

The background is a dark blue, almost black, field filled with a dense pattern of white and light blue binary code (0s and 1s). Overlaid on this are several thin, glowing lines in shades of blue and orange that form a complex, interconnected geometric network, resembling a digital or neural network structure. Some lines are thicker and more prominent than others, creating a sense of depth and movement.

# Blackline Safety Corp.

## Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended July 31, 2021

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

	July 31, 2021 \$	October 31, 2020 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	17,104,427	28,522,703
Short-term investments	16,019,726	23,000,000
Trade and other receivables	14,515,043	11,601,814
Inventory	13,591,014	10,771,252
Prepaid expenses and advances	1,778,860	1,400,483
Contract assets	429,086	498,886
Total current assets	63,438,156	75,795,138
<b>NON-CURRENT ASSETS</b>		
Property and equipment	9,174,406	8,562,410
Intangible assets (note 12)	2,606,864	802,152
Right-of-use assets	1,853,998	1,486,321
Contract assets	246,377	223,571
Other receivables	2,391,387	1,740,041
Total non-current assets	16,273,032	12,814,495
<b>TOTAL ASSETS</b>	<b>79,711,188</b>	<b>88,609,633</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	14,434,371	7,311,475
Deferred revenue	12,363,635	9,287,542
Contract liabilities	517,769	632,151
Lease liabilities	668,801	496,539
Total current liabilities	27,984,576	17,727,707
<b>NON-CURRENT LIABILITIES</b>		
Deferred revenue	4,019,612	3,288,545
Contract liabilities	232,166	201,997
Lease liabilities	1,293,036	1,063,885
Total non-current liabilities	5,544,814	4,554,427
<b>TOTAL LIABILITIES</b>	<b>33,529,390</b>	<b>22,282,134</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 6)	130,048,713	128,159,004
Contributed surplus	10,651,247	9,271,331
Accumulated other comprehensive income (loss)	(612,049)	(895,772)
Deficit	(93,906,113)	(70,207,064)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>46,181,798</b>	<b>66,327,499</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>79,711,188</b>	<b>88,609,633</b>

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, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Revenues (note 7 and 8)				
Product revenue	5,281,591	2,772,307	13,682,177	8,021,445
Service revenue	7,411,575	6,665,075	21,363,563	18,805,594
Total revenues	12,693,166	9,437,382	35,045,740	26,827,039
Cost of sales (note 8)	6,833,958	4,476,325	17,670,018	13,149,053
<b>Gross margin</b>	<b>5,859,208</b>	<b>4,961,057</b>	<b>17,375,722</b>	<b>13,677,986</b>
Expenses (note 4)				
General and administrative expenses	4,090,404	1,383,717	11,092,073	4,588,641
Sales and marketing expenses	7,372,448	3,287,095	17,181,658	10,467,437
Product development costs	4,360,831	2,112,655	11,724,749	6,256,202
Foreign exchange loss (gain)	313,152	(36,625)	1,082,883	(1,186,230)
Total expenses	16,136,835	6,746,842	41,081,363	20,126,050
<b>Results from operating activities</b>	<b>(10,277,627)</b>	<b>(1,785,785)</b>	<b>(23,705,641)</b>	<b>(6,448,064)</b>
Finance income, net	37,157	51,592	142,528	251,017
<b>Net loss before income tax</b>	<b>(10,240,470)</b>	<b>(1,734,193)</b>	<b>(23,563,113)</b>	<b>(6,197,047)</b>
Income taxes	(16,651)	(28,219)	(135,936)	(19,463)
<b>Net loss</b>	<b>(10,257,121)</b>	<b>(1,762,412)</b>	<b>(23,699,049)</b>	<b>(6,216,510)</b>
Other comprehensive income (loss)				
Foreign exchange translation gain (loss) on foreign operations (note 3 (b)(i))	2,692	42,370	283,723	(843,057)
<b>Comprehensive loss for the period</b>	<b>(10,254,429)</b>	<b>(1,720,042)</b>	<b>(23,415,326)</b>	<b>(7,059,567)</b>
<b>Loss per common share</b> (note 10):				
Basic and diluted	(0.19)	(0.04)	(0.44)	(0.13)

*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 \$
<b>Balance at October 31, 2019</b>	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	-	-	-	-	(6,216,510)	(6,216,510)
Foreign exchange translation on foreign operations	-	-	-	(843,057)	-	(843,057)
Exercising of options (note 6)	388,751	1,316,251	(420,390)	-	-	895,861
Stock-based compensation expense (note 6)	49,876	288,124	847,297	-	-	1,135,421
<b>Balance at July 31, 2020</b>	48,274,470	94,385,655	9,197,253	(665,592)	(68,402,836)	34,514,480
<b>Balance at October 31, 2020</b>	54,295,715	128,159,004	9,271,331	(895,772)	(70,207,064)	66,327,499
Loss for the period	-	-	-	-	(23,699,049)	(23,699,049)
Foreign exchange translation on foreign operations	-	-	-	283,723	-	283,723
Exercising of options (note 6)	288,989	1,477,656	(380,597)	-	-	1,097,059
Stock-based compensation expense (note 6)	50,508	412,053	1,760,513	-	-	2,172,566
<b>Balance at July 31, 2021</b>	54,635,212	130,048,713	10,651,247	(612,049)	(93,906,113)	46,181,798

*See accompanying notes to the condensed consolidated interim financial statements*

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

	Three-month period ended		Nine-month period ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Loss for the period	(10,257,121)	(1,762,412)	(23,699,049)	(6,216,510)
Depreciation and amortization	1,324,107	1,073,187	3,627,176	3,065,717
Stock-based compensation expense	263,098	99,465	1,760,605	847,467
Finance income, net	(146,034)	(61,563)	(278,685)	(311,264)
Unrealized foreign exchange (gains) losses	(127,641)	77,832	(127,641)	89,647
Loss (gain) on disposals of property and equipment	(145,435)	19,501	(78,403)	137,045
	(9,089,026)	(553,990)	(18,795,997)	(2,387,898)
Net changes in non-cash working capital (note 11)	2,913,442	998,348	3,205,507	(2,108,962)
<b>Net cash provided by (used in) operating activities</b>	<b>(6,175,584)</b>	<b>444,358</b>	<b>(15,590,490)</b>	<b>(4,496,860)</b>
<b>Financing activities</b>				
Proceeds from option exercises	626,805	380,241	1,509,019	1,183,799
Repayment of bank indebtedness	(137,549)	-	(137,549)	-
Repayment of lease liabilities	(158,286)	(88,994)	(407,629)	(272,281)
Repayments of government assistance (note 4(a))	-	(98,420)	-	(288,793)
<b>Net cash provided by (used in) financing activities</b>	<b>330,970</b>	<b>192,827</b>	<b>963,841</b>	<b>622,725</b>
<b>Investing activities</b>				
Purchase of short-term investments	-	-	(22,050,810)	(2,402,580)
Redemption of short-term investments	7,020,728	455,445	29,031,084	11,405,941
Finance income, net	58,241	5,038	128,262	140,881
Purchase of property, equipment, and intangible assets	(1,220,629)	(371,910)	(3,516,693)	(2,809,654)
Business acquisition (note 12)	-	-	(878,100)	-
<b>Net cash provided by (used in) investing activities</b>	<b>5,858,340</b>	<b>88,573</b>	<b>2,713,743</b>	<b>6,334,588</b>
<b>Effect of foreign exchange changes on cash and cash equivalents</b>	<b>571,753</b>	<b>16,280</b>	<b>494,630</b>	<b>(885,606)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>585,479</b>	<b>742,038</b>	<b>(11,418,276)</b>	<b>1,574,847</b>
Cash and cash equivalents, beginning of period	16,518,948	14,469,236	28,522,703	13,636,427
<b>Cash and cash equivalents, end of period</b>	<b>17,104,427</b>	<b>15,211,274</b>	<b>17,104,427</b>	<b>15,211,274</b>

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, 2021 and 2020  
(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 Stock Exchange (“TSX”) (as of June 11, 2021, and prior to that date was listed on the Toronto Venture Exchange) 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 10, 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.

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) and income tax 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.

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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 Condensed 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 July 31, 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,

**Blackline Safety Corp.**  
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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 nine-month periods ended July 31, 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 nine-month periods ended July 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 \$17,104,427 (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.



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

For the three and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

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.

<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, 2021					
Accounts payable and accrued liabilities	12,066,552	2,367,819	-	14,434,371	14,434,371
Contract liabilities	378,029	139,740	232,166	749,935	749,935
Lease liabilities	325,206	343,595	1,293,036	1,961,837	1,961,837
Total	12,769,787	2,851,154	1,525,202	17,146,143	17,146,143
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) 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 \$74,177 for the three-month period and \$1,439,812 for the nine-month period ended July 31, 2021 (Three-month period ended July 31, 2020: \$852,380 and nine-month period ended July 31, 2020: \$1,899,702) which has been recorded as a reduction in related payroll expenses in the consolidated statement of loss.

As at July 31, 2021, \$74,177 (October 31, 2020: \$973,614) is included in trade and other receivables on the consolidated statement of financial position.

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

For the three and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

b) 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 \$nil for the three-month period and \$101,686 for the nine-month period ended July 31, 2021 (Three and nine-month periods ended July 31, 2020: \$nil) which has been recorded as a reduction in related rent expenses in the consolidated statement of loss.

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

c) 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 \$92,847 for the three-month period and \$273,510 for the nine-month period ended July 31, 2021 (three and nine-month periods ended July 31, 2020: \$nil) which has been recorded as a reduction in related product development costs.

As at July 31, 2021, \$169,912 (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 July 31, 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 July 31, 2021.

- b) The Company 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 was included as part of the acquisition of Wearable Technologies Ltd. and was held by a UK plc bank. The bounce back loan is fully repaid as at July 31, 2021.

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

	Number of Shares	Amount \$
Common Shares		
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
Options exercised	2,125	12,714
Issued through stock-based compensation plan	19,120	122,138
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	288,989	1,477,656
Issued through stock-based compensation plan	50,508	412,053
As at July 31, 2021	54,635,212	130,048,713

During the nine-month period ended July 31, 2021, 288,989 common share options were exercised for cash proceeds of \$1,097,059. On exercise of these common share options, \$380,597 was credited to share capital from contributed surplus.

During the nine-month 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.

**7. Revenue from contracts with customers**

	Three-month period ended		Nine-month period ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<i>Revenue</i>	\$	\$	\$	\$
Revenue from contracts with customers:				
Product	5,281,591	2,772,307	13,682,177	8,021,445
Service	6,644,345	5,586,407	18,985,422	15,499,730
Revenue from leases	767,230	1,078,668	2,378,141	3,305,864
Total	12,693,166	9,437,382	35,045,740	26,827,039
<i>Timing of revenue recognition</i>				
At a point in time	5,281,591	2,772,307	13,682,177	8,021,445
Over time	7,411,575	6,665,075	21,363,563	18,805,594
Total	12,693,166	9,437,382	35,045,740	26,827,039

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

For the three and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

**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		Nine-month period ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Revenue	5,281,591	2,772,307	13,682,177	8,021,445
Cost of sales	4,619,537	2,401,095	11,090,142	7,370,817
Gross margin	662,054	371,212	2,592,035	650,628

  

	Service			
	Three-month period ended		Nine-month period ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Revenue	7,411,575	6,665,075	21,363,563	18,805,594
Cost of sales	2,214,421	2,075,230	6,579,876	5,778,236
Gross margin	5,197,154	4,589,845	14,783,687	13,027,358

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, 2021, there were no customers representing greater than 10% of the Company's revenue (July 31, 2020: 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,	July 31,	July 31,	July 31,
	2021	2020	2021	2020
	\$	\$	\$	\$
Canada	2,872,832	3,289,368	9,653,122	9,785,776
United States	4,935,671	3,836,776	13,360,244	10,855,485
Europe	4,201,463	1,950,756	10,220,423	5,286,847
Australia & New Zealand	402,365	210,103	975,521	547,098
Other International	280,835	150,379	836,430	351,833
Total	12,693,166	9,437,382	35,045,740	26,827,039

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

For the three and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

**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	(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
Exercised during the period	(2,125)	3.87
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	1,581,500	8.22
Exercised during the period	(288,989)	3.80
Forfeited during the period	(53,129)	4.67
As at July 31, 2021	4,452,977	5.99
Vested and exercisable at July 31, 2021	3,298,143	5.41

The Company uses the Black-Scholes model and a forfeiture rate of 12% (October 31, 2020: 13%), based on historical data, to calculate the stock-based compensation expense during the period. The weighted average assessed fair value of options granted for the nine-month period ended July 31, 2021 was \$8.22 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.

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

For the three and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

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

	Period ended July 31, 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	28% - 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		Nine-month period ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Weighted average shares outstanding - basic and diluted	54,529,441	48,184,248	54,411,466	48,021,815
Loss for the period	(10,257,121)	(1,762,412)	(23,699,049)	(6,216,510)
Basic and diluted earnings per share	(0.19)	(0.04)	(0.44)	(0.13)

**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, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Trade and other receivables	(1,116,652)	2,702,964	(2,617,564)	1,928,461
Inventory	(595,650)	(674,716)	(2,510,091)	(3,822,490)
Prepaid expenses and advances	(412,778)	(174,850)	(185,364)	(471,484)
Contract assets	(7,673)	(38,751)	69,802	(26,132)
Contract assets – long-term	(37,076)	51,258	(22,803)	156,408
Other receivables – long-term	(472,461)	(486,498)	(651,327)	(986,229)
Accounts payable and accrued liabilities	3,790,334	(575,194)	5,578,436	(1,276,388)
Deferred revenue	790,343	441,574	2,903,299	2,448,924
Contract liabilities	39,958	(16,841)	(114,382)	96,224
Deferred revenue – long term	944,491	(291,700)	725,332	(168,798)
Contract liabilities – long term	(9,394)	61,102	30,169	12,542
	2,913,442	998,348	3,205,507	(2,108,962)

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

For the three and nine-month periods ended July 31, 2021 and 2020

(Unaudited)

**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 nine-months ended July 31, 2021 amounting to \$664,123 were incurred in relation to the acquisition, no additional costs were incurred during the three-month period ended July 31, 2021. 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 nine-months ended July 31, 2021, no additional deferred compensation was incurred or settled during the three-month period ended July 31, 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.

**blacklinesafety**

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