Blackline Safety Corp.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2024

Management's Report

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this report. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

To meet its responsibility for reliable and accurate financial statements, management has established and monitors systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The Board of Directors approves the consolidated financial statements. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Under the supervision of our Chief Executive Officer and our Chief Financial Officer we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we have concluded that as of October 31, 2024, our internal control over financial reporting is effective.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

/s/ Cody Slater
Chief Executive Officer and Chair

/s/ Robin Kooyman
Chief Financial Officer

Calgary, Alberta
January 15, 2025

Independent auditor's report

To the Shareholders of Blackline Safety Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Blackline Safety Corp. and its subsidiaries (together, the Company) as at October 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at October 31, 2024 and 2023;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment tests *Refer to note 2 – Summary of material accounting policies, note 4 – Significant accounting judgments and estimates and note 12 – Goodwill to the consolidated financial statements.* The Company had goodwill of $4,883 thousand as at October 31, 2024. The Company tests goodwill annually for impairment at the operating segment level during the fourth quarter, or more frequently when there is indication that goodwill may be impaired. An impairment loss is recognized for the amount by which the asset's or operating segment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Significant estimates and assumptions are used to calculate the fair values less costs of disposal, including the estimated discount rates, terminal value multiples, and revenue compounded annual growth rates. No impairment was recognized as a result of the October 31, 2024 impairment tests. We considered this a key audit matter due to the significant judgment by management in determining the recoverable amounts of the operating segments, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of goodwill, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of revenue compound annual growth rates applied by management in the discounted cash flow models by comparing them to the budget approved by the board of directors and historical revenue growth rates of the Company. – Tested the reasonableness of the terminal value multiples applied by management in the discounted cash flow models by comparing them to available market analyst reports. – Professionals with specialized skills and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models. • Tested the disclosures made in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Reynold Tetzlaff.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
January 15, 2025

Blackline Safety Corp.
Consolidated Statements of Financial Position

(In thousands of CAD)	October 31, 2024	October 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 5(a))	16,107	11,488
Short-term investments (Notes 5(a) and 6)	27,000	4,500
Trade and other receivables (Notes 5(a) 7)	43,594	39,528
Inventory (Note 8)	16,826	17,073
Prepaid expenses and advances	4,406	2,730
Contract assets	1,755	1,185
Total current assets	109,688	76,504
NON-CURRENT ASSETS		
Property and equipment (Note 9)	14,479	13,541
Intangible assets (Note 10)	1,594	1,730
Right-of-use assets (Note 11)	2,725	2,331
Goodwill (Note 12)	4,883	4,883
Contract assets	1,039	1,506
Other receivables (Note 7)	12,471	8,625
Total non-current assets	37,191	32,616
TOTAL ASSETS	146,879	109,120
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities (Notes 5(a) and 13)	22,955	21,350
Warranty provision (Note 14)	2,310	2,079
Deferred revenue	21,668	13,154
Contract liabilities (Note 5(a))	3,757	2,072
Lease liabilities (Note 5(a) and 17)	907	864
Securitization facility payable (Notes 5(a) and 15)	3,950	4,843
Total current liabilities	55,547	44,362
NON-CURRENT LIABILITIES		
Bank indebtedness (Notes 5(a) and 16)	10,653	8,610
Warranty provision (Note 14)	1,913	769
Deferred revenue	14,540	13,583
Contract liabilities (Note 5(a))	933	1,614
Lease liabilities (Notes 5(a) and 17)	2,025	1,630
Securitization facility payable (Notes 5(a) and 15)	3,655	5,354
Total non-current liabilities	33,719	31,560
TOTAL LIABILITIES	89,266	75,922
SHAREHOLDERS' EQUITY		
Share capital (Note 18)	230,788	195,652
Contributed surplus	12,268	11,545
Accumulated other comprehensive income	9,857	8,706
Deficit	(195,300)	(182,705)
TOTAL SHAREHOLDERS' EQUITY	57,613	33,198
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	146,879	109,120

Commitments (Note 26)
Subsequent events (Note 31)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

/s/ Cody Slater	/s/ Robert J. Herdman
Director	Director

Blackline Safety Corp.
Consolidated Statements of Loss and Comprehensive Loss

For the years ended (In thousands of CAD, except per share amounts)	**October 31, 2024**	**October 31, 2023**
Revenues (Notes 19 and 20)		
Product revenue	57,824	46,924
Service revenue	69,462	53,082
Total revenues	127,286	100,006
Cost of sales (Notes 20 and 21)	53,039	47,225
Gross margin (Note 20)	74,247	52,781
Expenses (Note 21)		
General and administrative expenses	26,259	23,764
Sales and marketing expenses	41,522	36,991
Product research and development costs	19,546	18,513
Foreign exchange gain (Note 5(b)(i))	(2,433)	(2,036)
Total expenses	84,894	77,232
Results from operating activities	(10,647)	(24,451)
Finance (expense) income, net (Note 23)	(649)	220
Net loss before income tax	(11,296)	(24,231)
Income tax expense (Note 24)	(1,299)	(1,316)
Net loss	(12,595)	(25,547)
Other comprehensive loss:		
Foreign exchange translation gain on foreign operations (Note 5(b)(i))	1,151	4,841
Comprehensive loss for the year	(11,444)	(20,706)
Loss per common share (Note 29):		
Basic and diluted	(0.17)	(0.35)

See accompanying notes to the consolidated financial statements.

Blackline Safety Corp.
Consolidated Statements of Changes in Equity

(In thousands of CAD, except number of shares)	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
		$	$	$	$	$
Balance as at October 31, 2022	72,063,093	194,431	11,224	3,865	(157,158)	52,362
Net Loss	—	—	—	—	(25,547)	(25,547)
Foreign exchange translation on foreign operations	—	—	—	4,841	—	4,841
Stock options exercised (Note 18)	150,000	365	(102)	—	—	263
Stock-based compensation expense (Notes 18 and 28)	334,053	856	423	—	—	1,279
Balance as at October 31, 2023	72,547,146	195,652	11,545	8,706	(182,705)	33,198

Balance as at October 31, 2023	72,547,146	195,652	11,545	8,706	(182,705)	33,198
Net Loss	—	—	—	—	(12,595)	(12,595)
Foreign exchange translation on foreign operations	—	—	—	1,151	—	1,151
Stock options exercised (Note 18)	464,174	1,078	(366)	—	—	712
Issued for cash through bought deal short-form prospectus offering (Note 18)	5,692,500	23,055	—	—	—	23,055
Issued for cash through private placement (Note 18)	2,846,250	11,527	—	—	—	11,527
Share issuance costs (Note 18)	—	(1,578)	—	—	—	(1,578)
Stock-based compensation expense (Notes 18 and 28)	242,262	1,054	1,089	—	—	2,143
Balance as at October 31, 2024	81,792,332	230,788	12,268	9,857	(195,300)	57,613

See accompanying notes to the consolidated financial statements.

Blackline Safety Corp.
Consolidated Statements of Cash Flows

For the years ended (In thousands of CAD)	**October 31, 2024**	**October 31, 2023**
Operating activities		
Net loss	(12,595)	(25,547)
Depreciation and amortization (Note 21)	7,914	7,459
Stock-based compensation expense (Notes 18 and 28)	1,861	1,566
Finance expense, net (Note 23)	387	82
Unrealized foreign exchange loss (gain)	136	(6)
Loss on disposals of property and equipment (Note 9)	409	543
Net changes in non-cash working capital (Note 30)	3,800	(6,162)
Net cash provided by (used in) operating activities	1,912	(22,065)
Financing activities		
Net proceeds from share issuances and option exercises (Note 18)	34,770	1,119
Net proceeds on bank indebtedness (Note 16)	2,044	35
Advances from securitization facility (Note 15)	2,647	11,461
Repayment on securitization facility (Note 15)	(5,901)	(2,339)
Repayment of lease liabilities (Note 17)	(972)	(1,041)
Net cash provided by financing activities	32,588	9,235
Investing activities		
Purchase of short-term investments (Note 6)	(38,000)	(12,500)
Redemption of short-term investments (Note 6)	15,500	16,500
Finance income (expense), net (Note 23)	296	(30)
Purchase of property, equipment, and intangible assets (Notes 9 and 10)	(8,372)	(7,355)
Net changes in non-cash working capital (Note 30)	118	(76)
Net cash used in investing activities	(30,458)	(3,461)
Effect of foreign exchange changes on cash and cash equivalents	577	5,139
Net increase (decrease) in cash and cash equivalents	4,619	(11,152)
Cash and cash equivalents, beginning of year	11,488	22,640
Cash and cash equivalents, end of year	16,107	11,488

Supplementary cash flow information (Note 30)

See accompanying notes to the consolidated 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors on January 15, 2025.

2. Summary of material accounting policies

a) Basis of preparation

The consolidated financial statements and accompanying notes have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements have been prepared under the historical cost convention.

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 year ended October 31, 2024.

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 consolidated 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 consolidated financial statements.

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

The IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), 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 accounting policies adopted by the Company*

There were no new policies that became applicable and were adopted by the Company for the year ended October 31, 2024.

iii) *New standards and interpretations not yet adopted*

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the October 31, 2024 reporting period and have not been early adopted by the Company.

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

This amendment 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 to be applied retrospectively for annual periods beginning on or after January 1, 2024, with early adoption permitted.

The Company is assessing the impact of the amendment on the consolidated financial statements and on foreseeable future transactions.

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 Company is assessing the impact of the amendment on the consolidated financial statements and on foreseeable future transactions.

Supplier Finance Arrangements (Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures)

The amendment 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 Company is assessing the impact of this amendment.

Lack of Exchangeability (Amendments to IAS 21)

The amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates*, 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, *Financial Instruments: Disclosures* (“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.

c) Consolidation

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

Unless otherwise indicated, the term “Company” refers both to the Company and its wholly owned subsidiaries.

d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

e) Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian dollars ("CAD"), which is also the Company's presentation currency.

ii) *Foreign currency*

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of loss and comprehensive loss within 'Finance (expense) income, net'.

Group companies

The results and financial position of all the Company's entities that have a functional currency difference from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position;
- Income and expenses are translated at average exchange rates for the year, unless the exchange rates fluctuate significantly during the period in which case the exchange rates at the date of the transaction are used; and
- All resulting exchange differences are recognized in other comprehensive income (loss) ("OCI") as foreign exchange translation gain (loss) on foreign operations.

f) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of financial position and consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at purchase of three months or less. Any accrued interest earned at the end of the reporting period is recorded within other receivables.

g) Short-term investments

Short-term investments consist of short-term interest-bearing securities which mature more than three months but less than 12 months from the date of purchase. Short-term investments are held with highly rated financial institutions. Any accrued interest earned at the end of the reporting period is recorded within other receivables. Due to the short-term nature of these investments, their carrying amount is considered to approximate their fair value.

h) Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets, otherwise they are presented as non-current assets. The Company leases certain of its safety monitoring equipment to customers through the Company's lease program with monthly or quarterly payments. Other receivables include the net investment in finance leases and transactions outside the usual operating activities of the Company.

Due to the short-term nature of the current receivables, their carrying amount is considered to approximate their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Trade and other receivables are recognized initially at their carrying value and subsequently measured at amortized cost using the effective interest rate method, less the provision for impairment through an expected credit loss assessment.

i) Contract assets

Contract assets consist of costs related to the fulfillment of a lease contract and any other revenue contracts in progress at the end of the reporting period. The costs are recognized over the life of the contract. If contract costs are expected to be recognized in one year or less, they are classified as current assets, otherwise they are presented as non-current assets.

j) Inventory

Raw materials and finished goods are stated at the lower of cost and net realizable value. Cost is determined using the standard costing method using the first-in, first-out inventory method which is updated regularly to reflect current conditions and approximate cost. The cost of finished goods inventory comprises of raw materials, direct labour, other direct costs and related production overhead expenditures, the latter being allocated on the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Finished goods are comprised of finished hardware units ready for sale.

k) Financial instruments and risk management

Financial assets

i) *Classification*

The Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI, or through profit or loss) and those to be measured at amortized cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company's financial instruments are all classified at amortized cost. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

ii) *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statements of loss and comprehensive loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company currently classifies all financial assets in the amortized cost category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets are included in the consolidated statements of loss and comprehensive loss within 'Finance (expense) income, net' using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated statements of loss and comprehensive loss and presented in 'Foreign exchange gains and losses'. Impairment losses are presented as a separate line item in the consolidated statements of loss and comprehensive loss.

The Company's cash and cash equivalents and short-term investments are held at amortized cost and considered to have low credit risk with the loss allowance recognized during the period limited to 12-month expected losses. Management considers 'low credit risk' for short-term investments to be an investment grade credit rating with at least one major rating agency.

iii) *Impairment*

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Company assesses, on a forward-looking basis, the expected credit loss ("ECL") associated with its financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

i) *Classification*

The Company classifies its financial liabilities in the following categories: financial liabilities at FVPL, financial liabilities at FVOCI or amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Company holds the following financial liabilities at the end of the reporting period:

Financial liabilities at amortized cost

Financial liabilities held by the Company are measured at amortized cost. If payment of the amounts is expected in one year or less they are classified as current liabilities. If not, they are presented as non-current liabilities.

The Company's accounts payable and accrued liabilities are generally due for settlement within 30 days and therefore are all classified as current. Bank indebtedness is classified as current if it is repayable on demand. Contract liabilities and securitization facility payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

ii) *Measurement*

At initial recognition, the Company measures a financial liability at its fair value less transaction costs.

Financial liabilities are subsequently carried at amortized cost using the effective interest method should the fair values be deemed to be significantly different to their carrying amounts.

I) Securitization facility payable

Securitization facility payables are recognized on the sale of tranches of lease receivables to a Canadian chartered bank, calculated as the present value of combined scheduled payments from the eligible contracts using discount rate as defined in the agreement with the Canadian chartered bank. Management has determined that the sale and continued servicing of these contracts does not meet the specific criteria under IFRS 9 to conclude that substantially all economic risks and rewards associated with the receivables have been transferred, therefore, these lease receivables do not qualify for derecognition in the Company's consolidated statement of financial position.

m) Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. Subsequent costs are included in the carrying amount of the property or equipment or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The Company offers its connected safety products and monitoring services through its lease program. The Company accounts for certain of these as operating leases within the meaning of IFRS 16*,* and are separately accounted for within property and equipment. The cartridge asset category represents the modular cartridge options, including gas sensors, used in the Company's principal safety product devices.

Depreciation is calculated using the straight-line method to expense the cost of property and equipment, less their residual values, over their estimated useful lives as follows:

Surface mount technology (SMT) equipment	10 years
Furniture and equipment	5 years
Manufacturing equipment	5 years
Equipment leased under lease program	4 years
Rental equipment	4 years
Cartridges	4 years
Computer hardware	3 years
Evaluation kits	3 years
Leasehold improvements	Length of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

n) Intangible assets

The Company's intangible assets consist of computer software, government certifications for products and product patent costs. The assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

Computer software	5 years
Government certifications	Life of certification (1-5 years)
Product patent costs	Estimated life of product (5 years)

The amortization of government certifications and product patent costs commences when the associated products are available for commercial sale.

Research costs are expensed as they are incurred in accordance with IAS 38, *Intangible Assets* ("IAS 38").

Product development costs are expensed in the year they are incurred and are not recognized as an intangible asset for deferral in accordance with IAS 38. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

o) Impairment of non-financial assets

Property and equipment and intangible assets subject to depreciation and amortization respectively are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible indicators of reversal at the end of each reporting period.

p) Accounts payable and other accrued liabilities

Accounts payable and other accrued liabilities are obligations to pay for goods or services provided to the Company prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within the agreed terms of the invoice.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. The carrying amounts of accounts payable and accrued liabilities are considered to be the same as their fair values, due to their short-term nature.

q) Contract liabilities

Contract liabilities are obligations to pay commissions to third-party distributors who assist with the fulfillment of lease contracts. The obligations are recognized upon the start of a lease contract. Contract liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. The carrying amounts of contract liabilities are considered to be the same as their fair values.

r) Leases

Lessee

On the date that the leased asset becomes available for use, the Company recognizes a right-of-use ("ROU") asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the consolidated statements of loss and comprehensive loss over the duration of the lease. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation and amortization expense and services and materials expenses.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include fixed lease payments, variable lease payments that are based on an index or a rate, and expected payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The Company's incremental borrowing rate is used to determine the present value of the liability and ROU asset arising from a lease if the implicit rate is not readily available.

The Company applies the IFRS 16 practical expedient whereby short-term leases and leases of low-value assets are not recognized on the consolidated statements of financial position and lease payments are instead recognized in the consolidated statements of loss and comprehensive loss as incurred.

Lessor

When the Company acts as a lessor for the leases of certain of its safety monitoring equipment to customers through the lease program, it determines at the inception of each lease whether it is a finance lease or an operating lease. The classification is dependent on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset; if this is the case, then the lease is a finance lease. The Company's operating lease payments received are recognized in service lease revenue on the consolidated statement of loss and comprehensive loss. Assets subject to finance leases are initially recognized at an amount equal to the net investment in the lease and are included in current and non-current other receivables on the consolidated statements of financial position.

s) Provisions

Provisions for service warranties are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, adjusted for discounting if considered significant.

t) Stock-based compensation

The Company operates two equity-settled stock-based compensation plans, under which the Company grants equity instruments (options and common stock) as consideration for services provided by employees, directors and certain consultants of the Company.

i) *Stock option plan*

Under the Company's stock option plan, options can be granted to officers, employees, consultants, and members of the Board of Directors. The exercise price of options is determined by current market price, meaning the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the date of the grant of options. Vesting is over an immediate to three-year period and the expiration of options is to be no greater than five years from the date of grant.

The Company recognizes the value of stock options awarded to employees and non-employees in the consolidated financial statements based on the estimated fair value at the date of grant. The Company calculates the value of stock options issued using the Black-Scholes option pricing model with consideration of factors specific to the Company. Each tranche in an award is considered a separate award with its own vesting year and grant date fair value. Stock-based compensation expense is recognized over the tranche's vesting period, with a corresponding increase to contributed surplus based on the number of awards expected to vest.

When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. The amount previously recorded as contributed surplus on a cashless exercise, where an option is surrendered in exchange for the issuance of common shares equal to the number determined by multiplying the number of common shares which the holder is entitled to purchase by a fraction of which the numerator is the difference between the current market price and the exercise price of such option and the denominator is the current market price, is recorded as share capital. The number of awards expected to vest is reviewed at least quarterly, with any impact being recognized immediately.

The Company is authorized to issue up to 10% of outstanding common shares from treasury in relation to its stock option plan and all other stock option compensation arrangements.

ii) *Employee Share Ownership Plan*

Under the Employee Share Ownership Plan ("ESOP"), employees can contribute up to 10% of their salary to purchase shares of the Company with the Company matching 50%. The Company has the option of contributing its employer portion as cash to purchase shares off the market or to issue the shares from treasury.

The employer portion of the ESOP has a one-year vesting period during the first year of an employee's contributions, six month vesting period during the second year of employee contributions and immediately vest during the third and later years of employee contributions.

The Company records the employer portion of the ESOP as stock-based compensation expense in the consolidated statements of loss and comprehensive loss and values the amounts as either the cash contributed or the sum of the weighted average fair value of shares issued.

u) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

v) Loss per common share

i) *Basic loss per common share*

Basic loss per common share is calculated by dividing:

- the loss for the period
- by the weighted average number of common shares outstanding.

ii) *Diluted loss per common share*

Diluted loss per common share adjusts the figures used in the determination of basic loss per common share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential common shares, and
- the weighted average number of additional common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

w) Revenue recognition

Revenue is recognized for the Company's business activities using the methods outlined below:

i) *Product revenue*

The Company designs, manufactures and sells a range of safety monitoring products. Revenue from the sale of hardware devices is recognized when control of the products has been transferred, this being when the products are shipped to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the customer's location, and the risks of loss have been transferred to the customer, the price to the customer is fixed or determinable and collectability is reasonably assured.

Payment of the transaction price is due upon the product being shipped to the customer in accordance with the agreed credit terms.

The Company's obligation to provide a replacement for defective products under the standard warranty terms is recognized as a warranty provision on the consolidated statements of financial position.

ii) *Software service revenue*

The Company provides automated compliance, monitoring and supporting services for its range of safety products. Revenues for safety monitoring and supporting services are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue. Payment of the transaction price is due from the customer in accordance with the agreed credit terms.

Revenues from the use of modular cartridge options are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue. Payment of the transaction price is due from the customer in accordance with the agreed credit terms.

iii) *Bundled product and service arrangements*

The Company offers certain arrangements whereby a customer can purchase products and services together.

Where such bundled arrangements exist, the amount of the transaction price allocated to each performance obligation is based upon the relative stand-alone selling prices of each distinct product or service in the contract. The best evidence of a stand-alone selling price is the observable price of a product or service when the Company sells that product or service separately in similar circumstances and to similar customers.

When a stand-alone selling price is not directly observable, the Company estimates using the residual approach method to determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone contract with a customer. This method is applied consistently to similar arrangements. Consideration is given to all reasonably available information and suitable methods.

Any discounts identified as part of a bundled arrangement are proportionately allocated across all distinct performance obligations in the contract, based on their relative stand-alone selling prices.

iv) *Lease revenue*

The Company offers its safety products and monitoring services through its lease program. The Company offers four-year lease contracts which is accounted for as a finance lease. Product revenue is recognized upon initial inception of the lease in accordance with the manufacturer or dealer lessors specific guidance under IFRS 16, at the lesser of the fair value of the underlying asset, or the present value of the lease payments accruing to the Company which is discounted using a market rate of interest. Service revenue is recognized on a straight-line basis over the term of the lease. Interest income is recognized over the term of the applicable leases based on the effective interest rate method.

Customers are generally invoiced on a monthly or quarterly basis and consideration is payable when invoiced in accordance with the agreed credit terms in each lease contract.

v) *Rental revenue*

The Company offers its safety products and services through various term rental options. Revenues are recognized over the term of the contracted rental period with amounts prepaid by customers accounted for as deferred revenue. Payment of the transaction price is due from the customer in accordance with the agreed credit terms.

x) Goodwill

Goodwill represents the excess of consideration transferred over the fair value of the net identifiable assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses. The Company monitors and tests goodwill at the operating segment level to which goodwill has been allocated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or operating segment's fair value less costs of disposal and value in use. Goodwill is tested annually for impairment during the fourth quarter, or more frequently when there is indication that goodwill may be impaired.

y) Income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

3. Capital management

The Company's primary objectives when managing capital are to profitably grow its business while maintaining adequate financing flexibility to fund new investment opportunities and other unanticipated requirements or opportunities that may arise. Profitable growth is defined as earnings growth commensurate with the additional capital being invested in the business in order for the Company to earn an appropriate rate of return on that capital.

The Company's capital structure is comprised of shareholders' equity and repayable debt. The Company's objectives when managing its capital structure are to:

- maintain sufficient cash and cash equivalents and short-term investments to finance operations; and
- minimize dilution to shareholders.

The Company monitors its financing requirements through regular forecasting of its cash position. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. The factors considered when determining whether to issue new debt or equity include the amount of cash estimated to be required, the availability of debt or equity capital and the related costs, and the need to balance value creation for shareholders against the increased liquidity risks associated with debt. The Company may require additional equity and/or debt capital to fund any significant acquisition or development opportunities. The Company's capital management objectives have not changed over the years presented.

Under the terms of the renewed senior secured operating facility with a Canadian financial institution, the Company is required to comply with the following financial covenant:

- quarterly available liquidity to cash burn ratio of not less than 6.0 to 1.0

Under the terms of the securitization facility with a Canadian chartered bank, the Company is required to comply with the following financial covenants:

- quarterly tangible net worth of at least $18,000
- quarterly unrestricted cash balance of $250

The Company was in compliance with these covenants as at October 31, 2024. See Note 15 and Note 16 for additional information regarding the Company's financial covenant requirements.

4. Significant accounting judgments and estimates

The preparation of financial statements requires the use of accounting estimates with management also needing to use judgment in applying the Company's accounting policies.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most significant accounting estimates that the Company has made in the preparation of the consolidated financial statements:

a) Stock-based compensation

The determination of the fair value of stock options requires the use of a pricing model which requires the estimation of stock price volatility, the expected term of the underlying instruments, the estimation of the risk-free interest rate, and if applicable the resulting number of options that will ultimately vest.

b) Property and equipment and intangible assets

Measurement of property and equipment and intangible assets involves the use of estimates in determining the expected useful lives of those assets and the depreciation and amortization methods used.

c) Warranty provision

A provision is recognized for expected warranty claims on products sold during the year, based on previous levels of repairs and returns. Assumptions used to calculate the provision are based on current sales levels and information available about returns based on the warranty period for all products sold.

d) Impairment of non-financial assets

The Company tests goodwill annually irrespective of whether any indicators of impairment are present. Goodwill is tested at the cash generating unit ("CGU") or group of CGU level. Management has grouped CGU's together at the segment level for the purpose of goodwill impairment testing. The impairment test was based on significant estimates and assumptions to calculate the fair value less costs of disposal utilizing the discounted cash valuation model, including the allocation of goodwill to the operating segments, estimated discount rate, terminal value multiple, and revenue compounded annual growth rate.

The Company assesses for indicators of impairment at each reporting period that may indicate that property and equipment, right-of-use assets and intangible assets may be impaired.

e) Uncertain tax positions

Tax regulations and legislation of which interpretations are made are subject to change. Changes to tax regulations and legislation and other assumptions are subject to measurement uncertainty. The Company is subject to taxes in various jurisdictions and evaluates its positions with respect to applicable tax regulations and legislation which are subject to interpretation. The Company recognizes provisions related to tax uncertainties when appropriate, based on an estimate of the amount that ultimately will be paid to the tax authorities as of the reporting date. To the extent that interpretations change, there may be a significant impact on the consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise indicated)

The following are the most significant judgements that the Company has made in the preparation of the consolidated financial statements:

a) Revenue recognition – bundled arrangements

The determination of the amount of revenue and discounts to allocate to individual elements in a bundled arrangement is based on the stand-alone selling prices of the products and services. The determination of whether a deliverable constitutes a separate unit of accounting is based on the distinct performance obligations identified in the contract.

b) Impairment of financial assets

The determination of the expected credit loss for the Company's trade and other receivables is determined by a provision matrix that is based on historical credit loss experiences, adjusted for forward looking factors specific to the debtors and the economic environment.

5. Financial instruments and risk management

a) Financial instruments

The Company holds the following financial instruments:

Financial assets As at October 31, 2024	**Notes**	**Carrying amount** **$**
Cash and cash equivalents		16,107
Short-term investments	6	27,000
Trade and other receivables	7	56,065
Total		99,172
As at October 31, 2023		
Cash and cash equivalents		11,488
Short-term investments	6	4,500
Trade and other receivables	7	48,153
Total		64,141

Financial liabilities As at October 31, 2024	**Notes**	**Carrying amount** **$**
Accounts payable and other accrued liabilities	13	22,955
Contract liabilities		4,690
Lease liabilities	17	2,932
Bank indebtedness	16	10,653
Securitization facility payable	15	7,605
Total		48,835
As at October 31, 2023		
Accounts payable and other accrued liabilities	13	21,350
Contract liabilities		3,686
Lease liabilities	17	2,494
Bank indebtedness	16	8,610
Securitization facility payable	15	10,197
Total		46,337

The Company does not hold financial liabilities at FVPL as at October 31, 2024 and October 31, 2023.

The carrying amounts of the financial assets and liabilities, except for lease liabilities and securitization facility payables, are deemed to be the same as their fair values, due to their short-term nature or the interest receivable is close to current market rates.

The Company's risk exposure to various risks associated with the financial instruments is discussed in Note 5(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.

(In thousands of Canadian dollars, unless otherwise indicated)

Exposure

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Canadian dollars, is as follows:

				October 31, 2024
	USD	**GBP**	**EUR**	**AUD**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	8,206	3,219	1,883	863
Trade and other receivables	35,923	4,445	4,319	529
Financial liabilities				
Accounts payable and accrued liabilities	7,865	4,968	3,003	74
Contract liabilities	2,792	7	11	—
Lease liabilities	313	876	239	—
Securitization facility payable	5,982	—	—	—

				October 31, 2023
	USD	GBP	EUR	AUD
	$	$	$	$
Financial assets				
Cash and cash equivalents	3,163	2,029	2,140	378
Trade and other receivables	26,005	2,594	2,319	430
Financial liabilities				
Accounts payable and accrued liabilities	7,472	2,370	434	57
Contract liabilities	2,165	—	—	—
Lease liabilities	449	716	210	—
Securitization facility payable	7,547	—	—	—

Amounts recognized in Consolidated Statements of Loss and Comprehensive Loss

During the year, the following foreign exchange related amounts were recognized in the consolidated statements of loss and comprehensive loss.

	October 31, 2024	October 31, 2023
	$	$
Amounts recognized in profit or loss		
Net foreign exchange gain	(2,433)	(2,036)
Net gains (losses) recognized in Comprehensive Loss		
Translation of foreign operations	1,151	4,841

(In thousands of Canadian dollars, unless otherwise indicated)

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.

As at October 31, 2024, if the Canadian dollar had weakened/strengthened by 10% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the year would have been as follows, mainly as a result of foreign exchange gains/(losses) on translation of USD, GBP, EUR and AUD denominated cash and cash equivalents, trade accounts receivable and trade accounts payable:

	October 31, 2024 **$**	October 31, 2023 $
USD/CAD exchange rate – increase 10%	3,241	1,704
USD/CAD exchange rate – decrease 10%	(3,241)	(1,704)
GBP/CAD exchange rate – increase 10%	(18)	(16)
GBP/CAD exchange rate – decrease 10%	18	16
EUR/CAD exchange rate – increase 10%	37	165
EUR/CAD exchange rate – decrease 10%	(37)	(165)
AUD/CAD exchange rate – increase 10%	132	78
AUD/CAD exchange rate – decrease 10%	(132)	(78)

The Company’s exposure to other foreign exchange risk is not significant.

Interest rate risk

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

Exposure

The exposure of 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 payables are 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.

	October 31, 2024 **$**	October 31, 2023 $
Variable rate cash and cash equivalents	16,107	11,488
Variable rate bank indebtedness	10,653	8,610
Variable rate securitization facility	7,605	10,197
Fixed interest rate short-term investments	27,000	4,500

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 years ended October 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. 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 either past due or 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 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.

Impaired trade and other receivables

The creation and release of the ECL has been included in 'sales and marketing expenses' in the consolidated statements of loss and comprehensive loss. Amounts specifically identified and charged to the loss allowance are generally written off when there is no expectation of recovery.

Individual trade and other receivables which are known to be uncollectible are written off by reducing the carrying amount directly. For the remaining trade and other receivables, the estimated impairment losses are recognized in a separate provision for an ECL.

The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganization; and
- default or delinquency in payments.

Finance lease receivables have a loss rate consistent with current trade receivables as all outstanding payments are current from customers, these receivables are more secured, and risk of impairment loss is reduced by the Company's ability to re-possess the security should customers not make payment.

Receivables for which an impairment provision was recognized are written off against the provision when there is no expectation of recovering additional cash. Subsequent recoveries of amounts previously written off are credited against 'sales and marketing expenses' on the consolidated statements of loss and comprehensive loss.

(In thousands of Canadian dollars, unless otherwise indicated)

Movements in the ECL for trade and other receivables are as follows:

October 31, 2024	**Current**	**Less than 30 days past due**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**
	$	**$**	**$**	**$**	**$**
Expected loss rate	0.1%	2.4%	3.2%	4.0%	5.6%
Gross carrying amount	44,544	3,845	3,071	2,629	2,454
Loss allowance	46	92	98	105	137

October 31, 2023	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due
	$	$	$	$	$
Expected loss rate	0.2%	1.0%	1.8%	2.3%	6.4%
Gross carrying amount	37,876	3,324	1,805	2,064	3,495
Loss allowance	76	33	32	47	223

	October 31, 2024	October 31, 2023
	$	$
Expected credit loss	478	411
Provision for specifically identified contracts	—	—
Loss allowance	478	411

During the year, the following losses were recognized in relation to impaired receivables.

	October 31, 2024	October 31, 2023
	$	$
Impairment losses – movement in the loss allowance	582	136
Reversal of previous impairment losses	—	—

Impairment losses recognized in ‘sales and marketing’ expenses on the consolidated statements of loss and comprehensive loss was $799 for the year ended October 31, 2024 (October 31, 2023: $514).

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 $16,107 (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.

(In thousands of Canadian dollars, unless otherwise indicated)

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 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.

As at October 31, 2024	**Less than 6 months** $	**6 – 12 months** $	**Over 1 year** $	**Total contractual cash flows** $	**Carrying amount** $
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
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

(In thousands of Canadian dollars, unless otherwise indicated)

6. Short-term investments

	October 31, 2024 **$**	October 31, 2023 $
Guaranteed investment certificate with fixed interest of 4.00% and maturity date of April 2, 2024	—	4,500
Guaranteed investment certificate with fixed interest of 4.20% and maturity date of January 27, 2025	9,000	—
Guaranteed investment certificate with fixed interest of 3.50% and maturity date of April 29, 2025	11,000	—
Guaranteed investment certificate with fixed interest of 4.20% and maturity date of July 30, 2025	7,000	—
Total	27,000	4,500

7. Trade and other receivables

	October 31, 2024 **$**	October 31, 2023 $
Trade accounts receivable	33,999	32,123
Other receivables – current	10,073	7,816
Other receivables – non-current	12,471	8,625
Loss allowance	(478)	(411)
Total	56,065	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:

	October 31, 2024 **$**	October 31, 2023 $
Within one year	23,088	17,758
Later than one year but not later than five years	31,867	21,878
Later than five years	—	—
Total	54,955	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 15.

(In thousands of Canadian dollars, unless otherwise indicated)

8. Inventory

	October 31, 2024	October 31, 2023
	$	$
Parts	10,024	11,861
Finished goods	6,802	5,212
Total	16,826	17,073

Inventories recognized as an expense and included in 'cost of sales' for product in the consolidated statements of loss and comprehensive loss during the year ended October 31, 2024 amounted to $25,874 (October 31, 2023: $21,868). Write-downs of obsolete parts inventory amounted to $96 for the year ended October 31, 2024 (October 31, 2023: $152).

9. Property and equipment

						Net book value
	October 31, 2023	**Foreign exchange differences**	**Additions**	**Other Disposals & Transfers**	**Depreciation**	**October 31, 2024**
	$	**$**	**$**	**$**	**$**	**$**
SMT equipment	1,577	—	34	—	250	1,361
Manufacturing equipment	1,142	1	751	—	478	1,416
Furniture and equipment	259	3	115	—	126	251
Equipment leased under lease program	310	—	305	(162)	323	130
Rental equipment	4,563	64	2,865	216	1,803	5,905
Cartridges	4,385	—	2,987	(427)	2,323	4,622
Computer hardware	602	3	385	—	470	520
Evaluation kits	360	1	—	(18)	199	144
Leasehold improvements	343	1	36	—	250	130
Total	13,541	73	7,478	(391)	6,222	14,479

	Cost	**Accumulated depreciation**	**Net book value**
As at October 31, 2024	**$**	**$**	**$**
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

(In thousands of Canadian dollars, unless otherwise indicated)

Net book value

	October 31, 2022	Foreign exchange differences	Additions	Other Disposals & Transfers	Depreciation	October 31, 2023
	$	$	$	$	$	$
SMT equipment	1,922	—	22	(107)	260	1,577
Manufacturing equipment	1,172	2	378	—	410	1,142
Furniture and equipment	389	7	15	—	152	259
Equipment leased under lease program	1,245	—	—	(671)	264	310
Rental equipment	2,338	12	3,136	4	927	4,563
Cartridges	3,886	93	3,469	(607)	2,456	4,385
Computer hardware	970	7	149	—	524	602
Evaluation kits	337	(3)	569	(70)	473	360
Leasehold improvements	548	3	74	—	282	343
Total	12,807	121	7,812	(1,451)	5,748	13,541

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 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

Depreciation expense of $4,823 (October 31, 2023: $3,849) is included in ‘cost of sales’, $821 (October 31, 2023: $1,257) in ‘general and administrative expenses’, $28 in ‘sales and marketing expenses’ (October 31, 2023: $18), and $550 (October 31, 2023: $624) in ‘product research and development costs’ in the consolidated statements of loss and comprehensive loss.

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.

(In thousands of Canadian dollars, unless otherwise indicated)

10. Intangible assets

	Net book value			
	October 31, 2023	**Additions**	**Amortization**	**October 31, 2024**
	$	**$**	**$**	**$**
Computer software	25	158	17	166
Government certifications and product patent costs	1,705	489	766	1,428
Total	1,730	647	783	1,594

	Cost	**Accumulated amortization**	**Net book value**
As at October 31, 2024	**$**	**$**	**$**
Computer software	201	35	166
Government certifications and product patent costs	3,882	2,454	1,428
Total	4,083	2,489	1,594

	Net book value			
	October 31, 2022	Additions	Amortization	October 31, 2023
	$	$	$	$
Computer software	55	1	31	25
Government certifications and product patent costs	2,140	344	779	1,705
Total	2,195	345	810	1,730

	Cost	Accumulated amortization	Net book value
October 31, 2023	$	$	$
Computer software	503	478	25
Government certifications and product patent costs	4,413	2,708	1,705
Total	4,916	3,186	1,730

Amortization expense of $467 (October 31, 2023: $493) is included in ‘cost of sales’, $16 (October 31, 2023: $31) in ‘general and administrative expenses’, and $300 (October 31, 2023: $286) in ‘product research and development costs’ in the consolidated statements of loss and comprehensive loss.

(In thousands of Canadian dollars, unless otherwise indicated)

11. Right-of-use assets

	October 31, 2024	October 31, 2023
	$	$
Cost		
ROU assets, beginning of year	5,071	4,428
Foreign exchange differences	119	91
Additions	1,270	674
Other disposal and transfers	(97)	(122)
ROU assets, end of year	6,363	5,071
Accumulated depreciation		
ROU assets, beginning of year	2,740	1,915
Foreign exchange differences	(12)	(76)
Depreciation	910	901
ROU assets, end of year	3,638	2,740
Net book value	2,725	2,331
Offices and facilities	2,200	2,114
Vehicles and office equipment	525	217

12. Goodwill

As of October 31, 2024, the carrying amount of goodwill is $4,883 (October 31, 2023: $4,883). The Company completed its annual impairment test of goodwill as of October 31, 2024 using a fair value less costs of disposal (“FVLCOD”) model and concluded that no impairment was identified.

The Company allocated goodwill at the operating segment level and utilized percentages of revenue for the basis of allocation in the current year. In the prior year, the allocation of goodwill utilized average gross margin percentages:

	October 31, 2024	October 31, 2023
	$	$
Product	2,197	1,465
Service	2,686	3,418
Total	4,883	4,883

The recoverable amount of each operating segment was calculated using the FVLCOD method. Management’s budgeted adjusted EBITDA forecast built from historical and current results and business plans were also considered in the impairment test. The calculation of recoverable amount using the discounted cash flow approach was based on the following key assumptions:

Discount rate	13%
Terminal value multiple	12.90
Revenue compound annual growth	16%

(In thousands of Canadian dollars, unless otherwise indicated)

The discount rate was determined using a weighted average cost of capital reflecting the current market assessment. The terminal value multiple was based on management's best estimate of transaction multiples at the time of the impairment test and also considered market analyst reports. Revenue growth is based on management's best estimates based on business plans and historical growth. A 10% decline in the market capitalization would not cause an impairment to goodwill. Only a significant change to the key assumptions used in determining the recoverable amount would result in any impairment of goodwill.

The fair value of the CGU to which goodwill was allocated is categorized as a Level 3 fair value based on the unobservable inputs.

13. Accounts payable and other accrued liabilities

	October 31, 2024	October 31, 2023
	$	$
Trade accounts payable	10,642	10,453
Other accrued liabilities	12,313	10,897
Total accounts payable and other accrued liabilities	22,955	21,350

14. Warranty provision

The following table shows the changes in warranty provision during the years ended October 31, 2024 and 2023:

	October 31, 2024	October 31, 2023
	$	$
Warranty provision, beginning of year	2,848	1,957
Additional provisions recognized	4,223	3,696
Amounts used during the year	(2,848)	(2,805)
Warranty provision, end of year	4,223	2,848
Current	2,310	2,079
Non-Current	1,913	769

The warranty provision is recognized for expected warranty claims on products sold during the year, based on previous levels of repairs and returns. Assumptions used to calculate the provision are based on current sales levels and information available about returns based on the warranty period for all products sold.

(In thousands of Canadian dollars, unless otherwise indicated)

15. Securitization of lease finance receivables

Blackline Safety SPV Seller Corp. ("SPV") 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 October 31, 2024, the Company has $1,102 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 October 31, 2024, the Company was in compliance with all covenants. Subsequent to October 31, 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. Refer to Note 31 for further details.

	October 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	(5,901)	(2,704)
Interest expense on securitization facility	629	349
Foreign exchange on translation	33	176
Total securitization facility payable, end of year	7,605	10,197
Payments due in the next 12 months	3,950	4,843
Payments due thereafter	3,655	5,354
Maximum capacity on securitization facility	56,066	63,357
Less: Securitization facility payable	(7,605)	(10,197)
Remaining available capacity, end of period	48,461	53,160

(In thousands of Canadian dollars, unless otherwise indicated)

16. 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, 2024 for two years, maturing on October 31, 2026.

The Company had available capacity on its operating facility of $12,276 as at October 31, 2024 (October 31, 2023: $13,239).

The operating facility includes financial covenants, including 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 October 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 SPV.

(CAD thousands)	**Maturity Date**	**October 31, 2024**	**October 31, 2023**
Bank indebtedness	October 31, 2026	10,653	8,610

17. Lease liabilities

The following table details the movement of the Company’s lease liabilities for the years ended October 31, 2024 and 2023.

	October 31, 2024	October 31, 2023
	$	$
Lease liability, beginning of year	2,494	2,672
Foreign exchange differences	(38)	42
Additions	1,270	674
Disposals	(12)	—
Interest	190	147
Repayments	(972)	(1,041)
Lease liability, end of year	2,932	2,494
Lease obligations due within 12 months	907	864
Lease obligations due later than 12 months	2,025	1,630

Payments relating to short-term leases and leases of low-value assets were $100 for the year ended October 31, 2024 (October 31, 2023: $46).

(In thousands of Canadian dollars, unless otherwise indicated)

18. 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	150,000	365
Issued through stock-based compensation plan	334,053	856
As at October 31, 2023	72,547,146	195,652
Options exercised	464,174	1,078
Issued through stock-based compensation plan	242,262	1,054
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 October 31, 2024	81,792,332	230,788

During the year ended October 31, 2024, 626,000 options were exercised for proceeds net of income tax withholdings of $712. On exercise of these common share options, 464,174 common shares were issued and $366 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.

During the year ended October 31, 2023, 150,000 common share options were exercised for proceeds net of income tax withholdings of $263. On exercise of these common share options, $102 was credited to share capital from contributed surplus.

c) Employee Share Ownership Plan

The Company has a custody and administration vehicle to facilitate its employee share ownership program and hold shares of the Company allocated to individual directors and employees. Included in the outstanding common shares of the Company as at October 31, 2024, are 98,405 (October 31, 2023: 127,401) unvested common shares and 2,263,886 (October 31, 2023: 2,081,334) vested common shares which are held by the above-noted vehicle.

(In thousands of Canadian dollars, unless otherwise indicated)

19. Revenue from contracts with customers

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

Revenue	**October 31, 2024** **$**	**October 31, 2023** **$**
Product revenue	57,824	46,924
Software services revenue	61,361	47,611
	119,185	94,535
Rental revenue	8,101	5,471
Total revenues	127,286	100,006
Timing of revenue recognition		
At a point in time	56,942	46,490
Over time	70,344	53,516
Total revenues	127,286	100,006

20. 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 the 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 consolidated statement of loss and comprehensive loss. The Company's expenses, finance income and costs, assets and liabilities are not allocated to reportable segments.

(In thousands of Canadian dollars, unless otherwise indicated)

	October 31, 2024	October 31, 2023
Revenue		
Product	57,824	46,924
Service	69,462	53,082
Total Revenues	127,286	100,006
Cost of sales		
Product	36,855	33,951
Service	16,184	13,274
Total Cost of sales	53,039	47,225
Gross margin		
Product	20,969	12,973
Service	53,278	39,808
Gross margin	74,247	52,781
General and administrative expenses	26,259	23,764
Sales and marketing expenses	41,522	36,991
Product research and development costs	19,546	18,513
Foreign exchange gain	(2,433)	(2,036)
Finance expense (income), net	649	(220)
Net loss before income tax	(11,296)	(24,231)
Income tax expense	(1,299)	(1,316)
Net loss	(12,595)	(25,547)

In the years ended October 31, 2024 and 2023, there were no customers representing greater than 10% of the Company's revenue.

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

	October 31, 2024	October 31, 2023
Canada	24,598	25,009
United States	61,649	47,511
Europe	30,395	21,396
Rest of World[1]	10,644	6,090
Total revenues	127,286	100,006

(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.

(In thousands of Canadian dollars, unless otherwise indicated)

21. Expenses by nature

Cost of sales includes employee compensation and benefit expenses, services and materials, and depreciation and amortization on assets relating to operations. Additional information on the nature of expenses is as follows:

	October 31, 2024	October 31, 2023
	$	$
Employee compensation and benefit expenses	67,686	60,924
Operational expenses	21,024	17,772
Services and materials	43,742	40,338
Depreciation and amortization	7,914	7,459
Foreign exchange gain	(2,433)	(2,036)
Total costs of sales and expenses	137,933	124,457

22. Employee compensation and benefit expenses

	October 31, 2024	October 31, 2023
	$	$
Salaries, wages, employment and termination benefits	65,824	59,359
ESOP and stock options granted to directors and employees	1,862	1,565
Total employee compensation and benefit expenses	67,686	60,924

23. Finance income and costs

	October 31, 2024	October 31, 2023
	$	$
Finance income		
Interest received/receivable from finance leases and financial assets held for cash management purposes	1,336	1,074
Finance costs		
Interest and finance charges paid/payable for financial liabilities	(1,985)	(854)
Finance (expense) income, net	(649)	220

(In thousands of Canadian dollars, unless otherwise indicated)

24. Income taxes

Income tax expense is calculated using the combined federal and provincial statutory income tax rates. The combined provision for taxes in the consolidated statements of loss and comprehensive loss reflects an effective tax rate which differs from the expected statutory rate as follows:

	October 31, 2024 **$**	October 31, 2023 $
Loss before income taxes	(11,296)	(24,231)
Combined federal and provincial income tax rate	23%	23%
Tax calculated at applicable statutory rates applicable to profits	(2,598)	(5,573)
Tax losses and other items for which no deferred income tax asset was recognized	3,383	6,452
Stock-based compensation expense not deductible for tax purposes	428	357
Non-deductible expenses	86	80
Income tax expense	1,299	1,316

The significant components of the Company's net future income tax deductions are summarized as follows:

	October 31, 2024 **$**	October 31, 2023 $
Non-capital loss carry forwards	160,886	156,372
Undepreciated capital cost	34,986	29,449
Reserves	4,701	3,259
Share issuance costs	2,170	2,073
SR&ED expenditure pool	6,909	6,909
Total future tax deductions	209,652	198,062

In addition to the temporary differences listed above, the Company has $1,834 of investment tax credits available as of October 31, 2024 which will be included in the taxable income of the Company in the tax year following their use.

A deferred income tax asset has not been recognized as there is not sufficient certainty regarding future utilization. The loss carry forwards available for tax reporting purposes are as follows:

	October 31, 2024 **$**	**Expiration Date**
Non-capital loss carry forwards		
Canada	138,336	2027 – 2045
United Kingdom	21,761	Indefinite
France	1,042	Indefinite

The Company has recorded a provision for potential taxes payable within individual states in the United States of $850 within other accrued liabilities (October 31, 2023: $450).

(In thousands of Canadian dollars, unless otherwise indicated)

25. Interests in subsidiaries

The Company's interest in subsidiaries as at October 31, 2024 and 2023 is set out below. Unless otherwise stated, subsidiaries have share capital consisting solely of common shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / Country of incorporation	Ownership interest held by the Company		Ownership interest held by non-controlling interests		Principal activities
		2024	2023	**2024**	2023	
		%	%	**%**	%	
Blackline Safety USA Corp.	USA	100	100	—	—	Facilitation of sale of safety monitoring products and services in the United States
Blackline Safety Europe Ltd.	United Kingdom	100	100	—	—	Sale of safety monitoring products and services in the United Kingdom and certain other countries
Blackline Safety Europe SAS	France	100	100	—	—	Sale of safety monitoring products and services in the European Union
Blackline Safety Australia Pty. Ltd.	Australia	100	100	—	—	Facilitation of sale of safety monitoring products and services in Australia and New Zealand
Blackline Safety SPV Seller Corp.	Canada	100	100	—	—	Securitization vehicle in the purchase and sale of lease contracts to a Canadian chartered bank
Wearable Technologies Limited	United Kingdom	100	100	—	—	License owned intellectual property to the Company
Swift Labs Inc.	Canada	100	100	—	—	Internet of Things design, engineering and product research and development support

(In thousands of Canadian dollars, unless otherwise indicated)

26. Commitments

The Company has various commitments to minimum inventory purchases and has contracted for the services of certain third parties. The Company has a securitization facility and leases under IFRS 16 to which there are minimum required payments, are excluded below. Refer to Note 15 and Note 17 for further details.

The remaining commitments under the below contracts, including a commitment for minimum spend on inventory purchases and sensors, business information technology commitments, and the estimated operating costs for the office space leases, are as follows:

	October 31, 2024 **$**	October 31, 2023 $
Within one year	5,932	2,722
Later than one year but not later than five years	18,625	2,307
Later than five years	—	91
Total	24,557	5,120

27. Related party transactions

The Company 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 with a related party. Refer to Note 18 for further details.

Key management personnel compensation

Key management includes the Company's directors and executive officers. The Company's independent directors can receive compensation in the form of director fees, stock options and/or participate in the Company's ESOP. The compensation paid or payable to key management for employee and director services is shown below:

	October 31, 2024 **$**	October 31, 2023 $
Salaries, compensation and employment benefits	3,131	2,841
ESOP and stock options granted	1,594	763
Total	4,725	3,604

(In thousands of Canadian dollars, unless otherwise indicated)

28. 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	1,340,000	3.86
Exercised during the period	(150,000)	1.75
Forfeited during the period	(526,000)	5.62
Expired during the period	(587,642)	5.50
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	1,424,400	4.71
Exercised during the period	(626,000)	2.43
Forfeited during the period	(88,667)	5.33
Expired during the period	(674,584)	5.27
As at October 31, 2024	5,784,151	4.38
Vested and exercisable at October 31, 2024	3,907,918	4.58

The weighted average share price at the date of exercise of options exercised during the year ended October 31, 2024 was $4.38 (October 31, 2023: $3.52).

Stock options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date – Year ended	**Exercise price $ per share**	**Stock options October 31, 2024**	Stock options October 31, 2023
October 31, 2024	5.26 – 5.84	—	674,585
October 31, 2025	4.25	543,251	698,251
October 31, 2026	6.55 – 8.93	974,000	998,500
October 31, 2027	1.75 – 6.05	1,571,667	2,037,667
October 31, 2028	2.75 – 3.47	1,270,833	1,340,000
October 31, 2029	4.64 – 5.57	1,424,400	—
		5,784,151	5,749,003

(In thousands of Canadian dollars, unless otherwise indicated)

The weighted average remaining contractual life of the options outstanding as at October 31, 2024 is 3.01 years (October 31, 2023: 3.08 years).

The Company uses the Black-Scholes model and a forfeiture rate of 39% (October 31, 2023: 34%), based on historical data, to calculate the stock-based compensation expense during the period. The weighted average assessed fair value of options granted for the period ended October 31, 2024 was $4.71 per option (October 31, 2023: $3.06). The valuation at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the expected dividend yield.

The model inputs for the option tranches granted during the years ended October 31, 2024 and 2023 included:

	2024	**2023**
Risk-free interest rate	2.79% – 3.40%	3.52% – 4.68%
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% – 51%	39% – 48%

The expected price volatility is based on the historical volatility.

29. 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)	**October 31, 2024**	**October 31, 2023**
Weighted average shares outstanding – basic and diluted	76,231,233	72,213,072
Net Loss for the period	(12,595)	(25,547)
Basic and diluted loss per share	(0.17)	(0.35)

(In thousands of Canadian dollars, unless otherwise indicated)

30. Supplementary cash flow information

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

	October 31, 2024	October 31, 2023
Operating activities		
Changes in non-cash working capital:		
Trade and other receivables	(3,656)	(16,188)
Inventory	362	1,840
Prepaid expenses and advances	(1,654)	(490)
Contract assets	(570)	(164)
Contract assets – non-current	467	114
Other receivables – non-current	(3,845)	(560)
Accounts payable and other accrued liabilities	1,381	1,876
Warranty provision	232	599
Deferred revenue	8,099	(69)
Contract liabilities	1,684	749
Warranty provision – non-current	1,143	292
Deferred revenue – non-current	839	6,031
Contract liabilities – non-current	(682)	(192)
	3,800	(6,162)
Investing activities[(1)]		
Changes in non-cash working capital:		
Accounts payable and other accrued liabilities	118	(76)

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

	October 31, 2024	October 31, 2023
Cash taxes paid	603	847
Cash interest paid	1,302	232

31. Subsequent events

On November 1, 2024, SPV signed an amendment with a Canadian chartered bank 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. The Company remains obliged to continue providing services to its customers in accordance with the terms of the underlying lease contracts and continue to collect and remit payments on a monthly basis under the lease contracts that were sold to the Purchaser.

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