blacklinesafety

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2025

Blackline Safety Corp.
Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of CAD)	January 31, 2025	October 31, 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	13,874	16,107
Short-term investments	50,500	27,000
Trade and other receivables (Note 4)	50,338	43,594
Inventory	16,766	16,826
Prepaid expenses and advances	3,759	4,406
Contract assets	1,889	1,755
Total current assets	137,126	109,688
NON-CURRENT ASSETS		
Property and equipment (Note 5)	14,061	14,479
Intangible assets	1,387	1,594
Right-of-use assets	2,461	2,725
Goodwill	4,883	4,883
Contract assets	960	1,039
Other receivables (Note 4)	15,620	12,471
Total non-current assets	39,372	37,191
TOTAL ASSETS	176,498	146,879
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities (Note 3(b)(iii))	24,075	22,955
Warranty provision	2,254	2,310
Deferred revenue	24,170	21,668
Contract liabilities (Note 3(b)(iii))	2,853	3,757
Lease liabilities (Note 3(b)(iii))	928	907
Securitization facility payable (Note 3(b)(iii) and 7)	6,740	3,950
Total current liabilities	61,020	55,547
NON-CURRENT LIABILITIES		
Bank indebtedness (Note 3(b)(iii) & 6)	10,023	10,653
Warranty provision	2,113	1,913
Deferred revenue	16,246	14,540
Contract liabilities (Note 3(b)(iii))	924	933
Lease liabilities (Note 3(b)(iii))	1,795	2,025
Securitization facility payable (Note 3(b)(iii) and 7)	—	3,655
Total non-current liabilities	31,101	33,719
TOTAL LIABILITIES	92,121	89,266
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	258,022	230,788
Contributed surplus	12,219	12,268
Accumulated other comprehensive income	10,566	9,857
Deficit	(196,430)	(195,300)
TOTAL SHAREHOLDERS' EQUITY	84,377	57,613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	176,498	146,879

Subsequent event (Note 16)

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, 2025	2024
Revenues (Notes 9 and 10)		
Product revenue	17,799	11,435
Total service revenue	19,876	14,890
Total revenues	37,675	26,325
Cost of sales (Note 10)	15,256	11,746
Gross profit (Note 10)	22,419	14,579
Expenses (Note 10)		
General and administrative expenses	7,208	6,209
Sales and marketing expenses	11,512	9,156
Product research and development costs	4,932	4,745
Foreign exchange gain (Note 3(b)(i))	(1,194)	(194)
Total expenses	22,458	19,916
Results from operating activities	(39)	(5,337)
Finance expense, net (Note 12)	(109)	(186)
Net loss before income tax	(148)	(5,523)
Income tax expense	(982)	(268)
Net loss	(1,130)	(5,791)
Other comprehensive loss:		
Foreign exchange translation gain on foreign operations	709	135
Comprehensive loss for the period	(421)	(5,656)
Loss per common share (Note 14):		
Basic and diluted	(0.01)	(0.08)

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, 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
Balance as at October 31, 2024	230,788	12,268	9,857	(195,300)	57,613
Net Loss	—	—	—	(1,130)	(1,130)
Foreign exchange translation on foreign operations	—	—	709	—	709
Stock options exercised (Note 8)	698	(241)	—	—	457
Issued for cash through private placement (Note 8)	26,980	—	—	—	26,980
Share issuance costs (Note 8)	(531)	—	—	—	(531)
Stock-based compensation expense (Notes 8 and 11)	87	192	—	—	279
Balance as at January 31, 2025	258,022	12,219	10,566	(196,430)	84,377

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, 2025	2024
Operating activities		
Net loss	(1,130)	(5,791)
Depreciation and amortization	2,095	1,945
Stock-based compensation expense (Note 11)	455	352
Finance income, net (Note 12)	(484)	(2)
Unrealized foreign exchange loss (gain)	122	(19)
Loss on disposals of property and equipment (Note 5)	185	92
Net changes in non-cash operating items (Note 15)	(4,764)	3,005
Net cash used in operating activities	(3,521)	(418)
Financing activities		
Net proceeds from share issuances and option exercises (Note 8)	26,993	475
Net (repayments) proceeds on bank indebtedness (Note 6)	(630)	2,244
Advances from securitization facility (Note 7)	—	566
Repayment on securitization facility (Note 7)	(1,220)	(1,492)
Repayment of lease liabilities	(143)	(210)
Net cash provided by financing activities	25,000	1,583
Investing activities		
Purchase of short-term investments	(32,500)	—
Redemption of short-term investments	9,000	—
Finance income, net (Note 12)	187	—
Purchase of property, equipment, and intangible assets (Note 5)	(1,522)	(1,254)
Net changes in non-cash investing items (Note 15)	93	265
Net cash used in investing activities	(24,742)	(989)
Effect of foreign exchange changes on cash and cash equivalents	1,030	(233)
Net decrease in cash and cash equivalents	(2,233)	(57)
Cash and cash equivalents, beginning of period	16,107	11,488
Cash and cash equivalents, end of period	13,874	11,431

Supplementary cash flow information (Note 15)

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 11, 2025.

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 as issued by the International Accounting Standards Board ("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, 2024, 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, 2024.

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.

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

This amendment to IAS 1, *Presentation of Financial Statements* ("IAS 1") clarifies the requirement in determining whether a certain liability should be classified as current or non-current based on the rights that exist at the end of the reporting period, explains that rights are in existence if covenants are complied with at the end of the reporting period, and introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendment is for application for annual periods beginning on or after January 1, 2024.

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

Non-current Liabilities with Covenants (Amendments to IAS 1)

This amendment specifies that only covenants that an entity is required to comply with on or before the reporting date affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date, which must be considered when assessing whether to classify the liability as current or non-current. The new amendment is effective for annual reporting periods beginning on or after January 1, 2024 with earlier adoption permitted.

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

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendment to IAS 7, *Statement of Cash Flows* ("IAS 7") and IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") introduces additional disclosures relating to supplier finance arrangements that enable users of the financial statements to assess the effects of those arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after January 1, 2024.

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

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, 2025 reporting period and have not been early adopted by the Company.

Lack of Exchangeability (Amendments to IAS 21)

The amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), contains guidance on when a currency is exchangeable into another currency and how to determine the exchange rate when it is not. The amendment also adds a disclosure requirement when a currency is not exchangeable. The new amendment is effective for annual periods beginning on or after January 1, 2025 with earlier adoption permitted.

The Company is assessing the impact of this amendment.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

The amendment to IFRS 9, *Financial Instruments* ("IFRS 9") and IFRS 7 clarifies the date of recognition and derecognition of some financial assets and liabilities, including a new exception for certain financial liabilities settled through an electronic payment system before the settlement date. The amendment is effective for annual periods beginning on or after January 1, 2026 with earlier adoption permitted.

The Company is assessing the impact of this amendment.

IFRS 18, Presentation and Disclosures in Financial Statements ("IFRS 18")

This is a new standard on presentation and disclosure in financial statements which replaces IAS 1, with a focus on updates to the statement of profit or loss. IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation

An entity is required to apply IFRS 18 for annual reporting periods on or after January 1, 2027, with earlier adoption permitted. IFRS 18 requires retrospective application with specific transition provisions.

The Company is assessing the impact of this amendment.

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. Due to the geopolitical uncertainty surrounding the imposition of tariffs onto all imports from Canada, there may be an adverse impact to the economy which could result in a fluctuation in foreign exchange rates, increasing foreign exchange risk arising from the Company's exposure to various currencies.

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, 2025 and 2024, 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, 2025 would have been a corresponding decrease (increase) of $416 (the impact for the three-month period ended January 31, 2024 was $756).

Interest rate risk

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

Exposure

The Company's cash and cash equivalents and bank indebtedness are subject to variable interest rate changes and the 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, 2025 and 2024, 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 short-term investments are held with a Canadian financial institution. To manage credit risk, the Company only deals with highly rated financial institutions and high credit rating investments. Due to the high credit ratings, counterparty risk is expected to be low. None of the held-to-maturity short-term investments are impaired.

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 limited 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 $13,874 (October 31, 2024: $16,107) that are readily available for managing liquidity risk. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining availability under an operating facility.

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

The Company has financed its activities primarily through cash flows from operations, short-term investments, funds from brokered and non-brokered private placements, bought deal short-form prospectuses and a secured operating facility. The ability to sustain operations is dependent on successfully commercializing its products, continuing to increase sales 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.

(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 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, 2025	**$**	**$**	**$**	**$**	**$**
Accounts payable and other accrued liabilities	19,588	4,070	417	24,075	24,075
Contract liabilities	2,293	560	924	3,777	3,777
Bank indebtedness	—	—	10,023	10,023	10,023
	21,881	4,630	11,364	37,875	37,875
Securitization facility payable	7,179	—	—	7,179	6,740
Lease liabilities	548	528	2,007	3,083	2,723
Total	29,608	5,158	13,371	48,137	47,338
As at October 31, 2024					
Accounts payable and other accrued liabilities	19,638	3,317	—	22,955	22,955
Contract liabilities	2,957	800	933	4,690	4,690
Bank indebtedness	—	—	10,653	10,653	10,653
	22,595	4,117	11,586	38,298	38,298
Securitization facility payable	2,328	1,993	3,841	8,162	7,605
Lease liabilities	607	488	2,240	3,335	2,932
Total	25,530	6,598	17,667	49,795	48,835

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

4. Trade and other receivables

	January 31, 2025	October 31, 2024
	$	$
Trade accounts receivable	39,820	33,999
Other receivables – current	11,392	10,073
Other receivables – non-current	15,620	12,471
Loss allowance	(874)	(478)
Total	65,958	56,065

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, securitization facility funds held as a reserve against a portion of potential future customer defaults 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, 2025	October 31, 2024
	$	$
Within one year	27,087	23,088
Later than one year but not later than five years	36,844	31,867
Later than five years	—	—
Total	63,931	54,955

The Company 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, 2024	Foreign exchange differences	Additions	Other Disposals & Transfers	Depreciation	January 31, 2025
	$	$	$	$	$	$
SMT equipment	1,361	—	—	—	63	1,298
Manufacturing equipment	1,416	—	267	—	135	1,548
Furniture and equipment	251	1	19	—	25	246
Equipment leased under lease program	130	—	22	—	50	102
Rental equipment	5,905	(17)	152	(9)	647	5,384
Cartridges	4,622	(2)	750	(176)	570	4,624
Computer hardware	520	—	184	—	99	605
Evaluation kits	144	(1)	—	—	17	126
Leasehold improvements	130	1	21	—	24	128
Total	14,479	(18)	1,415	(185)	1,630	14,061

			January 31, 2025
	Cost	Accumulated depreciation	Net book value
	$	$	$
SMT equipment	2,524	1,226	1,298
Manufacturing equipment	2,868	1,320	1,548
Furniture and equipment	499	253	246
Equipment leased under lease program	230	128	102
Rental equipment	8,729	3,345	5,384
Cartridges	7,469	2,845	4,624
Computer hardware	1,132	527	605
Evaluation kits	443	317	126
Leasehold improvements	314	186	128
Total	24,208	10,147	14,061

			October 31, 2024
	Cost	Accumulated depreciation	Net book value
	$	$	$
SMT equipment	2,525	1,164	1,361
Manufacturing equipment	2,653	1,237	1,416
Furniture and equipment	522	271	251
Equipment leased under lease program	207	77	130
Rental equipment	8,612	2,707	5,905
Cartridges	6,938	2,316	4,622
Computer hardware	1,461	941	520
Evaluation kits	633	489	144
Leasehold improvements	525	395	130
Total	24,076	9,597	14,479

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") with a Canadian financial institution (the "lender"). The operating facility includes a $5,000 accordion feature to increase the size of the facility. The operating facility borrowing base is derived from the Company's monthly recurring revenue and bears interest at the Canada prime rate plus 2.00% for CAD advances or U.S. base rate plus 2.00% for USD advances. The operating facility was renewed and extended on October 31, 2024 for two years, maturing on October 31, 2026.

The Company had available capacity on its operating facility of $12,331 as at January 31, 2025 (October 31, 2024: $12,276).

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, 2025.

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.

	Maturity Date	**January 31, 2025**	October 31, 2024
		$	$
Bank indebtedness	October 31, 2026	10,023	10,653

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

7. Securitization of lease finance receivables

Blackline Safety SPV Seller Corp. ("SPV") is a 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 a Canadian chartered bank ("the Purchaser") which provides funding for the Company’s operational needs.

The securitization facility is a renewable one-year facility with SPV and the Purchaser to sell tranches of lease receivables from safety wearables and area gas monitoring contracts. On November 1, 2024, SPV signed an amendment to the securitization facility agreement to reduce the available capacity on the securitization facility from $15,000 and USD $30,000 to $5,000 and USD $10,000, respectively. Under the securitization facility, leases are sold to the Purchaser 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 securitization facility was renewed on May 27, 2024 for an additional year to March 31, 2025.

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, 2025, the Company has $1,121 held in a reserve account (October 31, 2024: $1,102). The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth of at least $18,000 and an unrestricted cash balance of $250 tested quarterly, as defined in the agreement with the Purchaser. As at January 31, 2025, the Company was in compliance with all covenants.

The Company notified the Purchaser that SPV will not renew the securitization facility which currently has a maturity date of March 31, 2025. As part of the settlement of the securitization facility, the Company will repay the outstanding payable balance of $5,125 as at the maturity date, net of the reserve account funds. As at the date that these condensed consolidated interim financial statements have been approved, discussions are ongoing regarding the settlement of the securitization facility. Management believes that the settlement of the facility does not impact the Company's liquidity risk as it has sufficient funds and access to capital.

	January 31, 2025	October 31, 2024
	$	$
Securitization facility payable, beginning of period	7,605	10,197
Amount drawn on securitization facility	—	2,647
Repayments on securitization facility	(1,220)	(5,901)
Interest expense on securitization facility	135	629
Foreign exchange on translation	220	33
Total securitization facility payable, end of period	6,740	7,605
Payments due in the next 12 months	6,740	3,950
Payments due thereafter	—	3,655
Maximum capacity on securitization facility	19,230	56,066
Less: Securitization facility payable	(6,740)	(7,605)
Remaining available capacity, end of period	12,490	48,461

(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, 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
As at October 31, 2024	81,792,332	230,788
Options exercised	242,141	698
Issued through stock-based compensation plan	13,592	87
Issued for cash through private placement	4,170,024	26,980
Share issue costs	—	(531)
As at January 31, 2025	86,218,089	258,022

During the three-month period ended January 31, 2025, 351,902 common share options were exercised for proceeds net of income tax withholdings of $457. On exercise of these common share options, 242,141 common shares were issued and $241 was credited to share capital from contributed surplus.

On January 23, 2025, the Company completed a non-brokered private placement of 4,170,024 common shares at an issue price of $6.47 per common share for gross proceeds of $26,980.

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, 161,212 common shares were issued and $110 was credited to share capital from contributed surplus.

(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:

	Three-Months Ended January 31,	
Revenue	**2025**	**2024**
Product revenue	17,799	11,435
Software services revenue	18,159	13,902
	35,958	25,337
Rental revenue	1,717	988
Total revenues	37,675	26,325
Timing of revenue recognition		
At a point in time	17,450	11,304
Over time	20,225	15,021
Total revenues	37,675	26,325

(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 customers 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,	
	2025	**2024**
Revenue		
Product	17,799	11,435
Service	19,876	14,890
Total Revenues	37,675	26,325
Cost of sales		
Product	10,733	8,123
Service	4,523	3,623
Total Cost of sales	15,256	11,746
Gross profit		
Product	7,066	3,312
Service	15,353	11,267
Gross profit	22,419	14,579
General and administrative expenses	7,208	6,209
Sales and marketing expenses	11,512	9,156
Product research and development costs	4,932	4,745
Foreign exchange gain	(1,194)	(194)
Finance expense, net	109	186
Net loss before income tax	(148)	(5,523)
Income tax expense	(982)	(268)
Net loss	(1,130)	(5,791)

In the three-months ended January 31, 2025 and 2024, there were no customers representing greater than 10% of the Company's revenue.

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

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

	Three-Months Ended January 31,	
	2025	**2024**
Canada	6,824	5,387
United States	19,337	12,983
Europe	9,069	6,488
Rest of World(1)	2,445	1,467
Total revenues	37,675	26,325

(1) The Company's rest of world market is primarily in Asia, the Middle East, Australia, New Zealand and Africa 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, 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
As at October 31, 2024	5,784,151	4.38
Vested and exercisable at October 31, 2024	3,907,918	4.58
Exercised during the period	(351,902)	3.42
Forfeited during the period	(83,167)	7.39
As at January 31, 2025	5,349,082	4.40
Vested and exercisable at January 31, 2025	3,643,957	4.63

The weighted average share price at the date of exercise of options exercised during the three-months ended January 31, 2025 was $6.73 (for the three-months ended January 31, 2024: $3.48).

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

The weighted average remaining contractual life of the options outstanding as at January 31, 2025 is 2.78 years (January 31, 2024: 2.78 years). The Company uses the Black-Scholes model and a forfeiture rate of 32% (January 31, 2024: 36%), 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, 2025 and 2024.

12. Finance income and costs

	Three-Months Ended January 31,	
	2025	**2024**
Finance income		
Interest received/ receivable from finance leases and financial assets held for cash management purposes	587	251
Finance costs		
Interest and finance charges paid/ payable for financial liabilities	(696)	(436)
Finance expense, net	(109)	(186)

13. Related party transactions

On January 23, 2025, the Company closed a non-brokered private placement including 1,078,834 common shares at an issue price of $6.47 per common share for gross proceeds of $6,980 with a party related to the Company through a Board member who serves on the related party's Board. Refer to Note 8 for further details.

14. 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)	**2025**	**2024**
Weighted average shares outstanding – basic and diluted	82,204,231	72,717,059
Net Loss for the period	(1,130)	(5,791)
Basic and diluted loss per share	(0.01)	(0.08)

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

15. Supplementary cash flow information

The net changes in non-cash operating and investing activities are as follows:

	Three-Months Ended January 31,	
	2025	**2024**
Operating activities		
Changes in non-cash operating items:		
Trade and other receivables	(6,770)	1,503
Inventory	48	188
Prepaid expenses and advances	645	202
Contract assets	(132)	(212)
Contract assets – non-current	79	(91)
Other receivables – non-current	(3,149)	(445)
Accounts payable and other accrued liabilities	1,005	(1,506)
Warranty provision	(57)	88
Deferred revenue	2,548	2,477
Contract liabilities	(904)	768
Warranty provision – non-current	201	144
Deferred revenue – non-current	1,730	(186)
Contract liabilities – non-current	(8)	75
	(4,764)	3,005
Investing activities[(1)]		
Changes in non-cash investing items:		
Accounts payable and other accrued liabilities	93	265

(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,	
	2025	**2024**
Cash taxes paid	17	18
Cash interest paid	414	177

16. Subsequent event

Effective March 4, 2025, President Donald Trump of the United States government imposed a tariff on all imports from Canada and Mexico. In response to the tariffs, Canada announced a retaliatory tariff on certain goods. As of March 10, 2025, President Trump announced a temporary pause on the tariffs until April 2025, pending further negotiations. The Company has global operations and these tariffs could adversely impact the Company's, and certain of its customer's, financial condition, results of operations, or their business in general. The Company is currently assessing the impact and actively assessing measures to mitigate this impact and maintain efficiency within the Company's supply chain and business.

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