blacklinesafety

Blackline Safety Corp.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE-MONTH PERIODS ENDED JULY 31, 2024

Blackline Safety Corp.
Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of CAD)	July 31, 2024	October 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	13,827	11,488
Short-term investments	27,000	4,500
Trade and other receivables (Note 4)	45,626	39,528
Inventory	16,121	17,073
Prepaid expenses and advances	4,007	2,730
Contract assets	1,700	1,185
Total current assets	108,281	76,504
NON-CURRENT ASSETS		
Property and equipment (Note 5)	14,184	13,541
Intangible assets	1,492	1,730
Right-of-use assets	2,811	2,331
Goodwill	4,883	4,883
Contract assets	1,214	1,506
Other receivables (Note 4)	10,498	8,625
Total non-current assets	35,082	32,616
TOTAL ASSETS	143,363	109,120
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities (Note 3(b)(iii))	20,897	21,350
Warranty provision	2,686	2,079
Deferred revenue	20,267	13,154
Contract liabilities (Note 3(b)(iii))	3,425	2,072
Lease liabilities (Note 3(b)(iii))	798	864
Securitization facility payable (Note 3(b)(iii) & 7)	4,307	4,843
Total current liabilities	52,380	44,362
NON-CURRENT LIABILITIES		
Bank indebtedness (Note 3(b)(iii) & 6)	9,296	8,610
Warranty provision	1,241	769
Deferred revenue	15,298	13,583
Contract liabilities (Note 3(b)(iii))	1,076	1,614
Lease liabilities (Note 3(b)(iii))	2,207	1,630
Securitization facility payable (Note 3(b)(iii) & 7)	4,368	5,354
Total non-current liabilities	33,486	31,560
TOTAL LIABILITIES	85,866	75,922
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	230,313	195,652
Contributed surplus	12,072	11,545
Accumulated other comprehensive income	10,344	8,706
Deficit	(195,232)	(182,705)
TOTAL SHAREHOLDERS' EQUITY	57,497	33,198
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	143,363	109,120

See accompanying notes to the condensed consolidated interim financial statements.

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

	Three-Months Ended July 31,		Nine-Months Ended July 31,	
(Unaudited, in thousands of CAD, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Revenues (Notes 9 and 10)				
Product revenue	15,476	11,255	41,735	31,881
Service revenue	18,210	13,575	49,856	38,090
Total revenues	33,686	24,830	91,591	69,971
Cost of sales (Note 10)	13,802	11,408	39,098	33,643
Gross profit (Note 10)	19,884	13,422	52,493	36,328
Expenses (Note 10)				
General and administrative expenses	7,288	5,696	20,237	17,954
Sales and marketing expenses	10,381	9,343	30,051	25,754
Product research and development costs	4,910	4,251	14,726	14,898
Foreign exchange (gain) loss (Note 3(b)(i))	(645)	802	(1,388)	(1,150)
Total expenses	21,934	20,092	63,626	57,456
Results from operating activities	(2,050)	(6,670)	(11,133)	(21,128)
Finance (expense) income, net	(262)	16	(727)	517
Net loss before income tax	(2,312)	(6,654)	(11,860)	(20,611)
Income tax expense	(157)	(188)	(667)	(481)
Net loss	(2,469)	(6,842)	(12,527)	(21,092)
Other comprehensive loss:				
Foreign exchange translation gain on foreign operations	710	1,374	1,638	3,503
Comprehensive loss for the period	(1,759)	(5,468)	(10,889)	(17,589)
Loss per common share (Note 12):				
Basic and diluted	(0.03)	(0.09)	(0.17)	(0.29)

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	—	—	—	(21,092)	(21,092)
Foreign exchange translation on foreign operations	—	—	3,503	—	3,503
Stock options exercised (Note 8)	267	(75)	—	—	192
Stock-based compensation expense (Notes 8 and 11)	705	252	—	—	957
Balance as at July 31, 2023	195,403	11,401	7,368	(178,250)	35,922
Balance as at October 31, 2023	195,652	11,545	8,706	(182,705)	33,198
Net Loss	—	—	—	(12,527)	(12,527)
Foreign exchange translation on foreign operations	—	—	1,638	—	1,638
Stock options exercised (Note 8)	853	(273)	—	—	580
Issued for cash through bought deal short-form prospectus offering (Note 8)	23,055	—	—	—	23,055
Issued for cash through private placement (Note 8)	11,527	—	—	—	11,527
Share issuance costs (Note 8)	(1,578)	—	—	—	(1,578)
Stock-based compensation expense (Notes 8 and 11)	804	800	—	—	1,604
Balance as at July 31, 2024	230,313	12,072	10,344	(195,232)	57,497

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 July 31, 2024	Three-Months Ended July 31, 2023	Nine-Months Ended July 31, 2024	Nine-Months Ended July 31, 2023
Operating activities				
Net loss	(2,469)	(6,842)	(12,527)	(21,092)
Depreciation and amortization	2,103	1,821	5,923	5,616
Stock-based compensation expense	807	287	1,536	1,029
Finance expense (income), net	104	281	278	(92)
Unrealized foreign exchange loss (gain)	20	7	31	(6)
Loss (gain) on disposals of property and equipment	136	(24)	447	361
Net changes in non-cash working capital (Note 13)	(1,620)	(985)	1,438	(5,905)
Net cash used in operating activities	(919)	(5,455)	(2,874)	(20,089)
Financing activities				
Net proceeds from share issuances and option exercises (Note 8)	33,671	485	34,389	897
Net (repayments) proceeds on bank indebtedness (Note 6)	(3,603)	16	686	(1,556)
Advances from securitization facility (Note 7)	2,081	2,600	2,647	10,865
Repayment on securitization facility (Note 7)	(1,729)	(809)	(4,689)	(809)
Repayment of lease liabilities	(269)	(218)	(698)	(710)
Net cash provided by financing activities	30,151	2,074	32,335	8,687
Investing activities				
Purchase of short-term investments	(27,000)	—	(27,000)	(12,500)
Redemption of short-term investments	—	—	4,500	16,500
Finance income (expense), net	2	(345)	184	127
Purchase of property, equipment, and intangible assets	(2,810)	(1,449)	(6,567)	(5,456)
Net changes in non-cash working capital (Note 13)	(84)	(294)	113	(206)
Net cash used in by investing activities	(29,892)	(2,088)	(28,770)	(1,535)
Effect of foreign exchange changes on cash and cash equivalents	1,255	1,170	1,648	3,423
Net increase (decrease) in cash and cash equivalents	595	(4,299)	2,339	(9,514)
Cash and cash equivalents, beginning of period	13,232	17,425	11,488	22,640
Cash and cash equivalents, end of period	13,827	13,126	13,827	13,126

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 September 10, 2024.

2. Summary of material accounting policies

a) Basis of preparation

These condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), as set out in IAS 34 *Interim Financial Reporting*.

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.

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

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

There was no significant impact upon adoption of this amendment to IAS 1.

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 July 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 and nine-month periods ended July 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 and nine-month periods ended July 31, 2024 would be a corresponding decrease (increase) of $149 and $959, respectively (the impact for the three and nine-month periods ended July 31, 2023 would be a corresponding decrease (increase) of $374 and $643, respectively).

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 and nine-month periods ended July 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 three 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 $13,827 (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, 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 and continuing to increase the gross profit 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 July 31, 2024	**$**	**$**	**$**	**$**	**$**
Accounts payable and other accrued liabilities	16,370	4,527	—	20,897	20,897
Contract liabilities	2,637	788	1,076	4,501	4,501
Bank indebtedness	—	—	9,296	9,296	9,296
	19,007	5,315	10,372	34,694	34,694
Securitization facility payable	2,457	2,155	4,815	9,427	8,675
Lease liabilities	520	469	2,473	3,462	3,005
Total	21,984	7,939	17,660	47,583	46,374
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
	19,355	3,707	10,584	33,646	33,646
Securitization facility payable	2,924	2,402	5,625	10,951	10,197
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

	July 31, 2024	October 31, 2023
	$	$
Trade accounts receivable	37,029	32,123
Other receivables – current	9,143	7,816
Other receivables – non-current	10,498	8,625
Loss allowance	(546)	(411)
Total	56,124	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, 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:

	July 31, 2024	October 31, 2023
	$	$
Within one year	21,079	17,758
Later than one year but not later than five years	27,010	21,878
Later than five years	—	—
Total	48,089	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 $	July 31, 2024 $
SMT equipment	1,577	—	25	—	196	1,406
Manufacturing equipment	1,142	1	498	—	363	1,278
Furniture and equipment	259	2	105	—	101	265
Equipment leased under ‘G7 Lease’ program	310	—	303	(162)	129	322
Rental equipment	4,563	42	2,326	15	1,245	5,701
Cartridges	4,385	—	2,255	(423)	1,897	4,320
Computer hardware	602	2	283	—	362	525
Evaluation kits	360	2	—	(6)	152	204
Leasehold improvements	343	—	29	—	209	163
Total	13,541	49	5,824	(576)	4,654	14,184

			July 31, 2024
	Cost $	Accumulated depreciation $	Net book value $
SMT equipment	2,516	1,110	1,406
Manufacturing equipment	2,572	1,294	1,278
Furniture and equipment	641	376	265
Equipment leased under ‘G7 Lease’ program	372	50	322
Rental equipment	8,089	2,388	5,701
Cartridges	8,278	3,958	4,320
Computer hardware	1,653	1,128	525
Evaluation kits	896	692	204
Leasehold improvements	1,055	892	163
Total	26,072	11,888	14,184

			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 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 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 $14,783 as at July 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 July 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	**July 31, 2024**	October 31, 2023
		$	$
Bank indebtedness	October 31, 2025	9,296	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 a Canadian chartered bank ("the Purchaser") which provides funding for the Company's operational needs.

The securitization facility is a renewable one-year $15,000 and USD $30,000 securitization facility with SPV and 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 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 July 31, 2024, the Company has $1,100 held in a reserve account (October 31, 2023: $476).

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 July 31, 2024, the Company was in compliance with all covenants.

	July 31, 2024 **$**	October 31, 2023 $
Securitization facility payable, beginning of period	10,197	—
Amount drawn on securitization facility	2,647	12,376
Repayments on securitization facility	(4,689)	(2,704)
Interest expense on securitization facility	479	349
Foreign exchange on translation	41	176
Total securitization facility payable, end of period	8,675	10,197
Payments due in the next 12 months	4,307	4,843
Payments due thereafter	4,368	5,354
Maximum capacity on securitization facility	56,143	63,357
Less: Securitization facility payable	(8,675)	(10,197)
Remaining available capacity, end of period	47,468	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
Options exercised	110,000	267
Issued through stock-based compensation plan	292,327	705
As at July 31, 2023	72,465,420	195,403
As at October 31, 2023	72,547,146	195,652
Options exercised	381,379	853
Issued through stock-based compensation plan	197,615	804
Issued for cash through bought deal short-form prospectus offering	5,692,500	23,055
Issued for cash through private placement	2,846,250	11,527
Share issue costs	—	(1,578)
As at July 31, 2024	81,664,890	230,313

During the three-month period ended July 31, 2024, there were 220,167 common share options exercised for proceeds net of income tax withholdings of $415. On exercise of these common share options, $162 was credited to share capital from contributed surplus. During the nine-month period ended July 31, 2024, 445,167 common share options were exercised for proceeds net of income tax withholdings of $581. On exercise of these common share options, $272 was credited to share capital from contributed surplus.

During the three and nine-month periods ended July 31, 2023, 110,000 common share options were exercised for proceeds net of income tax withholdings of $192. On exercise of these common share options, $75 was credited to share capital from contributed surplus.

On June 12, 2024, the Company closed a bought deal short-form prospectus offering and issued 5,692,500 common shares at an issue price of $4.05 per common share for aggregate gross proceeds of $23,055 and total share issuance costs of $1,578.

The Company concurrently completed a non-brokered private placement of 2,846,250 common shares at an issue price of $4.05 per common share for gross proceeds of $11,527.

(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 July 31,		Nine-Months Ended July 31,	
Revenue	**2024**	**2023**	**2024**	**2023**
Product revenue	15,476	11,255	41,735	31,881
Software services revenue	15,910	12,429	44,353	34,403
	31,386	23,684	86,088	66,284
Rental revenue	2,300	1,146	5,503	3,687
Total revenues	33,686	24,830	91,591	69,971
Timing of revenue recognition				
At a point in time	15,235	11,144	41,176	31,564
Over time	18,451	13,686	50,415	38,407
Total revenues	33,686	24,830	91,591	69,971

(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 July 31,		Nine-Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Revenue				
Product	15,476	11,255	41,735	31,881
Service	18,210	13,575	49,856	38,090
Total Revenues	33,686	24,830	91,591	69,971
Cost of sales				
Product	9,526	7,973	27,403	23,772
Service	4,276	3,435	11,695	9,871
Total Cost of sales	13,802	11,408	39,098	33,643
Gross profit				
Product	5,950	3,282	14,332	8,109
Service	13,934	10,140	38,161	28,219
Gross profit	19,884	13,422	52,493	36,328
General and administrative expenses	7,288	5,696	20,237	17,954
Sales and marketing expenses	10,381	9,343	30,051	25,754
Product research and development costs	4,910	4,251	14,726	14,898
Foreign exchange (gain) loss	(645)	802	(1,388)	(1,150)
Finance expense (income), net	262	(16)	727	(517)
Net loss before income tax	(2,312)	(6,654)	(11,860)	(20,611)
Income tax expense	(157)	(188)	(667)	(481)
Net loss	(2,469)	(6,842)	(12,527)	(21,092)

In the three and nine-month periods ended July 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 customers and distributors by country/geographic area are as follows:

	Three-Months Ended July 31,		Nine-Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Canada	6,386	5,735	18,451	17,699
United States	15,755	11,798	44,225	32,708
Europe	7,885	6,125	21,336	15,147
Rest of World[1]	3,660	1,172	7,579	4,417
Total revenues	33,686	24,830	91,591	69,971

(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, 2022	5,672,644	4.68
Vested and exercisable at October 31, 2022	3,878,769	4.98
Granted during the period	714,000	2.83
Exercised during the period	(110,000)	1.75
Forfeited during the period	(507,917)	5.60
Expired during the period	(587,642)	5.50
As at July 31, 2023	5,181,085	4.30
Vested and exercisable at July 31, 2023	3,750,419	4.62
As at October 31, 2023	5,749,002	4.32
Vested and exercisable at October 31, 2023	4,006,127	4.60
Granted during the period	1,324,400	4.64
Exercised during the period	(445,167)	1.82
Forfeited during the period	(84,167)	5.36
Expired during the period	(674,584)	5.27
As at July 31, 2024	5,869,484	4.35
Vested and exercisable at July 31, 2024	3,662,751	4.74

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

The weighted average share price at the date of exercise of options exercised during the three and nine-months ended July 31, 2024 was $4.15 and $3.81, respectively (July 31, 2023: $3.54 and $3.54, respectively).

The weighted average remaining contractual life of the options outstanding as at July 31, 2024 is 3.16 years (July 31, 2023: 3.12 years).

The Company uses the Black-Scholes model and a forfeiture rate of 46% (July 31, 2023: 38%), 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.

There were 1,324,400 stock options granted during the period ended July 31, 2024. The model inputs for the option tranches granted during the period ended July 31, 2024 and July 31, 2023 included:

	2024	**2023**
Risk-free interest rate	3.28% - 3.40%	3.52% - 4.27%
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	50%	39% - 45%

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 July 31, 2024**	**2023**	**Nine-Months Ended July 31, 2024**	**2023**
Weighted average shares outstanding – basic and diluted	77,612,619	72,313,732	74,392,624	72,203,922
Net Loss for the period	(2,469)	(6,842)	(12,527)	(21,092)
Basic and diluted loss per share	(0.03)	(0.09)	(0.17)	(0.29)

(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 July 31,		Nine-Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Operating activities				
Changes in non-cash working capital:				
Trade and other receivables	(4,147)	(4,266)	(5,952)	(11,718)
Inventory	496	1,371	1,038	2,299
Prepaid expenses and advances	(786)	(914)	(1,260)	(1,143)
Contract assets	(58)	127	(515)	(8)
Contract assets – non-current	191	177	292	(91)
Other receivables – non-current	(134)	1,122	(1,872)	810
Accounts payable and other accrued liabilities	(1,196)	(229)	(633)	(1,812)
Warranty provision	438	138	608	331
Deferred revenue	1,710	(82)	6,819	13
Contract liabilities	(161)	179	1,352	512
Warranty provision – non-current	200	42	472	280
Deferred revenue – non-current	2,057	1,678	1,627	4,615
Contract liabilities – non-current	(230)	(328)	(538)	7
	(1,620)	(985)	1,438	(5,905)
Investing activities[(1)]				
Changes in non-cash working capital:				
Accounts payable and other accrued liabilities	(84)	(294)	113	(206)

(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 July 31,		Nine-Months Ended July 31,	
	2024	**2023**	**2024**	**2023**
Cash taxes paid (received)	(73)	23	484	367
Cash interest paid (received)	422	151	1,039	12

blacklinesafety

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