

An aerial photograph of a large industrial facility, likely a refinery or chemical plant. The image shows a dense network of pipes, walkways, and storage tanks. Several large, cylindrical storage tanks are visible, some with multiple openings. The ground is paved with various colored sections, and there are some vehicles and equipment scattered throughout the site. The overall scene is complex and industrial.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six-month periods ended April 30, 2019



## NOTICE

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation" or the "Company") unaudited condensed consolidated interim financial statements and accompanying notes, prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for the three and six-month periods ended April 30, 2019. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2018, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) under Blackline Safety Corp.

This MD&A is presented as of June 25, 2019. All financial information contained herein is expressed in Canadian dollars, the Company's reporting currency, unless otherwise indicated.

### FORWARD LOOKING STATEMENTS

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will" and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Corporation believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These forward-looking statements are made as of the date of this MD&A. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to: (i) the ability to obtain sufficient and suitable financing to support operations, development and commercialization of products, (ii) the ability to execute partnerships and corporate alliances, (iii) uncertainties relating to the regulatory approval process, (iv) the ability to develop plant lines and manufacturing processes that result in competitive advantage and commercial viability, (v) the ability to develop enhanced products and software in a cost effective and timely manner, (vi) the impact of competitive products and pricing and the ability to successfully compete in the targeted markets, (vii) the ability to attract and retain key personnel and key collaborators, (viii) the ability to adequately protect proprietary information and technology from competitors, (ix) market and general economic conditions and (x) the impact were a significant disruption to its information technology to occur. See also "Risks Factors and Uncertainties" below. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

### NON-IFRS FINANCIAL MEASURES

The Company reports its financial results in accordance with IFRS. However, the MD&A contains references to the following non-IFRS financial measures: EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization), Adjusted EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product development costs and other non-recurring non-cash impact transactions, if any), EBITDA per common share, Adjusted EBITDA per common share and net loss excluding stock-based compensation expense. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

See "Non-IFRS Measures" section below for further details for each measure.



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## COMPANY OVERVIEW

Founded in 2004 and headquartered in Calgary, Canada, Blackline Safety is a global connected safety company that develops, manufactures and markets a suite of products and services. These technologies empower businesses with real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance and increase productivity. When seconds count, Blackline's employee safety monitoring technology enables a live monitoring team to deliver help directly to an employee in the shortest amount of time — to the worker's exact location.

Blackline's connected safety portfolio addresses environmental gas detection, lone worker monitoring and evacuation management scenarios with cellular, satellite and smartphone connectivity. Employee-worn devices incorporate automatic incident detection, manual triggers, wireless communications and location technologies. Safety alerts are communicated in real-time to monitoring personnel who manage the emergency response process.

Using Blackline safety technology, businesses are able to increase productivity through business analytics software that leverages data generated by employee-worn safety monitoring devices and software. Productivity gains are derived from gas detection compliance efficiencies, ease of configuration, wireless safety device firmware updates and minimizing downtime through plug-and-play gas sensor cartridges.

## MANAGEMENT

Blackline's management team delivers expertise in the development, manufacturing and marketing of portable, rugged and wearable safety products for industrial applications. Our team offers broad experience within the high tech and safety industries, at companies ranging from start-ups to mature technology firms.

- Cody Slater, Chief Executive Officer & Chairman
- Kevin Meyers, Chief Operating Officer
- Shane Grennan, Chief Financial Officer
- Brendon Cook, Chief Technology Officer
- Sean Stinson, VP Sales and Product Management
- Barry Moore, VP Product Development
- Gavin Boorman, Managing Director (Blackline Safety Europe)



### G7c CELLULAR-CONNECTED SAFETY MONITORING TECHNOLOGY

Blackline's 3G-connected employee-worn G7c devices are supported with network coverage in over 100 countries. The employee's location is computed using GPS satellite signals or Blackline's proprietary indoor/outdoor location beacon positioning technology. Assisted-GPS technology provides precise outdoor positioning while location beacons provide precise positioning within buildings and around facilities where GPS signals may be imprecise or not available.

When connected to Blackline's monitoring infrastructure through the 3G network, an employee's safety is monitored by personnel within their organization or through Blackline's 24/7 Safety Operations Center or Alarm Receiving Centre partners. All safety alerts generated by monitoring devices are communicated in real-time to monitoring personnel. The employee's name, contact information, precise location and voice calling function are available to manage an efficient and precise emergency response.



### G7x SATELLITE-CONNECTED SAFETY MONITORING TECHNOLOGY

For markets where 3G wireless networks are not available, Blackline's G7x and G7 Bridge system monitors employees working in remote locations in North America, South America, Australia and New Zealand. This two-component system includes an employee-worn G7x device and a portable G7 Bridge satellite base station. G7 Bridge and G7x devices communicate via an industrial-grade radio link that allows employees to operate indoors and outdoors while G7 Bridge maintains a satellite uplink outside in the open, located on a truck, all-terrain vehicle, boat or even back-pack. The G7x's radio link enables employees to work up to 2 km away from the G7 Bridge portable base station in open environments and up to 1 km away in congested areas, within buildings or over rugged terrain.

### G7 DEVICE FEATURE COMPARISON

The following table provides a comparison between G7c and G7x safety monitoring systems.

Features	G7c	G7x
Environmental gas detection and alerting	■	■
True Fall Detection®, no-motion detection, missed employee check-ins and alerting	■	■
An SOS latch (similar to pulling a fire alarm lever)	■	■
Silent emergency button	■	■
Two-way voice calling with the live monitoring team	■	
Two-way messaging with the live monitoring team	■	■
Graphical display and user interface	■	■
Highly configurable for small businesses through to multi-national organizations	■	■
Field-replaceable cartridges to support lone worker and gas detection scenarios	■	■
Wireless configuration changes and firmware updates	■	■
Push-to-talk real-time voice collaboration	■	

## FILLING A GAP IN THE GAS DETECTION INDUSTRY

Employee-worn gas detectors are commonplace for situations with risk of exposure to toxic and/or combustible gases. A crucial gap in the portable gas detection industry has, until now, remained unsolved — gas monitors operate like smoke detectors, using a local alarm sound to call for help when an employee has been exposed to gas. If no one is nearby to deliver aid, the employee's call for help can go unanswered.

The gas detection industry tried to solve this problem with wireless solutions that rely on facility Wi-Fi networks or the need for an additional device to relay messages via mesh networking or Bluetooth wireless to an expensive industrial-grade smartphone. These solutions have not seen success in the market due to their complexity and infrastructure cost. Blackline's G7 technology solves this problem with integrated cellular and satellite communications, coupled with cloud-hosted monitoring infrastructure, to deliver a solution that works right out the box.

Nearly a decade of experience has gone into the creation of Blackline's G7 comprehensive monitoring device with environmental gas detection. Like all Blackline connected safety technology, G7 immediately notifies monitoring personnel of safety incidents, including detected gases and potential no-motion or fall-detected alarms, and pinpoints employees' locations on an interactive map. Responders then know the environmental conditions ahead of time and can appropriately equip for a swift response, complete with breathing equipment if required, to ensure they are not at risk themselves due to dangerous environments.



## MODULAR GAS DETECTION



G7 features the industry's first expandable interface that enables customization to support each customer scenario and requirement. G7 functionality expands using one of four field-replaceable cartridges—a Standard Cartridge, Single-gas Diffusion Cartridge, a Multi-gas Diffusion Cartridge and a Multi-gas Pump Cartridge.

The Standard Cartridge is designed for evacuation management and lone worker monitoring scenarios. Single and Multi-gas cartridges support one to five gas configurations with a choice of sensors that include combustibles, hydrogen sulfide, carbon dioxide, carbon monoxide, oxygen, volatile organic compounds, sulfur dioxide, ammonia, hydrogen and a growing portfolio of other sensors.

Conventional gas detectors are either disposed of at the end of their service life, requiring new equipment to be deployed, or they are taken out of service and individual gas sensors are replaced. Removal of gas sensors is a time-consuming, technical processes — businesses often require a third party to ease this burden. To address this problem, G7 offers field-replaceable cartridges that are pre-calibrated, ensuring that equipment stays in the field, maximizing up-time. Old cartridges can be sent to Blackline for remanufacturing, thereby minimizing overall cost of ownership.

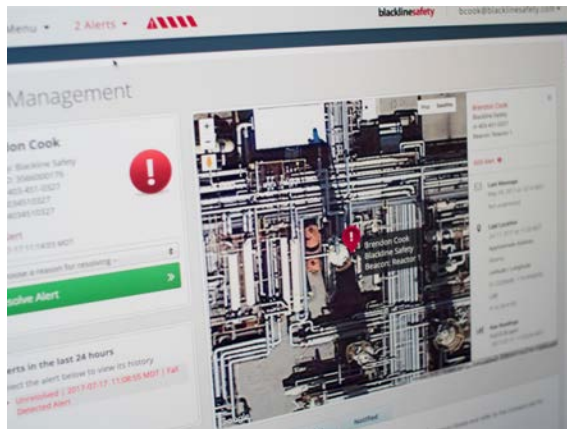


## LONE WORKER MONITORING



Blackline's G7 product line supports lone worker monitoring applications with or without the requirement for gas detection. For dedicated lone worker monitoring, G7 devices are fitted with a Standard Cartridge rather than a gas sensor cartridge. Safety monitoring options offered by G7 devices for lone worker includes True Fall Detection®, no-motion (man-down) detection, missed employee check-in, SOS latch and a silent SOS button.

## BLACKLINE LIVE CLOUD-HOSTED MONITORING



Blackline's cloud-hosted safety monitoring infrastructure provides all the tools necessary to remotely configure G7 devices, assign them to employees and manage safety alerts from receipt through to resolution. The Blackline Live portal supports custom emergency response protocols for individual clients that can be tailored according to specific business units, sites, teams and employee roles. Blackline Live also enables customers to upload custom floor and site plans that work together with Blackline's GPS and proprietary location beacon technology to pin-point the exact location of an employee in need of assistance.

Blackline's G7 portfolio targets the natural resources, industrial and manufacturing, utilities and public works, warehousing and transportation, engineering and construction, government and health care industries. Current marketing and sales efforts focus on industrial markets where employees face heightened risk levels, particularly with potential exposures to toxic or combustible gases.

## ACTIVE EVACUATION MANAGEMENT AND MASS NOTIFICATION

Conventional gas detection equipment is disconnected and not able to empower evacuations. Initiating evacuations and accounting for every employee at muster points is a difficult and time-consuming process that often requires manual check-lists — employees who reach a muster point are identified and checked off on a list. Personnel across multiple muster points must then compare lists to ensure everyone is accounted for and if someone is missing, it can be very challenging to promptly locate that individual.

Should a situation demand it, G7 enables teams to quickly trigger an evacuation of their facilities. G7 users are mass-notified using a two-way voice call via built-in speakerphone or through two-way text messaging. Instructions are delivered on how to evacuate safely and avoid any specific hazards. Location technology enables monitoring personnel to actively monitor the progress of the evacuation and account for every employee without needing to use a manual checklist. Should an employee require assistance during the evacuation, the monitoring team can assess the situation and dispatch needed resources immediately.



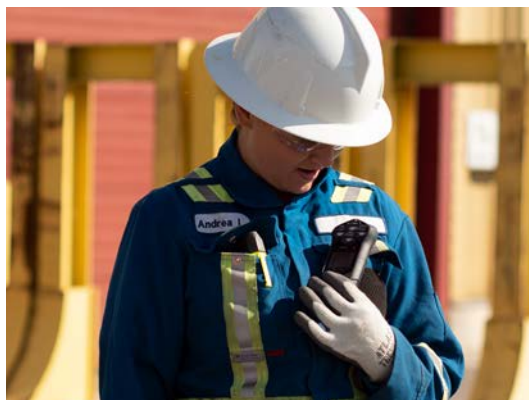
### **LIVE-RESPONSE AND TWO-WAY SPEAKERPHONE CAPABILITY**

Blackline's safety monitoring devices feature capabilities that make it easy to manage a live emergency response and provide comfort and confidence to the affected employee.

When an alert is triggered, monitoring personnel take ownership of the response for the alert, automatically activating the G7 blue LiveResponse™ light that indicates to the employee that monitoring personnel have received the alert and help is on the way.

Monitoring personnel initiate a voice call to the employee's monitoring device to speak with the employee using a built-in speakerphone (cellular devices only). Designed for use within industrial environments, Blackline's monitoring devices feature a loud-and-clear speaker and sensitive microphone to pick up the employee's voice.

### **PUSH-TO-TALK**



Blackline's G7c personal safety monitor provide businesses with a push-to-talk option that enables teams to coordinate their efforts, similar to the way that businesses use two-way radios. Like a walkie talkie, G7c users are able to broadcast messages to all team members who have their G7c devices set to use the same push-to-talk channel.

Each Blackline client receives their own group of 100 channels that can be assigned to specific teams across their sites and business units. When employees need to communicate with each other, they can press inward on the G7c red latch and hold to call others on the same channel.

Blackline's G7c push-to-talk leverages voice-over internet protocol (VoIP) data communications and 3G wireless technology. Messages of up to 30 seconds can be encoded and broadcast to colleagues in real-time. With coverage in over 100 countries and over 200 wireless carriers, G7c allows businesses to converge gas detection, lone worker monitoring and two-way radios into a single wearable device, reducing overall acquisition costs.

### **BLACKLINE 24/7 LIVE MONITORING**

Although many of Blackline's customers self-monitor the safety of their personnel using their Blackline Live monitoring account, a significant portion select Blackline's in-house, 24/7/365 Safety Operations Center (SOC).

Unlike a traditional call center that often provides unrelated services such as telemarketing, technical support and answering services, Blackline's SOC focuses exclusively on safety monitoring. It delivers an immediate response, managing all safety alerts from receipt through to resolution according to each customer's customized emergency response protocol.



Blackline's SOC provides customers with the option of centralizing the responsibility of monitoring lone workers within a highly specialized and trained emergency response center. Blackline's SOC now monitors over 20,000 employee devices.

In regions not covered by Blackline's in-house Safety Operations Center that provides 24/7 live monitoring, customers are able to have Blackline monitor their employees via an approved Blackline Alarm Receiving Centre partner.



## INDOOR LOCATION TECHNOLOGY



Blackline's proprietary location technology solves the problem of locating employees inside and around facilities with confidence. When working outdoors, GPS provides accurate locations, however, inside buildings, GPS signals are often imprecise or not available due to signal obstruction. GPS location accuracy can also be degraded when used outdoors near larger buildings and around process equipment. Blackline's location beacon technology delivers precise positioning capability for both indoor and outdoor scenarios.

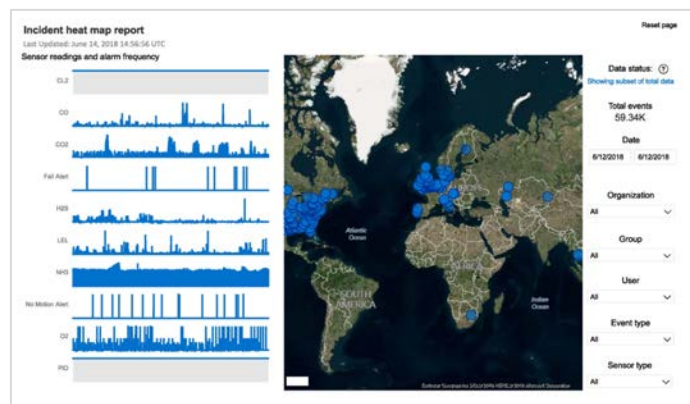
Blackline location beacons are low-cost self-powered devices that are easily installed throughout a facility. Each beacon broadcasts a short-range radio signal for proximity detection by person-worn safety monitoring devices. This technology enables Blackline to locate an employee inside and around facilities with the same precision as GPS provides in open, outdoor locations.

Blackline location beacon positioning technology enables monitoring personnel to display the location of an employee on an interactive Google™ map, overlaid with a customer-supplied floor plan. Employee location mapping capability enables monitoring personnel to display worker locations within a multi-storied structure and to locate nearby responders.

## ENABLING BUSINESSES WITH ANALYTICS

Through the course of use, G7 products continuously communicate with the Blackline Safety Network, transmitting employee locations, atmospheric gas sensor readings, detections of slips, trips and falls, messages, employee check-ins and status information such as wireless signal levels and battery levels.

Blackline leverages a leading cloud-hosted analytics platform to compile and analyze large volumes of data generated by employee-worn G7 safety devices.

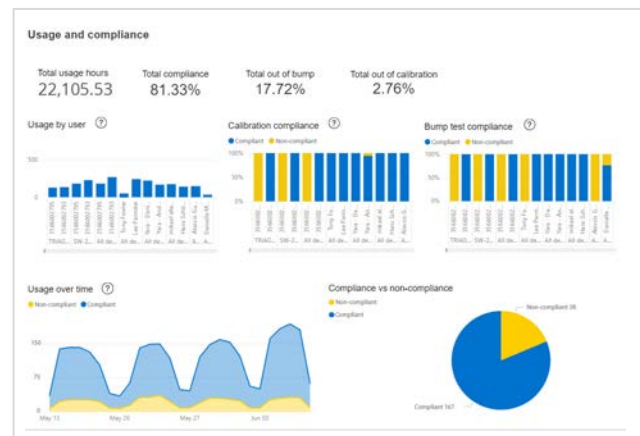


Many enterprises currently leverage analytics software to interpret diverse data that provides a deep understanding of how the business is operating. Blackline clients use the Company's analytics platform to gain safety program insights including:

- Map the location of every non-zero gas reading to understand real-world exposures and where leaks may be occurring
- Understand the time spent completing a particular task and how efficiencies may be increased
- View the real-time compliance status of all G7 devices to ensure that all equipment is being utilized correctly and according to corporate policies
- Review bump tests and calibrations to see how each G7 device and gas sensor cartridge are performing, plus whether any G7 Docks require a new tank of calibration gas
- Monitor slip, trip and fall statistics to understand if there are any trends based on location data or from one particular site to another site.

## SAFETY SYSTEM COMPLIANCE

Regulatory agencies require businesses to maintain a record of the use and maintenance of all gas detection devices. This means that field personnel must take their gas detection equipment to docking stations that perform testing and store compliance records. It is not always convenient for employees to test and calibrate their gas detection equipment based on the proximity of the nearest docking station. Compliance data from each docking station must also be retrieved, compiled, reviewed and reported within the business and to regulatory agencies. Should an incident affect an employee, businesses are at risk if they are not able to demonstrate proper calibration, testing and employee use of gas detection equipment.



Blackline's G7 solves these aspects of compliance and saves labor both for field employees and the teams that manage the regulatory compliance program. Rather than manually gathering calibration and testing data in the field directly from calibration docks and examining each record, G7 automatically communicates all calibration and test data in real-time to the Blackline Safety Network for complete reporting.

Each time that an employee uses their assigned G7, session data is also communicated to the Blackline Safety Network for comprehensive reporting. Configurable reports deliver simple green-yellow-red indicators that assist management in quickly assessing their team's overall compliance, identify when upcoming events need attention and if any device is not compliant at that time.

## SOLUTION PORTFOLIO

Blackline's broad portfolio of products and services addresses the needs of worker safety monitoring across industries, employee roles and work scenarios and includes the following products.

- G7c safety monitoring device for indoor and outdoor locations covered by 3G wireless
- G7x safety monitoring device for remote locations in North America, South America, Australia and New Zealand that are not covered by 3G wireless
- Field replaceable-changeable cartridges accommodate out-of-the-box configuration not offered by competitor hardware
  - Standard cartridge for lone worker monitoring
  - Single-gas diffusion cartridge for gas detection scenarios requiring only a single sensor
  - Multi-gas diffusion cartridge for gas detection scenarios requiring up to five sensors
  - Multi-gas pump cartridge for gas detection scenarios for confined space entry and leak checks, requiring up to five sensors
- G7 Bridge, a portable satellite base station for remote locations, communicates with G7x
- G7 Dock, an accessory product used to calibrate G7c and G7x devices periodically while also offering frequent testing to prove that gas sensors are fully functional
- Loner Mobile, a safety monitoring application for mainstream smartphones
- Loner Duo, a Bluetooth accessory for Loner Mobile for medium to high risk work-alone scenarios
- Blackline Location Beacon, an indoor/outdoor location technology that provides precise positioning where GPS signals are weak or unavailable
- Blackline Live, a cloud-hosted, live safety monitoring portal for safety alert management
- Blackline Analytics, a second-generation data analytics package built into Blackline Live
- Blackline monitoring, a 24/7/365 live monitoring service offered by Blackline or approved partner

## TECHNOLOGY PORTFOLIO

Blackline's connected safety solutions combine several technologies to facilitate high quality end user experiences.

- Portable environmental gas detection and gas sensor calibration
- 3G cellular, satellite and 900 MHz spread spectrum and Bluetooth data communication
- GPS, cellular and proprietary indoor/outdoor location beacon positioning
- Inertial sensors for fall and person-down detection
- Two-way voice phone calling and text messaging between the user and monitoring personnel
- Push-to-talk real-time voice collaboration between users and across teams
- Bluetooth audio accessory interface
- Cloud-hosted Blackline Safety Network monitoring infrastructure and Blackline Live monitoring user account
- Cloud-hosted data analytics and reporting software
- Electro-chemical, infrared and photoionization-based gas sensors



## **TECHNOLOGY UNDER DEVELOPMENT**

Blackline has previously announced its G7 Exo area monitor that is currently under development. This new product line will provide businesses with portable and semi-permanent gas detection monitoring options. G7 Exo will make use of the same gas sensor cartridges as its portable G7c and G7x wearables.

Blackline's in-house data science team is developing a new program — Blackline Vision — that will provide a new framework for data-focused consultancy services. Blackline Vision will provide enterprise clients with direct access to Blackline's data science team and the capabilities to integrate other sources of data with location-enabled events from G7 safety wearables. Blackline Vision goes far beyond our current offering, adding a full new service that will enable the creation of custom reports, dashboards, custom data integration and the ability to share data with other information systems.

## **DISTRIBUTION PARTNER NETWORK**

With the introduction of gas detection technology, Blackline is leveraging traditional distributors of gas monitoring equipment to promote this new innovation. Blackline continues to expand its distribution partner network throughout Canada, the United States, the United Kingdom, Europe and other international locations. Currently, Blackline has distribution agreements in place for over 100 partners around the world. In contrast to the maturity of competitor distribution networks, Blackline continues to invest efforts to expand and cultivate its network in order to maximize promotion and sell-through into the global safety marketplace.



## QUARTER IN REVIEW

During the second quarter, Blackline announced a major order in the UK water/wastewater industry and completed the majority of the product development related to its new G7 pump cartridge and related firmware and software systems. Blackline also continued with its careful expansion of sales and product development teams.

### COMPLETED THE DEVELOPMENT OF THE NEW G7 PUMP



Blackline's in-house hardware and firmware teams completed the majority of work required to complete and submit the final G7 pump cartridge for intrinsic safety certification. This new cartridge expands beyond previous diffusion-based cartridges, enabling users to remotely sample an atmosphere of a tank, sewer or other confined space in order to understand whether potential gas hazards are present. The internal pump draws air samples from the remote location through up to 100 feet of tubing.

### YORKSHIRE WATER INVESTS \$1.9M TO DEPLOY BLACKLINE SAFETY CONNECTED GAS DETECTION



Blackline received a \$1.9M gas detection order from Yorkshire Water, a prominent water and sewerage company in the UK. This customer win was achieved through a public tender process where the Company, through its UK distributor, competed against other gas detection vendors. Under this order, Blackline delivered its single and four-gas G7c detectors with integrated 3G wireless and a five-year G7 Insight service program that bundles gas detection with automated compliance and analytics tools.

### BLACKLINE COMPLETED ITS HEADQUARTERS MOVE INTO A NEW FACILITY



In March Blackline completed its move to its new headquarters in the Dominion Bridge building in Ramsay, Calgary. Dominion Bridge is a historic building that will provide the facilities needed to support the Company's growth in the upcoming years. This move also enabled Blackline to consolidate its circuit board surface-mount line and product assembly lines into a single facility.

## EXPANDED BLACKLINE ANALYTICS REPORTS



Blackline Analytics reports were updated to support the new G7 pump cartridge and corresponding user modes that operate the pump for remote sampling in confined space entry and leak check scenarios. Updated reports now enable customers to visualize, explore and export data related to each confined space entry and leak check performed by employees in the field. A new gas sensors report was also added that displays the gas readings for a specific G7 device over time. This report is particularly useful for exploring the background events that led up to an event of interest. The report visually presents gas readings for each user mode using a time-series format.

## G7 EXO AREA MONITOR PRODUCT DEVELOPMENT



Blackline continued development of its new G7 Exo area monitor product line. This new connected gas detection system is designed to monitor the local atmosphere for a range of gases over a long period of time. Scenarios include tank farms, fence lines, hazardous material spills and facilities where permanent gas monitors are disabled due to maintenance activities. The first member of this new product line is scheduled to launch in Q1 FY2020.

## BLACKLINE SAFETY RECEIVED \$1M ORDER FROM LARGEST CANADIAN CUSTOMER



Blackline received a major order from its largest Canadian customer as their business upgraded to G7 gas monitors from previous-generation Loner 900 wearables and Loner Bridge satellite base stations. G7 converges two devices into one — the Loner 900 wearable and a separate gas detector. This upgrade will help the customer save money by working with one vendor rather than two, plus leveraging Blackline's leading data analytics software. Blackline Analytics streamlines the effort required to manage a world-class gas detection program by automating regulatory compliance data collection and reporting.

## POST QUARTER UPDATE

### BLACKLINE SAFETY CERTIFIES G7 PUMP CARTRIDGE, SHIPS FIRST 1,000 UNITS FOR CONFINED SPACE ENTRY



Blackline began shipping its certified G7 pump cartridge and shipped the first 1,000 units from its orders backlog. This new cartridge enables G7 safety wearables to be equipped with the tools to support confined space entry and leak check scenarios. Air is remotely sampled through a length of tubing, or using a probe, to determine whether any gas-based hazards exist in a confined space or are leaking from equipment or piping.

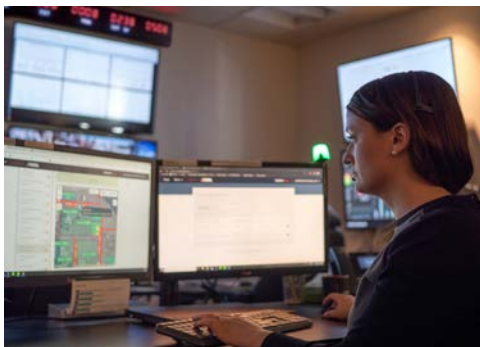


**BLACKLINE SAFETY RECEIVED \$1.1M PURCHASE ORDER FROM SECOND MAJOR UK-BASED WATER UTILITY**

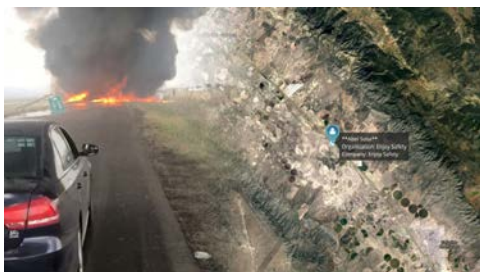
After the close of Q2 FY2019, Blackline received a purchase order from a second water/wastewater utility in the UK, Welsh Water, one of the 12 major water authorities in the United Kingdom. In contrast to the previous water utility order for G7 Insight, this second order was for lone worker monitors. G7 devices were equipped with a Standard Cartridge that provides the option of adding gas detection at a later date.

**BLACKLINE SAFETY PARTNERED WITH GEOS, EXPANDS ITS SOC WITH GLOBAL DISPATCH**

Blackline Safety announced its partnership with GEOS Response, based in Houston, Texas. Through this relationship, Blackline expanded its ability to dispatch local emergency responders to an incident. Knowing the complete situation, Blackline's in-house Safety Operations Center can escalate the need for international dispatch to the GEOS International Emergency Response Coordination Center.

**BLACKLINE SAFETY RESPONDS IN SECONDS, SAVES LONE WORKER'S LIFE**

Blackline saved the life of a worker on the East Coast of the United States through real-time alerting. The worker suffered cardiac arrest that required immediate assistance. By providing real-time notification to the business Blackline dispatched local EMS and police services that took the worker to the hospital for medical care and was subsequently discharged.

**BLACKLINE SAFETY'S G7 TRIGGERS EMERGENCY RESPONSE AFTER FIERY COLLISION IN REMOTE MEXICO**

Blackline leveraged the internal dispatch services of GEOS to direct firefighter and ambulance services to a highway incident that occurred in remote Mexico. The incident involved a tanker truck that was cut off by another vehicle with slippery highway conditions. The truck lost control and flipped, causing an explosion and fire. A Blackline distributor was following behind the accident and used a G7 device to contact the Company's in-house Safety Operations Center for emergency services dispatch. Fortunately, no serious injuries were reported.



## FINANCIAL INFORMATION

The following table presents a summary of select financial information for the current and comparable prior year periods for the Company. These have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS as issued by IASB, and are presented in Canadian dollars which is the presentation and functional currency of the Company. All figures in the MD&A are reported in thousands, except for per share, stock option, common share and unit amounts.

	<b>Three months ended April 30,</b>		<b>Six months ended April 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	8,189	3,749	14,418	7,552
Gross margin	3,570	1,658	6,412	3,352
Expenses	6,782	4,609	11,602	7,938
Net loss	(3,016)	(2,905)	(4,761)	(4,510)
EBITDA <sup>1</sup>	(2,630)	(2,666)	(4,096)	(4,069)
Adjusted EBITDA <sup>1</sup>	253	(104)	286	(239)
Loss per common share				
- Basic and diluted	(0.06)	(0.07)	(0.10)	(0.12)
EBITDA per common share <sup>1</sup>				
- Basic and diluted	(0.06)	(0.07)	(0.09)	(0.11)
Adjusted EBITDA per common share <sup>1</sup>				
- Basic and diluted	0.01	(0.00)	0.01	(0.01)

<sup>1</sup> EBITDA, Adjusted EBITDA, EBITDA per common share and Adjusted EBITDA per common share are non-IFRS measures and do not have a standardized meaning prescribed by IFRS. Therefore, these measures may not be comparable to similar measures presented by other companies. See "Non-IFRS Measures" section for a reconciliation of these non-IFRS measures to IFRS.

## REVENUES

Blackline's revenues are comprised of product and service revenues, which are the two operating segments of the Company.

Product revenues consist predominantly of sales from Blackline's connected safety monitoring hardware devices to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on any one market space.

Service revenues relate to monitoring and support services that are provided to customers for safety devices. The two components of services revenue are 1) the revenues associated with new customers who purchase the Company's connected safety monitoring concurrent with a new device, and 2) recurring revenues from existing customers who renew their monitoring service for a Blackline device.

The Company also offers a Blackline Complete leasing program, delivering Blackline monitoring solutions through a service-based model rather than a traditional purchase of the product. Although the Blackline Complete leasing program is a three-year lease commitment, revenues from the program are only recognized on a monthly basis as service is provided. Revenues from the Blackline Complete leasing program are accounted for as service revenue and positively impact the monthly service revenue, but negatively impact product revenue from traditional hardware sales and deferred revenue from associated service contracts.

Second quarter overall revenue was \$8,189, an increase of \$4,440 from \$3,749 in the same three-month period of the last fiscal year. The 118% growth was driven by product revenue from sales of our connected safety products to industrial customers with service revenue from both monitoring services and revenues earned from the Blackline Complete leasing program also contributing to this increase. Revenue growth was particularly strong in the United States with growth of 184% quarter-over-quarter, with Europe increasing by 112% and Canada by 86% respectively.

Revenue for the first six months of the fiscal year was \$14,418 compared to \$7,552 in the same period last year. The overall 91% revenue increase is attributable to product sales in the first six months of the current fiscal year arising from increased demand for Blackline's hardware solution portfolio as well as service revenues from connected safety monitoring services and the take up through the Blackline Complete leasing program.

The Company's second quarter service revenue was \$4,165 compared to \$2,527 in the same period last year, which represents an increase of \$1,638 or 65%. The increase can be attributed to the revenue generated from new service activations by end users of Blackline's products and the growth in revenues from the Blackline Complete leasing program quarter-over-quarter. Leasing revenues contributed \$1,099 in the second quarter compared to \$587 in the prior year comparable period, representing an increase of 87% and was driven by increased Blackline Complete adoption in the past twelve months.

The Company was engaged by a customer to complete a development acceleration program for an enhancement of G7 device connectivity in the fourth quarter of fiscal 2018. The Company recognized \$78 in service revenue in the current fiscal quarter relating to this program, with \$283 previously recognized since the inception of the program with the remainder to be recognized in the second half of fiscal 2019 upon successful completion of the development program.



Service revenues for the first six months of the fiscal year were \$8,214 compared to \$4,864 in the prior period. The increase of \$3,350 or 69% from the prior year is attributable to the increase in the Company's customer base throughout the past twelve-month period. The increased sales in North America and Europe over the past year have contributed to the quarter-over-quarter increase in service revenue with retention rates of customers in all regions, including customers in the oil and gas and supporting industry sectors, continuing to be robust. The Blackline Complete leasing program contributed \$2,196 to service revenue in the first six months of the current fiscal year compared to \$1,133 in the prior year comparable period representing growth of 94%.

The Company's second quarter product revenue was \$4,024 compared to \$1,223 in the prior fiscal period. The \$2,801 or 229% increase from the prior year quarter is attributable to the growth in the sale of connected safety hardware devices to new customers globally. The increase in the quarter includes the gas detection order from Yorkshire Water, a prominent water and sewerage company in the UK, through a UK distributor and also through an order from an existing Canadian customer who upgraded their previous-generation devices to G7 gas monitors.

In the second quarter the Company also delivered its products and services to two customers through a finance lease resulting in product revenues of \$244 being earned with a corresponding lease receivable included in trade receivables.

Product revenues for the first six months of the fiscal year were \$6,204 compared to \$2,688 in the prior year period. The 131% increase from the prior year period is attributable to the stronger global sales of connected safety hardware devices to new customers year-over-year.

#### CONTRACTED FUTURE REVENUE

Contracted future revenue represents future lease and associated service revenue commitments in place over a three-year period. This amount is comprised of the total undiscounted value of our Blackline Complete leasing program contracts, excluding the lease service revenue recognized to date, with no amount included in deferred revenue on the Statement of Financial Position.

	2019 \$	2018 \$
<b>Balance at October 31</b>	<b>7,959</b>	<b>4,378</b>
New Blackline Complete leasing program contracts – G7 products	1,377	665
New Blackline Complete leasing program contracts – Cartridges	94	50
Net Blackline Complete leasing program contract changes	(2)	(36)
Lease revenue recognized in the period	(1,097)	(547)
<b>Balance at January 31</b>	<b>8,331</b>	<b>4,510</b>
New Blackline Complete leasing program contracts – G7 products	694	1,107
New Blackline Complete leasing program contracts – Cartridges	53	191
Net Blackline Complete leasing program contract changes	11	15
Finance lease, net additions	207	-
Lease revenue recognized in the period	(1,099)	(587)
<b>Balance at April 30</b>	<b>8,197</b>	<b>5,236</b>

In the second quarter of the current fiscal year the Company entered into new Blackline Complete leasing contracts for G7 products with a total contract value of \$694 (Three-month period ended April 30, 2018: \$1,107). The Company also entered into new Blackline Complete leasing contracts for gas sensor cartridges for a total contract value of \$53 in the second quarter (Three-month period ended April 30, 2018: \$191). The Company will deliver services to a customer through a finance lease and the future contracted revenue from this finance lease is \$207. Leasing revenues recognized were \$1,099 in the second quarter of the current fiscal year compared to \$587 in the prior year comparable period.

Contracted future revenue of \$8,197 at April 30, 2019 represents an increase of 57% over the comparable period end amount of \$5,236. This is driven by the additional lease contracts entered into in the last twelve months, including a \$1,780 lease agreement with a Canadian energy company in the fourth quarter of fiscal 2018, offset by leasing revenue recognized.

## **COST OF SALES**

Cost of sales for the Company includes the costs of manufacturing its safety monitoring products as well as the costs of servicing those products. The cost of sales for products comprises raw materials, direct costs, direct labor, an allocation of overhead, freight charges, warranty, depreciation and scrappage. The cost of servicing those products is comprised of direct costs, direct labor for the Safety Operations Center, communication costs for devices equipped with cellular and/or satellite technology, depreciation of cartridges and units leased through the Blackline Complete leasing program and an allocation of overhead.

Cost of sales incurred for the quarter ended April 30, 2019 totaled \$4,619 compared to \$2,091 in the same period last year, an increase of \$2,528 or 121%. This is comprised of cost of sales for the product segment, amounting to \$3,153 for the current quarter with \$1,466 incurred in the service segment. In the prior year quarter, cost of sales for the product segment was \$1,225 with \$866 for the service segment.

The cost of sales for products increased by \$1,928 compared to the prior year second quarter with this being attributable to several factors. There were increased material costs of \$1,463 due to the increased product sales and additional production staff payroll and benefits costs of \$140 to facilitate this growth quarter-over-quarter. There was also an incremental unabsorbed material cost variance incurred in the quarter of \$176 as a result of a revision of some standard costs following a year of inhouse use of the surface mount technology manufacturing line as well as continued supplier negotiations due to increased G7 build volumes. The Company has begun to see the benefit of these lower inventory costs in the current quarter, and will continue to see these in future quarters, through improved product margins.

The Company's warranty expense has increased \$130 quarter-over-quarter and is reflective of the Company's expanded number of devices under warranty through the Company's product sales and Blackline Complete leasing growth with additional used device decommissioning costs and inventory write-downs of legacy products that are no longer being actively marketed of \$113. Depreciation included in product cost of sales also increased by \$41, predominately due to additional depreciation on the surface mount technology equipment line in the current quarter.

Service cost of sales increased by \$600 compared to the prior year second quarter. The largest factor that contributed to this increase was depreciation on owned cartridges and leased units that grew \$212 quarter-over-quarter as a result of the rise in sales of the Company's gas detection products as well as sales through the Blackline Complete leasing program over the past twelve months. There were also increases of \$200 from growth in communications costs from new customer device activations, particularly as the Company has expanded its sales of satellite connected devices in the quarter, and \$95 from additional infrastructure support costs to support the growth of the Company and its expanding customer usage base. This expansion has also been facilitated through the growth of the SOC team with associated salaries and benefits increasing by \$54 quarter-over-quarter.

The second quarter service costs of sales also included \$54 of costs related to the development acceleration program that the Company was engaged to complete with \$123 having previously being recognized since the inception of the program with the remainder of the costs to be recognized in the second half of fiscal 2019 upon successful completion of the development program.

Cost of sales for the first six months of fiscal year were \$8,006 compared to \$4,201 in the prior year period. Cost of sales for the first six months of fiscal year is comprised of \$5,152 incurred in the product segment with \$2,854 incurred in the service segment. In the prior year period cost of sales for the product segment were \$2,546 with \$1,654 for the service segment. The increase in product costs of sales for the six-month period can be attributed to the increased material costs and production staff payroll and benefits costs as well as for the G7 product build and incremental unabsorbed material costs period-over-period. The increase in service cost of sales is attributable to increased depreciation on owned cartridges and leased units in the current period and increased communications costs resulting from device activations from new customers during the period.

Gross margin for the second quarter was \$3,570 compared to \$1,658 in the comparable three-month period of the prior year. The resulting gross margin percentage of 44% was equal to the 44% level achieved in the same quarter of fiscal 2018.

Overall gross margin for the first six months of the fiscal year was \$6,412 compared to \$3,352 in the comparable prior period. The gross margin percentage of 44% was equal to the 44% level achieved in the same period of fiscal 2018.

## **EXPENSES**

Total expenses for the quarter ended April 30, 2019 were \$6,782 compared to \$4,609 in the second quarter of the prior year, which represents an increase of \$2,173 over the comparable three-month period. The increase resulted from both selling, general and administrative expenses and product development costs rising quarter-over-quarter.

Selling, general and administrative expenses include the salaries and benefits of the sales, accounting and finance, marketing, customer care and general management staff as well as travel costs, selling and marketing expenses, supporting contractors and consultants' professional fees, amortization of intangible assets, depreciation of certain property and equipment and stock-based compensation expense.

These expenses were \$5,213 for the second quarter of the year, an increase of \$2,004 or 62% from \$3,209 in the same period last year.

In the current quarter the Company granted stock options to directors, officers, employees and a contractor of the Company with the total stock-based compensation recognized in the period being \$1,137 compared to \$1,202 in the comparative period. There was an equivalent stock option grant completed in the comparable fiscal quarterly period.



Blackline has continued to expand its sales and supporting function teams at Blackline's headquarters, in the field within the United States, at our office in the United Kingdom and in Europe and internationally resulting in additional salaries, compensation and benefit costs, commissions and sales contractor costs in the current quarter of \$824 compared to the prior period.

The sales and supporting function growth also resulted in increased travel costs of \$150, lease contract fulfilment costs of \$115, trade show expenses of \$71 and recruiting costs of \$54 quarter-over-quarter as well as additional office costs of \$76 arising from the headquarters move in the period.

Building rent costs were \$426 in the current quarter with the Company incurring rent from the lease entered into by the Company for its new Calgary headquarters. The Company's leases for the two facilities previously occupied were and continue to be actively marketed for sublease before their expiry in August 2019 but have been accounted for as an onerous lease contract with a charge of \$224 recorded in the second quarter that will be amortized over the remainder of the life of the leases. The Company considers this to be a non-recurring transaction.

There was an unrealized foreign exchange gain of \$275 in the current period compared to an unrealized gain of \$213 in the prior comparable period relating predominately to the Company's foreign exchange denominated cash and cash equivalents, short-term investments, accounts receivable and accounts payable at the period end.

For the six-month period ended April 30, 2019, the Company's general and administrative expenses were \$8,595 compared to \$5,315 in the comparable prior year fiscal period. The principal reasons for the increase in the current six-month period are related to the growth of the Company's sales team and the supporting costs associated with that function.

There was an unrealized foreign exchange gain of \$116 in the current six-month period compared to a loss of \$211 in the prior comparable period that relates predominately to the Company's foreign exchange denominated short-term investments and accounts receivable at the period end.

Product development costs reflect the Company's ongoing efforts to expand its product line while enhancing the capabilities of the current revenue-generating product offering. Product development costs include the salaries and benefits of the product development team, external developer consultants, materials used specifically for product development purposes, amortization of intangible assets and depreciation of certain property and equipment. Blackline also records the impact of government assistance from the Scientific Research and Experimental Development program ("SR&ED") as a reduction in product development costs in accordance with the Company's accounting policy for government assistance.

Product development costs were \$1,570 in the second quarter, up from \$1,400 in the comparable prior year period, an increase of \$170 or 12%. Blackline continues to invest in its product development efforts to further broaden the Company's product portfolio and customer reach. The employee compensation and benefit expenses were higher in the current quarter by \$181 compared to the prior period due to the expansion of the Company's product development team as well as additional software maintenance costs of \$45. These were offset by \$68 from a reduction in consulting fees for product development purposes when compared to the prior year quarter.

For the six-month period ended April 30, 2019, the Company's product development costs were \$3,007 compared to \$2,623 in the comparable prior year fiscal period. The increase is attributable to the same reasons as previously discussed for the second quarter.

**FINANCE INCOME, NET**

Finance income, net of finance expenses, was \$196 in the second quarter compared to \$45 in the comparable prior year period. This increase was principally due to the interest earned on the Company's investment of the net proceeds of the October 2018 Brokered Private Placement in short-term investments.

Finance income, net of finance expenses, was \$429 in the six-month period ended April 30, 2019 compared to \$77 in the comparable prior year period. This increase was also primarily due to the interest earned on the Company's investment of the net proceeds of the October 2018 Brokered Private Placement in short-term investments.

**NET LOSS, EBITDA AND ADJUSTED EBITDA**

Net loss was \$(3,016) for the three-month period ended April 30, 2019 compared to \$(2,905) for the comparable prior year fiscal period. The increased net loss in the period primarily arises from an increase in selling, general and administrative expenses in the period, particularly relating the growth and support of the Company's sales function, and product development expenses, offset by an increased gross margin quarter-over-quarter.

Net loss for the six-month period ended April 30, 2019 was \$(4,761) compared to \$(4,510) in the comparable prior year period. The increased net loss in the period arises principally from an increase in selling, general and administrative expenses in the period, offset by an increased gross margin period-over-period.

EBITDA<sup>1</sup> was \$(2,630) for the three-month period ended April 30, 2019 compared to \$(2,666) for the comparable prior year fiscal period. The marginal deterioration in EBITDA in the period arises from an increase in selling, general and administrative expenses, and product development costs, offset by increased gross margin compared to the prior year quarter.

EBITDA for the six-month period ended April 30, 2019 was \$(4,096) compared to \$(4,069) in the comparable prior year period. The marginal reduction in EBITDA for the period can be attributed to an increase in selling, general and administrative expense offset by an increased gross margin period-over-period.

Adjusted EBITDA<sup>1</sup> for the three-month period ended April 30, 2019 was \$253 compared to \$(104) in the prior year period. The improved Adjusted EBITDA resulted from an increase in gross margin, offset by increase in selling, general and administrative expenses compared to the prior year quarter.

Adjusted EBITDA for the six-month period ended April 30, 2019 was \$286 compared to \$(239) in the comparable prior year period. The increase in Adjusted EBITDA for the period can be attributed to an increased gross margin offset by increased selling, general and administrative expenses compared to the prior fiscal six-month period.

<sup>1</sup> See "Non-IFRS Measures" section for a reconciliation of these non-IFRS measures to IFRS.

**TOTAL ASSETS AND LIABILITIES**

Blackline's total assets as at April 30, 2019 were \$57,475 compared to \$57,885 as at October 31, 2018. Total liabilities were \$14,046 compared to \$11,489 as at October 31, 2018.

The marginal decrease in total assets as at October 31, 2018 when compared to the prior fiscal year end is primarily attributable to decreased short-term investments and inventory offset by increased trade and other receivables, contract assets and property and equipment.

Cash and cash equivalents at April 30, 2019 were \$11,660 compared to \$11,362 at October 31, 2018, an increase of \$298. The short-term investments with financial institutions at the period end were \$22,000 with the majority of the funds being invested from the brokered private placement in the fourth quarter of the prior fiscal year. This represents a total cash and cash equivalents and short-term investments amount of \$33,660 as at April 30, 2019 (October 31, 2018: \$39,694).

Trade and other receivables totaled \$7,923 from \$4,242 at the prior year end with the increase arising from the growth in product sales and service revenues generated in the current fiscal period compared to the prior year and the associated collection terms of these receivables.

Inventory totaled \$5,293 at the current period end compared to \$6,231 at the prior year end. Material parts inventory decreased to \$2,375 from \$3,648 at the prior year end with finished goods, comprised of finished and packaged units, increasing to \$2,918 from \$2,583 at the prior year end. The reduction in parts and components arises from the additional completion of finished Blackline G7 connected safety products to meet the increase demand from product sales. The increase in finished goods resulted from the build of inventory for expected sales of finished product in the coming quarter.

Total contract assets, consisting of current and long-term costs related to the fulfilment of a Blackline Complete lease and any other revenue contracts in progress at the period end, were \$1,279 as at April 30, 2019 (October 31, 2018: \$863).

Property and equipment at the period end was \$8,020 compared to \$5,692 at the prior year end. Of this net increase \$1,247 is attributable to cartridges, these being the modular cartridge options, including gas sensors, used in the G7 connected safety device and \$111 relating to Blackline Complete leased units. The Company incurred additional capital expenditures primarily from the Company's move to its new headquarters in the Dominion Bridge building in Calgary with leasehold improvements up \$503 and furniture and equipment up \$239.

The total current financial liabilities at April 30, 2019 were \$11,707 compared to \$9,273 as at October 31, 2018. The amount of accounts payable and accrued liabilities owed by the Company increased to \$4,747 from \$4,037 at the prior year end as a result of increased payables due to the timing of the payment of the Company's expenditures at the end of each fiscal period. The current portion of the Company's deferred revenue, whereby customers commit to service plans that are paid in advance, was \$6,138 at period end which compared to \$4,713 at the prior year end with the difference being due to the timing of when cash is received, and revenue is recognized. The current portion of contract liabilities which represent the Company's obligations to pay commissions to third-party distributors who assist with the fulfilment of 'Blackline Complete' lease contracts was \$423 as at April 30, 2019 compared to \$263 at the prior year end. The current portion of the repayable funding from TECTERRA Inc. ("TECTERRA") was \$400 compared to \$200 as at October 31, 2018 which reflects the estimated funds that are due to be repaid in the upcoming twelve months based on the terms of the funding and compensation agreement with TECTERRA.

The total non-current financial liabilities at April 30, 2019 were \$2,339 compared to \$2,216 as at October 31, 2018. The non-current financial liabilities include the non-current portions of deferred revenue, repayable funding from TECTERRA and deferred lease incentives. The long-term portion of the Company's deferred revenue increased to \$1,859 from \$1,842 at the prior year end, which reflects the timing of when the deferred revenue from service sales will be earned. The non-current portion of contract liabilities were \$252 as at April 30, 2019 compared to \$156 at the prior year end. The non-current portion of the repayable funding from TECTERRA was \$100 at the end of the current period compared to \$200 at the end of the prior fiscal year which reflects the estimated funds that are due to be repaid more than twelve months after the balance sheet date based on the terms of the funding and compensation agreement with TECTERRA.



## **PROCEEDS OF PRIVATE PLACEMENTS**

On October 22, 2018, the Company closed an underwritten private placement of 6,325,000 common shares of the Company at an issue price of \$5.00 per common share for aggregate gross proceeds of \$31,625 (the "October 2018 Brokered Private Placement"). After deduction of broker and other fees the net proceeds from the October 2018 Brokered Private Placement were \$29,399.

Blackline advised at the time that it intends to use the net proceeds of the October 2018 Brokered Private Placement to support the accelerated growth of its international sales network, to fund potential accretive acquisition opportunities as well as general corporate purposes. The Company invested \$27,624 of the funds raised in notice term deposits and short-term investments and as at April 30, 2019 \$25,396 of these funds remained invested in notice term deposits and short-term investments.

## SUMMARY OF QUARTERLY RESULTS

The following table highlights revenue, gross margin percentage, net loss, net loss per share, Adjusted EBITDA and Adjusted EBITDA per share amounts for the eight most recently completed quarters ended April 30, 2019. These have been prepared in accordance with IFRS, with the non-IFRS measures captioned below, and are presented in Canadian dollars which is the presentation and functional currency of the Company.

<b>Fiscal year</b>	<b>2019</b>		<b>2018</b>				<b>2017</b>	
<b>Quarter</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
Revenue (\$)	8,189	6,229	5,544	4,676	3,749	3,803	4,277	2,302
Gross margin (%)	44%	46%	45%	40%	44%	45%	44%	44%
Net loss (\$)	(3,016)	(1,745)	(2,445)	(2,048)	(2,905)	(1,604)	(2,678)	(2,121)
- Net loss per share, basic and diluted (\$)	(0.06)	(0.04)	(0.06)	(0.05)	(0.07)	(0.05)	(0.08)	(0.06)
Adjusted EBITDA <sup>1</sup> (\$)	253	33	(677)	(179)	(104)	(136)	(621)	(905)
- Adjusted EBITDA <sup>1</sup> per share, basic and diluted (\$)	0.01	0.00	(0.02)	(0.00)	(0.00)	(0.00)	(0.02)	(0.03)

<sup>1</sup> See "Non-IFRS Measures" for a reconciliation of Adjusted EBITDA as a non-IFRS measure to IFRS. The reconciling items and the movements in these items from period to period are discussed in the MD&A of each period.

The variations over the quarters, including their comparable quarter, are discussed in this MD&A and in the previously filed interim and annual MD&A of the Company.

The increase in revenue in the second quarter of fiscal 2019 compared to the first quarter of fiscal 2019 relates predominately to higher product revenues. The increase in net loss in the second quarter of fiscal 2019 compared to the first quarter of fiscal 2019 was mainly attributable to an increase in stock-based compensation expense incurred in the second quarter of fiscal 2019 from stock options granted to directors, officers and employees of the Company with no equivalent grant in the first quarter of fiscal 2019. The increase in Adjusted EBITDA in the second quarter of fiscal 2019 resulted from increased revenues and gross margin, offset by increased selling, general and administrative expenses period-over-period.

The increase in revenue in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018 relates to higher product and service revenues. The increase in gross margin in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018 was due to a proportionally higher product margin. The decrease in net loss in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018 is attributable to increased revenues, gross margin and decreased selling, general and administrative expenses, offset by increased product development costs period-over-period. The increase in Adjusted EBITDA in the first quarter of fiscal 2019 resulted from increased revenues, gross margin and decreased selling, general and administrative expenses period-over-period.

The increase in revenue in the fourth quarter of fiscal 2018 compared to the third quarter of fiscal 2018 relates to higher product and service revenues. The increase in gross margin in the fourth quarter of fiscal 2018 compared to the third quarter of fiscal 2018 was due to a proportionally higher service margin. The increase in net loss in the fourth quarter of fiscal 2018 compared to the third quarter of fiscal 2018 is attributable to increased selling, general and administrative expenses period-over-period, offset by increased product and service revenues.

The reduction in Adjusted EBITDA in the fourth quarter of fiscal 2018 compared to the third quarter of fiscal 2018 relates primarily to an increase in the net loss in the period, largely due to increased selling, general and administrative expenses, including a one-time payment of \$268 to a prior contractor, incurred in the fourth quarter of fiscal 2018 compared to the third quarter of fiscal 2018.

The increase in revenue in the third quarter of fiscal 2018 compared to the second quarter of fiscal 2018 relates to higher service revenues. The decrease in gross margin in the third quarter of fiscal 2018 compared to the second quarter of fiscal 2018 was due to a proportionally higher cost of goods sold for the Company's product segment as a result of material costs increases, the impact of SMT set up costs and the growth of the Company's production team. The decrease in net loss in the third quarter of fiscal 2018 compared to the second quarter of fiscal 2018 is attributable to stock-based compensation expense incurred in the second quarter of the fiscal year from stock options granted to directors, officers and employees of the Company.

The increase in net loss in the second quarter of fiscal 2018 compared to the first quarter of fiscal 2018 was mainly attributable to an increase in stock-based compensation expense incurred in the second quarter of fiscal 2018 from stock options granted to directors, officers and employees of the Company with no equivalent grant in the first quarter of fiscal 2018.

The decrease in revenue in the first quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017 relates to lower product revenues. There was a decrease in net loss in the first quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017, attributable to a decrease in stock-based compensation expense incurred in the fourth quarter of fiscal 2017 from stock options granted to directors, officers and employees of the Company with no equivalent grant in the first quarter of fiscal 2018. This was offset by lower revenue in the first quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017.

The improvement in Adjusted EBITDA in the first quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017 relates primarily to a decrease in the net loss in the period, largely due to decreased total expenses in the first quarter of fiscal 2018 compared to the fourth quarter of fiscal 2017 arising from decreased selling, general and administrative expenses incurred.

The increase in revenue in the fourth quarter of fiscal 2017 compared to the third quarter of fiscal 2017 relates to higher product and service revenues. The increase in net loss in the fourth quarter of fiscal 2017 compared to the third quarter of fiscal 2017 was attributable to stock-based compensation expense incurred in the fourth quarter from stock options granted to directors, officers and employees of the Company.

There are no factors, other than those previously disclosed, that have caused variations over the quarters necessary to understand general trends that have developed for which separate discussion in this MD&A is required. The Company's business is not materially impacted by seasonality.



## LIQUIDITY AND CAPITAL RESOURCES

The Company's primary requirements for capital are to fund the development of an enhanced product offering and for general working capital requirements. The Company finances these activities primarily through cash flows from operations, funds from equity financing, a bank demand operating revolving loan facility and government assistance in the form of repayable debt.

Blackline had cash and cash equivalents of \$11,660 as at April 30, 2019. Cash and cash equivalents increased by \$2,661 during the second quarter and by \$299 in the six-month period ended April 30, 2019, in comparison to a decrease of \$686 and increase of \$2,930 respectively in the same periods of the last fiscal year. The total of the short-term investments held as at April 30, 2019 amounted to \$22,000 compared to \$28,332 at the prior year end. The short-term investments were comprised of fixed interest rate guaranteed investment certificates.

Operating activities during the three months ended April 30, 2019 provided \$434 in cash whereas \$(1,564) was used in the prior fiscal quarter. The net change in non-cash working capital relating to operating activities amounting to \$1,728 compared to \$187 in the prior fiscal quarter. The majority of the net change in non-cash working capital in the year related to changes in trade and other receivables of \$1,759, net deferred revenue of \$1,180 and accounts payable and accrued liabilities of \$1,094 offset by changes in inventory of \$1,476 and contact assets of \$113 as compared to the immediately prior fiscal quarter end date.

Financing activities for the three and six-month periods ended April 30, 2019 provided a cash increase of \$560 and \$572 respectively, compared to an increase of \$1,037 and \$8,979 in the same periods of the prior fiscal year. In the current quarter net proceeds of \$460 were raised through the exercise of stock options compared to \$1,065 that was raised in the prior year through the exercise of stock options and warrants. There was no bank indebtedness activity in the current quarter compared to net repayments of \$200 in the prior year quarter. There were proceeds of \$100 received this quarter from a TECTERRA compensation and funding agreement with \$100 received in the comparable prior quarter with repayments of \$nil in the current quarter compared to \$128 in the comparable prior quarter.

Investing activities for the three and six-month periods ended April 30, 2019 provided cash in the amounts of \$1,969 and \$3,233 respectively, compared to \$(224) and \$(873) used in the comparable periods of the prior fiscal year. There were purchases of short-term investments of \$5,000 in the current three and six-month periods. These purchases were offset by redemptions of short-term investments in the amount of \$9,314 in the current period and \$11,331 in the current six-month period compared to \$8,070 and \$8,070 respectively in the comparable prior periods. Net finance income from the Company's cash and cash equivalents and short-term investments in the second quarter was \$150 compared to \$104 in the comparable prior quarter.

In the current period there have been capital expenditures of \$2,495 and \$3,303 in the current six-month period. The additional expenditures were incurred predominantly in leasehold improvements and furniture and equipment from the Company's move to its new headquarters with cartridges and owned Blackline Complete leased units also contributing to the increase from \$1,397 and \$2,069 respectively in the comparable periods of prior fiscal year.

The Company continues to maintain its demand operating revolving loan facility ("loan facility") of up to \$1,500 with a Canadian chartered bank. The loan facility bears interest at the bank's annual prime rate plus 1% and is repayable on demand. In the event that the total indebtedness of the Company to the bank exceeds \$500 the Company shall ensure that the amount advanced and loan outstanding shall at no time exceed the margin requirements of the loan facility. The loan facility is secured, including by a general security agreement creating a first priority security interest in all present and after acquired personal property of the Company.

The loan facility was not drawn upon at the current quarter end or as at October 31, 2018.

The covenants that must be maintained by the Company, without limiting the Bank's right to demand repayment of any outstanding amounts, are as follows:

- ratio of debt to tangible net worth, defined as total equity less intangible assets, shall not at any time exceed 3.00 to 1.00;
- ratio of current assets to current liabilities to not at any time be less than 1.25 to 1.00; and
- deposits with the Bank shall not be less than \$1,500 at any time.

The Company has repayable funding through a compensation and funding agreement with TECTERRA whereby funding is made available through their Industry Investment Program, interest free, for the development and commercialization of innovative geospatial solutions for integrated resource management. The Company is using this funding to assist in developing an enhanced product within its current portfolio. The total amount owing to TECTERRA as at April 30, 2019 was \$500, representing an increase of \$100 from the prior fiscal year end due to final tranche of funding received in the current quarter through the agreement.

There are no expenditures not yet committed that are required to maintain the Company's capacity to meet the Company's planned growth or to fund development activities.

Management's objective is to maintain sufficient cash and cash equivalents and short-term investments to finance operations and minimize dilution to shareholders. The Company's ongoing development program requires investment in wages, tooling and product certifications during the development process. To meet these development-based capital requirements, in addition to the loan facility and focusing on improving cash flow from operating activities, the Company continues to pursue multiple levels of government grants and funding arrangements. Such arrangements, include zero interest loans for developing new geomatics technologies (TECTERRA) and wage programs to cover the cost of hiring new developers (Alberta Innovates), can assist the Company in meeting its liquidity objective.

Management believes they have sufficient funds to support the growth of the Company and to fund its development activities. No assurances can be given that the Company will achieve all or part of its liquidity objective, or that sufficient funds will be generated internally or that financing from outside sources, if needed, will be available.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet financing arrangements.

## **TRANSACTIONS BETWEEN RELATED PARTIES**

### **Purchases of Services**

The Company purchased public relations consulting services from an entity controlled by a related party of a member of the Company's key management personnel on normal credit terms and conditions and measured at the exchange amount of \$8 and \$21 for the three and six-month periods ended April 30, 2019 (Three-month period ended April 30, 2018: \$7 and six-month period ended April 30, 2018: \$22). As at April 30, 2019, the amount of \$2 (October 31, 2018: \$5) was outstanding in accounts payable and accrued liabilities in relation to transactions with that related party.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

### **New standards adopted by the Company**

There were no new standards that became applicable and that were adopted by the Company for the current reporting period.

### **New standards not yet adopted by the Company**

Certain new accounting standards and interpretations have been published that are not mandatory for April 30, 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, including the Blackline Complete leasing program, 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 Company in the current or future reporting periods and on foreseeable future transactions.

## **FINANCIAL INSTRUMENTS**

Blackline held the following financial instruments as at the April 30, 2019 fiscal period end:

### **Financial Assets**

The financial assets held by the Company consisted of cash and cash equivalents, short-term investments and trade and other receivables. These financial assets are initially measured at fair value with any subsequent changes in measurement being at amortized cost. The carrying amounts of these financial assets are not considered to be significantly different to their fair values due to the instruments short-term nature.

### **Financial Liabilities**

The financial liabilities held by the Company consisted of accounts payable and accrued liabilities, contract liabilities and repayable funding from TECTERRA. These financial liabilities are initially measured at fair value with any subsequent changes in measurement being at amortized cost. The carrying amounts of these financial liabilities are not considered to be significantly different to their fair values due to the instruments short-term nature.

The Company's risk exposure associated with these financial instruments and the strategies used to manage these risks are disclosed in note 3 b) of the April 30, 2019 unaudited condensed consolidated interim financial statements of the Company. The amounts, timing and certainty of future cash flows, cash flows associated with those financial instruments are also disclosed in this note. Blackline does not have any financial assets or liabilities that are measured subsequently at fair value, either through other comprehensive income or through profit or loss, or derivative financial instruments used for hedging.





## NON-IFRS MEASURES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS as issued by the IASB.

Certain supplementary information and measures not recognized under IFRS are provided where management believes they assist the reader in understanding Blackline's results. The calculations of the non-IFRS measures are consistent with the prior year comparable period. These measures include:

### EBITDA

EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA refers to earnings before interest expense, interest income, income taxes, depreciation and amortization.

Management believes that operating performance, as determined by EBITDA, may be meaningful to securities analysts, investors and other interested parties because it presents the results of the Company on a basis which excludes the impact of certain non-operational items. Readers should be cautioned, however, that EBITDA should not be construed as an alternative measure to net earnings (loss) determined in accordance with IFRS. Management does not use this non-IFRS measure to assess the Company's financial results against internal expectations.

### ADJUSTED EBITDA

Adjusted EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Adjusted EBITDA refers to earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product development costs and non-recurring impact transactions, if any.

The Company does not include stock-based compensation expenses, product development costs or other non-recurring impact transactions, if any, in Adjusted EBITDA. This is presented to provide analysts, investors and other interested parties a representative EBITDA of the Company such that it was not incurring product development costs related to new and existing products or the effects of stock-based compensation expense and non-recurring transactions, if any. The Company considers an item to be non-recurring when a similar loss or gain is not reasonably likely to occur within the next two years or has not occurred during the prior two years.

Management believes that operating performance, as determined by Adjusted EBITDA, may be meaningful to securities analysts, investors and other interested parties because it presents the results of the Company on a basis which excludes the impact of product development costs related to new and existing products, which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without any expenditures in product development. The exclusion of stock-based compensation expense as a non-cash item as well as other non-recurring impact transactions, if any, also enables those readers of the MD&A to evaluate the results of the Company because it presents the results of the Company on a basis which excludes the impact of non-cash and non-recurring items, if any. Readers should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative measure to net earnings (loss) determined in accordance with IFRS. Management does not use this non-IFRS measure to assess the Company's financial results against internal expectations.

## **EBITDA PER SHARE AND ADJUSTED EBITDA PER SHARE**

EBITDA per share and Adjusted EBITDA per share are calculated on the same basis as net earnings (loss) per share, utilizing the basic and diluted weighted average number of common shares outstanding during the periods presented. These are presented in the "Financial Information" section of the MD&A.

## **NET LOSS EXCLUDING STOCK-BASED COMPENSATION EXPENSE**

Net loss excluding stock-based compensation expense is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Net loss excluding stock-based compensation refers to net loss before stock-based compensation expense.

This is presented to provide analysts, investors and other interested parties a representative net loss of the Company such that it was not incurring the effects of stock-based compensation expense.

Management believes that operating performance, as determined by net loss excluding stock-based compensation expense, may be meaningful to securities analysts, investors and other interested parties because it presents the results of the Company on a basis which excludes the impact of stock-based compensation expense as a non-operational and non-cash item. Readers should be cautioned, however, that net loss excluding stock-based compensation expense should not be construed as an alternative measure to net earnings (loss) determined in accordance with IFRS. Management does not use this non-IFRS measure to assess the Company's financial results against internal expectations.

## RECONCILIATION OF NON-IFRS MEASURES

The following table presents a reconciliation of the non-IFRS measures presented in the MD&A to their nearest measure under IFRS for the three and six-month periods ended April 30, 2019 and April 30, 2018. These are net loss to EBITDA, Adjusted EBITDA and net loss to net loss excluding stock-based compensation expense.

	Three months ended April 30,		Six months ended April 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Net Loss</b>	<b>(3,016)</b>	<b>(2,905)</b>	<b>(4,761)</b>	<b>(4,510)</b>
- Depreciation and amortization	582	284	1,094	517
- Finance income, net	(196)	(45)	(429)	(76)
<b>EBITDA</b>	<b>(2,630)</b>	<b>(2,666)</b>	<b>(4,096)</b>	<b>(4,069)</b>
- Product development costs, net depreciation and amortization	1,491	1,333	2,863	2,498
- Stock-based compensation expense	1,168	1,229	1,295	1,332
- Other non-recurring impact transactions	224	-	224	-
<b>Adjusted EBITDA</b>	<b>253</b>	<b>(104)</b>	<b>286</b>	<b>(239)</b>
<b>Net Loss</b>	<b>(3,016)</b>	<b>(2,905)</b>	<b>(4,761)</b>	<b>(4,510)</b>
- Stock-based compensation expense	1,168	1,229	1,295	1,332
<b>Net loss excluding stock-based compensation expense</b>	<b>(1,848)</b>	<b>(1,676)</b>	<b>(3,466)</b>	<b>(3,178)</b>



## OUTSTANDING SHARE DATA

Blackline had 47,605,464 common voting shares issued and outstanding as at June 25, 2019.

The following share options were outstanding at that date:

Share Option Exercise Price	Share Options outstanding
\$1.60	20,000
\$1.80	409,167
\$2.15	4,000
\$2.27	10,000
\$2.85	426,671
\$4.40	605,751
\$4.85	25,000
\$5.26	802,000
\$5.50	729,784
<b>Total</b>	<b>3,032,373</b>





## RISK FACTORS AND UNCERTAINTIES

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. This section describes specific and general risks that could affect the Company. As it is difficult to predict whether any risk will be realized, or its related consequences will occur, the actual effect of any risk on the business could be materially different from that anticipated. The following descriptions of risk do not include all possible risks, as there may be other risks of which management is currently unaware or currently believe to be immaterial.

### GENERAL ECONOMIC CONDITIONS

The Company currently operates from Canada, the United States and Europe and like all businesses globally, it has been subject to the impact of national and global economic issues affecting oil and gas companies. The challenging conditions affecting the energy industry have resulted in significant reductions in capital budgets for oil and gas companies. Blackline is working directly with entities whose capital spending has been reduced to generate non-capital proposals for safety services that would generate less revenue in the short-term but greater revenue, cash flow and profitability in the longer term. However, should these conditions continue to prevail, there may be further pressure on the demand for products and services currently provided by Blackline.

### COMPETITION

The market for location-based services is competitive in the lone worker space, and some competitors in the gas detection industry have launched early wireless-capable solutions. Blackline has experienced, and may continue to experience, intense competition from other organizations with more established sales and marketing presence, superior technical support services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards.

As the market for the Company's products continues to develop, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced profitability and loss of market share, any of which could have an adverse effect on the Company's business, results of operations and financial condition.

## **RISK ASSOCIATED WITH INTERNATIONAL OPERATIONS**

Management of the Company believes that its continued growth and profitability will require expansion of its sales further in the United States and into other international markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. To increase international sales in subsequent periods, the Company may establish additional international operations, incur substantial infrastructure costs, hire additional personnel and recruit international distributors. In addition, even with the possible recruitment of additional personnel and international distributors, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

## **TECHNOLOGICAL CHANGE AND STANDARDS**

The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing products and systems obsolete. Blackline's products employ complex technology and may not always be compatible with current and evolving technical standards. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a materially adverse effect on the Company's business, results of operations and financial condition.

## **INTELLECTUAL PROPERTY RISKS**

Since much of the Company's potential success and value lies in its ownership and use of intellectual property, failure to protect its intellectual property may negatively affect its business and value. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

## **RELIANCE ON INFORMATION SYSTEMS AND TECHNOLOGY**

The Company's business relies upon information technology systems to support its monitoring of hardware devices and to service customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Where a significant disruption to its information technology occurs, the Company's earnings could be adversely affected through loss of revenue and costs to rectify the disruption as well as potentially suffering damage to its reputation.

The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims, the Company's earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention.

The Company may also be required to expend significant capital and resources to protect against the threat of security, encryption and authentication technology breaches or to alleviate problems caused by such breaches.

## **RELIANCE ON THIRD PARTY LICENSES**

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could substantially and adversely affect the Company's business, results of operations and financial condition.

## **DEPENDENCE ON THIRD PARTIES**

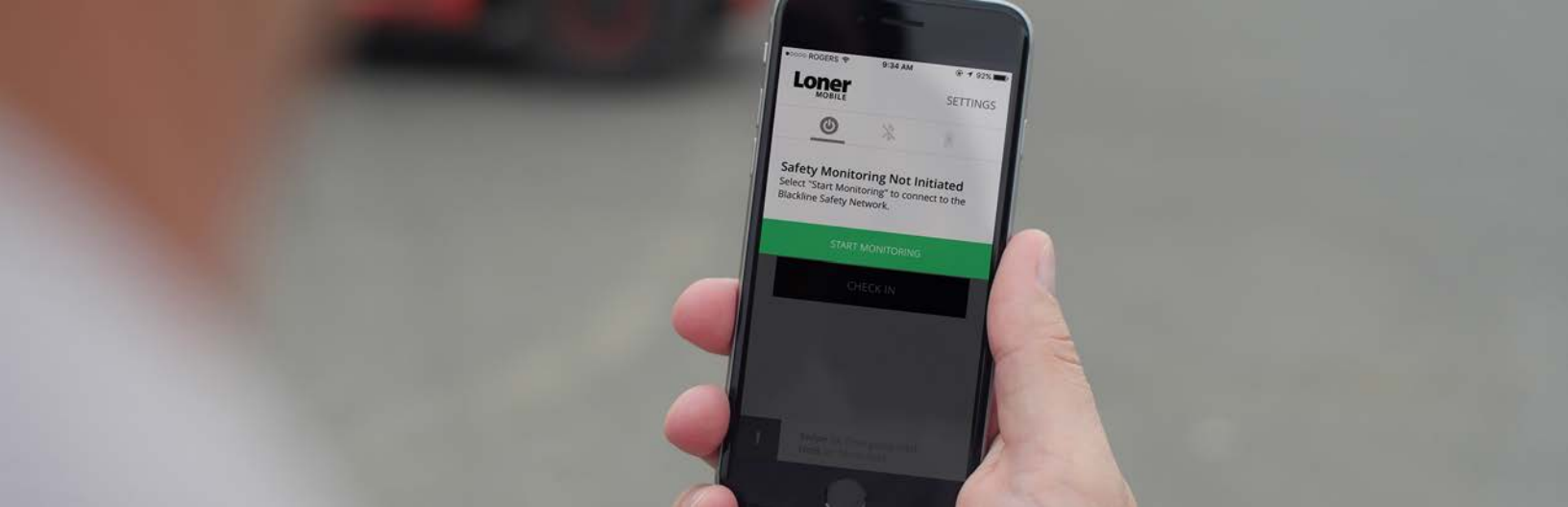
The Company's products rely on GPS satellites that it does not own or operate. Such satellites and the corresponding ground support systems are complex electronic and mechanical systems that are subject to potential failures. Further, there is no assurance the US Government will continue to operate and maintain the satellites or that it will continue the current policies for the commercial use of the satellites. The Company has contracted with Iridium Satellite LLC to provide data via their independent network of satellites. Should a significant number of the governmental or commercial satellites fail or should the terms of use policies for the US Government satellites change, the earnings of the Company would be considerably impacted.

## **HISTORY OF OPERATING LOSSES**

Since its incorporation, the Company has recorded an inadequate level of revenue to offset its costs and has an accumulated deficit as at April 30, 2019 of \$(57,195). The deficit is expected to increase in the near term as the Company accelerates the growth of its international sales network and continues its product development.

## **PRICE VOLATILITY OF PUBLICLY TRADED SECURITIES**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.



## OUTLOOK

Blackline has a comprehensive connected safety product and service portfolio that is designed and developed in-house to meet the demands of most industries, from energy and petrochemical to utilities, telecom, industrial, and manufacturing. The Company delivers solutions that provide robust, turn-key safety monitoring for personnel operating in urban, suburban, rural, hazardous and remote locations. Blackline Safety creates and services employee-worn comprehensive safety monitors that support activities outdoors, on sites and throughout facilities. Blackline's proprietary location beacon technology supplements GPS, delivering a hybrid location platform that accurately and consistently maps employee locations when working indoors and outside.

Blackline has evolved into a global vendor of environmental gas detection and lone worker monitoring solutions. The Company's G7 connected safety portfolio offers turn-key live monitoring capabilities that do not require customers to deploy complicated industrial Wi-Fi networks, rely on mesh-networking, or deploy expensive smartphones with Bluetooth connections. Blackline addresses a broad range of customer requirements through plug-and-play cartridges that support a broad range of gas sensors. Automated wireless configuration makes it easy to manage a large fleet of G7 devices from Blackline's online software. Leveraging its products and services, the Company intends to be the global connected safety leader by offering comprehensive, enterprise-wide employee safety devices and services to customers around the world.

The Company's Blackline Complete leasing program delivers Blackline's leading technology through a service-based leasing model. With no upfront fees, this program provides everything a customer would require with a simple and affordable monthly fee. This program includes G7 connected safety devices, service subscriptions, 24/7 live monitoring service and a full warranty throughout the 36-month leasing term.

With a broad safety monitoring portfolio, Blackline's solutions work around the world, enabling the Company to maximize its reach and address new opportunities. Blackline delivers a high level of value to customers, helping them to optimize their emergency response process through enhanced situational awareness delivered by live voice communications between the user and monitoring personnel. The Company believes that continued customer adoption, combined with a leading solution portfolio, will provide for continued business growth.

Blackline continues to expand its North American, European and international presence by developing its distribution partner network around the globe. The Company is currently recruiting additional field sales personnel to aid in expanding its distribution channel while cultivating new customer opportunities.



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**blackline**safety

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