

A photograph of an industrial facility, possibly a refinery or chemical plant, with various towers, pipes, and storage tanks. The scene is set against a dramatic sunset sky with orange and yellow hues. The entire scene is reflected in a body of water in the foreground.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended July 31, 2020

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

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

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

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

	July 31, 2020 \$	October 31, 2019 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	15,211,274	13,636,427
Short-term investments	8,000,000	17,003,361
Trade and other receivables (note 3 (a))	8,089,786	9,840,853
Inventory	9,718,967	5,849,769
Prepaid expenses and advances	1,229,258	754,511
Contract assets	541,188	515,017
Total current assets	42,790,473	47,599,938
NON-CURRENT ASSETS		
Property and equipment	9,612,918	9,449,817
Intangible assets	630,123	658,638
Right-of-use assets	1,502,796	-
Long-term contract assets	304,204	460,595
Long-term other receivables	1,551,045	564,816
Total non-current assets	13,601,086	11,133,866
TOTAL ASSETS	56,391,559	58,733,804
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	6,254,654	7,367,353
Deferred revenue	9,628,509	7,099,703
Current portion of contract liabilities	707,367	611,143
Government assistance (note 4 (a))	-	288,793
Current portion of lease liabilities	420,220	-
Total current liabilities	17,010,750	15,366,992
NON-CURRENT LIABILITIES		
Deferred revenue	3,515,247	3,630,635
Contract liabilities	205,947	193,405
Lease liabilities	1,145,135	-
Deferred lease incentives	-	171,725
Total non-current liabilities	4,866,329	3,995,765
TOTAL LIABILITIES	21,877,079	19,362,757
SHAREHOLDERS' EQUITY		
Share capital (note 5)	94,385,655	92,781,280
Contributed surplus	9,197,253	8,770,346
Accumulated other comprehensive income (loss)	(665,592)	177,465
Deficit	(68,402,836)	(62,358,044)
TOTAL SHAREHOLDERS' EQUITY	34,514,480	39,371,047
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	56,391,559	58,733,804

Subsequent event (note 12)

See accompanying notes to the condensed consolidated interim financial statements

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

	Three-month period ended		Nine-month period ended	
	July 31, 2020	July 31, 2019	July 31, 2020	July 31, 2019
	\$	\$	\$	\$
Revenues (note 6 and 7)				
Product revenue	2,772,307	3,469,187	8,021,445	9,673,122
Service revenue	6,665,075	4,638,686	18,805,594	12,852,284
Total revenues	9,437,382	8,107,873	26,827,039	22,525,406
Cost of sales (note 7)	4,476,325	4,116,567	13,149,053	12,122,327
Gross margin	4,961,057	3,991,306	13,677,986	10,403,079
Expenses				
General and administrative expenses	1,375,315	1,260,458	3,421,848	4,498,824
Sales and marketing expenses	3,287,091	3,356,613	10,467,432	8,574,040
Product development costs	2,112,655	1,809,942	6,256,233	4,956,273
Total expenses	6,775,061	6,427,013	20,145,513	18,029,137
Results from operating activities	(1,814,004)	(2,435,707)	(6,467,527)	(7,626,058)
Finance income, net	51,592	195,932	251,017	625,339
Net loss	(1,762,412)	(2,239,775)	(6,216,510)	(7,000,719)
Other comprehensive income (loss)				
Foreign exchange translation gain (loss) on foreign operations (note 3 (b)(i))	42,370	(337,421)	(843,057)	(311,819)
Comprehensive loss for the period	(1,720,042)	(2,577,196)	(7,059,567)	(7,312,538)
Loss per common share (note 10):				
Basic and diluted	(0.04)	(0.05)	(0.13)	(0.15)

See accompanying notes to the condensed consolidated interim financial statements

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

	Number of Shares	Share Capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Equity \$
Balance at October 31, 2018	47,147,538	90,791,496	7,940,859	97,623	(52,433,585)	46,396,393
Loss for the period	-	-	-	-	(7,000,719)	(7,000,719)
Foreign exchange translation on foreign operations	-	-	-	(311,819)	-	(311,819)
Exercising of options (note 5)	433,612	1,117,988	(333,161)	-	-	784,827
Stock-based compensation expense (note 5)	33,374	183,986	1,273,295	-	-	1,457,281
Balance at July 31, 2019	47,614,524	92,093,470	8,880,993	(214,196)	(59,434,304)	41,325,963
Loss for the period	-	-	-	-	(2,923,740)	(2,923,740)
Foreign exchange translation on foreign operations	-	-	-	391,661	-	391,661
Exercising of options (note 5)	202,750	576,271	(180,128)	-	-	396,143
Stock-based compensation expense (note 5)	18,569	111,539	69,481	-	-	181,020
Balance at October 31, 2019	47,835,843	92,781,280	8,770,346	177,465	(62,358,044)	39,371,047
Opening adjustment (Note 2(b)(i))	-	-	-	-	171,718	171,718
Loss for the period	-	-	-	-	(6,216,510)	(6,216,510)
Foreign exchange translation on foreign operations	-	-	-	(843,057)	-	(843,057)
Exercising of options (note 5)	388,751	1,316,251	(420,390)	-	-	895,861
Stock-based compensation expense (note 5)	49,876	288,124	847,297	-	-	1,135,421
Balance at July 31, 2020	48,274,470	94,385,655	9,197,253	(665,592)	(68,402,836)	34,514,480

See accompanying notes to the condensed consolidated interim financial statements

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

	Three-month period ended July 31, 2020		Nine-month period ended July 31, 2020	
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Loss for the period	(1,762,412)	(2,239,775)	(6,216,509)	(7,000,719)
Depreciation and amortization	1,073,187	745,520	3,065,716	1,901,642
Stock-based compensation expense	99,465	136,583	847,467	1,432,077
Finance income, net	(61,563)	(3,143)	(311,264)	(625,338)
Unrealized foreign exchange (gains) losses	77,832	(195,932)	89,647	38,699
Disposals of property and equipment	19,501	-	137,045	-
	(553,990)	(1,556,747)	(2,387,898)	(4,253,639)
Net changes in non-cash working capital (note 11)	998,348	1,322,223	(2,108,962)	727,052
Net cash provided by (used in) operating activities	444,358	(234,524)	(4,496,860)	(3,526,587)
Financing activities				
Proceeds from option exercises	380,241	337,685	1,183,799	810,033
Repayment of lease liabilities	(88,994)	-	(272,281)	-
Proceeds from government assistance (note 4)	-	-	-	100,000
Repayments of government assistance (note 4)	(98,420)	(111,207)	(288,793)	(111,207)
Net cash provided by (used in) financing activities	192,827	226,478	622,725	798,826
Investing activities				
Purchase of short-term investments	-	-	(2,402,580)	(5,000,000)
Redemption of short-term investments	455,445	1,000,000	11,405,941	12,330,765
Finance income, net	5,038	56,024	140,881	261,209
Purchase of property and equipment and intangible assets	(371,910)	(1,251,495)	(2,809,654)	(4,702,876)
Net cash provided by (used in) investing activities	88,573	(195,471)	6,334,588	2,889,098
Effect of foreign exchange changes on cash and cash equivalents	16,280	(255,914)	(885,606)	(322,211)
Net increase (decrease) in cash and cash equivalents	742,038	(459,431)	1,574,847	(160,874)
Cash and cash equivalents, beginning of period	14,469,236	11,660,197	13,636,427	11,361,640
Cash and cash equivalents, end of period	15,211,274	11,200,766	15,211,274	11,200,766

Supplementary cash flow information (note 11)

See accompanying notes to the condensed consolidated interim financial statements

Blackline Safety Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine-month periods ended July 31, 2020 and 2019
(Unaudited)

1. Nature of operations

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

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on September 22, 2020.

2. Summary of significant accounting policies

a) Basis of preparation

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

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

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

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

b) Changes in accounting policy and disclosures

i) *New and amended standards adopted by the Company*

The Company adopted IFRS 16 *Leases* using the modified retrospective approach on November 1, 2019. The changes in accounting policies, including the opening adjustments on November 1, 2019 are disclosed in the January 31, 2020 condensed consolidated interim financial statements.

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

ii) *New standards and interpretations not yet adopted*

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

Blackline Safety Corp.
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There are no 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.

3. Financial instruments and risk management

a) Financial instruments

The Company holds the following financial instruments:

<i>Financial assets</i>	Notes	Carrying amount
As at July 31, 2020		\$
Cash and cash equivalents		15,211,274
Short-term investments		8,000,000
Trade and other receivables		9,640,831
		32,852,105
As at October 31, 2019		
Cash and cash equivalents		13,636,427
Short-term investments		17,003,361
Trade and other receivables		10,405,669
		41,045,457
<i>Financial liabilities</i>	Notes	Carrying amount
As at July 31, 2020		\$
Accounts payable and accrued liabilities		6,254,654
Contract liabilities		913,314
Lease liabilities		1,565,355
		8,733,323
As at October 31, 2019		
Accounts payable and accrued liabilities		7,367,353
Contract liabilities		804,548
Government assistance	4 a)	288,793
		8,460,694

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

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

The Company's risk exposure to various risks associated with the financial instruments is discussed in note 3 b). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Blackline Safety Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine-month periods ended July 31, 2020 and 2019
(Unaudited)

b) Financial risk management

The Company's risk management includes foreign exchange risk, interest rate risk, credit risk and liquidity risk.

i. Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including U.S. dollar ("USD"), British pound ("GBP"), Euro ("EUR") and Australian dollar ("AUD"). Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company's policy with respect to foreign currency risk management is to obtain natural hedges of revenue and expenses to the extent possible. The Company does not speculate in foreign currency and remains at risk to the market where natural hedges are not in place.

Amounts recognized in Consolidated Statement of Loss and Comprehensive Loss

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

	Three-month period ended		Nine-month period ended	
	July 31, 2020	July 31, 2019	July 31, 2020	July 31, 2019
	\$	\$	\$	\$
<i>Amounts recognized in loss</i>				
Net foreign exchange gain/(loss)	36,625	74,446	1,186,230	222,168
<i>Net gains (losses) recognized in Comprehensive Loss</i>				
Translation of foreign operations	42,370	(337,421)	(843,057)	(311,819)

Sensitivity

The Company is primarily exposed to changes in USD/CAD, GBP/CAD, EUR/CAD and AUD/CAD exchange rates. The sensitivity of profit or loss to changes in exchange rates arises mainly from USD, GBP, EUR and AUD denominated cash and cash equivalents, short-term investments, trade accounts receivable and accounts payable.

For the three and nine-month periods ended July 31, 2020 and 2019, if the Canadian dollar had weakened/strengthened by 10% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the periods would not have been significant.

Interest rate risk

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

Blackline Safety Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

Exposure

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

Sensitivity

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

ii. Credit risk

Credit risk arises from cash and cash equivalents, short-term investments held with banks as well as credit exposure to customers, including outstanding trade accounts receivables.

Risk management

Credit risk is managed consistently across the Company. The cash and cash equivalents are comprised of cash and highly liquid short-term deposits with a Canadian chartered bank, United States chartered bank and a UK plc bank. The Company has a demand operating revolving loan facility with a Canadian chartered bank. The Company only deals with highly rated financial institutions.

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

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

iii. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period, the Company held cash and cash equivalents of \$15,211,274 (October 31, 2019: \$13,636,427) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining availability under a committed credit line.

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

Blackline Safety Corp.**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and nine-month periods ended July 31, 2020 and 2019

(Unaudited)

The Company has financed its activities primarily through cash flows from operations, funds from brokered and non-brokered private placements, a bank demand operating revolving loan facility and government assistance in the form of repayable debt. The ability to sustain operations is dependent on successfully commercializing its products, continuing to increase sales of the Company's products and services and, if required, the ability to raise additional equity through financing. The Company has sufficient funds and access to capital for at least the next 12 months.

Maturity of financial liabilities

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 24 months equal their carrying balances as the impact of discounting is not significant.

<i>Contractual maturities of financial liabilities</i>	Less than 6 months	6 – 12 months	Over 1 year	Total contractual cash flows	Carrying amount
As at July 31, 2020	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	5,208,088	1,046,566	-	6,254,654	6,254,654
Contract liabilities	530,324	177,043	205,947	913,314	913,314
Lease Liabilities	199,101	221,119	1,145,135	1,565,355	1,565,355
Total	5,937,513	1,444,728	1,351,082	8,733,323	8,733,323
As at October 31, 2019					
Accounts payable and accrued liabilities	6,640,778	726,575	-	7,367,353	7,367,353
Contract liabilities	393,157	217,986	193,405	804,548	804,548
Government assistance	200,000	88,793	-	288,793	288,793
Total	7,233,935	1,033,354	193,405	8,460,694	8,460,694

4. Government assistance**a) TECTERRA Inc. Funding**

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

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

Blackline Safety Corp.**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and nine-month periods ended July 31, 2020 and 2019

(Unaudited)

As at July 31, 2020, the Company has fully repaid (October 31, 2019: \$211,207) the amount received.

b) Canada Emergency Wage Subsidy

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS") that is available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19.

The Company received wage subsidy funding of \$852,380 and \$1,899,702 for the three and nine-month periods ended July 31, 2020, respectively (Three-month period ended July 31, 2019: \$nil and nine-month period ended July 31, 2019: \$nil), which has been recorded as a reduction in related payroll expenses in the Consolidated Statements of Loss and Comprehensive Loss.

As at July 31, 2020, \$98,679 (October 31, 2019: \$nil) is included in trade and other receivables on the Consolidated Statement of Financial Position.

5. Share capital**a) Authorized**

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

b) Issued

	Number of Shares	Amount \$
Common Shares		
As at October 31, 2018	47,147,538	90,791,496
Options exercised	433,612	1,117,988
Issued through stock-based compensation plan	33,374	183,986
As at July 31, 2019	47,614,524	92,093,470
Options exercised	202,750	576,271
Issued through stock-based compensation plan	18,569	111,539
As at October 31, 2019	47,835,843	92,781,280
Options exercised	388,751	1,316,251
Issued through stock-based compensation plan	49,876	288,124
As at July 31, 2020	48,274,470	94,385,655

During the period ended July 31, 2020, 388,751 common share options were exercised for cash proceeds of \$895,861. On exercise of these common share options, \$420,390 was credited to share capital from contributed surplus.

During the period ended July 31, 2019, 433,612 common share options were exercised for cash proceeds of \$784,827. On exercise of these common share options, \$333,161 was credited to share capital from contributed surplus.

Blackline Safety Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

6. Revenue from contracts with customers

	Three months ended July 31, 2020	Three months ended July 31, 2019	Nine months ended July 31, 2020	Nine months ended July 31, 2019
<i>Revenue</i>	\$	\$	\$	\$
Revenue from contracts with customers – Product	2,772,307	3,469,187	8,021,445	9,673,122
Revenue from contracts with customers – Service	5,586,407	3,538,668	15,499,730	9,556,475
Revenue from operating leases	1,078,668	1,100,018	3,305,864	3,295,809
Total	9,437,382	8,107,873	26,827,039	22,525,406
<i>Timing of revenue recognition</i>				
At a point in time	2,772,307	3,469,187	8,021,445	9,673,122
Over time	6,665,075	4,638,686	18,805,594	12,852,284
Total	9,437,382	8,107,873	26,827,039	22,525,406

7. Segment information

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

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

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

	Product			
	Three months ended		Nine months ended	
	July 31, 2020	July 31, 2019	July 31, 2020	July 31, 2019
	\$	\$	\$	\$
Revenue	2,772,307	3,469,187	8,021,445	9,673,122
Cost of sales	2,401,095	2,526,320	7,370,817	7,678,064
Gross margin	371,212	942,867	650,628	1,995,058

	Service			
	Three months ended		Nine months ended	
	July 31, 2020	July 31, 2019	July 31, 2020	July 31, 2019
	\$	\$	\$	\$
Revenue	6,665,075	4,638,686	18,805,594	12,852,284
Cost of sales	2,075,230	1,590,247	5,778,236	4,444,263
Gross margin	4,590,070	3,048,439	13,027,358	8,408,021

Blackline Safety Corp.**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and nine-month periods ended July 31, 2020 and 2019

(Unaudited)

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

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

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

	Three-month period ended		Nine-month period ended	
	July 31, 2020	July 31, 2019	July 31, 2020	July 31, 2019
	\$	\$	\$	\$
Canada	3,289,368	2,334,763	9,785,776	8,794,755
United States	3,836,776	3,680,019	10,855,485	8,738,510
Europe	1,950,756	1,648,362	5,286,847	4,179,826
Australia & New Zealand	210,103	278,123	547,098	554,347
Other International	150,379	166,606	351,833	257,968
Total	9,437,382	8,107,873	26,827,039	22,525,406

8. Related party transactions

The Company purchased consulting services from an entity controlled by a related party of a member of key management personnel on normal credit terms and conditions in the amounts of \$nil and \$nil for the three and nine-month periods ended July 31, 2020, respectively (Three-month period ended July 31, 2019: \$5,625 and nine-month period ended July 31, 2019: \$25,875). As at July 31, 2020, the amount of \$nil (October 31, 2019: \$15,356) was outstanding in accounts payable and accrued liabilities in relation to transactions with that related party.

9. Stock-based compensation

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

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

The number of options that may be exercised depends on the Company's share price as listed on the TSXV. Options granted under the plan vest over an immediate to three-year period. For those options which vest immediately, they remain exercisable for a period of five years and for those options which vest after three years, the options remain exercisable for a period of two years after vesting.

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

Blackline Safety Corp.**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and nine-month periods ended July 31, 2020 and 2019

(Unaudited)

	Number of options	Weighted average exercise price per stock option \$
As at October 31, 2018	2,680,652	3.61
Vested and exercisable at October 31, 2018	2,171,435	3.33
Granted during the period	812,000	5.27
Exercised during the period	(433,612)	1.81
Forfeited during the period	(31,319)	4.75
Expired during the period	(7,000)	1.31
As at July 31, 2019	3,020,721	4.30
Vested and exercisable at July 31, 2019	2,473,854	4.13
Exercised during the period	(202,750)	1.95
Forfeited during the period	(66,167)	4.83
As at October 31, 2019	2,751,804	4.46
Vested and exercisable at October 31, 2019	2,368,112	4.36
Granted during the period	874,000	4.25
Exercised during the period	(388,751)	2.30
Forfeited during the period	(18,333)	4.22
Expired during the period	(3,000)	1.80
As at July 31, 2020	3,215,720	4.67
Vested and exercisable at July 31, 2020	2,627,536	4.67

10. Loss per common share

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

	Three-month period ended		Nine-month period ended	
	July 31, 2020	July 31, 2019	July 31, 2020	July 31, 2019
Weighted average shares outstanding - basic and diluted	48,184,248	47,583,138	48,021,815	47,357,111
Loss for the period	(1,762,412)	(2,239,775)	(6,216,510)	(7,000,719)
Basic and diluted earnings per share	(0.04)	(0.05)	(0.13)	(0.15)

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11. Supplementary cash flow information

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

	Three-month period ended		Nine-month period ended	
	July 31,	July 31,	July 31,	July 31,
	2020	2019	2020	2019
	\$	\$	\$	\$
Trade and other receivables	2,702,964	(567,320)	1,928,461	(3,979,748)
Inventory	(674,716)	(996,155)	(3,822,490)	(30,415)
Prepaid expenses and advances	(174,850)	(138,224)	(471,484)	(170,739)
Contract assets	(38,751)	306,430	(26,132)	(91,817)
Contract assets – long-term	51,258	(20,119)	156,408	(38,321)
Other receivables – long-term	(486,498)	(247,599)	(986,229)	(342,929)
Accounts payable and accrued liabilities	(575,194)	570,020	(1,276,388)	1,267,273
Deferred revenue	441,574	611,755	2,448,924	1,996,701
Contract liabilities	(16,841)	89,738	96,224	249,715
Deferred lease incentives	-	-	-	(60,043)
Deferred revenue – long term	(291,700)	1,631,697	(168,798)	1,638,615
Contract liabilities – long term	61,102	42,091	12,542	138,769
Deferred lease incentives – long term	-	39,909	-	149,991
	998,348	1,322,223	(2,108,962)	727,052

12. Subsequent event

On August 13, 2020, the Company announced that it had entered into an underwritten private placement for 5,000,000 common shares of the Company at an issue price of \$6.00 per common share for aggregate gross proceeds of \$30,000,000 (the "Offering"). In connection with the Offering, the Company granted the underwriters an option, exercisable in whole or in part at any time prior to the closing date, to increase the Offering by up to an additional 1,000,000 common shares at an issue price of \$6.00 per common share.

The Offering closed on September 2, 2020, issuing a total of 6,000,000 common shares at an issue price of \$6.00 per common share for aggregate proceeds of \$36,000,000, which included the sale of 1,000,000 common shares pursuant to the full exercise of the overallocation option granted. The Offering was subject to the receipt of all necessary approvals, including the approval of the TSX Venture Exchange.

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