaudited, in thousands of CAD, except per share amounts)	Three-months ended January 31, 2023	2022
Revenues (Notes 8 and 9)		
Product revenue	9,424	7,325
Service revenue	11,622	8,345
Total revenues	21,046	15,670
Cost of sales (Note 9)	10,663	9,283
Gross margin (Note 9)	10,383	6,387
Expenses (Note 9)		
General and administrative expenses	5,468	4,935
Sales and marketing expenses	7,825	8,878
Product research and development costs	5,597	5,269
Foreign exchange (gain) loss (Note 3(b)(i))	(726)	242
Total expenses	18,164	19,324
Results from operating activities	(7,781)	(12,937)
Finance income, net	279	64
Net loss before income tax	(7,502)	(12,873)
Income tax expense	190	-
Net loss	(7,692)	(12,873)
Other comprehensive loss:		
Foreign exchange translation gain on foreign operations	1,449	578
Comprehensive loss for the period	(6,243)	(12,295)
Loss per common share (Note 11):		
Basic and diluted	(0.11)	(0.21)

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Condensed Consolidated Statements of Changes in Equity

(Unaudited, in thousands of CAD)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance as at October 31, 2021	168,139	10,747	(2,036)	(103,512)	73,338
Net Loss	-	-	-	(12,873)	(12,873)
Foreign exchange translation on foreign operations	-	-	578	-	578
Stock options exercised (Note 7)	287	(104)	-	-	183
Stock-based compensation expense (Notes 7 and 10)	58	(5)	-	-	53
Balance as at January 31, 2022	168,484	10,638	(1,458)	(116,385)	61,279
Balance as at October 31, 2022	194,431	11,224	3,865	(157,158)	52,362
Net Loss	-	-	-	(7,692)	(7,692)
Foreign exchange translation on foreign operations	-	-	1,449	-	1,449
Stock-based compensation expense (Notes 7 and 10)	140	197	-	-	337
Balance as at January 31, 2023	194,571	11,421	5,314	(164,850)	46,456

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Condensed Consolidated Statements of Cash Flows

	Three-months ended January 31,	
(Unaudited, in thousands of CAD)	**2023**	**2022**
Operating activities		
Net loss	(7,692)	(12,873)
Depreciation and amortization	1,737	1,515
Stock-based compensation expense	539	(5)
Finance income, net	(147)	(15)
Unrealized foreign exchange gain	(6)	(100)
Loss on disposals of property and equipment	162	95
Net changes in non-cash working capital (Note 12)	(2,163)	2,581
Net cash used in operating activities	(7,570)	(8,802)
Financing activities		
Proceeds from share issuances and option exercises	140	241
Repayment of bank indebtedness	(584)	-
Repayment of lease liabilities	(187)	(206)
Net cash (used in) provided by financing activities	(631)	35
Investing activities		
Purchase of short-term investments	(8,000)	-
Redemption of short-term investments	16,500	4,005
Finance income, net	186	1
Purchase of property, equipment, and intangible assets	(748)	(1,766)
Net changes in non-cash working capital (Note 12)	(128)	368
Net cash provided by investing activities	7,810	2,608
Effect of foreign exchange changes on cash and cash equivalents	1,274	692
Net increase (decrease) in cash and cash equivalents	883	(5,467)
Cash and cash equivalents, beginning of period	22,640	34,433
Cash and cash equivalents, end of period	23,523	28,966

Supplementary cash flow information (Note 12)

See accompanying notes to the condensed consolidated interim 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 condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on March 15, 2023.

2. Summary of significant accounting policies

a) Basis of preparation

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

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended October 31, 2022, other than as described in Note 2(b).

These condensed consolidated interim financial statements do not contain all the disclosures required for full annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended October 31, 2022.

b) Changes in accounting policy and disclosures

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

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

ii) *New standards and interpretations not yet adopted*

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the January 31, 2023 reporting period and have not been early adopted by the Company.

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

3. Financial instruments and risk management

a) Financial instruments

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

The Company's risk exposure to various risks associated with the financial instruments is discussed in Note 3b). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

b) Financial risk management

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

i. Market risk

Foreign exchange risk

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

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

Sensitivity

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

For the three-month period ended January 31, 2023 and 2022, if the Canadian dollar had weakened/strengthened by 1% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the periods would not have been significant.

Interest rate risk

The Company's interest rate risk arises from its cash and cash equivalents 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 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.

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 three-month period ended January 31, 2023 and 2022, if the interest rate had increased/decreased by 100 basis points ("bps"), 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.

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

The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings with compliance with credit limits regularly monitored. There is no concentration of credit risk as the Company sells to diverse verticals and geographic markets.

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

iii. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period, the Company held cash and cash equivalents of $23,523 (October 31, 2022: $22,640) 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 cash flows from operations, short-term investments, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, and a secured operating facility. The ability to sustain operations is dependent on successfully commercializing its products, continuing to increase sales of the Company's products and services and, if required, the ability to raise additional equity or debt. The Company believes it has sufficient funds and access to capital for at least the next 12 months.

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.

(CAD thousands)	**Less than 6 months**	**6 – 12 months**	**Over 1 year**	**Total contractual cash flows**	**Carrying amount**
As at January 31, 2023					
Accounts payable and other accrued liabilities	16,809	1,048	-	17,857	17,857
Contract liabilities	921	624	1,662	3,207	3,207
Bank indebtedness	-	-	7,991	7,991	7,991
	17,730	1,672	9,653	29,055	29,055
Lease liabilities	638	594	1,772	3,004	2,586
Total	18,368	2,266	11,425	32,059	31,641
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

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

4. Property and equipment

						Net book value
(CAD thousands)	November 1, 2022 $	Foreign exchange differences $	Additions $	Disposals, Transfers and Other $	Depreciation $	January 31, 2023 $
SMT equipment	1,922	-	19	-	65	1,876
Manufacturing equipment	1,172	2	39	-	100	1,113
Furniture and equipment	389	5	-	-	39	355
Equipment leased under 'G7 Lease' program	1,245	-	-	(193)	86	966
Rental equipment	2,338	12	32	4	179	2,207
Cartridges	3,886	2	758	(156)	602	3,888
Computer hardware	970	6	8	-	139	845
Evaluation kits	337	-	-	(11)	32	294
Leasehold improvements	548	2	18	-	67	501
Total	12,807	29	874	(356)	1,309	12,045

			January 31, 2023
(CAD thousands)	Cost $	Accumulated depreciation $	Net book value $
SMT equipment	2,595	719	1,876
Manufacturing equipment	2,597	1,484	1,113
Furniture and equipment	928	573	355
Equipment leased under 'G7 Lease' program	3,115	2,149	966
Rental equipment	2,956	749	2,207
Cartridges	11,464	7,576	3,888
Computer hardware	2,116	1,271	845
Evaluation kits	460	166	294
Leasehold improvements	1,460	959	501
Total	27,691	15,646	12,045

			October 31, 2022
(CAD thousands)	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

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.

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

5. Bank indebtedness

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 based on the Company's monthly recurring revenue and bears interest at the Canada prime rate plus 200 bps for CAD advances or U.S. base rate plus 200 bps for USD advances. The Company has available capacity on its operating facility of $7,009.

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 Company was in compliance with all covenants as at January 31, 2023.

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

(CAD thousands)	**Maturity Date**	**January 31, 2023**	**October 31, 2022**
Bank indebtedness	October 24, 2024	7,991	8,575

6. 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 $1,433 as at January 31, 2023 (October 31, 2022: $1,273).

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

(CAD thousands)	**January 31, 2023**	**October 31, 2022**
Within one year	14,027	13,301
Later than one year but not later than five years	21,416	22,677
Later than five years	-	-
Total	35,443	35,978

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

7. 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, 2021	60,221,726	168,139
Options exercised	74,518	287
Issued through stock-based compensation plan	9,542	58
As at January 31, 2022	60,305,786	168,484
As at October 31, 2022	72,063,093	194,431
Issued through stock-based compensation plan	76,251	140
As at January 31, 2023	72,139,344	194,571

During the three-month period ended January 31, 2023, there were no common share options exercised.

During the three-month period ended January 31, 2022, 74,518 common share options were exercised for proceeds net of income tax withholdings of $183. On exercise of these common share options, $104 was credited to share capital from contributed surplus.

8. Revenue from contracts with customers

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

(CAD thousands)	Three-months ended January 31,	
Revenue	**2023**	**2022**
Product revenue	9,424	7,325
Software services revenue	10,641	8,103
Rental revenue	981	242
Total revenues	21,046	15,670
Timing of revenue recognition		
At a point in time	9,328	7,272
Over time	11,718	8,398
Total revenues	21,046	15,670

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

9. 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 as well as rental of those products. There are no sales between segments and revenue from external parties is measured in a manner consistent with that in the condensed consolidated statement of loss and comprehensive loss. The Company's expenses, finance income and costs, assets and liabilities are not allocated to reportable segments.

	Three-months ended January 31,	
(CAD thousands)	**2023**	**2022**
Revenue		
Product	9,424	7,325
Service	11,622	8,345
Total Revenues	21,046	15,670
Cost of sales		
Product	7,470	6,619
Service	3,193	2,664
Cost of sales	10,663	9,283
Gross margin		
Product	1,954	706
Service	8,429	5,681
Gross margin	10,383	6,387
General and administrative expenses	5,468	4,935
Sales and marketing expenses	7,825	8,878
Product research and development costs	5,597	5,269
Foreign exchange (gain) loss	(726)	242
Finance income, net	(279)	(64)
Net loss before income tax	(7,502)	(12,873)
Income tax expense	190	-
Net loss	(7,692)	(12,873)

In the three-month period ended January 31, 2023 and 2022, 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:

	Three-months ended January 31,	
(CAD thousands)	**2023**	**2022**
Canada	5,596	3,312
United States	9,416	6,928
Europe	4,656	4,247
Rest of World(1)	1,378	1,183
Total revenues	21,046	15,670

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

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

10. Stock-based compensation

The Company has a stock-based compensation plan ("stock option plan" or the "plan") which was approved by shareholders. 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, 2021	4,238,393	5.97
Vested and exercisable at October 31, 2021	3,377,934	5.54
Exercised during the period	(96,166)	3.44
Forfeited during the period	(152,751)	7.49
Expired during the period	(1,000)	2.85
As at January 31, 2022	3,988,476	5.98
Vested and exercisable at January 31, 2022	3,290,269	5.65
As at October 31, 2022	5,672,644	4.68
Vested and exercisable at October 31, 2022	3,878,769	4.98
Forfeited during the period	(53,167)	5.69
As at January 31, 2023	5,619,477	4.67
Vested and exercisable at January 31, 2023	3,836,269	4.98

There were no stock options exercised or granted during the three-months ended January 31, 2023. The weighted average share price at the date of exercise of options exercised during the three-months ended January 31, 2023 is $nil (for the three-months ended January 31, 2022: $6.73).

The weighted average remaining contractual life of the options outstanding as at January 31, 2023 is 3.10 years (January 31, 2022: 2.71 years). The Company uses the Black-Scholes model and a forfeiture rate of 27% (January 31, 2022: 18%), based on historical data, to calculate the stock-based compensation expense during the period.

11. 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)	Three-months ended January 31, 2023	2022
Weighted average shares outstanding – basic and diluted	72,113,018	60,271,251
Net Loss for the period	(7,692)	(12,873)
Basic and diluted loss per share	(0.11)	(0.21)

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

12. Supplementary cash flow information

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

	Three-months ended January 31,	
(CAD thousands)	**2023**	**2022**
Operating activities		
Changes in non-cash working capital:		
Trade and other receivables	(2,788)	(272)
Inventory	(42)	(2,472)
Prepaid expenses and advances	(60)	(268)
Contract assets	(12)	(87)
Contract assets – non-current	47	(301)
Other receivables – non-current	768	(416)
Accounts payable and other accrued liabilities	(1,494)	1,667
Warranty provision	(11)	89
Deferred revenue	(1,077)	1,783
Contract liabilities	223	119
Warranty provision – non-current	150	17
Deferred revenue – non-current	2,277	2,353
Contract liabilities – non-current	(144)	369
	(2,163)	2,581
Investing activities(1)		
Changes in non-cash working capital:		
Accounts payable and other accrued liabilities	(128)	368

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

	Three-months ended January 31,	
(CAD thousands)	**2023**	**2022**
Cash taxes paid (received)	328	-
Cash interest paid (received)	(95)	4

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

13. Business combinations

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 271 common shares, at a fair value of $5.74 per share, which was based on the quoted price of the common shares on the TSX on the closing date.

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 finalized allocation of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date. There were no changes to the value of assets acquired and liabilities assumed as a result of the final purchase price allocation.

CURRENT ASSETS	(CAD thousands)
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

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 included in the Company’s condensed consolidated statements of loss and comprehensive loss for the three-months ended January 31, 2023 is immaterial.

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