blacklinesafety

Blackline Safety Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2024

Blackline Safety Corp.
Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of CAD)	January 31, 2024	October 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	11,431	11,488
Short-term investments	4,500	4,500
Trade and other receivables (Note 4)	38,070	39,528
Inventory	16,888	17,073
Prepaid expenses and advances	2,528	2,730
Contract assets	1,397	1,185
Total current assets	74,814	76,504
NON-CURRENT ASSETS		
Property and equipment (Note 5)	12,979	13,541
Intangible assets	1,654	1,730
Right-of-use assets	2,196	2,331
Goodwill	4,883	4,883
Contract assets	1,598	1,506
Other receivables (Note 4)	9,070	8,625
Total non-current assets	32,380	32,616
TOTAL ASSETS	107,194	109,120
LIABILITIES AND SHAREHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities (Note 3(b)(iii))	19,978	21,350
Warranty provision	2,167	2,079
Deferred revenue	15,632	13,154
Contract liabilities (Note 3(b)(iii))	2,839	2,072
Lease liabilities (Note 3(b)(iii))	863	864
Securitization facility payable (Note 3(b)(iii) & 7)	4,540	4,843
Total current liabilities	46,019	44,362
NON-CURRENT LIABILITIES		
Bank indebtedness (Note 3(b)(iii) & 6)	10,854	8,610
Warranty provision	914	769
Deferred revenue	13,393	13,583
Contract liabilities (Note 3(b)(iii))	1,689	1,614
Lease liabilities (Note 3(b)(iii))	1,501	1,630
Securitization facility payable (Note 3(b)(iii) & 7)	4,695	5,354
Total non-current liabilities	33,046	31,560
TOTAL LIABILITIES	79,065	75,922
SHAREHOLDERS’ EQUITY		
Share capital (Note 8)	196,237	195,652
Contributed surplus	11,547	11,545
Accumulated other comprehensive income	8,841	8,706
Deficit	(188,496)	(182,705)
TOTAL SHAREHOLDERS’ EQUITY	28,129	33,198
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	107,194	109,120

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, 2024	2023
Revenues (Notes 9 and 10)		
Product revenue	11,435	9,424
Service revenue	14,890	11,622
Total revenues	26,325	21,046
Cost of sales (Note 10)	11,746	10,663
Gross profit (Note 10)	14,579	10,383
Expenses (Note 10)		
General and administrative expenses	6,209	5,468
Sales and marketing expenses	9,156	7,825
Product research and development costs	4,745	5,597
Foreign exchange gain (Note 3(b)(i))	(194)	(726)
Total expenses	19,916	18,164
Results from operating activities	(5,337)	(7,781)
Finance (expense) income, net	(186)	279
Net loss before income tax	(5,523)	(7,502)
Income tax expense	(268)	(190)
Net loss	(5,791)	(7,692)
Other comprehensive loss:		
Foreign exchange translation gain on foreign operations	135	1,449
Comprehensive loss for the period	(5,656)	(6,243)
Loss per common share (Note 12):		
Basic and diluted	(0.08)	(0.11)

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	Deficit	Total Equity
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 8 and 11)	140	197	—	—	337
Balance as at January 31, 2023	194,571	11,421	5,314	(164,850)	46,456
Balance as at October 31, 2023	195,652	11,545	8,706	(182,705)	33,198
Net Loss	—	—	—	(5,791)	(5,791)
Foreign exchange translation on foreign operations	—	—	135	—	135
Stock options exercised (Note 8)	276	(110)	—	—	166
Stock-based compensation expense (Notes 8 and 11)	309	112	—	—	421
Balance as at January 31, 2024	196,237	11,547	8,841	(188,496)	28,129

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 January 31, 2024	2023
Operating activities		
Net loss	(5,791)	(7,692)
Depreciation and amortization	1,945	1,737
Stock-based compensation expense	352	539
Finance income, net	(2)	(147)
Unrealized foreign exchange gain	(19)	(6)
Loss on disposals of property and equipment	92	162
Net changes in non-cash working capital (Note 13)	3,005	(2,163)
Net cash used in operating activities	(418)	(7,570)
Financing activities		
Proceeds from share issuances and option exercises	475	140
Net proceeds (repayments) on bank indebtedness (Note 6)	2,244	(584)
Advances from securitization facility (Note 7)	566	—
Repayment on securitization facility (Note 7)	(1,492)	—
Repayment of lease liabilities	(210)	(187)
Net cash provided by (used in) financing activities	1,583	(631)
Investing activities		
Purchase of short-term investments	—	(8,000)
Redemption of short-term investments	—	16,500
Finance income, net	—	186
Purchase of property, equipment, and intangible assets	(1,254)	(748)
Net changes in non-cash working capital (Note 13)	265	(128)
Net cash (used in) provided by investing activities	(989)	7,810
Effect of foreign exchange changes on cash and cash equivalents	(233)	1,274
Net (decrease) increase in cash and cash equivalents	(57)	883
Cash and cash equivalents, beginning of period	11,488	22,640
Cash and cash equivalents, end of period	11,431	23,523

Supplementary cash flow information (Note 13)

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 the province of Alberta 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 13, 2024.

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 IFRS Accounting Standards.

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, 2023, 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, 2023.

b) Changes in accounting policy and disclosures

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

There were new or amended standards that became applicable and were adopted by the Company for the current reporting period.

International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

The amendment to IAS 12 *Income Taxes* (“IAS 12”), provides a temporary exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The relief is effective immediately upon release of the amendments and should be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”), while the disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023.

The amendment did not have any significant impact on the condensed financial statements.

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

The amendment requires entities 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 at 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 for annual periods beginning on or after January 1, 2023.

The amendment did not have any significant impact on the condensed financial statements.

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.

There was no significant impact upon adoption of this amendment to IAS 8.

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, 2024 reporting period and have not been early adopted by the Company.

3. Financial instruments and risk management

a) Financial instruments

The carrying amounts of the Company's cash and cash equivalents, short-term investments, trade and other receivables, accounts payable and other accrued liabilities, contract liabilities and bank indebtedness 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-month periods ended January 31, 2024 and 2023, if the Canadian dollar had strengthened or weakened by 1% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the three-month period ended January 31, 2024 would be a corresponding decrease (increase) of $756 (the impact for the three-month period ended January 31, 2023 was not significant).

Interest rate risk

The Company's interest rate risk arises from its cash and cash equivalents, bank indebtedness, securitization facility payables and short-term investments.

Exposure

The Company's cash and cash equivalents and bank indebtedness are subject to variable interest rate changes which exposes the Company to cash flow interest rate risk. The Company's short-term investments have fixed interest rates.

The Company's securitization facility payable is subject to a rate based on the current bond yield with a term to maturity that most closely matches the term of the relevant lease contracts forming part of the tranche. Once the contract is entered into and the lease is sold, the interest rate is fixed for the tranche.

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 and the securitization facility as a result of changes in interest rates. For the three-month periods ended January 31, 2024 and 2023, 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, a UK plc bank 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.

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

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 $11,431 (October 31, 2023: $11,488) 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 strategic business objectives.

The Company has financed its activities primarily through cash flows from operations, short-term investments, a secured operating facility and a securitization facility. The ability to sustain operations is dependent on successfully commercializing its products, continuing to increase sales and continuing to increase the gross margin 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 and securitization facility payables.

	Less than 6 months	**6 – 12 months**	**Over 1 year**	**Total contractual cash flows**	**Carrying amount**
As at January 31, 2024	**$**	**$**	**$**	**$**	**$**
Accounts payable and other accrued liabilities	16,682	2,966	330	19,978	19,978
Contract liabilities	1,914	925	1,689	4,528	4,528
Bank indebtedness	—	—	10,854	10,854	10,854
Securitization facility payable	2,894	2,173	5,026	10,093	9,235
	21,490	6,064	17,899	45,453	44,595
Lease liabilities	515	489	1,667	2,671	2,364
Total	22,005	6,553	19,566	48,124	46,959
As at October 31, 2023					
Accounts payable and other accrued liabilities	18,187	2,803	360	21,350	21,350
Contract liabilities	1,168	904	1,614	3,686	3,686
Bank indebtedness	—	—	8,610	8,610	8,610
Securitization facility payable	2,924	2,402	5,625	10,951	10,197
	22,279	6,109	16,209	44,597	43,843
Lease liabilities	516	511	1,826	2,853	2,494
Total	22,795	6,620	18,035	47,450	46,337

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

4. Trade and other receivables

	January 31, 2024	October 31, 2023
	$	$
Trade accounts receivable	30,321	32,123
Other receivables – current	8,196	7,816
Other receivables – non-current	9,070	8,625
Loss allowance	(447)	(411)
Total	47,140	48,153

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

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:

	January 31, 2024	October 31, 2023
	$	$
Within one year	18,584	17,758
Later than one year but not later than five years	23,237	21,878
Later than five years	—	—
Total	41,821	39,636

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

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

5. Property and equipment

Net book value

	October 31, 2023 $	Foreign exchange differences $	Additions $	Other Disposals & Transfers $	Depreciation $	January 31, 2024 $
SMT equipment	1,577	—	—	—	64	1,513
Manufacturing equipment	1,142	—	239	—	117	1,264
Furniture and equipment	259	—	20	—	40	239
Equipment leased under 'G7 Lease' program	310	—	—	(160)	49	101
Rental equipment	4,563	(5)	599	—	357	4,800
Cartridges	4,385	(3)	433	(220)	641	3,954
Computer hardware	602	—	58	—	128	532
Evaluation kits	360	—	—	—	56	304
Leasehold improvements	343	(1)	5	—	75	272
Total	13,541	(9)	1,354	(380)	1,527	12,979

January 31, 2024

	Cost $	Accumulated depreciation $	Net book value $
SMT equipment	2,491	978	1,513
Manufacturing equipment	3,176	1,912	1,264
Furniture and equipment	967	728	239
Equipment leased under 'G7 Lease' program	2,480	2,379	101
Rental equipment	6,654	1,854	4,800
Cartridges	13,746	9,792	3,954
Computer hardware	2,321	1,789	532
Evaluation kits	880	576	304
Leasehold improvements	1,521	1,249	272
Total	34,236	21,257	12,979

October 31, 2023

	Cost $	Accumulated depreciation $	Net book value $
SMT equipment	2,491	914	1,577
Manufacturing equipment	2,937	1,795	1,142
Furniture and equipment	947	688	259
Equipment leased under 'G7 Lease' program	2,639	2,329	310
Rental equipment	6,063	1,500	4,563
Cartridges	13,630	9,245	4,385
Computer hardware	2,262	1,660	602
Evaluation kits	881	521	360
Leasehold improvements	1,518	1,175	343
Total	33,368	19,827	13,541

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, unless otherwise indicated)

6. Bank indebtedness

The Company has a two-year $25,000 senior secured operating facility (“operating facility” or "facility") with a Canadian financial institution (the "lender"). 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 facility was renewed and extended on October 31, 2023 for two years, maturing on October 31, 2025.

The Company had available capacity on its operating facility of $10,311 as at January 31, 2024 (October 31, 2023: $13,239).

The operating facility includes financial covenants, principally a quarterly liquidity to cash burn ratio, as defined in the agreement with the lender, of not less than 6.0 to 1.0. The Company was in compliance with all covenants as at January 31, 2024.

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

	Maturity Date	**January 31, 2024**	October 31, 2023
		$	$
Bank indebtedness	October 31, 2025	10,854	8,610

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

7. Securitization of lease finance receivables

Blackline Safety SPV Seller Corp. is wholly owned subsidiary of the Company and was incorporated to act as a securitization vehicle and is controlled and consolidated by the Company. The SPV's activities include the 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 is charged monthly standby fees that are expensed as incurred.

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 Company is required to hold back an amount from the proceeds as a reserve against a portion of potential future customer defaults. As of January 31, 2024, the Company has $498 held in a cash reserve account (October 31, 2023: $476).

The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth, as defined in the agreement with the Canadian chartered bank, greater than $25 million tested monthly and an unrestricted cash balance of $250 tested quarterly. The Company was in compliance with all covenants as at January 31, 2024 with the exception of the tangible net worth. The Company received a formal waiver from the Canadian chartered bank in accordance with the agreement for period-end.

	January 31, 2024 **$**	October 31, 2023 $
Securitization facility payable, beginning of period	10,197	—
Amount drawn on securitization facility	566	12,376
Repayments on securitization facility	(1,492)	(2,704)
Interest expense on securitization facility	171	349
Foreign exchange on translation	(207)	176
Total securitization facility payable, end of period	9,235	10,197
Payments due in the next 12 months	4,540	4,843
Payments due thereafter	4,695	5,354
Maximum capacity on securitization facility	62,175	63,357
Less: Securitization facility payable	(9,235)	(10,197)
Remaining available capacity, end of period	52,940	53,160

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

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 $
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
As at October 31, 2023	72,547,146	195,652
Options exercised	161,212	276
Issued through stock-based compensation plan	83,635	309
As at January 31, 2024	72,791,993	196,237

During the three-month period ended January 31, 2024, 225,000 common share options were exercised for proceeds net of income tax withholdings of $166. On exercise of these common share options, $110 was credited to share capital from contributed surplus.

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

9. Revenue from contracts with customers

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

	Three-months ended January 31,	
Revenue	**2024**	**2023**
Product revenue	11,435	9,424
Software services revenue	13,902	10,641
Rental revenue	988	981
Total revenues	26,325	21,046
Timing of revenue recognition		
At a point in time	11,304	9,328
Over time	15,021	11,718
Total revenues	26,325	21,046

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

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 automated compliance, monitoring and support of those products and rental. 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,	
	2024	**2023**
Revenue		
Product	11,435	9,424
Service	14,890	11,622
Total Revenues	26,325	21,046
Cost of sales		
Product	8,123	7,470
Service	3,623	3,193
Total Cost of sales	11,746	10,663
Gross profit		
Product	3,312	1,954
Service	11,267	8,429
Gross profit	14,579	10,383
General and administrative expenses	6,209	5,468
Sales and marketing expenses	9,156	7,825
Product research and development costs	4,745	5,597
Foreign exchange gain	(194)	(726)
Finance expense (income), net	186	(279)
Net loss before income tax	(5,523)	(7,502)
Income tax expense	(268)	(190)
Net loss	(5,791)	(7,692)

In the three-month periods ended January 31, 2024 and 2023, there were no customers representing greater than 10% of the Company's revenue.

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

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

	Three-months ended January 31,	
	2024	**2023**
Canada	6,223	5,596
United States	12,139	9,416
Europe	6,490	4,656
Rest of World[1]	1,473	1,378
Total revenues	26,325	21,046

(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 and the ongoing conflict between Israel and Hamas.

11. Stock-based compensation

The Company has established 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 certain 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, 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
As at October 31, 2023	5,749,002	4.32
Vested and exercisable at October 31, 2023	4,006,127	4.60
Exercised during the period	(225,000)	1.75
Forfeited during the period	(66,500)	5.63
As at January 31, 2024	5,457,502	4.29
Vested and exercisable at January 31, 2024	3,764,711	4.77

The weighted average share price at the date of exercise of options exercised during the three-months ended January 31, 2024 was $3.48 (for the three-months ended January 31, 2023, there were no options exercised).

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

The weighted average remaining contractual life of the options outstanding as at January 31, 2024 is 2.78 years (January 31, 2023: 3.10 years). The Company uses the Black-Scholes model and a forfeiture rate of 36% (January 31, 2023: 27%), based on historical data, to calculate the stock-based compensation expense during the period.

There were no stock options granted during the three-month periods ended January 31, 2024 and 2023.

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.

	Three-months ended January 31,	
(CAD thousands, except number of shares and per share amounts)	**2024**	**2023**
Weighted average shares outstanding – basic and diluted	72,717,059	72,113,018
Net Loss for the period	(5,791)	(7,692)
Basic and diluted loss per share	(0.08)	(0.11)

(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:

	Three Months Ended January 31,	
	2024	**2023**
Operating activities		
Changes in non-cash working capital:		
Trade and other receivables	1,503	(2,788)
Inventory	188	(42)
Prepaid expenses and advances	202	(60)
Contract assets	(212)	(12)
Contract assets – non-current	(91)	47
Other receivables – non-current	(445)	768
Accounts payable and other accrued liabilities	(1,506)	(1,494)
Warranty provision	88	(11)
Deferred revenue	2,477	(1,077)
Contract liabilities	768	223
Warranty provision – non-current	144	150
Deferred revenue – non-current	(186)	2,277
Contract liabilities – non-current	75	(144)
	3,005	(2,163)
Investing activities[(1)]		
Changes in non-cash working capital:		
Accounts payable and other accrued liabilities	265	(128)

(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,	
	2024	**2023**
Cash taxes paid (received)	18	328
Cash interest paid (received)	177	(95)

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