Blackline Safety Corp.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended April 30, 2021

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

	April 31, 2021 $	October 31, 2020 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	16,518,948	28,522,703
Short-term investments	23,040,454	23,000,000
Trade and other receivables	13,347,464	11,601,814
Inventory	12,955,397	10,771,252
Prepaid expenses and advances	1,362,819	1,400,483
Contract assets	421,402	498,886
Total current assets	67,646,484	75,795,138
NON-CURRENT ASSETS		
Property and equipment	8,848,506	8,562,410
Intangible assets (note 12)	2,645,675	802,152
Right-of-use assets	1,576,831	1,486,321
Long-term contract assets	209,301	223,571
Long-term other receivables	1,918,906	1,740,041
Total non-current assets	15,199,219	12,814,495
TOTAL ASSETS	82,845,703	88,609,633
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	10,616,009	7,311,475
Bank indebtedness (note 5 (b))	137,938	-
Deferred revenue	11,518,970	9,287,542
Current portion of contract liabilities	477,811	632,151
Current portion of lease liabilities	542,497	496,539
Total current liabilities	23,293,225	17,727,707
NON-CURRENT LIABILITIES		
Deferred revenue	3,045,037	3,288,545
Contract liabilities	241,560	201,997
Lease liabilities	1,140,453	1,063,885
Total non-current liabilities	4,427,050	4,554,427
TOTAL LIABILITIES	27,720,275	22,282,134
SHAREHOLDERS' EQUITY		
Share capital (note 6)	129,218,491	128,159,004
Contributed surplus	10,591,564	9,271,331
Accumulated other comprehensive income (loss)	(1,035,638)	(895,772)
Deficit	(83,648,989)	(70,207,064)
TOTAL SHAREHOLDERS' EQUITY	55,125,428	66,327,499
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	82,845,703	88,609,633

Subsequent event (note 13)
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 April 30, 2021	Three-month period ended April 30, 2020	Six-month period ended April 30, 2021	Six-month period ended April 30, 2020
	$	$	$	$
Revenues (note 7 and 8)				
Product revenue	4,571,554	1,907,690	8,400,586	5,249,138
Service revenue	7,103,361	6,563,882	13,951,988	12,140,518
Total revenues	11,674,915	8,471,572	22,352,574	17,389,656
Cost of sales (note 8)	5,712,315	3,813,822	10,836,060	8,672,727
Gross margin	5,962,600	4,657,750	11,516,514	8,716,929
Expenses (note 4(b))				
General and administrative expenses	4,662,198	1,802,105	7,001,668	3,204,895
Sales and marketing expenses	5,510,189	3,428,976	9,809,221	7,180,341
Product development costs	4,039,459	2,136,250	7,363,918	4,143,578
Foreign exchange loss (gain)	228,966	(459,787)	769,730	(1,149,605)
Total expenses	14,440,812	6,907,544	24,944,537	13,379,209
Results from operating activities	(8,478,212)	(2,249,794)	(13,428,023)	(4,662,280)
Finance income, net	35,144	86,753	105,371	199,425
Net loss before income tax	(8,443,068)	(2,163,041)	(13,322,652)	(4,462,855)
Income taxes	114,852	(63,739)	119,273	(8,757)
Net loss	(8,557,920)	(2,099,302)	(13,441,925)	(4,454,098)
Other comprehensive income (loss)				
Foreign exchange translation gain (loss) on foreign operations (note 3 (b)(i))	(614,741)	(227,813)	(139,866)	(885,427)
Comprehensive loss for the period	(9,172,661)	(2,327,115)	(13,581,791)	(5,339,525)
Loss per common share (note 10):				
Basic and diluted	(0.16)	(0.04)	(0.26)	(0.09)

See accompanying notes to the condensed consolidated interim financial statements

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

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
		$	$	$	$	$
Balance at October 31, 2019	47,835,843	92,781,280	8,770,346	177,465	(62,358,044)	39,371,047
Opening adjustment	-	-	-	-	171,718	171,718
Loss for the period	-	-	-	-	(4,454,098)	(4,454,098)
Foreign exchange translation on foreign operations	-	-	-	(885,427)	-	(885,427)
Exercising of options (note 6)	233,084	900,313	(287,277)	-	-	613,036
Stock-based compensation expense (note 6)	31,975	190,700	747,842	-	-	938,542
Balance at April 30, 2020	48,100,902	93,872,293	9,230,911	(707,962)	(66,640,424)	35,754,818
Balance at October 31, 2020	54,295,715	128,159,004	9,271,331	(895,772)	(70,207,064)	66,327,499
Loss for the period	-	-	-	-	(13,441,925)	(13,441,925)
Foreign exchange translation on foreign operations	-	-	-	(139,866)	-	(139,866)
Exercising of options (note 6)	126,806	749,457	(176,864)	-	-	572,593
Stock-based compensation expense (note 6)	39,171	310,030	1,497,097	-	-	1,807,127
Balance at April 30, 2021	54,461,692	129,218,491	10,591,564	(1,035,638)	(83,648,989)	55,125,428

See accompanying notes to the condensed consolidated interim financial statements

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

	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
	$	$	$	$
Cash provided by (used in)				
Operating activities				
Loss for the period	(8,557,920)	(2,099,302)	(13,441,925)	(4,454,098)
Depreciation and amortization	1,215,944	1,027,902	2,303,066	1,992,529
Stock-based compensation expense	1,285,040	728,266	1,497,507	748,002
Finance income, net	(47,309)	(117,862)	(132,651)	(249,701)
Unrealized foreign exchange (gains) losses	(81,255)	83,677	(73,352)	15,166
Loss on disposals of property and equipment	31,016	39,989	67,032	117,544
	(6,154,484)	(337,330)	(9,780,323)	(1,830,558)
Net changes in non-cash working capital (note 11)	731,201	(1,699,306)	170,839	(3,405,241)
Net cash provided by (used in) operating activities	(5,423,283)	(2,036,636)	(9,609,484)	(5,235,799)
Financing activities				
Proceeds from option exercises	596,924	556,151	882,214	803,558
Repayment of lease liabilities	(129,767)	(88,037)	(249,343)	(183,287)
Repayments of government assistance (note 4(a))	-	(100,000)	-	(190,373)
Net cash provided by (used in) financing activities	467,157	368,114	632,871	429,898
Investing activities				
Purchase of short-term investments	(15,040,454)	(455,445)	(22,050,810)	(2,397,955)
Redemption of short-term investments	15,010,356	4,931,030	22,010,356	10,942,377
Finance income, net	26,824	72,232	70,022	135,843
Purchase of property, equipment, and intangible assets	(1,001,486)	(740,034)	(2,174,839)	(2,139,812)
Business acquisition (note 12)	(878,100)	-	(878,100)	-
Net cash provided by (used in) investing activities	(1,882,860)	3,807,783	(3,023,371)	6,540,453
Effect of foreign exchange changes on cash and cash equivalents	(482,688)	(292,766)	(3,771)	(901,742)
Net increase (decrease) in cash and cash equivalents	(7,321,674)	1,846,495	(12,003,755)	832,810
Cash and cash equivalents, beginning of period	23,840,622	12,622,742	28,522,703	13,636,427
Cash and cash equivalents, end of period	16,518,948	14,469,237	16,518,948	14,469,237

Supplementary cash flow information (note 11)

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of operations

Blackline Safety Corp. (the "Company") is a global connected safety technology company that develops, manufactures and markets products and services that empower businesses with real-time safety insights to manage emergency responses, evacuations and gas detection compliance programs. The Company is a public company listed on the Toronto Stock Exchange ("TSX") (as of June 11, 2021, and prior to that date was 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 June 22, 2021.

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, 2020, other than as described in note 2 b).

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, 2020.

Foreign exchange loss (gain) 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

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

ii) New accounting policies adopted by the Company

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Goodwill is measured at cost, being the difference between the acquisition date fair value of consideration transferred, including the recognized amount of any non-controlling interest in the acquiree over the net fair value amount of the identifiable assets acquired and the liabilities assumed, all measured as at the acquisition date. Consideration transferred includes the fair value of assets transferred (including cash and contingent consideration, if any) and liabilities.

The fair values of property, plant and equipment are recognized as a result of a business combination are based on either the cost approach or market approach, as applicable. The market approach is the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly. The fair value of intangible assets is based on the income approach. This is derived from the discounted cash flows expected from ownership of the assets. The fair values of inventories acquired in a business combination are determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. Acquisition-related costs are expensed as incurred and are included in general and administrative expenses on the Consolidated Statements of Loss and Comprehensive Loss.

iii) New standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for April 30, 2021 reporting period and have not been early adopted by the Company.

There are no other standards that are not yet effective 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 carrying value of the Company’s cash and cash equivalents, short-term investments, trade and other receivables and accounts payable and accrued liabilities, bank indebtedness, contract liabilities and lease liabilities approximate their fair values.

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.

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.

Sensitivity
The Company is primarily exposed to changes in USD/CAD, GBP/CAD, EUR/CAD and AUD/CAD exchange rates. The sensitivity of profit or loss to changes in exchange rates arises mainly from USD,

GBP, EUR and AUD denominated cash and cash equivalents, short-term investments, trade and other receivables and accounts payable and accrued liabilities.

For the three and six-month periods ended April 30, 2021 and 2020, if the Canadian dollar had weakened/strengthened by 10% against the USD, GBP, EUR and AUD with all other variables held constant, the impact on net loss for the period would not have been significant.

Interest rate risk

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

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

Sensitivity
The net loss of the Company is sensitive to higher/lower interest income from cash and cash equivalents and to higher/lower interest expenses from bank indebtedness as a result of changes in interest rates. For the three and six-month periods ended April 31, 2021 and 2020, if the interest rate had increased/decreased by 100 basis points, with all other variables held constant, the impact on net loss for the period would not have been significant.

ii. Credit risk

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

Risk management
Credit risk is managed consistently across the Company. The cash and cash equivalents are comprised of cash and highly liquid short-term deposits with two Canadian chartered banks, a United States chartered bank and two UK plc banks. The bank indebtedness is comprised of the amount drawn on the Company's demand operating revolving loan facility with a Canadian chartered bank. The Company only deals with highly rated financial institutions.

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

Sales to certain customers, or customers without credit terms, are required to be settled in cash or using major credit cards, mitigating credit risk.

iii. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period, the Company held cash and cash equivalents of $16,518,948 (October 31, 2020: $28,522,703) that are readily available for managing liquidity risk. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by maintaining availability under a committed credit line.

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

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

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

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

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Over 1 year	Total contractual cash flows	Carrying amount
As at April 30, 2021	$	$	$	$	$
Accounts payable and accrued liabilities	8,131,303	2,484,706	-	10,616,009	10,616,009
Contract liabilities	336,807	141,004	241,560	719,371	719,371
Bank Indebtedness	137,938	-	-	137,938	137,938
Lease liabilities	270,767	271,730	1,140,453	1,682,950	1,682,950
Total	8,876,815	2,897,440	1,382,013	13,156,268	13,156,268
As at October 31, 2020					
Accounts payable and accrued liabilities	6,260,426	1,051,049	-	7,311,475	7,311,475
Contract liabilities	498,059	134,092	201,997	834,148	834,148
Lease liabilities	241,324	255,215	1,063,885	1,560,424	1,560,424
Total	6,999,809	1,440,356	1,265,882	9,706,047	9,706,047

4. Government assistance

a) TECTERRA Inc. funding

The Company had 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 received funding for the development of a certain geomatic product. The agreement contained 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 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 agreement stated that 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. As at July 31, 2020, the Company had fully repaid 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 recorded wage subsidy funding of $555,689 for the three-month period and $1,365,635 for the six-month period ended April 30, 2021 (Three and six-month periods ended April 30, 2020: $1,047,322) which has been recorded as a reduction in related payroll expenses in the consolidated statement of loss.

As at April 30, 2021, $555,689 (October 31, 2020: $973,614) is included in trade and other receivables on the consolidated statement of financial position.

c) Canada Emergency Rent Subsidy

On November 19, 2020 the Government of Canada enacted legislation for the Canada Emergency Rent Subsidy ("CERS") to provide support for qualifying tenants, subject to eligibility criteria, whose business has been adversely affected by COVID-19.

The Company recorded rent subsidy funding of $36,859 for the three-month period and $101,686 for the six-month period ended April 30, 2021 (Three and six-month periods ended April 30, 2020: $nil) which has been recorded as a reduction in related rent expenses in the consolidated statement of loss.

As at April 30, 2021, $36,859 (October 31, 2020: $nil) is included in trade and other receivables on the consolidated statement of financial position.

d) Innovate UK

The Company has received a non-repayable grant from Innovate UK in the form of a Research and Innovation award, whereby UK registered businesses can apply for a share in funding reserved to drive research and development innovation that can significantly impact the UK economy. Innovate UK is supported by UK Research and Innovation, a public body funded by grant-in-aid from the UK government.

The Company recorded grant funding of $180,663 for the three and six-month periods ended April 30, 2021 (three and six-month periods ended April 30, 2020: $nil) which has been recorded as a reduction in related product development costs.

As at April 30, 2021, $77,065 (October 31, 2020: $nil) is included in trade and other receivables on the consolidated statement of financial position.

5. Bank indebtedness

a) The Company has a demand operating line of credit (“loan facility”) of up to $15,000,000 with a Canadian chartered bank. The loan facility bears interest at the Canada prime rate plus 1.97% for CAD advances or U.S. base rate plus 1.97% for USD advances. The borrowing base for the operating line of credit is determined using a formula driven by the Company’s monthly recurring revenue. The loan facility also includes a credit card facility and a facility for the sale or purchase of foreign currencies and other treasury products.

The loan facility includes general covenants and a cash to cash burn financial covenant, tested quarterly, that shall not at any time be below 12.00 to 1.00. The Company was in compliance with all covenants as at April 30, 2021.

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 Blackline Safety Corp. and its subsidiary Blackline Safety Europe Ltd.

The loan facility was not drawn against as at April 30, 2021.

b) The Company has participated in the British Business Bank bounce back loan scheme which enabled UK based businesses to access financing during the Coronavirus pandemic. The scheme provided the Company with a government-backed guarantee against any outstanding balance of the facility interest; the borrower remains fully liable for the principal amount. The operating line is included as part of the acquisition of Wearable Technologies Ltd. and is held by a UK plc bank.

The amount drawn against the operating line as at April 30, 2021 was $137,938 (October 31, 2020: $nil), all of which is repayable within one year.

6. 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

Common Shares	Number of Shares	Amount $
As at October 31, 2019	47,835,843	92,781,280
Options exercised	233,084	900,313
Issued through stock-based compensation plan	31,975	190,700
As at April 30, 2020	48,100,902	93,872,293
Options exercised	157,792	428,652
Issued through stock-based compensation plan	37,021	219,562
Issued for cash through private placement	6,000,000	36,000,000
Share issue costs	-	(2,361,503)
As at October 31, 2020	54,295,715	128,159,004
Options exercised	126,806	749,457
Issued through stock-based compensation plan	39,171	310,030
As at April 30, 2021	54,461,692	129,218,491

During the period ended April 30, 2021, 126,806 common share options were exercised for cash proceeds of $572,593. On exercise of these common share options, $176,864 was credited to share capital from contributed surplus.

During the period ended April 30, 2020, 233,084 common share options were exercised for cash proceeds of $613,036. On exercise of these common share options, $287,277 was credited to share capital from contributed surplus.

7. Revenue from contracts with customers

	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Revenue	$	$	$	$
Revenue from contracts with customers:				
Product	4,571,554	1,907,690	8,400,586	5,249,138
Service	6,299,831	5,392,996	12,341,077	9,913,323
Revenue from leases	803,530	1,170,886	1,610,911	2,227,195
Total	11,674,915	8,471,572	22,352,574	17,389,656
Timing of revenue recognition				
At a point in time	4,571,554	1,907,690	8,400,586	5,249,138
Over time	7,103,361	6,563,882	13,951,988	12,140,518
Total	11,674,915	8,471,572	22,352,574	17,389,656

8. Segment information

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

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

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

	Product			
	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
	$	$	$	$
Revenue	4,571,554	1,907,690	8,400,586	5,249,138
Cost of sales	3,436,157	1,885,407	6,470,605	4,969,722
Gross margin	1,135,397	22,283	1,929,981	279,416

	Service			
	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
	$	$	$	$
Revenue	7,103,361	6,563,882	13,951,988	12,140,518
Cost of sales	2,276,158	1,928,415	4,365,455	3,703,005
Gross margin	4,827,203	4,635,467	9,586,533	8,437,513

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

In the three and six-month periods ended April 30, 2021, there were no customers representing greater than 10% of the Company's revenue (April 30, 2020: no customer represented greater than 10%).

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

	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
	$	$	$	$
Canada	3,118,954	2,820,170	6,517,322	6,489,797
United States	4,591,212	3,965,249	8,446,818	7,074,193
Europe	3,446,603	1,444,699	6,258,224	3,336,091
Australia & New Zealand	260,294	163,062	573,157	336,996
Other International	257,852	78,392	557,053	152,579
Total	11,674,915	8,471,572	22,352,574	17,389,656

9. Stock-based compensation

The Company has established a stock-based compensation plan ("stock option plan" or the "plan") which was approved 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 TSX. Options granted under the plan vest over an immediate to three-year period. For those options which vest immediately, they remain exercisable for a period of five years and for those options which are fully vested after three years, the options remain exercisable for a period of two years after vesting.

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

	Number of options	Weighted average price per stock option $
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	(233,084)	2.63
Forfeited during the period	(17,333)	4.15
As at April 30, 2020	3,375,387	4.54
Vested and exercisable at April 30, 2020	2,784,870	4.50
Exercised during the period	(157,792)	0.74
Forfeited during the period	(1,000)	0.30
Expired during the period	(3,000)	1.80
As at October 31, 2020	3,213,595	4.67
Vested and exercisable at October 31, 2020	2,784,461	4.68
Granted during the period	1,381,500	8.12
Exercised during the period	(126,806)	4.52
Forfeited during the period	(36,462)	2.85
As at April 30, 2021	4,431,827	5.75
Vested and exercisable at April 30, 2021	3,456,160	5.31

The Company uses the Black-Scholes model and a forfeiture rate of 13% (October 31, 2020: 13%), based on historical data, to calculate the stock-based compensation expense during the year. The weighted average assessed fair value of options granted for period ended April 30, 2021 was $8.12 per option (October 31, 2020: $4.25). The valuation at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the expected dividend yield.

The model inputs for the option tranches granted during the period ended April 30, 2021 and October 31, 2020 included:

	Period ended April 30, 2021	Year ended October 31, 2020
Risk-free interest rate	0.30% - 0.69%	0.52% - 0.58%
Expected life of the option – employees	3 years	3 years
Expected life of the option – directors and officers	4 years	4 years
Expected dividend per share	$nil per share	$nil per share
Expected volatility of the Company's shares	30% - 33%	32% - 36%

The expected price volatility is based on the historical volatility.

10. Loss per common share

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

	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Weighted average shares outstanding - basic and diluted	54,380,079	48,004,703	52,574,151	47,939,707
Loss for the period	(8,557,920)	(2,099,302)	(13,462,518)	(4,454,098)
Basic and diluted earnings per share	(0.16)	(0.04)	(0.26)	(0.09)

11. Supplementary cash flow information

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

	Three-month period ended		Six-month period ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
	$	$	$	$
Trade and other receivables	1,251,363	(911,263)	(1,500,912)	(774,503)
Inventory	(1,547,527)	(2,164,859)	(1,914,441)	(3,147,774)
Prepaid expenses and advances	(323,687)	(280,904)	227,414	(296,634)
Contract assets	39,255	19,678	77,475	12,619
Contract assets – long-term	34,529	91,066	14,273	105,150
Other receivables – long-term	(128,886)	(327,875)	(178,866)	(499,731)
Accounts payable and accrued liabilities	739,551	281,558	1,666,877	(999,126)
Deferred revenue	825,662	1,549,580	2,112,955	2,007,351
Contract liabilities	2,573	(11,387)	(154,340)	113,065
Deferred revenue – long term	(189,641)	55,939	(219,159)	122,902
Contract liabilities – long term	28,009	(839)	39,563	(48,560)
	731,201	(1,699,306)	170,839	(3,405,241)

12. Acquisition of Wearable Technologies Limited

On February 10, 2021, the Company acquired 100% of the shares of a UK based industrial safety company Wearable Technologies Limited ("WTL") for $878,100 (GBP 500,000). WTL enhances the Company's current safety offering with a focus in the construction and light industrial safety market. WTL has developed a complete platform comprised of smart safety clothing, a cloud-connected safety wearable, personal area networking, sensor partnerships, user portal, software infrastructure and data analytics.

Transaction costs relating to due diligence fees, legal costs, advisory fees and other professional fees for the three and six-months ended April 30, 2021 amounting to $664,123 were incurred in relation to the acquisition. These amounts have been included in general and administrative expenses in the Company's consolidated statements of loss and comprehensive loss.

In conjunction with the acquisition of WTL, the Company assumed certain deferred compensation obligations due to employees of WTL of $535,049. These obligations were settled during the three- months ended April 30, 2021.

The results of operations of WTL have been consolidated with those of the Company as at February 10, 2021. The acquisition has been accounted for as a business combination in accordance with IFRS 3 *Business Combinations*, using the acquisition method whereby the net assets acquired, and the liabilities assumed are recorded at fair value.

The following table summarizes the preliminary allocation of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

CURRENT ASSETS	$
Trade and other receivables	264,612
Prepaid expenses and advances	197,708
Inventory	299,594
Total current assets	761,914
NON-CURRENT ASSETS	
Property and equipment	40,000
Intangible assets	1,996,686
Total non-current assets	2,036,686
TOTAL ASSETS	2,798,600
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	1,595,004
Bank indebtedness	158,471
Deferred revenue	167,025
Total current liabilities	1,920,500
TOTAL LIABILITIES	1,920,500
Fair value of net assets acquired	878,100
Exclude: bank indebtedness	158,471
Fair value of net assets acquired, excluding bank indebtedness assumed	1,036,571

The strategic acquisition of WTL would have contributed immaterial revenues and additional operating loss to the Company if acquired on November 1, 2020.

13. Subsequent event

On June 10, 2021, the Company announced that it has received final approval from the TSX to graduate from the TSXV and list its common shares on the TSX. Blackline's common shares commenced trading on the TSX at market open on Friday June 11, 2021 under its existing ticker symbol "BLN". In connection with the TSX listing, the Company's common shares were concurrently delisted from the TSXV. Shareholders were not required to take any action in connection with the graduation and listing on the TSX.

This page intentionally blank

This page intentionally blank

blacklinesafety

Blackline Safety Corp
Unit 100 803 24 Avenue SE
Calgary, AB
Canada, T2G 1P5
www.blacklinesafety.com