

A network diagram consisting of grey dots connected by thin grey lines, forming a web-like structure in the upper right corner of the page.

# **Blackline Safety Corp.**

## **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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FOR THE THREE AND SIX-MONTH PERIODS ENDED APRIL 30, 2023

**Blackline Safety Corp.**  
**Condensed Consolidated Statements of Financial Position**

(Unaudited, in thousands of CAD)

|   | April 30,<br>2023 | October 31,<br>2022 |
|---|-------------------|---------------------|
| <b>ASSETS</b>   |                   |                     |
| CURRENT ASSETS  |                   |                     |
| Cash and cash equivalents                                       | 17,425            | 22,640              |
| Short-term investments  | 4,500             | 8,500               |
| Trade and other receivables (Note 4)                            | 30,793            | 22,881              |
| Inventory   | 18,023            | 18,712              |
| Prepaid expenses and advances                                   | 2,476             | 2,215               |
| Contract assets   | 1,157             | 1,021               |
| Total current assets  | 74,374            | 75,969              |
| NON-CURRENT ASSETS  |                   |                     |
| Property and equipment (Note 5)                                 | 13,151            | 12,807              |
| Intangible assets   | 2,047             | 2,195               |
| Right-of-use assets   | 2,208             | 2,513               |
| Goodwill (Note 14)  | 4,883             | 4,883               |
| Contract assets   | 1,888             | 1,620               |
| Other receivables (Note 4)                                      | 8,378             | 8,062               |
| Total non-current assets  | 32,555            | 32,080              |
| <b>TOTAL ASSETS</b>   | <b>106,929</b>    | <b>108,049</b>      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                     |                   |                     |
| CURRENT LIABILITIES   |                   |                     |
| Accounts payable and other accrued liabilities (Note 3(b)(iii)) | 17,934            | 19,155              |
| Warranty provision  | 1,673             | 1,480               |
| Deferred revenue  | 13,430            | 12,825              |
| Contract liabilities (Note 3(b)(iii))                           | 1,655             | 1,323               |
| Lease liabilities (Note 3(b)(iii))                              | 870               | 879                 |
| Securitization facility payable (Note 3(b)(iii) & 7)            | 4,150             | -                   |
| Total current liabilities                                       | 39,712            | 35,662              |
| NON-CURRENT LIABILITIES   |                   |                     |
| Bank indebtedness (Note 6)                                      | 7,003             | 8,575               |
| Warranty provision  | 715               | 477                 |
| Deferred revenue  | 10,527            | 7,374               |
| Contract liabilities (Note 3(b)(iii))                           | 2,141             | 1,806               |
| Lease liabilities (Note 3(b)(iii))                              | 1,505             | 1,793               |
| Securitization facility payable (Note 3(b)(iii) & 7)            | 4,521             | -                   |
| Total non-current liabilities                                   | 26,412            | 20,025              |
| <b>TOTAL LIABILITIES</b>  | <b>66,124</b>     | <b>55,687</b>       |
| SHAREHOLDERS' EQUITY  |                   |                     |
| Share capital (Note 8)  | 194,844           | 194,431             |
| Contributed surplus   | 11,375            | 11,224              |
| Accumulated other comprehensive loss                            | 5,993             | 3,865               |
| Deficit   | (171,407)         | (157,158)           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                               | <b>40,805</b>     | <b>52,362</b>       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>               | <b>106,929</b>    | <b>108,049</b>      |

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 April 30, |                 | Six-months ended April 30, |                 |
|--|------------------------------|-----------------|----------------------------|-----------------|
|  | 2023                         | 2022            | 2023                       | 2022            |
| Revenues (Notes 9 and 10)                                      |                              |                 |                            |                 |
| Product revenue  | 11,202                       | 7,858           | 20,626                     | 15,182          |
| Service revenue  | 12,893                       | 8,807           | 24,515                     | 17,152          |
| <b>Total revenues</b>  | <b>24,095</b>                | <b>16,665</b>   | <b>45,141</b>              | <b>32,334</b>   |
| Cost of sales (Note 10)  | 11,571                       | 9,603           | 22,235                     | 18,886          |
| <b>Gross margin</b> (Note 10)                                  | <b>12,524</b>                | <b>7,062</b>    | <b>22,906</b>              | <b>13,448</b>   |
| Expenses (Note 10)   |                              |                 |                            |                 |
| General and administrative expenses                            | 6,790                        | 6,226           | 12,258                     | 11,161          |
| Sales and marketing expenses                                   | 8,586                        | 8,960           | 16,411                     | 17,838          |
| Product research and development costs                         | 5,050                        | 6,329           | 10,647                     | 11,598          |
| Foreign exchange (gain) loss (Note 3(b)(i))                    | (1,226)                      | (1)             | (1,952)                    | 241             |
| <b>Total expenses</b>  | <b>19,200</b>                | <b>21,514</b>   | <b>37,364</b>              | <b>40,838</b>   |
| <b>Results from operating activities</b>                       | <b>(6,676)</b>               | <b>(14,452)</b> | <b>(14,458)</b>            | <b>(27,390)</b> |
| Finance income, net  | 222                          | 57              | 501                        | 122             |
| <b>Net loss before income tax</b>                              | <b>(6,454)</b>               | <b>(14,395)</b> | <b>(13,957)</b>            | <b>(27,268)</b> |
| Income tax expense   | (103)                        | (148)           | (292)                      | (148)           |
| <b>Net loss</b>  | <b>(6,557)</b>               | <b>(14,543)</b> | <b>(14,249)</b>            | <b>(27,416)</b> |
| Other comprehensive loss:                                      |                              |                 |                            |                 |
| Foreign exchange translation gain (loss) on foreign operations | 679                          | (332)           | 2,128                      | 246             |
| <b>Comprehensive loss for the period</b>                       | <b>(5,878)</b>               | <b>(14,875)</b> | <b>(12,121)</b>            | <b>(27,170)</b> |
| <b>Loss per common share</b> (Note 12):                        |                              |                 |                            |                 |
| Basic and diluted  | (0.09)                       | (0.24)          | (0.20)                     | (0.45)          |

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<br>Capital | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Deficit   | Total<br>Equity |
|---|------------------|------------------------|--|-----------|-----------------|
| Balance as at October 31, 2021                                  | 168,139          | 10,747                 | (2,036)  | (103,512) | 73,338          |
| Net Loss  | -                | -                      | -  | (27,416)  | (27,416)        |
| Foreign exchange translation on foreign operations              | -                | -                      | 246  | -         | 246             |
| Stock options exercised (Note 8)                                | 335              | (114)                  | -  | -         | 221             |
| Stock-based compensation expense (Notes 8 and 11)               | 189              | 180                    | -  | -         | 369             |
| Shares issued in connection with business combination (Note 14) | 1,554            | -                      | -  | -         | 1,554           |
| Balance as at April 30, 2022                                    | 170,217          | 10,813                 | (1,790)  | (130,928) | 48,312          |
| Balance as at October 31, 2022                                  | 194,431          | 11,224                 | 3,865  | (157,158) | 52,362          |
| Net Loss  | -                | -                      | -  | (14,249)  | (14,249)        |
| Foreign exchange translation on foreign operations              | -                | -                      | 2,128  | -         | 2,128           |
| Stock-based compensation expense (Notes 8 and 11)               | 413              | 151                    | -  | -         | 564             |
| Balance as at April 30, 2023                                    | 194,844          | 11,375                 | 5,993  | (171,407) | 40,805          |

*See accompanying notes to the condensed consolidated interim financial statements.*

**Blackline Safety Corp.**  
**Condensed Consolidated Statements of Cash Flows**

| (Unaudited, in thousands of CAD)                                       | Three-months ended April 30, |                | Six-months ended April 30, |                 |
|--|------------------------------|----------------|----------------------------|-----------------|
|  | 2023                         | 2022           | 2023                       | 2022            |
| <b>Operating activities</b>  |                              |                |                            |                 |
| Net loss   | (6,557)                      | (14,543)       | (14,249)                   | (27,416)        |
| Depreciation and amortization  | 2,058                        | 1,619          | 3,795                      | 3,134           |
| Stock-based compensation expense                                       | 202                          | 185            | 742                        | 180             |
| Finance income, net  | (226)                        | (1)            | (374)                      | (16)            |
| Unrealized foreign exchange (gain) loss                                | (6)                          | 30             | (12)                       | (70)            |
| Loss (gain) on disposals of property and equipment                     | 223                          | (7)            | 384                        | 88              |
| Net changes in non-cash working capital (Note 13)                      | (2,756)                      | 4,035          | (4,920)                    | 6,616           |
| <b>Net cash used in operating activities</b>                           | <b>(7,062)</b>               | <b>(8,682)</b> | <b>(14,634)</b>            | <b>(17,484)</b> |
| <b>Financing activities</b>  |                              |                |                            |                 |
| Proceeds from share issuances  | 273                          | 170            | 413                        | 410             |
| Repayment of bank indebtedness (Note 6)                                | (988)                        | -              | (1,572)                    | -               |
| Advances from securitization facility (Note 7)                         | 8,265                        | -              | 8,265                      | -               |
| Repayment of lease liabilities   | (305)                        | (239)          | (493)                      | (444)           |
| <b>Net cash provided by (used in) financing activities</b>             | <b>7,245</b>                 | <b>(69)</b>    | <b>6,613</b>               | <b>(34)</b>     |
| <b>Investing activities</b>  |                              |                |                            |                 |
| Purchase of short-term investments                                     | (12,500)                     | -              | (12,500)                   | -               |
| Redemption of short-term investments                                   | 8,000                        | 8,036          | 16,500                     | 12,036          |
| Finance income, net  | 287                          | 37             | 473                        | 38              |
| Purchase of property, equipment, and intangible assets                 | (3,260)                      | (2,915)        | (4,008)                    | (4,445)         |
| Business acquisition (Note 14)   | -                            | (2,987)        | -                          | (2,987)         |
| Net changes in non-cash working capital (Note 13)                      | 216                          | (257)          | 88                         | (125)           |
| <b>Net cash (used in) provided by investing activities</b>             | <b>(7,257)</b>               | <b>1,914</b>   | <b>553</b>                 | <b>4,517</b>    |
| <b>Effect of foreign exchange changes on cash and cash equivalents</b> | <b>976</b>                   | <b>(137)</b>   | <b>2,253</b>               | <b>560</b>      |
| <b>Net decrease in cash and cash equivalents</b>                       | <b>(6,098)</b>               | <b>(6,974)</b> | <b>(5,215)</b>             | <b>(12,441)</b> |
| Cash and cash equivalents, beginning of period                         | 23,523                       | 28,966         | 22,640                     | 34,433          |
| <b>Cash and cash equivalents, end of period</b>                        | <b>17,425</b>                | <b>21,992</b>  | <b>17,425</b>              | <b>21,992</b>   |

Supplementary cash flow information (Note 13)

See accompanying notes to the condensed consolidated interim financial statements.

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

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

### 1. Nature of operations

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

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on June 13, 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.

As at April 30, 2023, the Company has interest in the following subsidiaries:

| Name of entity                       | Place of business /<br>Country of<br>incorporation | Ownership interest<br>held by the<br>Company |                          | Ownership interest held by<br>non-controlling interests |                          |
|--------------------------------------|--|--|--------------------------|---|--------------------------|
|                                      |  | April 30,<br>2023<br>%                       | October 31,<br>2022<br>% | April 30,<br>2023<br>%                                  | October 31,<br>2022<br>% |
| Blackline Safety Europe Ltd.         | United Kingdom                                     | 100  | 100                      | -   | -                        |
| Blackline Safety Europe SAS          | France   | 100  | 100                      | -   | -                        |
| Wearable Technologies Limited        | United Kingdom                                     | 100  | 100                      | -   | -                        |
| Blackline Safety USA Corp.           | USA  | 100  | 100                      | -   | -                        |
| Blackline Safety Australia Pty. Ltd. | Australia  | 100  | 100                      | -   | -                        |
| Swift Labs Inc.                      | Canada   | 100  | 100                      | -   | -                        |
| Blackline Safety SPV Seller Corp.    | Canada   | 100  | -                        | -   | -                        |

#### 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.

## **Blackline Safety Corp.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

#### *ii) New standards and interpretations not yet adopted*

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the April 30, 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, lease liabilities and securitization facility payable approximate their fair values.

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

#### **b) Financial risk management**

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

##### **i. Market risk**

#### **Foreign exchange risk**

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

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

#### *Sensitivity*

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

For the three and six-month periods ended April 30, 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, bank indebtedness and securitization facility payables with variable rates which exposes the Company to cash flow interest rate risk. The Company's short-term investments have fixed interest rates.

## **Blackline Safety Corp.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

#### *Exposure*

The Company's cash and cash equivalents, bank indebtedness and securitization facility payables 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 and six-month periods ended April 30, 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 and short-term investments held with banks as well as credit exposure to customers, including outstanding trade accounts receivables and lease 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.

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 \$17,425 (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 and securitization facility.

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

The Company has financed its activities primarily through cash flows from operations, short-term investments, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, a secured operating facility, and a securitization 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.



## Blackline Safety Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, 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 exceptions of lease liabilities and securitization facility payable.

| (CAD thousands)                                | Less than 6 months | 6 – 12 months | Over 1 year | Total contractual cash flows | Carrying amount |
|--|--------------------|---------------|-------------|------------------------------|-----------------|
| As at April 30, 2023                           | \$                 | \$            | \$          | \$                           | \$              |
| Accounts payable and other accrued liabilities | 16,711             | 1,223         | -           | 17,934                       | 17,934          |
| Contract liabilities                           | 1,136              | 519           | 2,141       | 3,796                        | 3,796           |
| Bank indebtedness                              | -                  | -             | 7,003       | 7,003                        | 7,003           |
| Securitization facility payable                | 2,418              | 2,272         | 5,150       | 9,840                        | 8,671           |
|  | 20,265             | 4,014         | 14,294      | 38,573                       | 37,404          |
| Lease liabilities                              | 517                | 481           | 1,628       | 2,626                        | 2,375           |
| Total  | 20,782             | 4,495         | 15,922      | 41,199                       | 39,779          |
| 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          |

#### 4. Trade and other receivables

| (CAD thousands)                 | April 30, 2023 | October 31, 2022 |
|---------------------------------|----------------|------------------|
|                                 | \$             | \$               |
| Trade accounts receivable       | 24,943         | 17,714           |
| Other receivables – current     | 6,195          | 5,251            |
| Other receivables – non-current | 8,378          | 8,062            |
| Loss allowance                  | (345)          | (84)             |
| Total                           | 39,171         | 30,943           |

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

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 \$851 as at April 30, 2023 (October 31, 2022: \$1,273).

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

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

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

| (CAD thousands)                                   | April 30, 2023 | October 31, 2022 |
|---|----------------|------------------|
| Within one year                                   | 16,058         | 13,301           |
| Later than one year but not later than five years | 23,134         | 22,677           |
| Later than five years                             | -              | -                |
| <b>Total</b>                                      | <b>39,192</b>  | <b>35,978</b>    |

The Company has sold certain of its finance lease receivables under a securitization program with a Canadian chartered bank as described in Note 7.

**5. Property and equipment**

| (CAD thousands)                              | November 1,<br>2022 | Foreign<br>exchange<br>differences | Additions    | Disposals,<br>Transfers<br>and Other | Net book value |                   |
|--|---------------------|------------------------------------|--------------|--------------------------------------|----------------|-------------------|
|  |                     |                                    |              |                                      | Depreciation   | April 30,<br>2023 |
|  | \$                  | \$                                 | \$           | \$                                   | \$             | \$                |
| SMT equipment                                | 1,922               | -                                  | 22           | -                                    | 130            | 1,814             |
| Manufacturing equipment                      | 1,172               | 3                                  | 78           | -                                    | 201            | 1,052             |
| Furniture and equipment                      | 389                 | 8                                  | 6            | -                                    | 76             | 327               |
| Equipment leased under 'G7<br>Lease' program | 1,245               | -                                  | -            | (202)                                | 188            | 855               |
| Rental equipment                             | 2,338               | 19                                 | 1,231        | 4                                    | 371            | 3,221             |
| Cartridges                                   | 3,886               | 11                                 | 1,685        | (216)                                | 1,199          | 4,167             |
| Computer hardware                            | 970                 | 9                                  | 34           | -                                    | 269            | 744               |
| Evaluation kits                              | 338                 | (5)                                | 567          | (11)                                 | 367            | 521               |
| Leasehold improvements                       | 547                 | 4                                  | 33           | -                                    | 135            | 450               |
| <b>Total</b>                                 | <b>12,807</b>       | <b>49</b>                          | <b>3,656</b> | <b>(425)</b>                         | <b>2,936</b>   | <b>13,151</b>     |

| (CAD thousands)                           | April 30, 2023 |                             |                   |
|---|----------------|-----------------------------|-------------------|
|   | Cost           | Accumulated<br>depreciation | Net book<br>value |
|   | \$             | \$                          | \$                |
| SMT equipment                             | 2,597          | 783                         | 1,814             |
| Manufacturing equipment                   | 2,637          | 1,585                       | 1,052             |
| Furniture and equipment                   | 942            | 615                         | 327               |
| Equipment leased under 'G7 Lease' program | 3,111          | 2,256                       | 855               |
| Rental equipment                          | 4,163          | 942                         | 3,221             |
| Cartridges                                | 12,321         | 8,154                       | 4,167             |
| Computer hardware                         | 2,151          | 1,407                       | 744               |
| Evaluation kits                           | 1,032          | 511                         | 521               |
| Leasehold improvements                    | 1,479          | 1,029                       | 450               |
| <b>Total</b>                              | <b>30,433</b>  | <b>17,282</b>               | <b>13,151</b>     |

## Blackline Safety Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2023 and 2022

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

|   |        | October 31, 2022         |                |
|---|--------|--------------------------|----------------|
|   | Cost   | Accumulated depreciation | Net book value |
| (CAD thousands)                           | \$     | \$                       | \$             |
| 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 represent the modular cartridge options, including gas sensors, used in the Company's principal safety product devices which generate service revenue for the Company.

#### 6. 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 certain of 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 \$7,997 (October 31, 2022: \$6,425).

The operating facility includes financial covenants for the quarter, including a quarterly liquidity to cash burn ratio of not less than 9.0 to 1.0. The Company was in compliance with all covenants as at April 30, 2023.

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

| (CAD thousands)   | Maturity Date    | April 30, 2023 | October 31, 2022 |
|-------------------|------------------|----------------|------------------|
| Bank indebtedness | October 24, 2024 | 7,003          | 8,575            |

#### 7. Securitization of lease finance receivables

Blackline Safety SPV Seller Corp. ("SPV") is a newly incorporated subsidiary of the Company and was incorporated to act as the securitization vehicle controlled and consolidated by the Company. The SPV's activities include the purchase and sale of lease contracts on behalf of the Company to the chartered bank which provides funding for the Company's operational needs.

On April 12, 2023, SPV entered into a renewable one-year \$15 million and USD \$35 million securitization facility with a Canadian chartered bank ("the Purchaser") to sell tranches of lease receivables from safety wearables and area gas monitoring contracts. Under the securitization facility, leases are sold to the bank on a fully serviced and non-recourse basis, at a discount equal to the yield on a Government of Canada Bond or US Treasury Bond with a term to maturity that most closely matches the term of the relevant lease contracts forming part of the tranche plus 375 basis points ("purchase rate"). The tranches of lease receivables are calculated as the present value of combined scheduled payments from the eligible contracts using the purchase rate. The Company incurred set-up fees and will be charged monthly standby fees that are expensed as incurred.

The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth greater than \$25 million tested monthly and an unrestricted cash balance of \$250 tested quarterly.

As of April 30, 2023, SPV had sold certain of its preexisting lease receivables, under the facility, and received cash consideration of \$2,255 and USD \$4,435. As at April 30, 2023, the Company had the USD funds held in trust due to a delay in processing by an intermediary bank. The Company may, from time to time, also record a receivable or payable related to the securitization facility.

## Blackline Safety Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2023 and 2022  
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As a result of this sale, the Company is obliged to continue providing services to its customers in accordance with the terms of the underlying lease contracts and to collect and remit payments due under such contracts to the Purchaser on a monthly basis. The amounts due to be remitted to the Purchaser in the next 12 months are \$4,690 with \$5,150 due thereafter.

The Company is required to hold back an amount from the proceeds as a reserve against a portion of potential future customer defaults. As of April 30, 2023, the cash held as a reserve for the securitization facility was \$95 and USD \$187.

Management has determined that the sale and continued servicing of these contracts does not meet the specific criteria under IFRS 9 *Financial Instruments* to conclude that substantially all economic risks and rewards associated with the receivables have been transferred, therefore, these lease receivables do not qualify for derecognition in the Company's condensed consolidated statement of financial position.

#### 8. Share capital

##### a) Authorized

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

##### b) Issued

| (CAD thousands, except for number of shares)          | Number of Shares | Amount<br>\$ |
|---|------------------|--------------|
| As at October 31, 2021                                | 60,221,726       | 168,139      |
| Options exercised                                     | 82,518           | 335          |
| Issued through stock-based compensation plan          | 31,558           | 189          |
| Shares issued in connection with business combination | 270,776          | 1,554        |
| As at April 30, 2022                                  | 60,606,578       | 170,217      |
| As at October 31, 2022                                | 72,063,093       | 194,431      |
| Issued through stock-based compensation plan          | 194,130          | 413          |
| As at April 30, 2023                                  | 72,257,223       | 194,844      |

During the three and six-month periods ended April 30, 2023, there were no common share options exercised.

During the six-month period ended April 30, 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.

## Blackline Safety Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

#### 9. Revenue from contracts with customers

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

| (CAD thousands)<br><i>Revenue</i>    | Three-months ended April 30, |               | Six-months ended April 30, |               |
|--------------------------------------|------------------------------|---------------|----------------------------|---------------|
|                                      | 2023                         | 2022          | 2023                       | 2022          |
| Product revenue                      | 11,202                       | 7,858         | 20,626                     | 15,182        |
| Software services revenue            | 11,333                       | 8,357         | 21,974                     | 16,461        |
| Rental revenue                       | 1,560                        | 450           | 2,541                      | 691           |
| <b>Total revenues</b>                | <b>24,095</b>                | <b>16,665</b> | <b>45,141</b>              | <b>32,334</b> |
| <i>Timing of revenue recognition</i> |                              |               |                            |               |
| At a point in time                   | 11,092                       | 7,807         | 20,420                     | 15,078        |
| Over time                            | 13,003                       | 8,858         | 24,721                     | 17,256        |
| <b>Total revenues</b>                | <b>24,095</b>                | <b>16,665</b> | <b>45,141</b>              | <b>32,334</b> |

#### 10. Segment information

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

The Chief Executive Officer considers the business performance from a product and service perspective. The product revenues are driven by sales of the Company's suite of safety products with the service revenue generated by the monitoring and the support of 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.

| (CAD thousands)                        | Three-months ended April 30, |                 | Six-months ended April 30, |                 |
|--|------------------------------|-----------------|----------------------------|-----------------|
|  | 2023                         | 2022            | 2023                       | 2022            |
| <b>Revenue</b>                         |                              |                 |                            |                 |
| Product                                | 11,202                       | 7,858           | 20,626                     | 15,182          |
| Service                                | 12,893                       | 8,807           | 24,515                     | 17,152          |
| <b>Total Revenues</b>                  | <b>24,095</b>                | <b>16,665</b>   | <b>45,141</b>              | <b>32,334</b>   |
| <b>Cost of sales</b>                   |                              |                 |                            |                 |
| Product                                | 8,327                        | 6,870           | 15,798                     | 13,489          |
| Service                                | 3,244                        | 2,733           | 6,437                      | 5,397           |
| <b>Cost of sales</b>                   | <b>11,571</b>                | <b>9,603</b>    | <b>22,235</b>              | <b>18,886</b>   |
| <b>Gross margin</b>                    |                              |                 |                            |                 |
| Product                                | 2,875                        | 988             | 4,828                      | 1,693           |
| Service                                | 9,649                        | 6,074           | 18,078                     | 11,755          |
| <b>Gross margin</b>                    | <b>12,524</b>                | <b>7,062</b>    | <b>22,906</b>              | <b>13,448</b>   |
| General and administrative expenses    | 6,790                        | 6,226           | 12,258                     | 11,161          |
| Sales and marketing expenses           | 8,586                        | 8,960           | 16,411                     | 17,838          |
| Product research and development costs | 5,050                        | 6,329           | 10,647                     | 11,598          |
| Foreign exchange (gain) loss           | (1,226)                      | (1)             | (1,952)                    | 241             |
| Finance income, net                    | (222)                        | (57)            | (501)                      | (122)           |
| <b>Net loss before income tax</b>      | <b>(6,454)</b>               | <b>(14,395)</b> | <b>(13,957)</b>            | <b>(27,268)</b> |
| Income tax expense                     | (103)                        | (148)           | (292)                      | (148)           |
| <b>Net loss</b>                        | <b>(6,557)</b>               | <b>(14,543)</b> | <b>(14,249)</b>            | <b>(27,416)</b> |

## Blackline Safety Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

In the three and six-month periods ended April 30, 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:

| (CAD thousands)              | Three-months ended April 30, |               | Six-months ended April 30, |               |
|------------------------------|------------------------------|---------------|----------------------------|---------------|
|                              | 2023                         | 2022          | 2023                       | 2022          |
| Canada                       | 6,367                        | 5,134         | 11,964                     | 8,445         |
| United States                | 11,495                       | 6,953         | 20,911                     | 13,881        |
| Europe                       | 4,366                        | 3,741         | 9,022                      | 7,988         |
| Rest of World <sup>(1)</sup> | 1,867                        | 837           | 3,244                      | 2,020         |
| <b>Total revenues</b>        | <b>24,095</b>                | <b>16,665</b> | <b>45,141</b>              | <b>32,334</b> |

(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.

#### 11. 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<br>per stock option<br>\$ |
|--|-------------------|--|
| 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  | 762,500           | 5.46   |
| Exercised during the period  | (104,166)         | 3.54   |
| Forfeited during the period  | (208,667)         | 7.43   |
| Expired during the period  | (1,000)           | 2.85   |
| As at April 30, 2022   | 4,687,060         | 5.88   |
| Vested and exercisable at April 30, 2022                               | 3,400,395         | 5.67   |
| As at October 31, 2022   | 5,672,644         | 4.68   |
| Vested and exercisable at October 31, 2022                             | 3,878,769         | 4.98   |
| Granted during the period  | 639,000           | 2.75   |
| Forfeited during the period  | (344,750)         | 4.98   |
| Expired during the period  | (587,642)         | 5.50   |
| As at April 30, 2023   | 5,379,252         | 4.34   |
| Vested and exercisable at April 30, 2023                               | 3,999,919         | 4.39   |

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

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

There were no stock options exercised during the three and six-months ended April 30, 2023. (The weighted average share price at the date of exercise of options exercised during the three and six-months ended April 30, 2022 was \$5.92 and \$6.67, respectively).

The weighted average remaining contractual life of the options outstanding as at April 30, 2023 is 3.37 years (April 30, 2022: 2.86 years).

The Company uses the Black-Scholes model and a forfeiture rate of 28% (April 30, 2022: 30%), based on historical data, to calculate the stock-based compensation expense during the period. 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 periods ended April 30, 2023 and 2022 included:

|  | Period ended April 30, |                 |
|--|------------------------|-----------------|
|  | 2023                   | 2022            |
| Risk-free interest rate                              | 3.52%                  | 1.43% - 2.67%   |
| 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          | 45%                    | 39% - 40%       |

The expected price volatility is based on the historical volatility.

**12. Loss per common share**

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

| (CAD thousands, except number of shares and per share amounts) | Three-months ended April 30, |            | Six-months ended April 30, |            |
|--|------------------------------|------------|----------------------------|------------|
|  | 2023                         | 2022       | 2023                       | 2022       |
| Weighted average shares outstanding – basic and diluted        | 72,184,377                   | 60,410,043 | 72,148,105                 | 60,339,497 |
| Net Loss for the period  | (6,557)                      | (14,543)   | (14,249)                   | (27,416)   |
| Basic and diluted loss per share                               | (0.09)                       | (0.24)     | (0.20)                     | (0.45)     |

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

For the three and six-month periods ended April 30, 2023 and 2022  
(Unaudited, in thousands of Canadian dollars, unless otherwise indicated)

**13. Supplementary cash flow information**

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

| (CAD thousands)                                | Three-months ended April 30, |         | Six-months ended April 30, |         |
|--|------------------------------|---------|----------------------------|---------|
|  | 2023                         | 2022    | 2023                       | 2022    |
| <b>Operating activities</b>                    |                              |         |                            |         |
| Changes in non-cash working capital:           |                              |         |                            |         |
| Trade and other receivables                    | (4,664)                      | 2,267   | (7,452)                    | 1,995   |
| Inventory                                      | 970                          | (2,564) | 927                        | (5,036) |
| Prepaid expenses and advances                  | (169)                        | 42      | (228)                      | (226)   |
| Contract assets                                | (123)                        | (26)    | (135)                      | (113)   |
| Contract assets – non-current                  | (314)                        | (28)    | (268)                      | (329)   |
| Other receivables – non-current                | (1,080)                      | (1,047) | (312)                      | (1,463) |
| Accounts payable and other accrued liabilities | (88)                         | 2,425   | (1,582)                    | 4,092   |
| Warranty provision                             | 204                          | 19      | 193                        | 108     |
| Deferred revenue                               | 1,171                        | 2,996   | 94                         | 4,779   |
| Contract liabilities                           | 110                          | (203)   | 333                        | (84)    |
| Warranty provision – non-current               | 88                           | (30)    | 238                        | (13)    |
| Deferred revenue – non-current                 | 660                          | 79      | 2,937                      | 2,432   |
| Contract liabilities – non-current             | 479                          | 105     | 335                        | 474     |
|  | (2,756)                      | 4,035   | (4,920)                    | 6,616   |
| <b>Investing activities<sup>(1)</sup></b>      |                              |         |                            |         |
| Changes in non-cash working capital:           |                              |         |                            |         |
| Accounts payable and other accrued liabilities | 216                          | (257)   | 88                         | (125)   |

(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.

| (CAD thousands)               | Three-months ended April 30, |      | Six-months ended April 30, |      |
|-------------------------------|------------------------------|------|----------------------------|------|
|                               | 2023                         | 2022 | 2023                       | 2022 |
| Cash taxes paid (received)    | 4                            | 143  | 166                        | 143  |
| Cash interest paid (received) | (10)                         | (16) | (105)                      | (12) |



## Blackline Safety Corp.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2023 and 2022  
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#### 14. 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 270,776 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   | <u>113</u>      |
| NON-CURRENT ASSETS   |                 |
| Property and equipment   | 82              |
| Goodwill   | 4,883           |
| Total non-current assets   | <u>4,965</u>    |
| TOTAL ASSETS   | <u>5,078</u>    |
| CURRENT LIABILITIES  |                 |
| Accounts payable and accrued liabilities                           | 537             |
| Notes payable  | 1,269           |
| Total current liabilities  | <u>1,806</u>    |
| TOTAL LIABILITIES  | <u>1,806</u>    |
| Fair value of net assets acquired                                  | 3,272           |
| Exclude: Notes payable   | 1,269           |
| Fair value of net assets acquired, excluding notes payable assumed | <u>4,541</u>    |
| Paid in common shares of the Company                               | 1,554           |
| Paid in cash   | 3,200           |
| Purchase price adjustments   | (213)           |
| Fair value of consideration transferred                            | <u>4,541</u>    |

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

The amount of revenues and operating losses contributed by Swift Labs included in the Company's condensed consolidated statements of loss and comprehensive loss for the three and six-months ended April 30, 2023 is not significant.

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**blacklinesafety**

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