Blackline Safety Corp.
Management's Discussion and Analysis

For the three and nine-month periods ended July 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", 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 and nine-months ended July 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 September 13, 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, a 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.

Blackline is launching the G6, a single-gas cloud-connected gas monitor, to the market in the fourth fiscal quarter of 2022. The mass-market 4G-enabled, cloud connected single-gas monitor will be positioned under the current G7 series of connected safety monitors. The long-lasting connectivity and improved efficiency enables fast incident response time and better safety and compliance. The G6 monitor is the first connected product designed specifically for industrial workers and will drive further growth outside of North America and Europe for Blackline with its lower price point and cost base.

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 access 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 47,000 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 187 billion data points, over 2.8 billion locations and over 5.4 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 and nine-months ended July 31, 2022, product revenue was $8,910 and $24,092, accounting for 48% and 47% of total revenue, respectively (July 31, 2021: $5,282 and $13,682, accounting for 42% and 39% of total revenue, respectively).

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 and nine-months ended July 31, 2022, service revenue was $9,657 and $26,809, accounting for 52% and 53% of total revenue, respectively (July 31, 2021: $7,411 and $21,364, accounting for 58% and 61% of total revenue, respectively).

The Company also offers its products and services through a ‘G7 Lease’ program with variable lease term commitments. Generally, 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 and nine-months ended July 31, 2022, Blackline’s product cost of sales were $7,409 and $20,898, respectively (July 31, 2021: $4,620 and $11,090, respectively) and service cost of sales were $2,884 and $8,281, respectively (July 31, 2021: $2,214 and $6,580, respectively).

On March 31, 2022, the Company completed the acquisition of Swift Labs Inc. (“Swift Labs”), an Internet of Things design and engineering consulting firm based in Ontario, Canada. The fair value of consideration of $4,541 consisted of $3,200 cash paid on the closing date, net of note payable acquired and purchase price adjustments, and 270,776 common shares, at a fair value of $5.74 per share, which was based on the quoted price of the common shares on the TSX on the closing date.

Highlights

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands, except per share and percentage amounts)	2022	2021	% Change	2022	2021	% Change
Product revenue	8,910	5,282	69	24,092	13,682	76
Service revenue	9,657	7,411	30	26,809	21,364	25
Total Revenue	18,567	12,693	46	50,901	35,046	45
Gross margin	8,274	5,859	41	21,722	17,376	25
Gross margin percentage(1)	45%	46%	(1)	43%	50%	(7)
Total Expenses	24,605	16,137	52	65,442	41,081	59
Net loss	(16,291)	(10,257)	(59)	(43,707)	(23,699)	(84)
Loss per common share - Basic and diluted	(0.27)	(0.19)	(42)	(0.72)	(0.44)	(64)
EBITDA(1)	(14,576)	(8,924)	(63)	(38,831)	(19,990)	(94)
EBITDA per common share(1) - Basic and diluted	(0.24)	(0.16)	(50)	(0.64)	(0.37)	(73)
Adjusted EBITDA(1)	(5,698)	(4,540)	(26)	(18,429)	(6,354)	(190)
Adjusted EBITDA per common share(1) - Basic and diluted	(0.09)	(0.08)	(13)	(0.30)	(0.12)	(150)

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

(CAD thousands)	July 31, 2022	October 31, 2021	% Change
Cash and cash equivalents and short-term investments	10,487	54,516	(81)
Working capital	15,594	62,505	(75)
Total assets	78,902	109,303	(28)
Non-current liabilities	10,184	7,818	30
Shareholders’ equity	33,616	73,338	(54)

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Results of Operations

(CAD thousands)	Three-months ended July 31, 2022	2021	% Change	Nine-months ended July 31, 2022	2021	% Change
Product revenue	8,910	5,282	69	24,092	13,682	76
Service revenue	9,657	7,411	30	26,809	21,364	25
Total Revenues	18,567	12,693	46	50,901	35,046	45
Product revenue as a percentage of revenue(1)	48%	42%		47%	39%	
Service revenue as a percentage of revenue(1)	52%	58%		53%	61%	
Total	100%	100%		100%	100%	

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

Total revenue for the three-month period ended July 31, 2022 was $18,567 which is an increase of $5,874 from $12,693 in the comparable period of the prior year. The 46% increase was driven by higher sales of our connected safety products as well as steady growth in recurring service revenues from new hardware sales over the past twelve months and by customer renewals of service on existing devices.

Total revenue for the nine-month period ended July 31, 2022 was $50,901 which is an increase of $15,855 from $35,046 in the comparable period of the prior year. The 45% increase was due to higher product sales and the continued growth in the Company's service revenues from its connected safety monitoring, analysis, and compliance solutions.

Product Revenue

Total revenue for the three-month period ended July 31, 2022 was $8,910, an increase of $3,628 or 69% compared to $5,282 in the prior year comparative quarter. The increase in the current year period reflects the Company's expanded sales network and investment in our global sales team over the past twelve months with continued strong demand generation and sales development activities. Finance lease revenue growth of $2,303 also contributed to higher product revenues in the third quarter compared to the prior year quarter. This increase is primarily attributable to significant deals obtained at the end of the quarter with three leading North American energy companies.

During the nine-month period ended July 31, 2022, product revenue was $24,092, an increase of $10,410 compared to $13,682 in the comparative period of the prior year. The 76% increase was a result of the contribution of the expanded sales and demand generation teams, particularly in the United States and the Rest of World markets. The current period also benefited from a reduction of COVID-19 restrictions allowing more access to customer sites and the recommencement of procurement processes, particularly in North America, compared to the prior year period that was impacted by product order deferrals.

Service Revenue

(CAD thousands)	Three-months ended July 31, 2022	2021	% Change	Nine-months ended July 31, 2022	2021	% Change
Software services revenue	8,250	6,542	26	23,464	18,707	25
Operating lease revenue	560	767	(27)	1,807	2,378	(24)
Rental revenue	847	102	730	1,538	279	451
Total service revenue	9,657	7,411	30	26,809	21,364	25
Software services revenue as a percentage of service revenue(1)	85%	89%		88%	88%	
Operating lease revenue as a percentage of service revenue(1)	6%	10%		6%	11%	
Rental revenue as a percentage of service revenue(1)	9%	1%		6%	1%	
Total	100%	100%		100%	100%	

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

The Company's total service revenue for the three-month period ended July 31, 2022 increased $2,246 or 30% to $9,657 compared to an increase of $7,411 in the same period last year.

Software services revenue for the third quarter was $8,250, an increase of 26% from $6,542 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 of $1,708 included newly activated device service revenues of $476 in the third quarter as well as service revenue increases within our existing customer base of $686 in the same period.

There were also adverse effects of $633 in the third quarter 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 $15 in the same period.

Operating lease revenue for the three-months ended July 31, 2022 was $560, a decrease of 27% from $767 compared to the prior year 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 by 730% in the three-months ended July 31, 2022 compared to the prior year as a result of the Company's establishment of its rental fleet to bring its complete suite of connected solutions to the market for short-term projects and the efforts of the dedicated rental sales team. Rental revenue continues to increase as demand grows due to its connected solutions in the industrial turnaround and maintenance market.

Total service revenue for the nine-month period ended July 31, 2022 increased $5,445 or 25% to $26,809 compared to an increase of $2,558 or 14% in the same period last year.

Software services revenue for the nine-months ended July 31, 2022 was $23,464, an increase of 25% from $18,707 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 $4,757 which included newly activated device service revenues of $1,019 in the first three quarters of fiscal 2022 as well as service revenue increases within our existing customer base of $1,847 in the same period.

There were also adverse effects of $1,546 in the first three quarters of fiscal 2022 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 $77 in the same period.

Operating lease revenue for the nine-months ended July 31, 2022 was $1,807, a decrease of 24% from $2,378 compared to the prior year as operating lease contracts expired and were renewed as finance leases.

Rental revenue increased 451% in the nine-months ended July 31, 2022 when compared to the prior year period as a result of the Company's focus on the rental market through the expansion of its rental fleet to meet the market demand.

Revenues from external customers by country/geographic area	**Three-months ended July 31,**			**Nine-months ended July 31,**		
(CAD thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Canada	4,837	2,873	68	13,282	9,654	38
United States	8,654	4,936	75	22,535	13,360	69
Europe	3,955	4,201	(6)	11,943	10,220	17
Rest of World	1,121	683	64	3,141	1,812	73
Total revenues	18,567	12,693	46	50,901	35,046	45
Canada as a percentage of revenue(1)	26%	23%		26%	28%	
United States as a percentage of revenue(1)	47%	39%		45%	38%	
Europe as a percentage of revenue(1)	21%	33%		23%	29%	
Rest of World as a percentage of revenue(1)	6%	5%		6%	5%	
Total	100%	100%		100%	100%	

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

The third quarter of fiscal 2022 saw our US sales team take advantage of a strengthening in that market across a variety of industries resulting in a 75% increase in revenue compared to the prior year quarter. With the establishment of our sales network in the Rest of World markets in fiscal 2020 and 2021, the Company delivered strong revenue growth in the third quarter of fiscal 2022 outside of its core geographic areas.

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The Company's Rest of World market is primarily in Asia, the Middle East, Australia and New Zealand and has not been directly 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 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.

The Canadian market had slower growth in fiscal 2020 and 2021 due to economic challenges directly impacting the energy sector. Recovery in the energy sector has resulted in growth in the Canadian segment beginning in the second quarter of the current fiscal year and continuing into the third quarter.

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*. Total payments due to the Company under non-cancellable operating lease contracts were $1,379 as at July 31, 2022 (October 31, 2021: $2,607).

The present value of the hardware revenue component of finance leases is recognized up-front as product revenue with service and interest revenue recognized over the life of the contract. 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 and invoiced.

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)	**July 31, 2022**	**October 31, 2021**
Within one year	10,718	5,233
Later than one year but not later than five years	20,434	11,029
Total	31,152	16,262

The 92% increase in undiscounted payments under non-cancellable finance lease contracts from October 31, 2021 is a result of more customers renewing or entering into long term finance lease agreements as opposed to purchasing hardware upfront.

Cost of Sales

(CAD thousands)	**Three-months ended July 31, 2022**	**2021**	**% Change**	**Nine-months ended July 31, 2022**	**2021**	**% Change**
Product	7,409	4,620	60	20,898	11,090	88
Service	2,884	2,214	30	8,281	6,580	26
Total cost of sales	10,293	6,834	51	29,179	17,670	65
Product cost of sales as a percentage of segment revenue(1)	83%	87%		87%	81%	
Service cost of sales as a percentage of segment revenue(1)	30%	30%		31%	31%	
Cost of sales as a percentage of revenue(1)	55%	54%		57%	50%	

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

Cost of sales for the three and nine-months ended July 31, 2022 totaled $10,293 and $29,179, respectively compared to $6,834 and $17,670 in the same periods in the previous year. 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 cost inflation related to ongoing global supply chain constraints. It is also a result of an increase in the service segment with costs expanding proportionately to support a growing customer base.

Cost of Sales Product

Product cost of sales increased by $2,789 or 60% in the third quarter compared to the prior year quarter due to increased material costs of $1,067 as more products were sold. Shortages for certain components arising from the current global supply chain disruptions resulted in the Company facing pricing pressure on its input costs as it was necessary to source materials from secondary suppliers which increased the overall material cost on a per unit basis. Freight increased $104 due to incremental shipping charges from alternative suppliers at expedited rates.

Production salaries and wage expense, excluding the impact of Canadian Emergency Wage Subsidy ("CEWS") funding, remained consistent at $812 during the third quarter of 2022 compared to $815 in the third quarter of 2021.

There were increases in scrappage, rework and obsolete inventory costs of $1,224 in the third quarter compared to the prior year quarter. This is primarily due to replacement of certain customers' older generation products which the Company is no longer servicing with current models and products. This was also a factor of an increased number of devices deployed in the field.

Product costs of sales for the nine-month period ended July 31, 2022 were $20,898 compared to $11,090 in the prior year period, an increase of $9,808 largely due to an increase in material costs of $6,109. Higher sales and prevailing global supply chain challenges resulted in an increase in freight costs of $570 and production supplies and equipment of $187.

Production salaries and wage expense, excluding the impact of CEWS funding, increased $584 during the nine-month period ended July 31, 2022 compared to the prior year period.

Write-offs of obsolete inventory, scrappage and rework costs increased $2,078 in the nine-month period ended July 31, 2022 compared to the same period in the prior year. These costs are primarily associated to replacement of certain customers' older generation products which the Company is no longer servicing, with current models and products. These costs were partially offset by lower unabsorbed material and labor costs of $473.

Cost of Sales Service

Service cost of sales increased by $670 or 30% in the third quarter compared to the prior year quarter. The increase is primarily a result of higher connectivity and data costs of $302 driven by the increased user base and associated higher service revenue in the third quarter as well as increased spending on security. Salaries expense for our SOC team members and the product research and 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 $132 in the third quarter compared to the prior year quarter.

Depreciation on owned cartridges and leased units increased $181 in the third quarter compared to the prior year quarter. This is primarily due to an increase in the company's capitalized assets from rental equipment and partially as a result of the growth in the number of owned cartridges in use by our customers.

Service cost of sales were $8,281 during the nine-months ended July 31, 2022 compared to $6,580 in the prior year period, an increase of $1,701. This increase is due to higher connectivity and data costs of $655. Salaries and wage expense, excluding CEWS, increased $341 in the nine-months ended July 31, 2022 compared to the prior year period.

During the nine-months ended July 31, 2022, depreciation on owned cartridges and leased units increased $439 compared to the same period in the prior year. This is primarily due to the increase in capitalized assets from rental equipment in the period.

Gross Margin

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Product	1,501	662	127	3,194	2,592	23
Service	6,773	5,197	30	18,528	14,784	25
Gross margin	8,274	5,859	41	21,722	17,376	25
Product gross margin percentage(1)	17%	13%		13%	19%	
Service gross margin percentage(1)	70%	70%		69%	69%	
Gross margin percentage(1)	45%	46%		43%	50%	

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

Total gross margin for the third quarter was $8,274 compared to $5,859 in the prior year quarter. This represented a total gross margin percentage of 45%, a 1% decrease compared to the prior year period. The decrease in total gross margin percentage is due to the sales mix with product revenue comprising 48% of total revenue in the third quarter of 2022 compared to 42% in the third quarter of 2021.

Product gross margin percentage in the third quarter increased to 17% from 13%, an increase compared to the prior year period as the Company has been able to mitigate some of the global supply chain challenges that it is has experienced since the third quarter of 2021. Higher sales volumes also contributed to lower unabsorbed overhead costs during the current period. The increase was offset by write-offs of $0.7 million which reduced Product gross margin by 8%.

Service gross margin percentage remained consistent at 70% in the third quarter of 2022 compared to the service gross margin percentage of the prior year quarter as service revenue continued to grow, absorbing more fixed cost of sales.

Total gross margin for the nine-months ended July 31, 2022, increased $4,346 or 25% to $21,722 from $17,376 in the same period in the prior year. Total gross margin percentage decreased by 7% due to the sales mix with product revenue comprising 47% of total revenue in the current period compared to 39% in the prior year period.

Product gross margin percentage was 13% for the nine-months ended July 31, 2022 compared to 17% excluding CEWS as a result of an increasingly challenging supply chain environment for hardware manufacturers.

Service gross margin percentage remained consistent at 69% for the nine-months ended July 31, 2022 compared to the service gross margin percentage of the prior year comparative period as the Company's service revenue continued to grow, offsetting an increased cost base.

Expenses

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	2022	2021	% Change	2022	2021	% Change
General and administrative expenses	6,164	4,091	51	17,325	11,092	56
Sales and marketing expenses	9,660	7,372	31	27,498	17,181	60
Product research and development costs	7,517	4,361	72	19,115	11,725	63
Foreign exchange (gain)/loss	1,264	313	304	1,504	1,083	39
Total expenses	24,605	16,137	52	65,442	41,081	59
General and administrative expenses as a percentage of revenue(1)	33%	32%		34%	32%	
Sales and marketing expenses as a percentage of revenue(1)	52%	58%		54%	49%	
Product research and development costs as a percentage of revenue(1)	40%	34%		38%	33%	
Foreign exchange (gain)/loss as a percentage of revenue(1)	7%	2%		3%	3%	
Total expenses as a percentage of revenue(1)	132%	126%		129%	117%	

(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 and quality assurance 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. General and administrative expenses increased $2,073 or 51% in the third quarter of 2022 to $6,164 from $4,091 in the prior year quarter.

Salaries and wage expense, including related benefits but excluding CEWS, increased $1,352 during the three-months ended July 31, 2022 compared to the prior year period. Related consulting expenses increased $122 during the same period.

Building operating costs, rent and insurance increased $132 compared to last year comparable quarter due to office space for our new EU based Backline Safety Europe SAS office in northeastern France, which opened in April 2021, and our Houston office which opened in October 2021.

Software maintenance and subscription costs increased $181 in the third quarter compared to the prior year quarter as we added more licenses and functionalities to our platforms to support additional team members joining Blackline globally.

These increases were offset by a $221 decrease in public reporting costs this quarter compared to previous year comparable quarter as the company incurred listing fees and other going public expenses for graduating to the TSX from the TSX Venture Exchange in the prior year. Additionally, there was a $92 decrease in stock-based compensation expense as there were fewer stock options granted during the current quarter, compounded by employee forfeitures of stock options previously granted.

During the nine-months ended July 31, 2022, general and administrative expenses increased 56% or $6,233 to $17,325 from $11,092 in the prior year comparable period. Salaries and wage expense, including related benefits but excluding CEWS increased $4,376 during the nine-months ended July 31, 2022 compared to the prior year period as our corporate and operations team expanded. Related consulting and contractor expenses increased $691 during the same period as a result of new IT infrastructure support service providers used this fiscal year.

Building operating costs, rent and insurance increased by $491 in the nine-month period compared to the prior year period with depreciation expense increasing $505 compared to the prior year period.

Also contributing to the increase in general and administrative expenses in the nine-months ended July 31, 2022 compared to the prior year period were additional professional, investor relations and audit fees of $295.
Software maintenance and subscriptions increased $871. These increases were offset by lower stock-based compensation expense of $1,273 as there were fewer stock options granted to directors and the majority of officers during the period, compounded by employee forfeitures of stock options previously granted.

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, service renewal, 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 third quarter of 2022 increased $2,288 or 31% from $7,372 to $9,660, compared to the prior year quarter. The increase is primarily due to increases in salaries of new hires, including our customer care, demand generation and distribution teams to fuel our commercial engine. The increase in salaries and wage expenses, including related benefits but excluding CEWS for the sales and marketing team was $1,319 during the three-months ended July 31, 2022 compared to the same period in 2021.

Also contributing to the overall increase of sales and marketing expenses during the third quarter of 2022 were distributor and sales commissions of $1,610 in the quarter compared to $495 in the prior year quarter, an increase of $1,115 due to higher product revenue in the same period.

Subscription costs increased $151 in the third quarter compared to the prior year quarter as we added more licenses and functionalities to support additional sales and marketing team members joining Blackline globally.

The lifting of global COVID-19 restrictions resulted in higher sales and business development travel costs. Travel and meals and entertainment related costs increased by $579 during the third quarter of 2022 compared to the prior year quarter.

The overall increase to sales and marketing expenses in the quarter, were offset by a significant decrease in advertising costs of $347, primarily due to cost reduction efforts across the Company.

During the nine-months ended July 31, 2022, sales and marketing expenses increased $10,317 or 60% to $27,498 from $17,181 compared to the prior year comparable period. The increase was largely due to additional salaries for the expanded sales and marketing team. Salaries and wage expense, including related benefits but excluding CEWS increased by $5,981.

Also contributing to the overall increase of sales and marketing expenses during the nine-months ended July 31, 2022 were distributor and sales commissions of $3,846 compared to $1,359 in the prior year.

Other drivers of increased sales and marketing costs in the nine-months ended July 31, 2022 included higher software and subscription costs with an increase of $491 compared the prior year quarter. As global travel restrictions have been lifted, there were increased tradeshow costs of $502 and higher travel and meals and entertainment related costs of $1,527 during the nine-months ended July 31, 2022 compared to the prior year period.

These increases were offset by a decrease of $569 in advertising costs during the nine-months ended July 31, 2022 compared to prior year period due to cost reduction efforts across the Company.

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 hardware and services. 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 and development costs increased $3,156 or 72% during the third quarter of 2022 to $7,517 from $4,361 in the prior year comparable quarter. Salaries and wage expense, including related benefits but excluding CEWS increased $2,605 during the three-months ended July 31, 2022 compared to the prior year period as the Company retained and attracted resources with the required skill and knowledge for our research and development activities in a competitive market. Additionally, the salaries of employees from Swift Labs Inc. ("Swift Labs") that were acquired in the previous quarter contributed $433 to the increase in the third quarter. This increase to salaries was offset by a decrease in contractors and consulting of $200, mainly driven by the acquisition of Swift Labs employees who the Company had previously hired as consultants during the development of the G6, a single-gas wearable safety monitor.
Expense materials increased $322 in the quarter compared to the previous year quarter, as the Company focused on the product research and development of the upcoming G6, a single-gas wearable safety monitor, towards its upcoming launch.

As the product research and development team expanded, recruiting costs increased $115 in the third quarter of 2022 compared to the third quarter of 2021. The addition of new hires contributed to an increase to software and subscription costs of $221, as additional software licenses were obtained.

Product research and development costs increased $7,390 or 63% during the nine-months ended July 31, 2022 to $19,115 from $11,725 in the prior year period. Salaries and wage expense, including related benefits but excluding CEWS increased $5,992 during the nine-months ended July 31, 2022 compared to the prior year period, with associated recruiting costs increasing $770. Following the Swift Labs acquisition, $531 of the increase represents total salaries expense from Swift Labs employees.

The increase in product research and development costs was further driven by the increase in software maintenance and subscription costs of $598 as we enhanced the capabilities and security of our supporting platform for the Blackline Live portal. Expense materials increased $288, as the research and development team advanced our G6. This was partially offset by a decrease in consulting costs of $463 mainly driven by the acquisition of Swift Labs employees. The increase to product research and development costs were offset by $367 in research and development expenditure credit received in the first quarter of 2022 from the UK government.

Amortization charges increased $133 during the nine-months ended July 31, 2022 compared to the prior year comparable period due to additional certification and patent costs that have been capitalized over the last twelve months.

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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 July 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	812	-	812	803	12	815	(100)
Service cost of sales	606	-	606	467	7	474	(100)
General and administrative expenses	2,551	-	2,551	1,458	7	1,465	(100)
Sales and marketing expenses	5,007	-	5,007	3,658	30	3,688	(100)
Product research and development costs	4,558	-	4,558	2,345	18	2,363	(100)
Total	13,534	-	13,534	8,731	74	8,805	(100)

	Nine-months ended July 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	2,684	-	2,684	1,868	232	2,100	(100)
Service cost of sales	1,671	-	1,671	1,178	152	1,330	(100)
General and administrative expenses	6,855	-	6,855	3,025	139	3,164	(100)
Sales and marketing expenses	14,393	-	14,393	8,529	550	9,079	(100)
Product research and development costs	10,989	-	10,989	5,435	367	5,802	(100)
Total	36,592	-	36,592	20,035	1,440	21,475	(100)

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

Restructuring

The Company has been proactively working towards strengthening the financial performance of the business through improving efficiency and lowering operating expenses without impacting growth. As part of these measures, a workforce reduction was implemented during the quarter, and operating costs relating to consultants, contractors, recruitment and other business expenses were reduced to conserve liquidity and maximize the Company’s resources. The Company incurred $534 of restructuring costs in the third quarter, including severance and redundancy costs.

As the Company has integrated G5 into its core product roadmap, using the increased capacity of its hardware development team, it assessed the existing inventory and other assets held in its Wearable Technologies Limited subsidiary and determined that the carrying values were greater than their net realizable value, resulting in a write off of these items. The impact of these write offs to Product cost of sales for the three months ended July 31, 2022 was $686 which reduced Product gross margin by 8% and the impact to general and administrative expenses was $159.

Foreign exchange gain or loss

Total net realized and unrealized foreign exchange loss was $1,264 in the third quarter of 2022 compared to a loss of $313 in the prior year comparable quarter. The Canadian dollar ended the third quarter at 1.28 USD/CAD, 1.56 GBP/CAD and 1.31 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 1.58 GBP/CAD and 1.34 EUR/CAD during the third quarter of 2022 were stronger than the same period in 2021 when they averaged 1.72 GBP/CAD and 1.48 EUR/CAD, while the average exchange rate of 1.29 USD/CAD was weaker than the same period in 2021 at 1.23 USD/CAD.

During the nine-months ended July 31, 2022, total net realized and unrealized foreign exchange loss was $1,504 compared to a loss of $1,083 during the same period of the prior year. The average exchange rates of 1.65 GBP/CAD and 1.39 EUR/CAD during the nine-months ended July 31, 2022 was stronger than the same period in 2021 when they averaged 1.73 GBP/CAD and 1.51 EUR/CAD, while the average rate of 1.27 USD/CAD was weaker than the same period in 2021 at 1.26 USD/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 end of the period.

Finance income, Net

Finance income, net of finance expenses was $38 and $160 for the three and nine-months ended July 31, 2022 compared to $38 and $142 in the comparable prior year periods. The three-month period in the third quarter of 2022 remained consistent compared to the prior year comparable quarter. The nine-months ended July 31, 2022 increased due to higher finance lease interest revenue as revenue from finance leases increased, as well as higher interest rates obtained from the Company's chartered banks on its short-term investments compared to those available during prior year periods. This was partially offset by a lower base of funds held for investment.

Net loss, EBITDA, and Adjusted EBITDA

Net loss was $16,291 and $43,707 for the three and nine-months ended July 31, 2022 compared to $10,257 and $23,699 in the same periods of 2021. The increased net loss in the periods 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 and nine-months ended July 31, 2022 compared to $74 and $1,440 for the same periods of 2021.

EBITDA was ($14,576) and ($38,831) for the three and nine-months ended July 31, 2022 compared to ($8,924) and ($19,990) in the same periods of 2021. The decrease in EBITDA is primarily due to increases in total expenses, offset by increased gross margin compared to the prior year comparable periods.

Adjusted EBITDA was ($5,698) and ($18,429) for the three and nine-months ended July 31, 2022 compared to ($4,540) and ($6,354) in the same periods 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 periods.

Total Assets and Liabilities

(CAD thousands)	July 31, 2022	October 31, 2021	% Change
Total assets	78,902	109,303	(28)
Total liabilities	45,286	35,965	26

Blackline's total assets as at July 31, 2022 were $78,902 compared to $109,303 as at October 31, 2021. The decrease in total assets as at July 31, 2022 compared to the prior year end is primarily due to a $44,029 or 81% decrease in cash and cash equivalents and short-term investments mainly from operating activities and the Company's investment in the G6 product line launching during the fourth quarter of the year. The decrease is offset by an increase in inventory of $5,914 and long-term other receivables of $3,234 resulting from an increase in the number of finance leases recorded by the Company as at July 31, 2022

Trade and other receivables as at July 31, 2022 totaled $23,395, compared to $23,609 as at October 31, 2021. Overall, trade and other receivables remained constant as the Company improved its collections in the period.

Inventory totaled $18,624 as at July 31, 2022 compared to $12,710 at the prior year end. Material parts inventory increased to $13,022 from $7,173 at the prior year end with finished goods, comprised of finished and packaged units, increasing to $5,602 from $5,537. The growth in inventory is a result of proactive management of material levels as a result of ongoing global supply chain challenges, the build for G6, G7 and G7 EXO to meet increased anticipated orders in the last fiscal quarter of 2022, and higher stocking requirements for the Company's subsidiaries in the UK and France.

Total contract assets, consisting of current and non-current costs related to the fulfilment of G7 lease contracts, were $2,279 as at July 31, 2022 compared to $1,312 at October 31, 2021. The increase is largely due to an increase in products sold through G7 lease contracts and the timing of recognition for distributor commissions related to the product component over the course of the contract term.

Property and equipment at July 31, 2022 was $11,288 compared to $9,866 at the prior year end. There were net additions of $449 in surface mount technology and manufacturing equipment as the Company enhanced its manufacturing capacity to meet anticipated demand, including the launch of its high-volume G6 product. There were also net additions of $1,326 in rental equipment as the Company's product rental program continues to expand to meet the demand for our global customers' diverse safety needs for short term projects.

Intangible assets were $2,190 at July 31, 2022, compared to $2,417 at October 31, 2021. The decrease is due to amortization in the period.

Right-of-use assets of $1,869 at July 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 United Kingdom, United States and France.

Goodwill in the amount of $4,883 at July 31, 2022 is related to the acquisition of Swift Labs. The goodwill is composed of expected synergies in utilizing Swift Labs engineering expertise in the Company's product offerings and integrating an assembled workforce that does not qualify for separate recognition as an intangible asset in the condensed consolidated statements of financial position.

Total liabilities as at July 31, 2022 were $45,286 compared to $35,965 as at October 31, 2021. Total current liabilities at July 31, 2022 were $35,102 from $28,147 at October 31, 2021. Accounts payable and other accrued liabilities increased to $16,632 from $14,566 at October 31, 2021 due to timing of payment of the Company's expenditures at the end of each fiscal period. The current portion of warranty provision increased to $1,231 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 $15,213 at July 31, 2022 compared to $10,859 at October 31, 2021. The increase is a result of new service revenue contracts, which have been paid in advance during the period, 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 $1,115 compared to $920 at the prior year end.

The current portion of the Company's lease liabilities was $911 at July 31, 2022 which increased from $784 at the prior year end due to additional space leased at the Company's office in Kitchener, Ontario for Swift Labs and additional leases of vehicles in Europe.

Total non-current liabilities as at July 31, 2022 were $10,184 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 $559 as at July 31, 2022 compared to $555 at the prior year end. The non-current portion of the Company's deferred revenue increased to $7,006 as at July 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 $1,504 as at July 31, 2022 compared to $665 at the prior year end.

The non-current portion of the Company's lease liabilities as at July 31, 2022 decreased to $1,115 from $1,590 at the prior year end due to the timing of future payments for the Company's facility leases.

Proceeds of Share Issuances

On August 31, 2022, the Company closed a bought deal short-form prospectus offering for an aggregate of 5,405,885 common shares at an issue price of $2.20 per common share for gross proceeds of $11,893. After deduction of broker and other fees, the net proceeds from the bought deal short-form prospectus were $10,942.

The Company concurrently completed a non-brokered private placement of 5,909,091 common shares at an issue price of $2.20 per common share for gross proceeds of $13,000. There were no issuance fees directly related to the non-brokered private placement since it was concurrently completed with the bought deal short-form prospectus. The net proceeds will be used primarily to further strength the Company's financial position and provide sufficient liquidity to finance ongoing operations, including general and administrative, sales and marketing expenses and research and development expenses incurred, or expected to be incurred, in connection with the ongoing operations including the development and launch of various new products and services.

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 remaining net proceeds were held in cash as at July 31, 2022.

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 July 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	**2022**			**2021**				**2020**
amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	18,567	16,665	15,670	19,266	12,693	11,675	10,678	11,550
Gross margin percentage(1)	45%	42%	41%	47%	46%	51%	52%	56%
Net loss	(16,291)	(14,543)	(12,873)	(9,606)	(10,257)	(8,558)	(4,884)	(1,804)
Net loss per common share	(0.27)	(0.24)	(0.21)	(0.17)	(0.19)	(0.16)	(0.09)	(0.04)
Adjusted EBITDA(1)	(5,698)	(6,364)	(6,367)	(3,447)	(4,540)	(1,455)	(360)	2,234
Adjusted EBITDA per common share(1)	(0.09)	(0.11)	(0.11)	(0.06)	(0.08)	(0.03)	(0.01)	0.04

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

Fiscal Year 2022

The increase in revenue in the third quarter of fiscal 2022 compared to the second quarter of fiscal 2022 relates to higher product and service revenues. The increase in gross margin percentage in the third quarter of fiscal 2022 compared to the second quarter of fiscal 2022 was due to higher product and service gross margins. The increase in net loss and decrease in Adjusted EBITDA in the third quarter of fiscal 2022 compared to the second quarter of fiscal 2022 was a result of higher sales and marketing, product research and development costs and foreign exchange losses, which were offset by higher margins and a decrease in general and administrative expenses.

The increase in revenue in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 relates to higher product and service revenue. The increase in gross margin percentage in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 was due to higher product and service gross margins. The increase in net loss in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 was a result of higher general and administrative, sales and marketing and product research and development expenses, offset by higher gross margin. Adjusted EBITDA period-over-period was consistent.

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 decrease 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 US-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 higher gross margin, offset by increases to general and administrative, product research and development and sales and marketing expenses. The increase 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 decrease 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 decrease 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 decrease in Adjusted EBITDA in the second 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 increase 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.

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 $10,487 as at July 31, 2022. Cash and cash equivalents decreased $44,029 or 81% compared to October 31, 2021.

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Cash provided by (used in) operating activities	(19,541)	(6,176)	(216)	(37,026)	(15,590)	(137)
Cash provided by (used in) financing activities	(7)	331	(102)	(39)	964	(104)
Cash provided by (used in) investing activities	7,012	5,858	20	11,531	2,714	325
Effect of foreign exchange	1,031	572	80	1,588	493	222
Total net increase (decrease) in cash and cash equivalents	(11,505)	585	(2,067)	(23,946)	(11,419)	(110)

Operating activities during the three and nine-months ended July 31, 2022 used $19,541 and $37,026 of cash, respectively (July 31, 2021: $6,176 and $15,590, respectively). The increase in cash used was a result of a larger net loss for the period, excluding greater non-cash charges of depreciation and amortization, and lower stock-based compensation. This was further impacted by changes in non-cash working capital of ($5,369) and $1,246 for the three and nine-months ended July 31, 2022, respectively (July 31, 2021: $2,913 and $3,206, respectively).

Changes in non-cash working capital for the three-months ended July 31, 2022 compared to the prior year quarter were primarily due to increasing inventory build using $1,261 of cash compared to $596 in the prior year quarter as a result of our inventory management program during the current global supply chain challenges. Accounts payable used $2,479 of cash during the quarter compared to a source of $3,836 during the prior year quarter as a result of the timing of payments due prior to the end of the quarter.

Improvements to changes in non-cash working capital for the nine-months ended July 31, 2022 compared to the prior year comparative period was primarily due to the net change of trade and other receivables of $3,125 (July 31, 2021: ($2,618)), accounts payable of $1,614 (July 31, 2021: $5,560) and deferred revenue of $4,799 (July 31, 2021: $2,903). This was offset by increasing inventory build using $6,297 of cash compared to $2,510 in the prior year period.

Financing activities for the three and nine-months ended July 31, 2022 used $7 and $39 of cash, respectively (three and nine-months ended July 31, 2021 provided $331 and $964 of cash, respectively). During the three and nine-months ended July 31, 2022, net proceeds of $241 and $653 were raised through stock based compensation compared to $627 and $1,509 in the prior year comparable periods. Lease liability repayments of $248 and $692 were made during the three and nine-months ended July 31, 2022, compared to $158 and $407 in the prior year comparable periods with the Company having expanded its facilities during the preceding twelve months.

Investing activities for the three and nine-months ended July 31, 2022 provided cash of $7,012 and $11,531 (three and nine-months ended July 31, 2021 provided cash of $5,858 and $2,714, respectively). There were redemptions of short-term investments in the three and nine-months ended July 31, 2022 of $8,046 and $20,083, respectively (July 31, 2021: $7,021 and $29,031, respectively). Finance income, net from the Company's cash and cash equivalents and short-term investments for the three and nine-months ended July 31, 2022 were $23 and $60, respectively (July 31, 2021: $58 and $128, respectively). During the three and nine-months ended July 31, 2022, the Company incurred capital expenditures of $1,034 and $5,478 respectively, primarily for property and equipment additions of rental equipment, cartridges, computer hardware, surface mount technology and manufacturing equipment. Capital expenditures totaling $1,183 and $3,305 for the three and nine-months ended July 31, 2021 were primarily for property and equipment additions of revenue generating cartridges for customers and computer equipment for our expanded workforce.

During the nine-months ended July 31, 2022, the Company purchased all of the outstanding shares of Swift Labs for $2,987 of cash (July 31, 2021: purchased all of the outstanding shares of Wearable Technologies Limited for $878 of cash).
Total short-term investments held as at July 31, 2022 amounted to $nil compared to $20,083 at October 31, 2021. The total cash and cash equivalents and short-term investments at July 31, 2022 was $10,487 (October 31, 2021: $54,516).

(CAD thousands)	July 31, 2022	October 31, 2021	% Change
Current assets	50,696	90,652	(44)
Current liabilities	(35,102)	(28,147)	25
Working capital	15,594	62,505	(75)

Working capital at July 31, 2022 was $15,594 compared to $62,505 at the prior year end, a decrease of $46,911. 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 $5,914 for the period ended July 31, 2022 to mitigate against current global supply chain challenges and meet anticipated demand for the remainder of fiscal 2022, including the launch of the G6. The Company is targeting order fulfilment within 30 days, which will allow for the Company to maintain its customer service advantage while reducing inventory carrying costs and therefore, generating cash through more efficient inventory turnover.

At July 31, 2022, the Company had 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 US 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 included 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 that the Company tested quarterly, including a financial covenant to maintain a minimum cash to cash burn ratio of 12.0 to 1.0. The Company did not fulfill the cash to cash burn ratio as at July 31, 2022. The Company did not have an outstanding loan payable as at July 31, 2022 and as such, the Company did not incur any negative financial implications. The loan facility was cancelled with mutual agreement in August 2022.

In August 2022, the Company entered into a non-binding term sheet with another Canadian financial institution for a two-year $15,000 senior secured operating facility ("operating facility") with a $5,000 accordion feature to increase the size of the facility. The loan facility bears interest at the Canada prime rate plus 2.00% for CAD advances or U.S. base rate plus 2.00% for USD advances. The new operating facility will replace the Company's existing senior secured credit facility with its previous lender. The new operating facility is expected to provide improved financial flexibility to help the Company manage its operations. The Company incurred set up fees and will be charged an annual commitment fee and monthly standby fees. The borrowing base under the operating facility will be derived from the Company's monthly recurring revenue with pricing that is largely consistent with the former loan facility.

The operating facility includes financial covenants, including a quarterly liquidity to cash burn ratio of not less than 6.0 to 1.0 until fiscal Q1 2023 with an increase to 9.0 to 1.0 for the subsequent quarters.

The operating facility will be secured, including a general security agreement over the property of both Blackline Safety Corp. and its significant subsidiaries.

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 $555 and $1,366 for payroll related expenses for the three and nine-months ended July 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 programs ended on October 23, 2021 and no additional funding was received during the three and nine-months ended July 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 consider multiple levels of equity and debt financing, government grants and funding arrangements. Such arrangements, including wage programs to cover the cost of hiring new employees, 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 July 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 purchase commitment with a service provider for a total value of $459. There were no other material changes in the specified contractual obligations during the period ended July 31, 2022.

Off-Balance Sheet Arrangements

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

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Related Party Transactions

There were no transactions between the Company and related parties for the three and nine-month periods ended July 31, 2022 and 2021.

Acquisition of Swift Labs

On March 31, 2022, the Company acquired 100% of the shares of Swift Labs, a Canadian based Internet of Things design and engineering consulting firm. The fair value of consideration of $4,541 consisted of $3,200 cash paid on the closing date, net of note payable acquired, and 270,776 common shares, at a fair value of $5.74 per share, which is based on the quoted price of the common shares on the TSX on the closing date.

Transaction costs related to due diligence fees, legal costs, advisory fees and other professional fees for the three and nine-months ended July 31, 2022 amounting to $nil and $194, respectively were incurred in relation to the acquisition. The amounts have been included in general and administrative expenses in the Company's condensed consolidated statements of loss and comprehensive loss.

The results of operations of Swift Labs have been consolidated with those of the Company from March 31, 2022. The acquisition has been accounted for as a business combination in accordance with IFRS 3 *Business Combinations*, using the acquisition method whereby the assets acquired and liabilities assumed are recorded at fair value.

Critical Accounting Judgments and Estimates

There were no changes to or additional use of critical accounting judgements and estimates for the period ended July 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 period ended July 31, 2022.

New Accounting Policies Not Yet Adopted by the Company

There were no significant new accounting standards or interpretations issued during the period ended July 31, 2022.

Internal Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have, as at July 31, 2022, designed or have caused to be designed under their supervision, 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. The Chief Executive Officer and Chief Financial Officer designed our disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes. There were no changes in our internal control over financial reporting during the period beginning on May 1, 2022 and ended July 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 July 31, 2022 fiscal period end:

Financial Assets

The financial assets held by the Company consisted of cash and cash equivalents 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 July 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 72,022,182 common voting shares issued and outstanding as at September 13, 2022.The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$4.25	723,251
$4.40	438,000
$5.26	1,180,084
$5.50	607,892
$5.84	10,000
$6.05	177,500
$6.55	111,667
$8.00	540,000
$8.50	364,084
$8.93	200,000
Total	4,352,478

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 third quarter of fiscal 2022, the Company's previous investments in its sales and marketing capabilities allowed Blackline to grow its revenue 46% year-over-year. 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 bring its all new G6 zero-maintenance wearable to the market in Q4 2022, despite ongoing supply chain constraints, inflation and geopolitical uncertainty. This single-gas wearable safety monitor will open Blackline's connected safety technology to hundreds of thousands more industrial workers. As a single-gas wearable safety monitor, the G6 is a more comprehensive and cost-effective device that offers a longer battery life and longer lifespan.

The Company continues to monitor current market conditions and will manage its capital structure and liquidity risk in order to fund its product roadmap and execute its strategy for growth.

We are well-positioned to grow our market position with our comprehensive suite of connected safety products and services. 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.

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.

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Reconciliation of non-GAAP financial measures	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	2022	2021	% Change	2022	2021	% Change
Net loss	(16,291)	(10,257)	59	(43,707)	(23,699)	84
Depreciation and amortization	1,755	1,354	30	4,889	3,715	32
Finance income, net	(38)	(38)	-	(160)	(142)	12
Income taxes	(2)	17	(112)	147	136	8
EBITDA	(14,576)	(8,924)	(63)	(38,831)	(19,990)	(94)
Product research and development costs, net of depreciation, amortization and stock-based compensation expense(1)	7,083	4,030	76	18,046	10,837	67
Stock-based compensation expense(2)	416	354	18	783	2,135	(63)
Other non-recurring impact transactions(3)	1,379	-	nm	1,573	664	(137)
Adjusted EBITDA	(5,698)	(4,540)	(26)	(18,429)	(6,354)	(190)

(1) Product research and development costs exclude depreciation and amortization, with stock-based compensation relating to product research and development 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 is 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.
(3) Other non-recurring impact transactions includes restructuring costs and acquisition expenses
nm – Not meaningful

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 the duration and magnitude of the impact of COVID-19 on the Company’s current rate of growth, 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; including the G5; future operating lease and associated service revenue, undiscounted payments under non-cancellable finance lease contracts; anticipated orders for G6, 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 equity and debt financing, 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 working capital and capital expenditure commitments; the Company's expectation that it will continue sales momentum and strong growth trajectory for the rest of the fiscal year as it pursues the transformation of the industrial workplace into a connected one; bringing G6 to market in the fourth fiscal quarter of 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; 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 to 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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