blacklinesafety

Blackline Safety Corp.
Management's Discussion and Analysis

For the three-months ended January 31, 2022

Notice

This Management's Discussion and Analysis ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation", the "Company", "we", "us", or "our") unaudited condensed consolidated interim financial statements and accompanying notes, prepared in accordance with International Accounting Standard 34 *Interim Financial Statements* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, for the three-months ended January 31, 2022. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2021, and its most recently completed Annual Information Form, is available on our website at www.blacklinesafety.com/investors/ and can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under Blackline Safety Corp.

This MD&A is presented as of March 15, 2022. All financial information contained herein is expressed in Canadian dollars, the Company's presentation currency, unless otherwise indicated. All figures in the MD&A are reported in thousands, except for per share, stock option, common share, percentages and unit amounts. Certain prior period amounts have been reclassified to conform with current period presentation.

This MD&A presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance. These measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP financial measures, ratios and supplementary financial measures include EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization), Adjusted EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product research and development costs and non-recurring impact transactions, if any), EBITDA per common share, Adjusted EBITDA per common share, gross margin percentage and other supplementary financial measures. See "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further information.

This MD&A contains company names, product names, trade names, trademarks and service marks of Blackline and other organizations, all of which are the property of their respective owners. Solely for convenience, Blackline's trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbols, or other applicable symbols, but such references are not intended to indicate, in any way, that Blackline will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

Overview

Founded in 2004 and headquartered in Calgary, Canada, Blackline Safety is a hardware-enabled software as a service ("HeSaaS") technology company that is focused on bringing connected worker solutions to the global marketplace. Blackline develops, manufactures and markets a complete suite of safety devices and cloud-connected services to protect workers at their jobs and support businesses undergoing digital transformation.

Blackline technology empowers businesses with real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance and increase operational efficiency. When seconds count, Blackline's connected technology enables a live monitoring team to deliver help directly to an employee in the shortest amount of time — to the worker's exact location.

Leveraging Blackline's ecosystem of connected safety devices and cloud software, businesses are able to increase operational performance through business analytics software and data science services known as Blackline Vision, adding value from the data generated by G7 safety wearables, G7 EXO area monitors and software. Productivity gains are achieved through employee movement pattern analysis, heat-mapping environmental gas leaks, viewing resource utilization, automating safety compliance reporting, wireless configuration management and interactive reporting.

Blackline's lineup of G7 safety wearables connect to the Blackline cloud using either cellular (G7c) or satellite (G7x) connectivity. All safety alerts generated by G7 wearables are communicated in real-time to monitoring personnel, pinpointing the employee's location on an interactive map using GPS or Blackline's proprietary location beacons. Blackline's monitoring teams efficiently manage incidents from alert to resolution using cloud-hosted software that provides employee messaging tools, the option for two-way voice calling and quick access to emergency contact escalation.

Blackline's G7c device features 4G/3G direct-to-cloud connectivity with wireless coverage in over 100 countries and on over 350 mobile networks. For regions where cellular networks are not available, Blackline's two-part system with a G7x wearable and G7 Bridge satellite base station monitors workers in remote locations in North America, South America, Australia and New Zealand. G7 wearables feature the industry's first expandable interface that enables customization to support each customer scenario and requirement. All products feature plug-and-play cartridges that configure for lone worker and gas detection scenarios as required by the end client. We offer one of four field-replaceable cartridges—a Standard Cartridge, Single-gas Diffusion Cartridge, a Multi-gas Diffusion Cartridge or a Multi-gas Pumped Cartridge.

The Standard Cartridge is designed for evacuation management and lone worker monitoring scenarios. Single and Multi-gas cartridges support one to five gas configurations with a choice of 19 gas sensors, including combustibles, hydrogen sulfide, carbon dioxide, carbon monoxide, oxygen, volatile organic compounds, sulfur dioxide, ammonia and hydrogen.

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

Businesses in energy, utilities, heavy industry and disaster response sectors use portable area monitoring equipment to monitor potential atmospheric hazards around tank farms and along fence lines, during facility maintenance or while containing spills. Until now, conventional area monitors suffer from short battery life, limited configurability and inadequate connectivity. Blackline's G7 EXO area monitor provides global businesses with new portable and semi-permanent gas detection monitoring options featuring drop and go deployment capabilities and the flexibility of four channel pump modules, as well as various power and mounting options and output port usage options. The G7 EXO also offers unlimited connectivity by directly connecting to the cloud via 4G or satellite so there are no range limits between monitors or maximum number of devices allowed on the network.

A significant portion of customers select Blackline's in-house, 24/7/365 Safety Operations Centre ("SOC"), although they have the option to self-monitor the safety of their personnel using their Blackline Live monitoring account. Unlike a traditional call centre that often provides unrelated services such as telemarketing, technical support and answering services, Blackline's dedicated SOC focuses solely on safety monitoring. It delivers an immediate response, managing all safety alerts from receipt through to resolution according to each customer's customized emergency response protocol. Blackline's SOC provides customers with the option of centralizing the responsibility of monitoring lone workers within a highly specialized and trained emergency response centre. In regions not covered by Blackline's in-house SOC that provides 24/7 live monitoring, customers are able to provide monitoring of their employees via an approved Blackline Alarm Receiving Centre partner. Blackline's SOC, together with its partner Alarm Receiving Centres in Europe, now monitor over 43,000 devices.

Blackline has developed and innovated a proprietary cloud-hosted safety monitoring infrastructure that runs on Amazon Web Services. Blackline has deployed tens of thousands of G7 safety wearables that connect to the Blackline Safety Cloud, continuously streaming status, environmental, location, gas readings and alerts. This information is stored online and enables Blackline's data-driven services including analytics, emergency response management, notifications to users and more. To date, the Blackline Safety Cloud has stored over 172 billion data points, over 2.6 billion locations and over 4.7 billion location-enabled gas readings.

Blackline's revenues are comprised of product and service revenues, which are the two operating segments (as determined in accordance with IFRS) of the Company. Product revenues are generated from sales of Blackline's connected safety monitoring hardware devices and accessories to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on and fluctuations in any one market space. For the three-months ended January 31, 2022, product revenue was $7,325, accounting for 47% of total revenue (January 31, 2021: $3,829 and 36%).

Service revenues relate to software and support services that are provided to customers who purchase the Company's connected safety devices. Service revenues also include recurring revenues from existing customers who renew their services for their Blackline device as well as device rental and data consulting services. For the three-months ended January 31, 2022, service revenue was $8,345, accounting for 53% of total revenue (January 31, 2021: $6,849 and 64%).

The Company also offers its products and services through a 'G7 Lease' program with a three or four year lease commitment. Leases of more than three years are considered to be a finance lease commitment with the hardware revenue component recognized up-front as product revenue with service and interest revenue recognized over the life of the contract. For three year lease commitments all revenues, including those related to the devices, are recognized on a monthly basis as service is provided.

Cost of sales for the Company includes the costs of manufacturing its safety monitoring products as well as the costs of servicing those products. The cost of sales for products comprises raw materials, direct costs, direct labor, an allocation of overhead, freight charges, warranty, depreciation and scrappage. The cost of sales for services associated with those products is comprised of direct costs, direct labor for the SOC and maintenance of the Blackline Live portal, communication costs for devices equipped with cellular and/or satellite technology, depreciation of cartridges and units leased through the Blackline 'G7 Lease' program and an allocation of overhead. For the three-months ended January 31, 2022, Blackline's product cost of sales was $6,619 and service cost of sales was $2,664 (January 31, 2021: $3,035 and $2,089).

COVID-19

Blackline continues to implement its COVID-19 continuity plan and monitor the global impact of the pandemic. This plan has provided continued delivery of services to customers around the world, ensuring continuing business operations and mitigating the impact on Blackline's growth trajectory.

Monitoring the safety of tens of thousands of personnel around the world, Blackline's priority is for the high-quality delivery of services throughout each of its regions. With our cloud-connected software and distributed workforce, Blackline continues to deliver consistently strong user experience to our clients located globally. Services are delivered through a combination of cloud-hosted tools, wireless networks and both in-house and partner monitoring teams that operate around the clock. As a result, Blackline has been able to maintain its critical 24-hour monitoring services to its customers.

Blackline commenced its phased return to office work plan for our office teams at our Dominion Bridge facility in Calgary and Colchester and Leicester offices in line with the Government of Alberta's three staged plan to remove COVID-19 restrictions and the United Kingdom ("UK") government's removal of remaining COVID-19 restrictions. We continue to adhere to the workplace guidelines provided by the province of Alberta, Alberta Health Services and recommendations of the UK government to reduce the risk of transmission of COVID-19 among our employees.

Our employees in the European Union ("EU") and the United States ("U.S.") are following evolving national and state guidelines regarding work and related travel.

There continues to be uncertainty regarding the duration and magnitude of the impact of the COVID-19 pandemic and the ability to control resurgences worldwide, making it difficult to assess the future impact on the Company's current rate of growth.

Highlights

(CAD thousands, except per share and percentage amounts)	Three-months ended January 31, 2022	2021	% Change
Product revenue	7,325	3,829	91
Service revenue	8,345	6,849	22
Total Revenue	15,670	10,678	47
Gross margin	6,387	5,554	15
Gross margin percentage[1]	41	52	(11)
Total Expenses	19,324	10,503	84
Net loss	(12,873)	(4,884)	164
Loss per common share - Basic and diluted	(0.21)	(0.09)	133
EBITDA[1]	(11,443)	(3,862)	(196)
EBITDA per common share[1] - Basic and diluted	(0.19)	(0.07)	(171)
Adjusted EBITDA[1]	(6,388)	(360)	(1,674)
Adjusted EBITDA per common share[1] - Basic and diluted	(0.11)	(0.01)	(1,000)

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

(CAD thousands)	January 31, 2022	October 31, 2021	% Change
Cash, cash equivalents and short-term investments	45,049	54,515	(17)
Working capital	52,050	62,505	(17)
Total assets	104,109	109,303	(5)
Non-current liabilities	10,552	7,818	35
Shareholders' equity	61,279	73,338	(16)

Results of Operations

(CAD thousands)	Three-months ended January 31, 2022	2021	% Change
Product revenue	7,325	3,829	91
Service revenue	8,345	6,849	22
Total Revenues	15,670	10,678	47
Product revenue as a percentage of revenue[1]	47%	36%	
Service revenue as a percentage of revenue[1]	53%	64%	
	100%	100%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

First quarter total revenue was $15,670, an increase of $4,992 from $10,678 in the comparable period of the prior year. The 47% increase was due to higher sales of our connected safety products as well as growth in recurring service revenues from new hardware sales over the past twelve months compounded by customer renewals of service on existing devices. Product revenue in the first quarter of 2022 included customer contracts with a U.S. energy customer and the Company's sixth UK water and wastewater authority.

Product Revenue

The Company's first quarter product revenue was $7,325, an increase of $3,496 or 91% compared to $3,829 in the prior year comparative quarter. The increase in the current year period was due to our ability to regain access to customer sites and procurement processes recommencing, particularly in the United States and Europe, compared to the prior year period that was heavily impacted by product order deferrals and a lack of customer site access due to COVID-19 restrictions. The increase also reflects the Company's expanded sales network from the opening of new international offices in North America and the EU in the second and fourth quarters of 2021.

Blackline continued sales of its G7 EXO area monitors contributing 19% of the Company's total product sales during the first quarter of 2022 (January 31, 2021: 23%).

Service Revenue

(CAD thousands)	Three-months ended January 31, 2022	2021	% Change
Software services revenue	7,420	5,958	25
Operating lease revenue	683	807	(15)
Rental revenue	242	84	188
Total service revenue	8,345	6,849	22
Software services revenue as a percentage of service revenue(1)	89%	87%	
Operating lease revenue as a percentage of service revenue(1)	8%	12%	
Rental revenue as a percentage of service revenue(1)	3%	1%	
Total	100%	100%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

The Company's first quarter total service revenue increased $1,496 or 22% to $8,345 compared to $6,849 in the same period last year.

Software services revenue for the first quarter was $7,420, an increase of 25% from $5,958 in the prior year period. The increase is a result of the new activations of the devices sold to end-users over the past twelve months for customers utilizing the Company's monitoring, software and data services. Total increases in software services were $828, comprised of newly activated device service revenues of $310 as well as service revenue increases within our existing customer base of $518.

There were also adverse effects of $281 from customers who renewed fewer active devices after experiencing workforce reductions during the last twelve months. In addition, certain customers declined to renew their service plans resulting in an impact of $14.

Operating lease revenue in the first quarter of 2022 decreased 15% to $683 from $807 in the first quarter of 2021 due to certain lease customers opting to renew with a longer-term finance lease or continue with Blackline's service on a monthly agreement.

Rental revenue increased to $242 or by 188% in the first quarter versus $84 in the prior year quarter as a result of the sales and marketing efforts undertaken by the Company to bring its complete suite of connected solutions to the market for short-term projects.

Revenues from external customers by country/geographic area (CAD thousands)	Three-months ended January 31, 2022	2021	% Change
Canada	3,312	3,398	(3)
United States	6,928	3,856	80
Europe	4,247	2,812	51
Rest of World	1,183	612	93
Total revenues	15,670	10,678	47
Canada as a percentage of revenue(1)	21%	32%	
United States as a percentage of revenue(1)	44%	36%	
Europe as a percentage of revenue(1)	27%	26%	
Rest of World as a percentage of revenue(1)	8%	6%	
Total	100%	100%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Blackline continues to maintain a strong presence in the Canadian industrial safety market while aggressively expanding its sales network in the United States, Europe and rest of world markets. Blackline's rest of world market is primarily in Asia, the Middle East, Australia and New Zealand and is not impacted by ongoing military conflict between Russia and Ukraine or changes in China-Taiwan relations. The growth in revenue across these markets is a result of the increased presence of sales personnel in these regions and the strategic targeting of customers in specific industries including fire, emergency and hazardous materials response, water treatment and food processing.

Lease Revenue

The Company leases certain of its safety monitoring equipment to customers through the Company's 'G7 Lease' program with monthly payments. The terms of the lease determine whether the G7 Lease is accounted for as an operating or finance lease within the meaning of IFRS 16 *Leases*. The Company no longer actively markets operating leases. The Company's future operating lease and associated service revenue commitments not recognized in the financial statements is $1,694 as at January 31, 2022 (October 31, 2021: $2,607).

The present value of the hardware component of the Company's leases classified as finance leases is recognized in current and non-current other receivables on the condensed consolidated statements of financial position. The service component is recognized within trade receivables when the service is delivered.

The total undiscounted payments under non-cancellable finance lease contracts for the right to use the equipment and safety monitoring services of the Company are as follows:

(CAD thousands)	**January 31, 2022**	**October 31, 2021**
Within one year	5,973	5,233
Later than one year but not later than five years	12,284	11,029
Total	18,257	16,262

Cost of Sales

	Three-months ended January 31,		
(CAD thousands)	**2022**	**2021**	**% Change**
Product	6,619	3,035	118%
Service	2,664	2,089	28%
Total cost of sales	9,283	5,124	81%
Product cost of sales as a percentage of segment revenue(1)	90%	79%	
Service cost of sales as a percentage of segment revenue(1)	32%	31%	
Cost of sales as a percentage of revenue(1)	59%	48%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Cost of sales for the quarter totaled $9,283 compared to $5,124 in the same period last year, an increase of $4,159 or 81%. This is primarily due to the increase in the cost of sales for the product segment as a result of more products being sold in the period and ongoing global supply chain constraints. It is also a result of an increase in the service segment with costs expanding to support a growing customer base.

Cost of Sales Product

Product cost of sales increased by $3,584 or 118% in the first quarter compared to the prior year comparable quarter due to increased material costs of $2,508 as more products were sold. Shortages for certain components resulted in the Company also facing pricing pressure on its input costs and increasing the overall material cost on a per unit basis. Freight increased due to incremental shipping charges required to source materials from alternative suppliers due to prevailing global supply chain challenges resulting in an increase in freight costs of $259 versus the prior year quarter.

Production salaries and wage expense, excluding the impact of Canadian Emergency Wage Subsidy ("CEWS") funding, increased $257 during the first quarter of 2022 compared to the prior year comparable quarter as the production team has increased in size to meet anticipated production demand.

There were also higher scrappage costs of $480 in the first quarter compared to the prior year quarter. These costs in the first quarter of 2022 were impacted by replacement of certain customers' older generation product with current models. Increased rework costs of $109 quarter-over-quarter was a factor of the larger number of devices deployed in the field. Warranty expense increased $114 in the current quarter from the prior year quarter as a higher number of devices, including G7 EXO, were sold under warranty. These increases were partially offset by lower unabsorbed material and labor costs of $277 in the first quarter of 2022 versus the first quarter of 2021, owing to the increased product sales in the current period.

Cost of Sales Service

Service cost of sales increased by $575 or 28% in the first quarter compared to the prior year quarter. The increase is primarily a result of higher connectivity and data costs of $234 driven by the increased user base and associated higher service revenue in the first quarter as well as increased spending on security. Salaries expense for our SOC team members and the product development support team also increased proportionately in size to support greater revenue from a higher volume of connected customers across new verticals and geographic markets. Salaries and wage expense, excluding CEWS increased $109 in the first quarter compared to the prior year quarter.

Depreciation on owned cartridges and leased units increased $137 in the first quarter compared to the prior year quarter as a result of the growth in the number of owned cartridges in use by our customers.

Gross Margin

	Three-months ended January 31,		
(CAD thousands)	**2022**	**2021**	**% Change**
Product	706	794	(11)
Service	5,681	4,760	19
Gross margin	6,387	5,554	15
Product gross margin percentage[(1)]	10%	21%	
Service gross margin percentage[(1)]	68%	69%	
Gross margin percentage[(1)]	41%	52%	

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

Total gross margin for the first quarter was $6,387 compared to $5,554 in the prior year quarter. This represented a total gross margin percentage of 41%, an 11% decrease compared to the prior year period. The decrease in total gross margin percentage is due to the sales mix with product revenue comprising 47% of total revenue in the first quarter of 2022 compared to 36% in the first quarter of 2021.

Product gross margin percentage, at 10%, was adversely impacted by ongoing global supply challenges which caused the Company to source components from alternative suppliers at higher prices, as well as incur higher than normal freight charges in the first quarter of 2022. Higher warranty and scrappage costs also had a negative effect on margin. Product gross margin was also impacted by lower proportion of higher margin G7 EXO area gas monitor sales compared to Blackline’s other connected safety products compared to the prior year quarter. There was no CEWS recorded in the first quarter impacting gross margin compared to the prior year quarter, where the impact of CEWS improved product gross margin percentage by 4% to 21% from 17%.

Service gross margin percentage declined by 1% to 68% in the first quarter of 2022 compared to the prior year quarter as a result of increases in salaries for our SOC team members and product development support team, higher salaries and services focused on system security, and increased connectivity and data costs. There was no CEWS recorded in the first quarter of 2022 and the impact of CEWS recorded in the first quarter of 2021 did not significantly impact the service gross margin percentage.

Expenses

	Three-months ended January 31,		
(CAD thousands)	**2022**	**2021**	**% Change**
General and administrative expenses	4,935	2,339	111
Sales and marketing expenses	8,878	4,299	107
Product research and development costs	5,269	3,324	59
Foreign exchange (gain)/loss	242	541	(55)
Total expenses	19,324	10,503	84
General and administrative expenses as a percentage of revenue[(1)]	31%	22%	
Sales and marketing expenses as a percentage of revenue[(1)]	57%	40%	
Product research and development costs as a percentage of revenue[(1)]	34%	31%	
Foreign exchange (gain)/loss as a percentage of revenue[(1)]	2%	5%	
Total expenses as a percentage of revenue[(1)]	123%	98%	

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

General and administrative expenses

General and administrative expenses comprise of the salaries, benefits and stock-based compensation expense for the accounting and finance, enterprise information technology, operational management as well as general management staff and the Board of Directors. These costs also include professional fees, costs for internal systems, the costs of compliance associated with being a public company, amortization of intangible assets, depreciation of certain property and equipment and general corporate expenses.

General and administrative expenses increased due to a number of structural changes across the Company in the last year as well as its overall growth. The increase was $2,596 or 111% in the first quarter of 2022 to $4,935 from $2,339 in the prior year quarter. We have expanded our operations team to handle increased production volumes including the ramp-up for G6, as well as continuing our focus on product quality and manufacturing efficiency to address this key aspect of our sustainable growth. As we have accelerated our sales, marketing and product research and development efforts, our corporate team has also expanded to support the continued scaling of the Company. Salaries and wage expense, excluding CEWS for these employees increased $1,261 during the three-months ended January 31, 2022 compared to the prior year period. Related consulting and recruiting expenses increased $267 quarter-over-quarter.

Building operating costs, rent and insurance increased $191 due to office space for our Wearable Technologies Limited ("WTL") subsidiary in Leicester, UK, acquired in February 2021, and EU based Blackline Safety Europe SAS office in northeastern France, which opened in April 2021. Depreciation expense related to these and other property and equipment increased $114 quarter-over-quarter.

Also contributing to the increase in general and administrative expenses in the first quarter compared to the prior year comparative period were additional public reporting, professional and audit fees of $238, as a result of the Company graduating to the Toronto Stock Exchange in June 2021.

Software maintenance and subscription costs increased $348 quarter-over-quarter as we added more licenses and functionalities to support additional team members joining Blackline globally.

These increases were offset by a $307 decrease in stock-based compensation expense as a result of employee forfeitures of stock options previously granted.

For the three-months ended January 31, 2022 a total of $523 of general and administrative expenses were directly attributable to the operation of WTL with the team integrated along functional lines and subject to the Company's corporate policies, processes and internal controls.

Sales and marketing expenses

Sales and marketing expenses include the salaries, commissions, benefits and stock-based compensation expense of the sales, marketing, business development, customer care and sales support staff as well as travel costs, selling and marketing expenses and supporting contractors and consultants' professional fees.

Sales and marketing expenses for the first quarter of 2022 increased $4,579 or 107% to $8,878 from $4,299 in the prior year quarter. The increase is primarily due to increases in salaries of new hires, partially offset by lower advertising costs as the marketing function was brought in-house following the appointment of our Chief Marketing Officer in June 2021. The increase in salaries and wage expenses excluding CEWS for the sales and marketing team was $2,310 during the three-months ended January 31, 2022 compared to the same period in 2021.

Also contributing to the overall increase of sales and marketing expenses during the first quarter of 2022 were distributor and sales commissions of $1,117 in the quarter compared to $451 in the prior year quarter, an increase of $666 due to higher product revenue.

Subscription costs increased $236 quarter-over-quarter as we added more licenses and functionalities to support additional sales and marketing team members joining Blackline globally.

The increase in sales and marketing expenses quarter-over-quarter was also due to easing of COVID-19 restrictions resulting in higher sales and business development travel and tradeshow costs. As global restrictions eased, tradeshow costs increased by $283 and travel-related costs increased by $446 during the first quarter of 2022 compared to the prior year quarter.

For the three-months ended January 31, 2022 at total of $142 of sales and marketing expenses are directly attributable to the growth of the sales and marketing functions of WTL, including the introduction of its new logo and brand identity to strengthen its foundation as a leading smart garment and connected worker business.

Product research and development costs

Product research and development costs reflect Blackline's ongoing efforts to expand its product line while enhancing the capabilities of the current revenue-generating product offering. Product research and development costs include the salaries and benefits of the product research and development team, external consultants, materials used specifically for product research and development purposes, amortization of intangible assets and depreciation of certain property and equipment.

Product research development costs increased $1,945 or 59% during the first quarter of 2022 to $5,269 from $3,324 in the prior year comparable quarter. Salaries and wage expense excluding CEWS, increased $1,267 during the three-months ended January 31, 2022 compared to the prior year period. As the product research and development team continued to expand, recruiting costs increased $240 in the first quarter of 2022 compared to the first quarter of 2021.

The increase in product research and development costs was further driven by the increase in materials expense of $109 and software maintenance costs of $239 as we advanced our G6, a single-gas wearable safety monitor, toward its launch later this fiscal year and enhanced the ability and security of our supporting platform for the Blackline Live portal to absorb data.

For the three-months ended January 31, 2022 a total of $702 of product research and development costs were incurred as part of WTL's development of the G5, a low power wearable vest style product with cloud connectivity, focused on enhancing productivity in the global construction, rail, ports and other markets. This was offset by $367 in research and development expenditure credit received during the quarter from the UK government.

A summary of CEWS funding recorded during the period and comparative period and its impact to salaries and wage expense is as follows:

	Three-months ended January 31,						
	2022			2021			
(CAD thousands)	Salaries and wage expense	CEWS funding	Salaries and wage expense, excluding CEWS(1)	Salaries and wage expense	CEWS funding	Salaries and wage expense, excluding CEWS(1)	Change in CEWS funding %
Product cost of sales	960	-	960	548	155	703	(100)
Service cost of sales	537	-	537	364	64	428	(100)
General and administrative expenses	1,992	-	1,992	653	78	731	(100)
Sales and marketing expenses	4,647	-	4,647	2,038	299	2,337	(100)
Product research and development costs	2,872	-	2,872	1,392	213	1,605	(100)
Total	11,008	-	11,008	4,995	809	5,804	(100)

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Foreign exchange gain or loss

Total net realized and unrealized foreign exchange loss was $242 in the first quarter of 2022 compared to $541 in the prior year comparable quarter. The Canadian dollar ended the first quarter at 1.27 USD/CAD, 1.71 GBP/CAD and 1.42 EUR/CAD compared to 1.24 USD/CAD, 1.70 GBP/CAD and 1.44 EUR/CAD at October 31, 2021. The average exchange rates of 1.26 USD/CAD, 1.70 GBP/CAD and 1.43 EUR/CAD during the first quarter of 2022 was stronger than the same period in 2021 when they averaged 1.29 USD/CAD, 1.73 GBP/CAD and 1.55 EUR/CAD.

The foreign exchange gain or loss relates predominately to the impact of changes in the Canadian dollar on the Company's foreign currency denominated cash and cash equivalents, trade accounts receivable and trade accounts payable at the period end.

Finance income, Net

Finance income, net of finance expenses was $64 for the three-months ended January 31, 2022, (January 31, 2021: $70). The decrease was due to the lower interest rates obtained from the Company's chartered banks on its short-term investments compared to those available during the prior year period.

Net loss, EBITDA, and Adjusted EBITDA

Net loss was $12,873 for the three-months ended January 31, 2022 compared to $4,884 in the same period of 2021. The increased net loss in the period is due primarily to increases in general and administrative expenses, sales and marketing expenses and product research and development costs, offset by an increase in gross margin. The increase in net loss was also impacted by CEWS of $nil recorded for the three-months ended January 31, 2022 compared to $809 for the three-months ended January 31, 2021.

EBITDA was ($11,443) for the three-months ended January 31, 2022 compared to ($3,862) in the same period of 2021. The decrease in EBITDA is primarily due to increases in general and administrative expenses, sales and marketing expenses and product research and development costs, offset by increased gross margin compared to the prior year comparable period.

Adjusted EBITDA was ($6,388) for the three-months ended January 31, 2022 compared to ($360) in the same period of 2021. The decrease in Adjusted EBITDA is a result of increases in general and administrative expenses and sales and marketing expenses, offset by increased gross margin compared to the prior year comparable period.

Total Assets and Liabilities

(CAD thousands)	January 31, 2022	October 31, 2021	% Change
Total assets	104,109	109,303	(5)
Total liabilities	42,830	35,965	19

Blackline's total assets as at January 31, 2022 were $104,109 compared to $109,303 as at October 31, 2021. The decrease in total assets as at January 31, 2022 compared to the prior year end is primarily due to a $9,467 or 17% decrease in cash, cash equivalents and short-term investments.

Trade and other receivables as at January 31, 2022 totaled $24,327, compared to $23,609 as at October 31, 2021, an increase of $718. The increase is attributed to the growth in lease receivables from the Company's finance lease contracts in the current fiscal period.

Inventory totaled $15,194 as at January 31, 2022 compared to $12,710 at the prior year end. Material parts inventory increased to $8,921 from $7,173 at the prior year end with finished goods, comprised of finished and packaged units, increasing to $6,273 from $5,537. The growth in inventory is a result of the build for G6, G7 and G7 EXO to meet increased anticipated orders in 2022, higher stocking requirements for the Company's subsidiaries in the UK and France as well as proactive management of material levels as a result of ongoing global supply chain challenges.

Total contract assets, consisting of current and non-current costs related to the fulfilment of G7 lease contracts, were $1,700 compared to $1,312 at October 31, 2021. The increase is largely due to the timing of recognition for distributor commissions related to the product component of G7 lease contracts over the course of the contract term in the condensed consolidated statements of loss and comprehensive loss.

Property and equipment at January 31, 2022 was $10,258 compared to $9,866 at the prior year end. There were net additions of $623 in surface mount technology ("SMT") and manufacturing equipment as the Company enhanced its manufacturing capacity to meet anticipated demand, including the launch of its high-volume G6 product line in July 2022.

Intangible assets were $2,412 at January 31, 2022 consistent with $2,417 at October 31, 2021.

Right-of-use assets of $2,260 at January 31, 2022 compared to $2,234 at October 31, 2021, represent the lease obligations that have been entered into by the Company, the majority of which relate to the lease agreements for the Company's offices in Calgary, Canada and its international locations in the UK, U.S. and EU. The increase from the prior fiscal year end is due to amortization of these obligations being offset by a new sublease entered into by the Company for additional office space at Blackline Safety Europe SAS in France, and additional leases of vehicles and office equipment.

Total liabilities as at January 31, 2022 were $42,830 compared to $35,965 as at October 31, 2021. Total current liabilities at January 31, 2022 were $32,278 from $28,147 at October 31, 2021. Accounts payable and other accrued liabilities increased to $16,621 from $14,566 at October 31, 2021 due to the timing of the payment of the Company's expenditures at the end of each fiscal period. Warranty provision increased to $1,107 from $1,018 as a higher number of devices were sold under warranty in the current period. The current portion of the Company's deferred revenue, whereby customers commit to service plans that are paid in advance, was $12,665 at January 31, 2022 compared to $10,859 at October 31, 2021. The increase is a result of new service revenue contracts, which are paid in advance, net of the revenue being recognized.

The current portion of contract liabilities which represent the Company's obligations to pay commission to third-party distributors who assist with the fulfilment of G7 lease contracts was $1,039 compared to $920 at the prior year end.

The current portion of the Company's lease liabilities was $846 at January 31, 2022 which increased from $784 at the prior year end due to the addition of the obligations related to the additional space at the Company's French office and additional leases of vehicles and office equipment.

Total non-current liabilities as at January 31, 2022 were $10,552 compared to $7,818 as at October 31, 2021. The non-current liabilities include the non-current portions of warranty provision, deferred revenue and contract liabilities. The non-current portion of warranty provision was $572 as at January 31, 2022 compared to $555 at the prior year end. The non-current portion of the Company's deferred revenue increased to $7,381 as at January 31, 2022 from $5,008 at the prior year end, which reflects the timing of when the deferred revenue from new service sales, which are paid in advance, will be earned. The non-current portion of contract liabilities was $1,033 as at January 31, 2022 compared to $665 at the prior year end.

The non-current portion of the Company's lease liabilities as at January 31, 2022 decreased to $1,566 from $1,590 at the prior year end due to the timing of future payments for the Company's leases.

Proceeds of Share Issuances

On October 19, 2021, the Company closed a bought deal short-form prospectus offering for an aggregate of 5,480,000 common shares at an issue price of $7.30 per common share for gross proceeds of $40,004. After deduction of broker and other fees the net proceeds from the bought deal short-form prospectus were $37,614. The Company invested $6,000 of the funds raised in notice term deposits and short-term investments and as at January 31, 2022, $2,000 of these funds remain invested in notice term deposits.

On September 2, 2020, the Company closed an underwritten private placement of 6,000,000 common shares of the Company at an issue price of $6.00 per common share for aggregate gross proceeds of $36,000 (the "September 2020 Brokered Private Placement"). After deduction of broker and other fees the net proceeds from the September 2020 Brokered Private Placement were $33,638. The Company invested $15,000 of the funds raised in short-term investments and as at January 31, 2022, $8,047 of these funds remain invested in short-term investments.

On October 22, 2018, the Company closed an underwritten private placement of 6,325,000 common shares of the Company at an issue price of $5.00 per common share for aggregate gross proceeds of $31,625 (the "October 2018 Brokered Private Placement"). After deduction of broker and other fees the net proceeds from the October 2018 Brokered Private Placement were $29,399. The Company invested $27,624 of the funds raised in notice term deposits and short-term investments and as at January 31, 2022 $8,036 of these funds remains invested in short-term investments.

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Summary of Quarterly Results

The following table highlights total revenue, gross margin percentage, net loss, net loss per common share, Adjusted EBITDA and Adjusted EBITDA per common share amounts for the eight most recently completed quarters ended January 31, 2022. These have been prepared in accordance with IFRS, with the non-GAAP and supplementary financial measures captioned below, and are presented in Canadian dollars which is the presentation and functional currency of the Company.

(CAD thousands, except per share and percentage amounts)	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Total revenue	15,670	19,266	12,693	11,675	10,678	11,550	9,437	8,472
Gross margin percentage[1]	41	47	46	51	52	56	53	55
Net loss	(12,873)	(9,606)	(10,257)	(8,558)	(4,884)	(1,804)	(1,762)	(2,099)
Net loss per common share	(0.21)	(0.17)	(0.19)	(0.16)	(0.09)	(0.04)	(0.04)	(0.04)
Adjusted EBITDA[1]	(6,388)	(3,479)	(4,569)	(1,514)	(360)	2,234	1,448	1,333
Adjusted EBITDA per common share[1]	(0.11)	(0.06)	(0.08)	(0.03)	(0.01)	0.04	0.03	0.03

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

Fiscal Year 2022

The decrease in revenue in the first quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021 relates predominantly to lower product revenues, partially offset by increased service revenue. The decrease in gross margin percentage in the first quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021 was due to lower product and service margins. The increase in net loss and decline in Adjusted EBITDA in the first quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021 was a result of lower gross margin, higher general and administrative expenses, foreign exchange losses compared to foreign exchange gains in the fourth quarter of fiscal 2021, offset by lower sales and marketing expenses. Net loss was further impacted by higher product research and development costs in the first quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021.

Fiscal Year 2021

Product revenue increased in the fourth quarter compared to the third quarter of fiscal 2021 as Blackline secured large customer contracts with a Texas-based turnaround service provider, a UK defense contractor, a U.S.-based natural gas and electric utility company, and two UK water and wastewater authorities. Service revenue continued to increase quarter-over-quarter, comparing fourth quarter to the third quarter of fiscal 2021 as a result of new device activations by end-users of Blackline’s devices. The decrease in net loss in the fourth quarter compared to the third quarter of fiscal 2021 was a result of increased product and service revenue resulting in a higher gross margin, offset by increases to general and administrative, product research and development and sales and marketing expenses. The improvement in Adjusted EBITDA in the fourth quarter compared to the third quarter of fiscal 2021 resulted from increased gross margin, offset by increased general and administrative expenses and sales and marketing expenses.

The increase in product revenue in the third quarter compared to the second quarter of fiscal 2021 is a result of the continued expansion in our sales and marketing team in late 2020 and early fiscal 2021 which led to increased sales of Blackline’s core G7 product line as well as the newly introduced G7 EXO. Service revenue increased in the third quarter compared to the second quarter of 2021, as a result of new device activations by end-users of Blackline’s devices. The decrease in gross margin percentage in the third quarter of fiscal 2021 compared to the second quarter of fiscal 2021 was due to lower product margin. The increase in net loss in the third quarter compared to the second quarter of fiscal 2021 resulted from lower gross margin, increased sales and marketing and product research and development costs, offset by a nominal decrease in general and administrative expenses. The decline in Adjusted EBITDA in the third quarter compared to the second quarter of fiscal 2021 resulted from lower gross margin and increased sales and marketing expenses, which were partially offset by lower general and administrative expense.

The increase in product revenue in the second quarter of fiscal 2021 compared to the first quarter of fiscal 2021 is a result of expansion in our sales and marketing team in late fiscal 2020 and early fiscal 2021 which led to increased sales of Blacklines core G7 product line as well as the newly introduced G7 EXO. The second quarter of fiscal 2021 also saw the first sales in the EU for our new wholly owned subsidiary Blackline Safety Europe SAS. Service revenues increased versus the consecutive quarter due to the new service activations by end-users of our devices during the first and second fiscal quarters of 2021. The increase in net loss in the second quarter compared to the first quarter of fiscal 2021 resulted from increased general and administrative expenses, sales and marketing expenses and product research and development costs, which were partially offset by an increase in gross margin. The decline in Adjusted EBITDA in the second quarter from the first quarter of fiscal 2021 resulted from increased general and administrative expenses, sales and marketing expenses, which were partially offset by an increase in gross margin.

The decrease in revenue in the first quarter of fiscal 2021 compared to the fourth quarter of fiscal 2020 relates predominately to lower product revenues, partially offset by increased service revenue. The decrease in gross margin percentage in the first quarter of fiscal 2021 compared to the fourth quarter of fiscal 2020 was due to the lower product margin. The increase in net loss in the first quarter of fiscal 2021 compared to the fourth quarter of fiscal 2020 resulted from decreased gross margin, increased general and administrative expenses, sales and marketing expenses and product research and development costs. The decline in Adjusted EBITDA in the first quarter of fiscal 2021 resulted from decreased gross margin, increased general and administrative expenses and sales and marketing expenses.

Fiscal Year 2020

The increase in revenue in the fourth quarter of fiscal 2020 compared to the third quarter of fiscal 2020 relates predominately to higher product revenues. The increase in gross margin percentage in the fourth quarter of fiscal 2020 compared to the third quarter of fiscal 2020 was due to higher product margin. The increase in net loss in the fourth quarter of fiscal 2020 compared to the third quarter of fiscal 2020 resulted from increased gross margin, offset by increased general and administrative, sales and marketing and product research and development expenses. The improvement in Adjusted EBITDA in the fourth quarter of fiscal 2020 from the third quarter of fiscal 2020 resulted from increased gross margin, offset by higher general and administrative and sales and marketing expenses period-over-period.

The increase in revenue in the third quarter of fiscal 2020 compared to the second quarter of fiscal 2020 relates predominately to higher product revenues. The decrease in gross margin percentage in the third quarter of fiscal 2020 compared to the second quarter of fiscal 2020 was due to the product and service mix sold, as well as a reduction in service gross margin. The decrease in net loss in the third quarter of fiscal 2020 compared to the second quarter of fiscal 2020 resulted from increased gross margin and decreased general and administrative and product research and development expenses, offset by increased sales and marketing expenses. The improvement in Adjusted EBITDA in the third quarter of fiscal 2020 from the second quarter of fiscal 2020 resulted from increased gross margin and decreased general and administrative expenses, offset by higher general and sales and marketing expenses period-over-period.

Liquidity and Capital Resources

The Company's primary requirements for capital are to fund the development of enhanced product offerings and for general working capital requirements. Blackline finances these activities primarily through short-term investments, cash flows from operations, funds from equity financing, a bank demand operating line of credit facility and government assistance in the form of repayable debt.

Blackline had cash and cash equivalents of $28,966 as at January 31, 2022. Cash and cash equivalents decreased $5,467 during the quarter ended January 31, 2022 compared to a decrease of $4,682 during the quarter ended January 31, 2021.

	Three-months ended January 31,		
(CAD thousands)	**2022**	**2021**	**% Change**
Cash provided by (used in) operating activities	(8,823)	(4,304)	(105)
Cash provided by (used in) financing activities	35	146	(76)
Cash provided by (used in) investing activities	2,608	(946)	376
Effect of foreign exchange	713	422	69
Total net increase (decrease) in cash and cash equivalents	(5,467)	(4,682)	(17)

Operating activities during the three-months ended January 31, 2022 used $8,823 of cash (January 31, 2021: $4,304). The increase in cash used was a result of a larger net loss for the period, excluding greater non-cash charges of depreciation, amortization, and lower stock-based compensation. This was offset by changes in non-cash working capital of $2,581 for the three-months ended January 31, 2022, (January 31, 2021: ($775)).

Improvements to changes in non-cash working capital for the three-months ended January 31, 2022 compared to the prior year quarter was primarily due to the net change of trade and other receivables of ($272) and accounts payable and other accrued liabilities of $1,667 as we proactively worked with customers and suppliers to improve our working capital turnover (January 31, 2021: ($2,752) and $721, respectively). This was offset by increasing inventory build using $2,472 of cash compared to $367 in the prior year quarter.

Financing activities for the three-months ended January 31, 2022 provided $35 of cash (January 31, 2021: $146). During the quarter ended January 31, 2022, net proceeds of $241 were raised through the exercise of stock options compared to $285 in the prior year comparable period. Lease liability repayments of $206 were made during the three-months ended January 31, 2022, compared to $139 in the prior year quarter.

Investing activities for the three-months ended January 31, 2022 provided cash of $2,608 (January 31, 2021: used cash of $946). There were purchases of short-term investments in the three-month ended January 31, 2022 totaling $nil compared to $7,010 in the prior year fiscal quarter. These purchases were offset by redemptions of short-term investments in the three-months ended January 31, 2022 of $4,005 (January 31, 2021: $7,000).

Net finance income from the Company's cash and cash equivalents and short-term investments for the three-months ended January 31, 2022 were $1 (January 31, 2021: $43). During the three months January 31, 2022, the Company incurred capital expenditures of $1,766 primarily for property and equipment additions of revenue generating cartridges, SMT and manufacturing equipment, and computer equipment for our expanded workforce. Capital expenditures totaling $1,173 for the three-months ended January 31, 2021 were mainly for property and equipment additions of cartridges, furniture and equipment for our expanded workforce.

Total short-term investments held as at January 31, 2022 amounted to $16,083 compared to $20,083 at October 31, 2021. The short-term investments were comprised of fixed interest rate guaranteed investment certificates with a Canadian chartered bank. The total cash and cash equivalents and short-term investments at January 31, 2022 was $45,049 (October 31, 2021: $54,515).

(CAD thousands)	January 31, 2022	October 31, 2021	% Change
Current assets	84,328	90,652	(7)
Current liabilities	(32,278)	(28,147)	15
Working capital	52,050	62,505	(17)

Working capital at January 31, 2022 was $52,050 compared to $62,505 at the prior year end, a decrease of $10,455. The decrease was mainly due to lower cash, cash equivalents and short-term investments, increases in accounts payable and other accrued liabilities and deferred revenue, offset by an increase in inventory.

Blackline continued to proactively manage its exposure to shortages of components for its devices in inventory as we built up our stock on hand by $2,484 for the quarter ended January 31, 2022 to mitigate against current global supply chain challenges and meet anticipated demand for the rest of 2022.

The Company has a demand operating line of credit ("loan facility") of up to $15,000 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 U.S. dollar 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 January 31, 2022.

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 subsidiaries Blackline Safety Europe Ltd., Blackline Safety Europe SAS and Wearable Technologies Limited. The loan facility was not drawn against as at January 31, 2022.

The Company utilized the Government of Canada's CEWS program that was available to any employer, subject to eligibility criteria, whose business had been adversely affected by COVID-19. The Company received wage subsidy funding of $809 for payroll related expenses for the three-months ended January 31, 2021 which has been recorded as a reduction in related payroll expenses on the condensed consolidated statements of loss and comprehensive loss. The CEWS program ended on October 23, 2021 and no additional funding was received during the three-months ended January 31, 2022.

Capital Management

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

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

There are no significant capital expenditure commitments at January 31, 2022, other than the manufacturing of owned modular cartridges used in the G7 connected suite of technologies and which generate service revenue for the Company. These budgetary commitments will be funded primarily through cash flows from operations.

Contractual Obligations

The Company has various commitments to minimum inventory purchases and has contracted for the services of certain third parties. Since October 31, 2021, Blackline renewed its contract with Iridium Satellite LLC with respect to the provision of satellite services to support Blackline's products for a total value of US$165. There were no other material changes in the specified contractual obligations during the period ended January 31, 2022.

Off-Balance Sheet Arrangements

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

Related Party Transactions

There were no transactions between the Company and related parties for the three-months ended January 31, 2022 and 2021.

Critical Accounting Judgments and Estimates

There were no changes to or additional use of critical accounting judgements and estimates for the period ended January 31, 2022. Further information on the Company's critical accounting judgements and estimates can be found in the notes to the annual consolidated financial statements and MD&A for the year ended October 31, 2021.

Changes in Accounting Policies Including Initial Adoption

New Accounting Policies Adopted by the Company

There were no new or amended standards that became applicable and were adopted by the Company for the three-months ended January 31, 2022.

New Accounting Policies Not Yet Adopted by the Company

There were no significant new accounting standards or interpretations issued during the three-months ended January 31, 2022.

Internal Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as at January 31, 2022, our disclosure controls and procedures and internal control over financial reporting were effective. There were no changes in our internal control over financial reporting during the period beginning on November 1, 2021 and ended January 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Financial Instruments

Blackline held the following financial instruments as at January 31, 2022 fiscal period end:

Financial Assets

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

Financial Liabilities

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

The Company's risk exposure associated with these financial instruments and the strategies used to manage these risks are disclosed in note 3 b) of the January 31, 2022 condensed consolidated interim financial statements of the Company. The amounts, timing and certainty of future cash flows associated with those financial instruments are also disclosed in this note. Blackline does not have any financial assets or liabilities that are measured subsequently at fair value, either through other comprehensive income or through profit or loss, or derivative financial instruments used for hedging.

Outstanding Share Data

Blackline had 60,306,369 common voting shares issued and outstanding as at March 15, 2022.The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$4.25	797,834
$4.40	443,500
$5.26	734,918
$5.50	658,142
$5.84	10,000
$6.05	192,500
$6.55	115,000
$8.00	590,833
$8.50	404,874
$8.93	200,000
Total	4,147,601

Outlook

Blackline has a comprehensive HeSaaS portfolio – designed and developed in-house – to meet the connected safety needs of diverse industrial workplaces around the word. Our customers come from a broad range of sectors spanning utilities, energy and petrochemical, telecommunications, consumer packaged goods, transportation and manufacturing. They rely on our technology for real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance, and increase productivity. With turnkey solutions that protect people operating across urban, suburban, rural, hazardous and remote locations, our products and services are as versatile and easy-to-use as they are robust.

Throughout the first quarter of fiscal 2022, the Company's enhanced sales and marketing capabilities allowed Blackline to grow its revenue 47% quarter-over-quarter, including 70% outside Canada. We expect continued sales momentum and strong growth trajectory for the rest of the fiscal year as we pursue the transformation of the industrial workplace into a connected one.

The Company continued its investment in product research and development to accelerate its product commercialization and is on track to launch its G6 zero-maintenance wearable in July 2022. This single-gas wearable safety monitor will open Blackline's connected safety technology to thousands more industrial workers. Our WTL subsidiary continued its development of the G5, scheduled to ship in the first quarter of fiscal 2023. The G5 is a low-power wearable vest style product with cloud connectivity, focused on enhancing productivity in the global construction, rail, ports and other markets.

Blackline released its second annual ESG report during the quarter. Among other goals and targets, Blackline set a net-zero emissions target by the end of fiscal 2023, aligning with the net-zero goals of its society, customers and investors. A key feature in this strategy is ensuring lean and efficient manufacturing while increasing the manufacturing capacity of its in-house production during the period to meet anticipated demand in 2022 and beyond for its current products and those currently in the research and development stage. Further, we have been proactive in bringing on alternate suppliers to mitigate ongoing supply chain constraints, inflation and geopolitical uncertainty. It is clear that ESG risks are not separate from financial risks and we continue to focus on initiatives that help us build greater resiliency and adaptability into our overall business model and safeguard the value that we have created.

We are well-positioned to grow our market position in connected safety. We look forward to expanding our work with leading brands around the world – who share our purpose to ensure every worker has the confidence to get the job done and return home safe – to harness the power of data-driven safety to optimize their performance, increase their competitiveness and empower their people.

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Non-GAAP and Supplementary Financial Measures

Non-GAAP and supplementary financial measures, including non-GAAP ratios not recognized under IFRS are provided where management believes they assist the reader in understanding Blackline's results. The calculations of the non-GAAP and supplementary financial measures are consistent with the prior year comparable periods. The Company utilizes the following terms for measurement within the MD&A that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Non-GAAP Financial Measures

A non-GAAP financial measure: (a) depicts the historical or expected future financial performance, financial position or cash of the Company; (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary consolidated financial statements; (c) is not presented in the primary financial statements of the Company; and (d) is not a ratio.

Non-GAAP financial measures presented and discussed in this MD&A are as follows:

"EBITDA" is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items. EBITDA refers to earnings before interest expense, interest income, income taxes, depreciation and amortization.

"Adjusted EBITDA" is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items, product research and development costs related to new and existing products, which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without any expenditures in product research and development, and certain non-cash and non-recurring items, such as stock compensation expense, that the Company considers appropriate to adjust given the irregular nature and relevance to comparable companies. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product research and development costs and non-recurring impact transactions, if any. The Company considers an item to be non-recurring when a similar revenue, expense, loss or gain is not reasonably likely to occur within the next two years or has not occurred during the prior two years.

Readers should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as an alternative measure to net loss determined in accordance with IFRS. Management does not use these non-GAAP financial measures to assess the Company's financial results against internal expectations.

Reconciliation of non-GAAP financial measures	**Three-months ended January 31,**		
(CAD thousands)	**2022**	**2021**	**% Change**
Net loss	(12,873)	(4,884)	164
Depreciation and amortization	1,494	1,087	37
Finance income, net	(64)	(70)	(9)
Income taxes	-	5	(100)
EBITDA	(11,443)	(3,862)	(196)
Product research and development costs, net of depreciation, amortization and stock-based compensation expense(1)	4,999	3,173	58
Stock-based compensation expense(2)	56	329	(83)
Adjusted EBITDA	(6,388)	(360)	(1,674)

(1) Product research and development costs exclude depreciation and amortization, as well as stock-based compensation relating to product research and development is excluded and adjusted in the subsequent line as defined below.

(2) Stock-based compensation expense relates to the Company's stock compensation plan and stock option expense extracted from cost of sales, general and administrative expenses, sales and marketing expenses and product research and development costs on the condensed consolidated statements of loss and comprehensive loss.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation and that has a non-GAAP financial measure as one or more of its components.

Non-GAAP ratios presented and discussed in this MD&A are as follows:

"EBITDA per common share" is useful to securities analysts, investors and other interested parties in evaluating operating and financial performance. EBITDA per common share is calculated on the same basis as net loss per common share, utilizing the basic and diluted weighted average number of common shares outstanding during the periods presented.

"Adjusted EBITDA per common share" is useful to securities analysts, investors and other interested parties in evaluating operating and financial performance. Adjusted EBITDA per common share is calculated on the same basis as net loss per common share, utilizing the basic and diluted weighted average number of common shares outstanding during the periods presented.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Supplementary financial measures presented and discussed in this MD&A are as follows:

- **"Gross margin percentage"** represents gross margin as a percentage of revenue
- **"Product revenue as a percentage of revenue"** represents product revenue as a percentage of total revenue
- **"Service revenue as a percentage of revenue"** represents service revenue as a percentage of total revenue
- **"Software services revenue as a percentage of service revenue"** represents software services revenue as a percentage of service revenue
- **"Operating lease revenue as a percentage of service revenue"** represents operating lease revenue as a percentage of service revenue
- **"Rental revenue as a percentage of service revenue"** represents rental revenue as a percentage of service revenue
- **"Canada as a percentage of revenue"** represents revenues generated in Canada as a percentage of total revenue
- **"United States as a percentage of revenue"** represents revenues generated in the United States as a percentage of total revenue
- **"Europe as a percentage of revenue"** represents revenues generated in Europe as a percentage of total revenue
- **"Rest of World as a percentage of revenue"** represents revenues generated in countries other than Canada, United States and Europe as a percentage of total revenue
- **"Product cost of sales as a percentage of segment revenue"** represents product cost of sales as a percentage of product revenue
- **"Service cost of sales as a percentage of segment revenue"** represents service cost of sales as a percentage of service revenue
- **"Cost of sales as a percentage of revenue"** represents cost of sales as a percentage of total revenue
- **"Product gross margin percentage"** represents product gross margin as a percentage of product revenue
- **"Service gross margin percentage"** represents service gross margin as a percentage of service revenue
- **"General and administrative expense as a percentage of revenue"** represents general and administrative expenses as a percentage of total revenue
- **"Sales and marketing expense as a percentage of revenue"** represents sales and marketing expenses as a percentage of total revenue
- **"Product research and development as a percentage of revenue"** represents product research and development expenses as a percentage of total revenue
- **"Foreign exchange (gain)/loss as a percentage of revenue"** represents foreign exchange (gain)/loss as a percentage of total revenue
- **"Total expenses as a percentage of revenue"** represents total expenses as a percentage of total revenue
- **"Salaries and wage expense, excluding CEWS"** represents salaries and wage expense excluding any CEWS funding received during the period

Forward Looking Statements

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as ''anticipate'', ''believe'', "continue", "could", ''estimate'', ''expect'', "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will" and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding Blackline's business plan and focus; the results, including but not limited to the functionality and benefits of the use of Blackline's products, technologies and hardware enabled software as a service; the focus of WTL and the offerings thereof, including the G5, which is scheduled to ship in the first quarter of fiscal 2023; Blackline's expectations as to growth, including as to it aggressively expanding its sales network in the United States, Europe and rest of world markets; future operating lease and associated service revenue, undiscounted payments under non-cancellable finance lease contracts; anticipated orders for G7 and G7 EXO; the results of Blackline's building up stock on hand; the Company's expectation that it will continue to pursue multiple levels of government grants and funding arrangements and the results thereof; management's belief that the Company has sufficient funds to support the growth of the Company and to fund its development activities; the financing of the Company's capital expenditure commitments; the Company's expectation that it will continue sales momentum and strong growth trajectory in 2022 as it pursues the transformation of the industrial workplace into a connected one; accelerating its product commercialization with bringing G6 to market in July 2022, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities, expanding our work with leading brands around the world, the Company's net-zero emissions target by fiscal 2023; and the Company's ability to grow its market position in connected safety. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Corporation believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These forward-looking statements are made as of the date of this MD&A. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to: (i) the ability to obtain sufficient and suitable financing to support operations, development and commercialization of products, (ii) the ability to execute partnerships and corporate alliances, (iii) uncertainties relating to the regulatory approval process, (iv) the ability to develop plant lines and manufacturing processes that result in competitive advantage and commercial viability, (v) the ability to develop enhanced products and software in a cost-effective and timely manner, (vi) the impact of competitive products and pricing and the ability to successfully compete in the targeted markets, (vii) the ability to attract and retain key personnel and key collaborators, (viii) the ability to adequately protect proprietary information and technology from competitors, (ix) market and general economic conditions and (x) the impact if a significant disruption to its information technology were to occur. See also risks identified in our Annual Information Form and our Annual MD&A as at October 31, 2021. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

With respect to the forward-looking statements and FOFI (as defined below) contained in this MD&A, management has made assumptions regarding, among other things: our ability to enter new markets and industry verticals; our ability to attract, develop and retain key personnel; our ability to maintain and expand geographic scope; our ability raise additional capital and to execute on our expansion plans; timeline for new product launches, our ability to continue investing in infrastructure and implement scalable controls, systems and processes to support our growth; our ability to successfully integrate the company we have acquired or companies we may acquire and to derive the benefits we expect from the acquisition thereof; seasonality in our business and in the business of our customers; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards.

Any financial outlook or future oriented financial information (in each case "FOFI") contained in this MD&A regarding prospective financial position is based on reasonable assumptions about future events, including those described above, based on an assessment by management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such FOFI contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this MD&A and the Company disclaims any intention or obligation to update or revise any such information, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law.

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