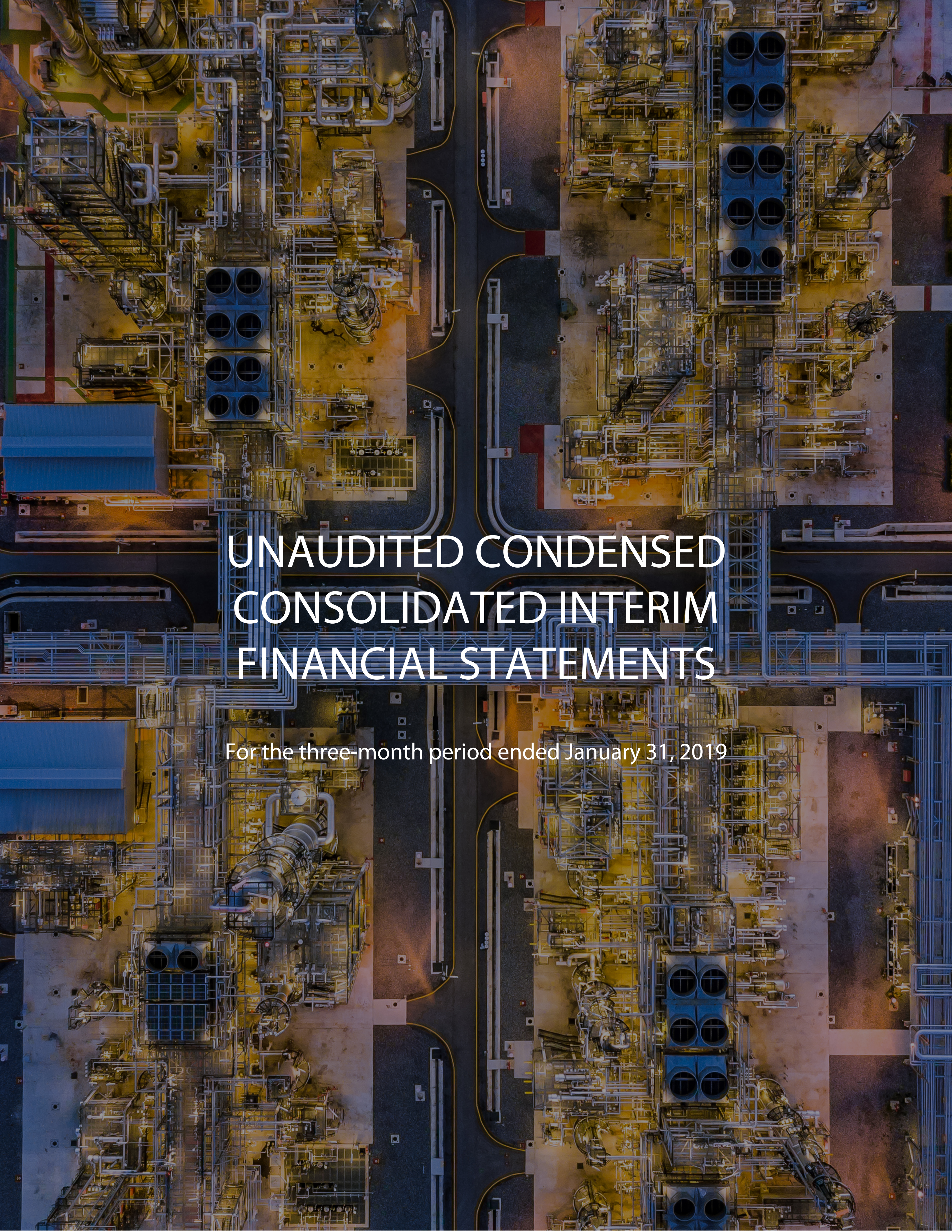

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended January 31, 2019

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, 2019 $	October 31, 2018 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	8,999,632	11,361,640
Short-term investments	26,313,610	28,332,055
Trade and other receivables	6,103,280	4,242,421
Inventory	6,762,677	6,231,482
Prepaid expenses and advances	459,894	468,558
Contract assets	563,256	495,020
Total current assets	49,202,349	51,131,176
NON-CURRENT ASSETS		
Property and equipment	5,978,833	5,691,544
Intangible assets	737,118	694,791
Long-term contract assets	603,342	367,803
Total non-current assets	7,319,293	6,754,138
TOTAL ASSETS	56,521,642	57,885,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	3,508,938	4,037,251
Deferred revenue	4,942,889	4,713,078
Current portion of contract liabilities	459,435	262,629
Current portion of government assistance (note 5)	300,000	200,000
Current portion of deferred lease incentives	42,030	60,043
Total current liabilities	9,253,292	9,273,001
NON-CURRENT LIABILITIES		
Deferred revenue	1,856,338	1,842,118
Contract liabilities	241,914	155,675
Government assistance (note 5)	100,000	200,000
Deferred lease incentives	72,516	18,127
Total non-current liabilities	2,270,768	2,215,920
TOTAL LIABILITIES	11,524,060	11,488,921
SHAREHOLDERS' EQUITY		
Share capital (note 6)	90,856,547	90,791,496
Contributed surplus	8,015,319	7,940,859
Accumulated other comprehensive income (loss)	304,034	97,623
Deficit	(54,178,318)	(52,433,585)
TOTAL SHAREHOLDERS' EQUITY	44,997,582	46,396,393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	56,521,642	57,885,314

See accompanying notes to the condensed consolidated interim financial statements

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

	Three-month period ended January 31, 2019	January 31, 2018
	$	$
Revenues (note 7 and 8)		
Product revenue	2,180,079	1,465,333
Service revenue	4,048,588	2,337,791
Total revenues	6,228,667	3,803,124
Cost of sales (note 8)	3,386,757	2,109,872
Gross margin	2,841,910	1,693,252
Expenses		
Selling, general and administrative expenses	3,381,872	2,106,027
Product development costs	1,437,889	1,223,459
Total expenses	4,819,761	3,329,486
Results from operating activities	(1,977,851)	(1,636,234)
Finance income, net	233,118	31,882
Net loss	(1,744,733)	(1,604,352)
Other comprehensive income (loss)		
Foreign exchange translation gain (loss) on foreign operations	206,411	(50,402)
Comprehensive loss for the period	(1,538,322)	(1,654,754)
Loss per common share (note 11):		
Basic and diluted	(0.04)	(0.05)

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, 2017	34,798,845	49,214,818	8,647,905	262,872	(43,431,359)	14,694,236
Loss for the period	-	-	-	-	(1,604,352)	(1,604,352)
Foreign exchange translation of foreign operations	-	-	-	(50,402)	-	(50,402)
Exercising of options (note 6)	72,415	148,436	(46,788)	-	-	101,648
Exercising of warrants (note 6)	5,028,787	9,861,595	(1,631,291)	-	-	8,230,304
Stock-based compensation expense (note 6)	12,181	54,359	50,006	-	-	104,365
Balance at January 31, 2018	39,912,228	59,279,208	7,019,832	212,470	(45,035,711)	21,475,799
Loss for the period	-	-	-	-	(7,397,874)	(7,397,874)
Foreign exchange translation of foreign operations	-	-	-	(114,847)	-	(114,847)
Exercising of options (note 6)	441,082	1,124,997	(346,199)	-	-	778,798
Exercising of warrants (note 6)	435,000	799,785	(143,685)	-	-	656,100
Brokered private placement (note 6)	6,325,000	31,625,000	-	-	-	31,625,000
Share issuance costs (note 6)	-	(2,225,971)	-	-	-	(2,225,971)
Stock-based compensation expense (note 6)	34,228	188,477	1,410,911	-	-	1,599,388
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 on foreign operations	-	-	-	206,411	-	206,411
Exercising of options (note 6)	1,416	6,187	(1,635)	-	-	4,552
Stock-based compensation expense (note 6)	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

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended January 31, 2019	Three months ended January 31, 2018
	$	$
Cash provided by (used in)		
Operating activities		
Loss for the period	(1,744,733)	(1,604,352)
Depreciation and amortization	511,410	233,209
Stock-based compensation expense	127,600	103,190
Finance income, net	(233,118)	(31,882)
Unrealized foreign exchange (gains) losses	(175,379)	117,164
	(1,514,220)	(1,182,671)
Net changes in non-cash working capital (note 12)	(2,460,411)	(2,432,467)
Net cash provided by (used in) operating activities	(3,974,631)	(3,615,138)
Financing activities		
Proceeds from warrant and option exercises (note 6)	11,911	8,333,128
Proceeds from bank indebtedness	-	200,023
Repayments of bank indebtedness	-	(400,023)
Proceeds from government assistance (note 5)	-	-
Repayments of government assistance (note 5)	-	(191,078)
Net cash provided by (used in) financing activities	11,911	7,942,050
Investing activities		
Purchase of short-term investments	-	-
Redemption of short-term investments	2,016,945	-
Finance income, net	55,038	22,604
Purchase of property and equipment and intangible assets	(798,572)	(672,164)
Net cash provided by (used in) investing activities	1,273,411	(649,560)
Effect of foreign exchange changes on cash and cash equivalents	327,301	(61,464)
Net increase (decrease) in cash and cash equivalents	(2,362,008)	3,615,888
Cash and cash equivalents, beginning of period	11,361,640	5,608,228
Cash and cash equivalents, end of period	8,999,632	9,224,116

Supplementary cash flow information (note 12)

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 TSX Venture Exchange (TSXV) under the ticker symbol “BLN” and is incorporated and domiciled in Canada.

The Company’s principle 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 26, 2019.

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 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, 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial reporting, except for the adoption of the new standards as disclosed in note 3 below.

b) Changes in accounting policy and disclosures

i) New and amended standards adopted by the Company

The following new standards were adopted in the current reporting period:

- IFRS 9 *Financial Instruments,* and
- IFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards on November 1, 2018 and the new accounting policies applied for the current period are disclosed in note 3.

As a result of the changes in the Company’s accounting policies, the comparative period 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, 2018.

ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for January 31, 2019 reporting periods and have not been early adopted by the Company. The Company’s assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 *Leases*
IFRS 16 *Leases* ("IFRS 16") was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after January 1, 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Changes in accounting policies

The impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Company's financial statements and the new accounting policies that have been applied from November 1, 2018 are outlined in this note.

a) IFRS 9 *Financial Instruments* – Impact of adoption

IFRS 9 *Financial Instruments* ("IFRS 9") replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Company adopted IFRS 9 on November 1, 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 9, the Company has adopted the standard using the modified retrospective approach which meant that the cumulative impact of adoption, if any, would be recognized in opening retained earnings as of November 1, 2018 and the comparative prior year period would not be restated. The adoption of IFRS 9 did not result in any adjustments to the Company's deficit as of November 1, 2018.

i) *Classification and measurement*

On adoption the Company assessed which business models apply to the financial assets and liabilities held by the Company and classified its financial instruments into the appropriate IFRS 9 categories as follows:

	IAS 39 classification	IFRS 9 classification
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Contract liabilities	Other financial liabilities	Amortized cost
Government assistance	Other financial liabilities	Amortized cost

The reclassifications did not result in any impact on the Company's financial position, net loss or comprehensive loss on the date of initial adoption.

ii) *Impairment of financial assets*

The Company was required to revise its impairment methodology under IFRS 9 for its financial assets.

Trade and other receivables
The Company applied the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on past days due.

On that basis, the trade receivables loss allowance was determined at November 1, 2018 with no impact on opening deficit noted when compared to previous methodology.

Other financial assets at amortized cost
Other financial assets at amortized cost are cash and cash equivalents and short-term investments. Applying the expected credit risk model did not result in a loss allowance at November 1, 2018 (October 31, 2018: $nil) for the Company's cash and cash equivalents and short-term investments.

b) IFRS 9 *Financial Instruments* – Accounting policies applied from November 1, 2018

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 other comprehensive income ("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 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 profit or 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 finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of 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 months expected losses. Management consider '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 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 assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

c) IFRS 15 *Revenue from Contracts with Customers* – Impact of adoption

The IASB has issued a new standard, IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") for the recognition of revenue. This replaces IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Company adopted IFRS 15 on November 1, 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Company adopted the standard using the modified retrospective approach which meant that the cumulative impact of adoption, if any, would be recognized in retained earnings as of November 1, 2018 and the comparative prior period would not be restated. The adoption of IFRS 15 did not result in any adjustments to the Company's opening deficit as at November 1, 2018.

There were no changes in the presentation in the statement of financial position at the date of initial application.

d) IFRS 15 *Revenue from Contracts with Customers* – Accounting policies applied from November 1, 2018

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 within 'Accounts payable and accrued liabilities'.

ii) *Service revenue*

The Company provides 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 rental 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.

Revenues from development contracts are recognized using the input method on the basis of the Company's costs incurred relative to total estimated costs to determine the extent of progress towards completion. 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 delivers its safety products and monitoring services through its 'Blackline Complete' leasing program. The Company accounts for a 'Blackline Complete' contract, and associated statement of loss and statement of financial position impacts, as an operating lease within the meaning of IAS 17 *Leases*. Revenues are recognized on a straight-line basis over the term of the lease with no deferred revenue element on the statement of financial position.

The Company may also deliver its safety products and monitoring services through a lease where the customer, as lessee, has substantially all the risks and rewards of ownership through a finance lease. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
Customers are generally invoiced on a monthly basis and consideration is payable when invoiced in accordance with the agreed credit terms in each lease contract.

v) *Contract assets and liabilities*

Contract assets consist of costs related to the fulfilment of a 'Blackline Complete' lease contract and any other revenue contracts in progress at the period end. These costs are deferred in contract assets on the statement of financial position and are amortized to selling, general and administrative expenses over the pattern of the transfer of goods and services to the lease customer, which is typically on a straight-line basis over 36 months. These costs are presented within current contract assets when they will be amortized within twelve months of the period end date or are otherwise presented as non-current contract assets.

Contract liabilities are obligations to pay commissions to third-party distributors who assist with the fulfilment of 'Blackline Complete' lease contracts. The obligations are recognized upon the start of a 'Blackline Complete' lease contract. Contract liabilities are presented as current liabilities unless payment is not due within 12 months of the period end reporting date.

The Company elected to apply the practical expedient that permits the expensing of the costs to obtain a contract with a customer as incurred where the expected amortization period is one year or less. These amounts are expensed within selling, general and administrative expenses as incurred.

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, 2019		
Cash and cash equivalents		8,999,632
Short-term investments		26,313,610
Trade and other receivables		6,103,280
		41,416,522
As at October 31, 2018		
Cash and cash equivalents		11,361,640
Short-term investments		28,332,055
Trade and other receivables		4,242,421
		43,936,116

Financial liabilities	Notes	Carrying amount $
As at January 31, 2019		
Accounts payable and accrued liabilities		3,508,938
Contract liabilities		701,349
Government assistance	5	400,000
		4,610,287
As at October 31, 2018		
Accounts payable and accrued liabilities		4,037,251
Contract liabilities		418,304
Government assistance	5	400,000
		4,855,555

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 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 periods, the following foreign-exchange related amounts were recognized in loss and other comprehensive loss.

	Three months ended January 31, 2019 $	Three months ended January 31, 2018 $
Amounts recognized in profit or loss		
Net foreign exchange gain/(loss)	(144,237)	(30,040)
Net gains (losses) recognized in Comprehensive Loss		
Translation of foreign operations	206,411	(50,402)

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 periods ended January 31, 2019 and 2018, 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 periods 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, 2019 and 2018, if the interest rate had increased/decreased by 100 basis points, 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, short-term investments held with banks as well as credit exposure to customers, including outstanding trade accounts receivables.

Risk management
Credit risk is managed on a Company wide basis. The cash and cash equivalents are comprised of cash and highly liquid short-term deposits with Canadian chartered banks. 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 substantial 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 $8,999,632 (October 31, 2018: $11,361,640) 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 currently 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, 2019	$	$	$	$	$
Accounts payable and accrued liabilities	3,017,372	491,566	-	3,508,938	3,508,938
Contract liabilities	235,782	223,653	241,914	701,349	701,349
Government assistance	100,000	200,000	100,000	400,000	400,000
Total	3,353,154	915,219	341,914	4,610,287	4,610,287
As at October 31, 2018					
Accounts payable and accrued liabilities	3,741,353	295,898	-	4,037,251	4,037,251
Contract liabilities	80,682	181,947	155,675	418,304	418,304
Government assistance	-	200,000	200,000	400,000	400,000
Total	3,822,035	677,845	355,675	4,855,555	4,855,555

5. Government assistance

The Company has two compensation and funding agreements with TECTERRA Inc. ("Tecterra"), an Alberta provincial technology organization which supports the development and commercialization of geomatic solutions. Under the terms of the agreements, the Company receives funding for the development of certain geomatic products. The agreements contain 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 compensation and funding 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 $400,000 of the available funding under this agreement (October 31, 2018: $400,000). As at January 31, 2019, the Company has repaid $nil of the amount received (October 31, 2018: $nil).

Of the total amount outstanding as at January 31, 2019, $300,000 (October 31, 2018: $200,000) is estimated to be repayable within 12 months of the period end date and classified as a current liability with $100,000 (October 31, 2018: $200,000) estimated to be repayable after 12 months of the period end date and is classified as a non-current liability.

6. Share capital and warrants

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, 2017	34,798,845	49,214,818
Warrants exercised	4,794,937	9,279,217
Broker warrants exercised	233,850	582,378
Options exercised	72,415	148,436
Issued through stock-based compensation plan	12,181	54,359
As at January 31, 2018	39,912,228	59,279,208
Warrants exercised	435,000	799,785
Options exercised	441,082	1,124,997
Issued through stock-based compensation plan	34,228	188,477
Issued for cash through private placement	6,325,000	31,625,000
Share issue costs	-	(2,225,971)
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

During the quarter 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.

During the quarter ended January 31, 2018, 384,579 common share options were exercised for cash proceeds of $669,935. On exercise of these common share options, $299,038 was credited to share capital from contributed surplus.

On October 22, 2018, the Company completed a brokered private placement for an aggregate of 6,325,000 common shares at an issue price of $5.00 per common share for gross proceeds of $31,625,000 and share issuance costs of $2,225,971.

7. Revenue from contracts with customers

	Three months ended January 31, 2019	Three months ended January 31, 2018
Revenue	$	$
Revenue from contracts with customers – Product	2,180,079	1,465,333
Revenue from contracts with customers – Service	2,951,481	1,791,199
Revenue from leases	1,097,107	546,592
Total	6,228,667	3,803,124
Timing of revenue recognition		
At a point in time	2,180,079	1,465,333
Over time	4,048,588	2,337,791
Total	6,228,667	3,803,124

8. 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 months ended January 31, 2019	Three months ended January 31, 2018	Three months ended January 31, 2019	Three months ended January 31, 2018
	$	$	$	$
Revenue	2,180,079	1,465,333	4,048,588	2,337,791
Cost of sales	1,998,672	1,321,622	1,388,085	788,250
Gross margin	181,407	143,711	2,660,503	1,549,541

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, 2019, there was no customer representing 10% or more of the Company's revenue (January 31, 2018: no customer represented greater than 10%).

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

	Three months ended January 31, 2019 $	Three months ended January 31, 2018 $
Canada	3,116,334	2,002,898
United States	1,935,127	999,686
Europe	994,304	701,476
Australia & New Zealand	182,902	99,064
Total	6,228,667	3,803,124

9. 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 $12,375 for the period ended January 31, 2019 (January 31, 2018: $14,563). As at January 31, 2019, the amount of $8,269 (October 31, 2018: $4,725) was outstanding in accounts payable and accrued liabilities in relation to transactions with that related party.

10. Stock-based compensation

The Company has an 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, 2017	2,438,417	2.62
Vested and exercisable at October 31, 2017	2,062,250	2.42
Exercised during the period	(72,415)	1.40
Forfeited during the period	(1,667)	3.16
As at January 31, 2018	2,364,335	2.65
Vested and exercisable at January 31, 2018	2,030,502	2.46
Granted during the period	784,000	5.48
Exercised during the period	(441,082)	1.77
Forfeited during the period	(25,101)	4.86
Expired during the period	(1,500)	1.13
As at October 31, 2018	2,680,652	3.61
Vested and exercisable at October 31, 2018	2,171,435	3.33
Exercised during the period	(1,416)	3.21
Forfeited during the period	(5,250)	3.74
As at January 31, 2019	2,673,986	3.61
Vested and exercisable at January 31, 2019	2,262,194	3.38

11. 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 months ended January 31, 2019	Three months ended January 31, 2018
Weighted average common shares outstanding - basic and diluted	47,154,987	34,943,229
Loss for the period	(1,744,733)	(1,604,352)
Basic and diluted loss per common share	(0.04)	$(0.05)

12. Supplementary cash flow information

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

	Three months ended January 31, 2019 $	Three months ended January 31, 2018 $
Trade and other receivables	(1,653,842)	(527,390)
Inventory	(510,159)	(1,330,928)
Prepaid expenses and advances	10,152	(493,083)
Contract assets	(176,311)	(3,540)
Contract assets – long-term	(127,464)	(2,028)
Accounts payable and accrued liabilities	(534,103)	(616,834)
Deferred revenue	204,257	450,406
Contract liabilities	196,806	13,137
Deferred lease incentives	(18,013)	9,442
Deferred revenue – long-term	7,640	83,383
Contract liabilities – long-term	86,239	(4,887)
Deferred lease incentives – long-term	54,387	(10,145)
	(2,460,411)	(2,432,467)

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