UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended January 31, 2020

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Blackline Safety Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Blackline Safety Corp.
Consolidated Statement of Financial Position
(Unaudited)

	January 31, 2020 $	October 31, 2019 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	12,622,742	13,636,427
Short-term investments	12,942,510	17,003,361
Trade and other receivables	9,813,518	9,840,853
Inventory	6,855,809	5,849,769
Prepaid expenses and advances	772,701	754,511
Contract assets	522,097	515,017
Total current assets	43,529,377	47,599,938
NON-CURRENT ASSETS		
Property and equipment	9,902,101	9,449,817
Intangible assets	678,798	658,638
Right-of-use assets (note 5)	1,717,958	-
Long-term contract assets	446,525	460,595
Long-term other receivables	736,672	564,816
Total non-current assets	13,482,054	11,133,866
TOTAL ASSETS	57,011,431	58,733,804
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	6,081,218	7,367,353
Deferred revenue	7,593,629	7,099,703
Current portion of contract liabilities	735,594	611,143
Government assistance (note 6)	198,420	288,793
Current portion of lease liabilities (note 7)	374,932	-
Total current liabilities	14,983,793	15,366,992
NON-CURRENT LIABILITIES		
Deferred revenue	3,725,209	3,630,635
Contract liabilities	145,684	193,405
Lease liabilities (note 7)	1,359,229	-
Deferred lease incentives	-	171,725
Total non-current liabilities	5,230,122	3,995,765
TOTAL LIABILITIES	20,213,915	19,362,757
SHAREHOLDERS' EQUITY		
Share capital (note 8)	93,123,173	92,781,280
Contributed surplus	8,695,613	8,770,346
Accumulated other comprehensive income (loss)	(480,149)	177,465
Deficit	(64,541,121)	(62,358,044)
TOTAL SHAREHOLDERS' EQUITY	36,797,516	39,371,047
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	57,011,431	58,733,804

Subsequent event (note 15)
See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

	Three-month period ended January 31, 2020	January 31, 2019
	$	$
Revenues (note 9 and 10)		
Product revenue	3,341,448	2,180,079
Service revenue	5,576,636	4,048,588
Total revenues	8,918,084	6,228,667
Cost of sales (note 10)	4,858,905	3,386,757
Gross margin	4,059,179	2,841,910
Expenses		
General and administrative expenses	767,953	1,270,291
Sales and marketing expenses	3,751,366	2,111,581
Product development costs	2,007,327	1,437,889
Total expenses	6,526,646	4,819,761
Results from operating activities	(2,467,467)	(1,977,851)
Finance income, net	112,671	233,118
Net loss	(2,354,796)	(1,744,733)
Other comprehensive income (loss)		
Foreign exchange translation gain (loss) on foreign operations (note 4 (b)(i))	(657,614)	206,411
Comprehensive loss for the period	(3,012,410)	(1,538,322)
Loss per common share (note 13):		
Basic and diluted	(0.05)	(0.04)

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Consolidated Statement of Changes in Equity
(Unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
		$	$	$	$	$
Balance at October 31, 2018	47,147,538	90,791,496	7,940,859	97,623	(52,433,585)	46,396,393
Loss for the period	-	-	-	-	(1,744,733)	(1,744,733)
Foreign exchange translation of foreign operations	-	-	-	206,411	-	206,411
Exercising of options (note 8)	1,416	6,187	(1,635)	-	-	4,552
Stock-based compensation expense (note 8)	11,756	58,864	76,095	-	-	134,959
Balance at January 31, 2019	47,160,710	90,856,547	8,015,319	304,034	(54,178,318)	44,997,582
Loss for the period	-	-	-	-	(8,179,726)	(8,179,726)
Foreign exchange translation of foreign operations	-	-	-	(126,569)	-	(126,569)
Exercising of options (note 8)	634,946	1,688,072	(511,654)	-	-	1,176,418
Brokered private placement (note 8)	-	-	-	-	-	-
Share issuance costs (note 8)	-	-	-	-	-	-
Stock-based compensation expense (note 8)	40,187	236,661	1,266,681	-	-	1,503,342
Balance at October 31, 2019	47,835,843	92,781,280	8,770,346	177,465	(62,358,044)	39,371,047
Opening adjustment (note 3)	-	-	-	-	171,718	171,718
Loss for the period	-	-	-	-	(2,354,795)	(2,354,795)
Foreign exchange translation on foreign operations	-	-	-	(657,614)	-	(657,614)
Exercising of options (note 8)	51,917	260,050	(94,474)	-	-	165,576
Stock-based compensation expense (note 8)	13,423	81,843	19,741	-	-	101,584
Balance at January 31, 2020	47,901,183	93,123,173	8,695,613	(480,149)	(64,541,121)	36,797,516

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Consolidated Statement of Cash Flows
(Unaudited)

	Three-month period ended January 31, 2020	January 31, 2019
	$	$
Cash provided by (used in)		
Operating activities		
Loss for the period	(2,354,796)	(1,744,733)
Depreciation and amortization	964,627	511,410
Stock-based compensation expense	19,736	127,600
Finance income, net	(131,729)	(233,118)
Unrealized foreign exchange (gains) losses	(57,820)	(175,379)
Disposals property and equipment	77,555	-
	(1,482,427)	(1,514,220)
Net changes in non-cash working capital (note 14)	(1,768,116)	(2,460,411)
Net cash provided by (used in) operating activities	(3,250,543)	(3,974,631)
Financing activities		
Proceeds from warrant and option exercises	247,408	11,911
Repayment of lease liabilities	(95,250)	-
Repayments of government assistance (note 6)	(90,373)	-
Net cash provided by (used in) financing activities	61,785	11,911
Investing activities		
Purchase of short-term investments	(1,934,524)	-
Redemption of short-term investments	6,003,361	2,016,945
Finance income, net	63,556	55,038
Purchase of property and equipment and intangible assets	(1,337,653)	(798,572)
Net cash provided by (used in) investing activities	2,794,740	1,273,411
Effect of foreign exchange changes on cash and cash equivalents	(619,667)	327,301
Net increase (decrease) in cash and cash equivalents	(1,013,685)	(2,362,008)
Cash and cash equivalents, beginning of period	13,636,427	11,361,640
Cash and cash equivalents, end of period	12,622,742	8,999,632

Supplementary cash flow information (note 14)

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of operations

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

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on March 24, 2020.

2. Summary of significant accounting policies

a) Basis of preparation

The condensed consolidated interim financial statements and accompanying notes have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB”).

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended October 31, 2019.

These condensed consolidated interim financial statements do not contain all the disclosures required for full annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended October 31, 2019, other than as described in note 2 b).

b) Changes in accounting policy and disclosures

i) New and amended standards adopted by the Company

The following new standard was adopted by the Company in the year:

- IFRS 16 *Leases*

The impact of the adoption of this standard on November 1, 2019 and the new accounting policies applied for the current period are disclosed below.

As a result of the changes in the Company’s accounting policies, the comparative periods did not have to be restated and continues to be presented under the accounting policies disclosed in the audited consolidated financial statements for the year ended October 31, 2019.

ii) New standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for January 31, 2020 reporting period and have not been early adopted by the Company.

There are no other mandatory standards that would be expected to have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

3. Changes in accounting policies

The impact of the adoption of IFRS 16 *Leases* on the Company's financial statements and the new accounting policies that have been applied from November 1, 2019 are outlined in this note.

The Company has adopted IFRS 16 *Leases* using the modified retrospective approach from November 1, 2019. Prior to the adoption of this standard, identified leases were categorized as either operating or finance leases, and operating leases were not subject to statement of financial position recognition. The Company has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as at November 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at November 1, 2019. For leases previously classified as finance leases, the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use ("ROU") asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related ROU assets immediately after the date of initial application.

a) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at November 1, 2019 as short-term leases and expense the payments as incurred;
- excluding initial direct costs for the measurement of the ROU asset at the date of initial application; and
- leases of low dollar value based on the value of the asset when it is new, regardless of the age of the asset, will be expensed as incurred.

Several key judgments and estimates were made such as assessing whether an arrangement contains a lease, determining the lease term, calculating the incremental borrowing rate and whether to account for the lease and any non-lease components as a single lease component.

The Company has also elected not to reassess whether a contract contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made by applying IAS 17 to determine whether an arrangement contains a lease.

b) Measurement of lease liabilities

Lease liability	Impact on statement of financial position item	Carrying amount
As at November 1, 2019		$
ROU assets	Increase	1,682,655
Current portion of lease obligations	Increase	444,752
Long-term portion of lease obligations	Increase	1,237,903
Other deferred liabilities	Decrease	(171,718)
Deficit	Increase	171,718

ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at October 31, 2019. The lease liability is measured at the present value of the lease payments using an incremental borrowing rate of 4.95%. There were no onerous lease contracts that would have required an adjustment to the ROU assets at the date of initial application. The following table represents the reconciliation between the disclosed commitments as at October 31, 2019 and lease liability as at November 1, 2019.

Commitments reconciliation	Amount
As at November 1, 2019	$
Operating lease commitments as at October 31, 2019	5,622,222
Discounted using the incremental borrowing rate	4,375,793
Less: short-term lease recognized as expense	(6,411)
Less: low-value lease recognized as expense	(109,094)
Less: arrangements not containing a lease	(2,577,633)
Lease liability recognized as at November 1, 2019	1,682,655

c) Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the consolidated statement of loss over 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 expense.

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 rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

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

d) Lessor accounting

When the Company acts as a lessor, 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 lease revenue on the consolidated statement of loss.

4. Financial instruments and risk management

a) Financial instruments

The Company holds the following financial instruments:

Financial assets	Notes	Carrying amount
As at January 31, 2020		$
Cash and cash equivalents		12,622,742
Short-term investments		12,942,510
Trade and other receivables		10,550,190
		36,115,442
As at October 31, 2019		
Cash and cash equivalents		13,636,427
Short-term investments		17,003,361
Trade and other receivables		10,405,669
		41,045,457

Financial liabilities	Notes	Carrying amount
As at January 31, 2020		$
Accounts payable and accrued liabilities		6,081,218
Contract liabilities		881,278
Government assistance	6	198,420
Lease liabilities	7	1,734,161
		8,895,077
As at October 31, 2019		
Accounts payable and accrued liabilities		7,367,353
Contract liabilities		804,548
Government assistance	6	288,793
		8,460,694

The Company does not hold financial liabilities at fair value through profit or loss as at January 31, 2019 and January 31, 2020.

The carrying amounts of the financial assets and liabilities 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 4 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.

Amounts recognized in Consolidated Statement of Loss and Comprehensive Loss
During the three-month period, the following foreign-exchange related amounts were recognized in loss and other comprehensive loss.

	Three-month period ended	
	January 31, 2020 $	January 31, 2019 $
Amounts recognized in loss		
Net foreign exchange gain/(loss)	(689,848)	(144,237)
Net gains (losses) recognized in Comprehensive Loss		
Translation of foreign operations	(657,614)	206,411

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 accounts receivable and accounts payable.

For the three-month period ended January 31, 2020 and 2019, 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 period would not have been significant.

Interest rate risk

The Company's interest rate risk arises from its cash and cash equivalents and bank indebtedness with variable rates which expose the Company to cash flow interest rate risk. The Company's short-term investments have fixed interest rates.

Exposure
The exposure of the Company's cash and cash equivalents and bank indebtedness are subject to variable interest rate changes and the fixed interest rate short-term investments have contractual repricing dates of six months or less.

Sensitivity
The net loss of the Company is sensitive to higher/lower interest income from cash and cash equivalents and to higher/lower interest expenses from bank indebtedness as a result of changes in interest rates. For the three-month periods ended January 31, 2020 and 2019, if the interest rate had increased/decreased by 100 basis points, with all other variables held constant, the impact on net loss for the period would not have been significant.

ii. Credit risk

Credit risk arises from cash and cash equivalents, short-term investments held with banks as well as credit exposure to customers, including outstanding trade accounts 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 Canadian chartered bank, United States chartered bank and a UK plc bank. The bank indebtedness is comprised of the amount drawn on the Company's demand operating revolving loan facility with a Canadian chartered bank. The Company only deals with highly rated financial institutions.

The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings with compliance with credit limits regularly monitored.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. A significant portion of the Company's trade receivables are with customers in the oil and gas industry and are subject to normal credit terms.

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 $12,622,742 (October 31, 2019: $13,636,427) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining availability under a committed credit line.

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

The Company has financed its activities primarily through cash flows from operations, funds from brokered and non-brokered private placements, a bank demand operating revolving loan facility and government assistance in the form of repayable debt. The ability to sustain operations is dependent on successfully commercializing its products, continuing to increase sales of the Company's products and services and, if required, the ability to raise additional equity through financing. The Company 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. Balances due within 24 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Over 1 year	Total contractual cash flows	Carrying amount
As at January 31, 2020	$	$	$	$	$
Accounts payable and accrued liabilities	5,283,585	797,633	-	6,081,218	6,081,218 -
Contract liabilities	442,895	292,699	145,684	881,278	881,278
Lease Liabilities	177,140	197,792	1,359,229	1,734,161	1,734,161
Government assistance	198,420	-	-	198,420	198,420
Total	6,102,040	1,288,124	1,504,913	8,895,077	8,895,077
As at October 31, 2019					
Accounts payable and accrued liabilities	6,640,778	726,575	-	7,367,353	7,367,353
Contract liabilities	393,157	217,986	193,405	804,548	804,548
Government assistance	200,000	88,973	-	288,793	288,793
Total	7,233,935	1,033,534	193,405	8,460,694	8,460,694

5. Right-of-use asset

The following table details the cost and accumulated depreciation of the Company's ROU assets:

	As at November 1, 2019	Exchange differences	Additions	Depreciation	As at January 31, 2020
	$	$	$	$	$
ROU assets	1,682,655	9,420	137,476	111,593	1,717,958

6. Government assistance

The Company has a compensation and funding agreement with TECTERRA Inc. ("Tecterra"), an Alberta provincial technology organization which supports the development and commercialization of geomatics solutions. Under the terms of the agreement, the Company receives funding for the development of a certain geomatic product. The agreement contains security in the form of a first security interest (subject only to any security interest and charge granted by the Company to its principal bank) on all present and after acquired property of the Company for the performance of its agreement obligations. The funding received is fully repayable by the Company on a quarterly basis with the amounts of each quarterly payment based on the lesser of a percentage of sales of that product or 20% of the funding amount. The Company shall commence repayment at the end of the calendar quarter in which the first sale of the product for which funding has been provided occurs.

On June 16, 2017, the Company entered into a funding and compensation agreement with Tecterra whereby up to $500,000 in funding was made available to the Company, interest free, for the creation and development of a new product. The Company has received all $500,000 of the available funding under this agreement (October 31, 2019: $500,000). As at January 31, 2020, the Company has repaid $301,580 of the amount received.

Of the total amount outstanding as at January 31, 2020, $198,420 (October 31, 2019: $288,793) is estimated to be repayable within 12 months of the period end date and classified as a current liability.

7. Lease arrangements

The follow table details the movement in the Company's lease obligations for the period ended January 31, 2020.

Lease liability	$
Balance as at November 1, 2019	1,682,655
Exchange differences	9,420
Additions	137,476
Repayments	(95,390)
Balance as at January 31, 2020	1,734,161
Lease obligations due within 12 months	374,932
Lease obligations due later than 12 months	1,359,229

The Company incurred $13,552 (January 31, 2019: $nil) in interest charges related to its lease obligations.

8. Share capital

a) Authorized

An unlimited number of common voting shares without nominal or par value. An unlimited number of preferred shares without nominal or par value.

b) Issued

	Number of Shares	Amount $
Common Shares		
As at October 31, 2018	47,147,538	90,791,496
Options exercised	1,416	6,187
Issued through stock-based compensation plan	11,756	58,864
As at January 31, 2019	47,160,710	90,856,547
Options exercised	634,946	1,688,072
Issued through stock-based compensation plan	40,187	236,661
As at October 31, 2019	47,835,843	92,781,280
Options exercised	51,917	260,050
Issued through stock-based compensation plan	13,423	81,843
As at January 31, 2020	47,901,183	93,123,173

During the period ended January 31, 2020, 51,917 common share options were exercised for cash proceeds of $165,575. On exercise of these common share options, $94,474 was credited to share capital from contributed surplus.

During the period ended January 31, 2019, 1,416 common share options were exercised for cash proceeds of $4,552. On exercise of these common share options, $1,635 was credited to share capital from contributed surplus.

9. Revenue from contracts with customers

	Three-month period ended	
	January 31, 2020	January 31, 2019
Revenue	$	$
Revenue from contracts with customers – Product	3,341,448	2,180,079
Revenue from contracts with customers – Service	4,520,326	2,951,481
Revenue from leases	1,056,310	1,097,107
Total	8,918,084	6,228,667
Timing of revenue recognition		
At a point in time	3,341,448	2,180,079
Over time	5,576,636	4,048,588
Total	8,918,084	6,228,667

10. Segment information

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

The Chief Executive Officer considers the business performance from a product and service perspective. The product revenues are driven by sales of the Company's suite of safety products with the service revenue generated by the monitoring and the support of those products. There are no sales between segments and revenue from external parties is measured in a manner consistent with that in the consolidated statement of loss.

The Chief Executive Officer regularly reviews the following for each reportable segment:

	Product		Service	
	Three-month period ended			
	January 31, 2020	January 31, 2019	January 31, 2020	January 31, 2019
	$	$	$	$
Revenue	3,341,448	2,180,079	5,576,636	4,048,588
Cost of sales	3,084,314	1,998,672	1,774,591	1,388,085
Gross margin	257,134	181,407	3,802,045	2,660,503

The Company's expenses, finance income and costs, assets and liabilities are not allocated to reportable segments.

In the three-month period ended January 31, 2020, there were no customers representing greater than 10% of the Company's revenue (January 31, 2019: no customer represented greater than 10%).

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

	Three-month period ended	
	January 31, 2020	January 31, 2019
	$	$
Canada	3,669,628	3,070,076
United States	3,108,944	1,935,127
Europe	1,891,392	994,304
Australia & New Zealand	173,934	182,902
Other International	74,186	46,258
Total	8,918,084	6,228,667

11. Related party transactions

The Company purchased consulting services from an entity controlled by a related party of a member of key management personnel on normal credit terms and conditions in the amounts of $nil for the period ended January 31, 2020 (January 31, 2019: $12,375). As at January 31, 2020, the amount of $nil (October 31, 2019: $15,356) was outstanding in accounts payable and accrued liabilities in relation to transactions with that related party.

12. Stock-based compensation

The Company has established a stock-based compensation plan (“stock option plan” or the “plan”) which was reapproved by shareholders at the prior year annual general meeting. The purpose of the stock option plan is to provide long-term incentives for directors, officers, employees and consultants of the Company to deliver long-term shareholder returns.

Participation in the plan is at the Board of Directors’ discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The plan allows for the purchase of one common share for each option granted, at a fixed price not less than the fair market value of the stock at the time of grant, subject to certain conditions being met.

The number of options that may be exercised depends on the Company’s share price as listed on the TSXV. 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 vest after three years, the options remain exercisable for a period of two years after vesting.

Options granted under the plan are for no consideration and carry no dividend or voting rights. When exercised, each option converts into one common share.

	Number of options	Weighted average exercise price per stock option $
As at October 31, 2018	2,680,652	3.61
Vested and exercisable at October 31, 2018	2,171,435	3.33
Granted during the period	-	-
Exercised during the period	(1,416)	3.21
Forfeited during the period	(5,250)	3.74
Expired during the period	-	-
As at January 31, 2019	2,673,986	3.61
Vested and exercisable at January 31, 2019	2,262,194	3.38
Granted during the period	812,000	5.27
Exercised during the period	(634,946)	1.85
Forfeited during the period	(92,236)	4.87
Expired during the period	(7,000)	1.31
As at October 31, 2019	2,751,804	4.46
Vested and exercisable at October 31, 2019	2,368,112	4.36
Granted during the period	-	-
Exercised during the period	(51,917)	3.19
Forfeited during the period	(15,083)	3.94
Expired during the period	-	-
As at January 31, 2020	2,684,804	4.49
Vested and exercisable at January 31, 2020	2,324,695	4.38

13. Loss per common share

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

	Three-month period ended	
	January 31, 2020	January 31, 2019
Weighted average shares outstanding - basic and diluted	47,876,123	47,154,987
Loss for the period	(2,354,796)	(1,744,733)
Basic and diluted earnings per share	(0.05)	(0.04)

14. Supplementary cash flow information

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

	Three-month period ended	
	January 31, 2020 $	January 31, 2019 $
Trade and other receivables	136,760	(1,653,842)
Inventory	(982,914)	(510,159)
Prepaid expenses and advances	(15,729)	10,152
Contract assets	(7,059)	(176,311)
Contract assets – long-term	14,084	(127,464)
Other receivables – long-term	(171,856)	-
Accounts payable and accrued liabilities	(1,342,864)	(534,103)
Deferred revenue	457,770	204,257
Contract liabilities	124,451	196,806
Deferred lease incentives	-	(18,013)
Deferred revenue – long term	66,962	7,640
Contract liabilities – long term	(47,721)	86,239
Deferred lease incentives – long term	-	54,387
	(1,768,116)	(2,460,411)

15. Subsequent event

Subsequent to the period-end, the global economy has been significantly impacted by the coronavirus (COVID-19) pandemic. The impact on the Company's future earnings and cash flows cannot be estimated at this time and the Company continues to ensure the continuity of its global operations, servicing both new and current customer needs.

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