blacklinesafety

Blackline Safety Corp.
Management's Discussion and Analysis

For the year ended October 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") audited consolidated financial statements and accompanying notes, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for the years ended October 31, 2022 and 2021. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2022, 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 January 20, 2023. 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, foreign exchange loss (gain), 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 G6 and 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. Live-alerts are generated by monitoring personnel by 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.

In September 2022, Blackline unveiled the G6 to the market, a single-gas cloud-connected gas monitor. The mass-market 4G-enabled, cloud connected single-gas monitor is even more accessible than the G7 series of connected safety monitors, requiring virtually no training for users to deploy. The long-lasting connectivity and improved efficiency enables fast incident response time and better safety and compliance. Total cost of ownership is reduced for G6 customers due to the G6's lifespan of up to 4 years, doubling that of disposable gas detectors. Connectivity allows for lower information technology infrastructure costs, reduced downtime and over the air updates. The G6 monitor is the first connected product designed specifically for industrial workers and is expected to drive further growth outside of North America and Europe for Blackline with its lower price point and thereby lowering customers' operating 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 45,000 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 almost 200 billion data points, over 2.8 billion locations and over 5.6 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 year ended October 31, 2022, product revenue was $35,223, accounting for 48% of total revenue (October 31, 2021: $24,776 and 46%).

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 year ended October 31, 2022, service revenue was $37,708, accounting for 52% of total revenue (October 31, 2021: $29,536 and 54%).

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 year ended October 31, 2022, Blackline's product cost of sales were $29,110 and service cost of sales were $11,582 (October 31, 2021: $18,813 and $9,105).

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 October 31,			Year ended October 31,		
(CAD thousands, except per share and percentage amounts)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Product revenue	11,131	11,094	0	35,223	24,776	42
Service revenue	10,899	8,172	33	37,708	29,536	28
Total Revenue	22,030	19,266	14	72,931	54,312	34
Gross margin	10,517	9,019	17	32,239	26,394	22
Gross margin percentage(1)	48	47	1	44	49	(5)
Total Expenses	20,317	18,603	9	85,758	59,684	44
Net loss	(9,940)	(9,606)	3	(53,646)	(33,305)	61
Loss per common share - Basic and diluted	(0.14)	(0.18)	22	(0.86)	(0.67)	(28)
EBITDA(1)	(8,073)	(8,126)	1	(46,904)	(28,116)	(67)
EBITDA per common share(1) - Basic and diluted	(0.12)	(0.15)	20	(0.75)	(0.57)	(32)
Adjusted EBITDA(1 & 2)	(7,653)	(7,814)	2	(42,623)	(23,921)	(78)
Adjusted EBITDA per common share(1 & 2) - Basic and diluted	(0.11)	(0.14)	21	(0.68)	(0.44)	(55)

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

(2) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange gains or losses as noted in the Non-GAAP Financial Measures section. The amounts presented in the table above reflect the restated figures to align with the updated composition.

(CAD thousands)	**October 31, 2022**	**October 31, 2021**	**% Change**
Cash and cash equivalents and short-term investments	31,140	54,516	(43)
Working capital	40,307	62,505	(36)
Total assets	108,049	109,303	(1)
Non-current liabilities	20,025	7,818	156
Shareholders' equity	52,362	73,338	(29)

blacklinesafety

Results of Operations

(CAD thousands)	Three-months ended October 31, 2022	2021	% Change	Year ended October 31, 2022	2021	% Change
Product revenue	11,131	11,094	0	35,223	24,776	42
Service revenue	10,899	8,172	33	37,708	29,536	28
Total Revenues	22,030	19,266	14	72,931	54,312	34
Product revenue as a percentage of revenue(1)	51%	58%		48%	46%	
Service revenue as a percentage of revenue(1)	49%	42%		52%	54%	
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 October 31, 2022 was $22,030 which is an increase of $2,764 from $19,266 in the comparable period of the prior year. The 14% increase was driven by strong growth in recurring service revenues from new hardware sales over the past year and by customer renewals of service on existing devices.

Total revenue for the year ended October 31, 2022 was $72,931 which is an increase of $18,619 from $54,312 compared to the prior year. The 34% increase was due to higher sales of our connected safety products 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 October 31, 2022 was flat at $11,131, compared to $11,094 in the prior year comparative quarter. Prior year hardware sales benefited from a large G7 EXO sale being completed during the quarter. Finance lease revenue growth of $1,654 contributed to higher product revenues in the fourth quarter compared to the prior year quarter, as more customers have chosen this option as it aligns better with their capital allocation strategies.

For the year ended October 31, 2022, product revenue was $35,223, an increase of $10,447 compared to $24,776 compared to the prior year. The 42% 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 year also benefited from a continued reduction worldwide 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 that was still impacted by product order deferrals.

Service Revenue

(CAD thousands)	Three-months ended October 31, 2022	2021	% Change	Year ended October 31, 2022	2021	% Change
Software services revenue	9,184	6,811	35	32,648	25,518	28
Operating lease revenue	661	741	(11)	2,468	3,119	(21)
Rental revenue	1,054	620	70	2,592	899	188
Total service revenue	10,899	8,172	33	37,708	29,536	28
Software services revenue as a percentage of service revenue(1)	84%	83%		87%	86%	
Operating lease revenue as a percentage of service revenue(1)	6%	9%		6%	11%	
Rental revenue as a percentage of service revenue(1)	10%	8%		7%	3%	
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 October 31, 2022 increased $2,727 or 33% to $10,899 from $8,172 in the same period in the prior year.

Software services revenue for the fourth quarter was $9,184, an increase of 35% from $6,811 in the prior year. The increase is a result of the new activations of the devices sold to end-users over the past year for customers utilizing the Company's monitoring, software and data services. Total increases in software services of $2,373 included newly activated device service revenues of

$344 in the fourth quarter as well as service revenue increases within our existing customer base of $1,422 in the same period.

There were also adverse effects of $741 in the fourth quarter from customers who renewed fewer active devices after experiencing workforce reductions during the year.

Operating lease revenue for the three-months ended October 31, 2022 was $661, a decrease of 11% from $741 compared to the prior year quarter 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 70% in the three-months ended October 31, 2022 compared to the prior year quarter 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 our dedicated rental team continues to meet strong demand for its connected solutions in the industrial turnaround and maintenance market, particularly in the seasonally strong fourth quarter.

Total service revenue for the year ended October 31, 2022 increased $8,172 or 28% to $37,708 compared to $25,518 in the prior year.

Software services revenue for the year ended October 31, 2022 was $32,648, an increase of 28% from $25,518 in the prior year. The increase is a result of the new activations of the devices sold to end-users over the year for customers utilizing the Company's monitoring, software and data services. Total increases in software services were $7,130 which included newly activated device service revenues of $2,306 during the year as well as service revenue upsells within our existing customer base of $6,879.

There were also adverse effects of $1,786 during the year from customers who renewed fewer active devices after experiencing workforce reductions. In addition, certain customers declined to renew their service plans resulting in an impact of $269 in the year.

Operating lease revenue for the year ended October 31, 2022 was $2,468, a decrease of 21% from $3,119 compared to the prior year as operating lease contracts expired and were renewed as finance leases.

Rental revenue increased 188% for the year ended October 31, 2022 when compared to the prior year as a result of the Company's focus on the rental market through the expansion of its rental fleet as well as its rental focused sales, technical support and logistics teams which are based in Houston in the United States.

Revenues from external customers by country/geographic area	**Three-months ended October 31,**			**Year ended October 31,**		
(CAD thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Canada	6,529	3,647	79	20,045	13,300	51
United States	7,827	9,427	(17)	30,151	22,787	32
Europe	6,212	5,478	13	18,155	15,699	16
Rest of World	1,462	714	105	4,580	2,526	81
Total revenues	22,030	19,266	14	72,931	54,312	34
Canada as a percentage of revenue(1)	30%	19%		28%	25%	
United States as a percentage of revenue(1)	36%	49%		41%	42%	
Europe as a percentage of revenue(1)	28%	28%		25%	29%	
Rest of World as a percentage of revenue(1)	6%	4%		6%	4%	
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 fourth quarter of the year saw our Canadian sales team take advantage of a strengthening in that market across a variety of industries resulting in a 79% increase in revenue in compared to the prior year quarter. With the establishment of our sales network in the Rest of World markets in fiscal 2021, the Company delivered strong revenue growth in the fourth quarter of the year outside of its traditional geographic areas.

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, energy, water treatment and food processing.

The Canadian market had slower growth in fiscal 2021 due to economic challenges directly impacting the energy sector. Recovery in the energy sector has contributed strong growth in the Canadian segment during this fiscal year.

Lease Revenue

The Company leases certain of its safety monitoring equipment to customers through the Company's 'G7 Lease' program with monthly payments. The terms of the lease determine whether the G7 Lease is accounted for as an operating or finance lease within the meaning of IFRS 16 *Leases*.

The 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 these contracts is recognized in current and non-current other receivables on the 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)	October 31, 2022	October 31, 2021
Within one year	13,301	5,233
Later than one year but not later than five years	22,677	11,029
Total	35,978	16,262

The 121% 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.

Total payments due to the Company under non-cancellable operating lease contracts were $1,273 as at October 31, 2022 (October 31, 2021: $2,607).

Cost of Sales

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	2022	2021	% Change	2022	2021	% Change
Product	8,211	7,723	6	29,110	18,813	55
Service	3,302	2,525	31	11,582	9,105	27
Total cost of sales	11,513	10,248	12	40,692	27,918	46
Product cost of sales as a percentage of segment revenue(1)	74%	70%		83%	76%	
Service cost of sales as a percentage of segment revenue(1)	30%	31%		31%	31%	
Cost of sales as a percentage of revenue(1)	52%	53%		56%	51%	

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

Cost of sales for the quarter and year ended October 31, 2022 totaled $11,513 and $40,692, respectively compared to $10,248 and $27,918 in the same periods in the prior 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 inflationary pressures across a variety of inputs. The increase is also due to the initial production and quality assurance for the new G6 line which was launched during the fourth quarter of this fiscal year. Service cost of sales has increased due to an increase in the segment with costs expanding proportionately to support the growing customer base.

Product Cost of Sales

Product cost of sales increased by $488 or 6% in the fourth quarter compared to the prior year quarter due to increased material costs of $412 as more products were sold, partially offset by a decrease in freight costs of $147. 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.

Production salaries and wage expense remained consistent at $887 during the fourth quarter of 2022 compared to $807 in the fourth quarter of 2021.

Rework costs increased by $228 in the fourth quarter compared to the prior year quarter driven by the number of returned devices from the field but was offset by lower write-offs of obsolete inventory and scrappage costs as the Company had sunset certain legacy products that had reached their end of life in the fourth quarter of the prior year.

Product costs of sales for the year ended October 31, 2022 were $29,110 compared to $18,813 in the prior year, an increase of $10,297 largely due to an increase in material costs of $6,521. Higher sales and prevailing global supply chain challenges resulted in an increase in freight, custom and duty costs of $508 and production supplies and equipment of $171.

Production salaries and wage expense, excluding the impact of Canadian Emergency Wage Subsidy (“CEWS”), funding, increased $663 during the year ended October 31, 2022 compared to the prior year.

Write-offs of obsolete inventory, scrappage and rework costs increased $1,836 in the year ended October 31, 2022 compared to prior year due to replacement of certain customers’ older generation products which the Company is no longer servicing with current models and products and write-offs of obsolete inventory and scrappage costs as the Company had sunset certain legacy products. These costs were partially offset by lower unabsorbed material and labor costs of $124.

Service Cost of Sales

Service cost of sales increased by $777 or 31% in the fourth quarter compared to the prior year quarter. The increase is primarily a result of higher connectivity and data costs of $268 driven by the increased user base and associated higher service revenue in the fourth quarter as well as increased spending on security and reliability for the Blackline Live portal. Salaries expense for our SOC team members and the product research and development support team increased $390 in the fourth quarter compared to the prior year quarter to support a higher volume of connected customers across more diverse verticals and geographic markets.

Depreciation increased $93 in the fourth quarter compared to the prior year quarter. This is primarily due to an increase in the size of the Company’s rental equipment fleet.

Service cost of sales was $11,582 during the year ended October 31, 2022 compared to $9,105 in the prior year, an increase of $2,477. This increase is due to higher connectivity and data costs of $940. Salaries and wage expense, excluding CEWS, increased $730 in the year ended October 31, 2022 compared to the prior year.

During the year ended October 31, 2022, depreciation increased $532 compared to the prior year due to the larger rental equipment fleet.

Gross Margin

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Product	2,920	3,371	(13)	6,113	5,963	3
Service	7,597	5,648	35	26,126	20,431	28
Gross margin	10,517	9,019	17	32,239	26,394	22
Product gross margin percentage(1)	26%	30%		17%	24%	
Service gross margin percentage(1)	70%	69%		69%	69%	
Gross margin percentage(1)	48%	47%		44%	49%	

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

Total gross margin for the fourth quarter was $10,517 compared to $9,019 in the prior year quarter. This represented a total gross margin percentage of 48%, a 1% increase compared to the prior year period. The increase in total gross margin percentage is due to a shift in sales mix with service revenue comprising 49% of total revenue in the fourth quarter, an increase of 7% from the prior year quarter. Product revenue comprised 51% of total revenue in the fourth quarter, a decrease of 7% from the prior year quarter.

Product gross margin percentage in the fourth quarter decreased to 26% from 30% compared to the prior year period due to G7 EXO contributing a greater proportion of sales in the prior year period as well as inflationary pressures on the costs of certain components in the Company’s devices.

Service gross margin percentage increased by 1% to 70% in the fourth quarter of the year compared to 69% in the prior year quarter as service revenue continued to grow, absorbing more fixed cost of sales.

Total gross margin for the year ended October 31, 2022, increased $5,845 or 22% to $32,239 from $26,394 in the prior year. Total gross margin percentage decreased by 5% due to the sales mix with product revenue comprising 48% of total revenue in the current year compared to 46% in the prior year as the Company saw its global market share expand following the growth in the sales and marketing team during 2021. Service revenue comprised 52% of total revenue in the year compared to 54% in the prior year.

Product gross margin percentage decreased to 17% for the year ended October 31, 2022 compared to 24% in the prior year due to supply chain challenges which resulted in an overall increase in freight, custom and duty costs and direct material costs. The product gross margin percentage was also adversely impacted by a combination of write-offs of obsolete inventory, scrapped and rework costs in the year which increased by $1,836 compared to the prior year.

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

Expenses

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	2022	2021	% Change	2022	2021	% Change
General and administrative expenses	5,678	4,202	35	23,000	15,294	50
Sales and marketing expenses	9,034	9,824	(8)	36,535	27,004	35
Product research and development costs	5,570	4,669	19	24,684	16,394	51
Foreign exchange loss (gain)	35	(92)	(138)	1,539	992	55
Total expenses	20,317	18,603	9	85,758	59,684	44
General and administrative expenses as a percentage of revenue(1)	26%	22%		32%	28%	
Sales and marketing expenses as a percentage of revenue(1)	41%	51%		50%	50%	
Product research and development costs as a percentage of revenue(1)	25%	24%		34%	30%	
Foreign exchange loss (gain) as a percentage of revenue(1)	-%	-%		2%	2%	
Total expenses as a percentage of revenue(1)	92%	97%		118%	110%	

(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 are comprised 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, regulatory costs, 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 year as well as its overall growth. General and administrative expenses increased $1,476 or 35% in the fourth quarter of 2022 to $5,678 from $4,202 in the prior year quarter.

Salaries and wage expense, including related benefits, increased $559 during the three-months ended October 31, 2022 compared to the prior year quarter. Related consulting expenses increased $159 or 54% during the same period.

Legal fees increased by $140 in the fourth quarter compared to the prior year quarter due to the initiation of the Company's new credit facility with a Canadian financial institution. Software maintenance and subscription costs increased $235 in the fourth 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 $105 decrease in recruiting costs and $39 decrease in contractors' expenses, as Blackline brought these functions in-house. The Company has been proactively working towards strengthening the financial performance of the business through lowering operating expenses to conserve liquidity.

During the year ended October 31, 2022, general and administrative expenses increased 50% or $7,706 to $23,000 from $15,294 in the prior year. Salaries and wage expense, including related benefits but excluding CEWS, increased $5,074 during the year ended October 31, 2022 compared to the prior year as our corporate and operations team expanded.

Building operating costs, rent and insurance increased by $568 in the year ended October 31, 2022 compared to the prior year due to increased office space year-round since the opening of our Blackline Safety Europe SAS office in France, which opened in April 2021, our Houston office which opened in October 2021, our Dubai office which opened in the first quarter of fiscal 2022 and the office in Kitchener which was acquired as part of the Swift Labs Inc. acquisition on March 31, 2022. Depreciation expenses increased $634 compared to the prior year and were mainly driven by lease renewals signed for Calgary and Kitchener offices, and leases for vehicles used by Blackline's European subsidiaries.

Consulting and contractors expenses increased by $811 in the year compared to the prior year due to enhancing the resiliency of the IT infrastructure to support the enterprise IT team. Additionally, being the first full year graduating to the TSX further added to consulting costs. Software maintenance and subscriptions increased $1,106 primarily due to the increase of licenses and functionalities to our platforms to support the increase of team members that joined Blackline globally.

Also contributing to the increase in general and administrative expenses in the year ended October 31, 2022 compared to the prior year were additional professional services fees of $461 primarily due to the Swift Labs acquisition and increased sales tax compliance requirements in the US.

These increases for the year were offset by a decrease in stock-based compensation expense of $1,161 for stock options granted to employees and directors during the year, 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 fourth quarter of 2022 decreased $790 or 8% from $9,824 to $9,034, compared to the prior year quarter. Drivers of the fourth quarter decrease include an $846 decrease in bad debt expense due to improvements in the overall aging of the Company's receivables, and fewer write offs in 2022. Advertising expenses decreased $385 or 73%, and there was a decrease of $200 in recruiting costs as Blackline focused on reducing costs.

These decreases were offset by increases to salaries and wage expenses, including related benefits for the sales and marketing team, which increased $213 during the three-months ended October 31, 2022 compared to the prior year quarter. The increase is due to adjustments in salaries and new hires, including our customer care, demand generation and rental teams to fuel our commercial engine.

The lifting of travel restrictions allowed Blackline to more effectively present to existing and potential customers locally, resulting in higher sales and business development travel costs of $389 compared to the prior year quarter. Tradeshow costs increased by $175 compared to the prior year quarter as Blackline unveiled the G6 at the National Safety Council Congress & Expo.

During the year ended October 31, 2022, sales and marketing expenses increased $9,531 or 35% to $36,535 from $27,004 compared to the prior year. 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 $6,744.

Also contributing to the overall increase of sales and marketing expenses during the year ended October 31, 2022 were distributor and sales commissions of $5,656 compared to $3,184 in the prior year related to the growth in hardware sales during fiscal 2022.

Other drivers of increased sales and marketing costs in the year ended October 31, 2022 included higher software and subscription costs of $494 compared to the prior year. As global travel restrictions have been lifted, there were increased tradeshow costs of $677 and higher travel related costs of $1,915 during the year ended October 31, 2022 compared to the prior year.

These increases were offset by a decrease of $953 in advertising costs as the Company generated efficiencies from bringing this function in-house. There was also a 68% decrease in recruiting costs from $1,071 to $347 during the year ended October 31, 2022 compared to prior year due to the stabilization of the head count of 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, reliability, and security of existing 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 $901 or 19% during the fourth quarter of the year to $5,570 from $4,669 in the prior year quarter. Salaries and wage expense, including related benefits increased $1,602 during the three-months ended October 31, 2022 compared to the prior year quarter 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 second quarter contributed $419 to the increase in the fourth quarter. This increase to salaries was offset by a decrease in contractors and consulting of $704, as the Company significantly reduced its use of external resources as the development of the G6 was completed. The increase is also due to the acquisition and onboarding of Swift Labs employees who the Company had used as consultants during the prior year quarter.

Expense materials decreased $275 in the quarter compared to the prior year quarter, as the development of the G6 largely transitioned from development to production in the quarter. The G6 saw its first order shipment at the end of the fourth quarter.

The addition of new hires and acquisition of Swift Lab employees contributed to an increase to software and subscription costs of $301 as additional software licenses were obtained.

Product research and development costs increased $8,290 or 51% during the year ended October 31, 2022 to $24,684 from $16,394 in the prior year. Salaries and wage expense, including related benefits but excluding CEWS, increased $7,960 during the year ended October 31, 2022 compared to the prior year, with associated recruiting costs increasing $775 as the Company grew its development team earlier in the fiscal year. Following the Swift Labs acquisition, $989 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 $899 as we enhanced the capabilities and security of our supporting platform for the Blackline Live portal. This was partially offset by a decrease in consulting costs of $1,177 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 $151 during the year ended October 31, 2022 compared to the prior year due to additional certification and patent costs that have been capitalized over the year.

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 October 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	887	-	887	807	-	807	(100)
Service cost of sales	825	-	825	435	-	435	(100)
General and administrative expenses	1,868	-	1,868	1,457	-	1,457	(100)
Sales and marketing expenses	4,547	-	4,547	4,071	-	4,071	(100)
Product research and development costs	3,398	-	3,398	2,051	-	2,051	(100)
Total	11,525	-	11,525	8,821	-	8,821	(100)

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

	Year ended October 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	3,570	-	3,570	2,675	232	2,907	(100)
Service cost of sales	2,495	-	2,495	1,613	152	1,765	(100)
General and administrative expenses	8,723	-	8,723	4,482	139	4,621	(100)
Sales and marketing expenses	18,941	-	18,941	12,600	550	13,150	(100)
Product research and development costs	14,386	-	14,386	7,486	367	7,853	(100)
Total	48,115	-	48,115	28,856	1,440	30,296	(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 to strengthen 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 third quarter of fiscal 2022, 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 in the third quarter of fiscal 2022. The impact of these write offs to Product cost of sales for the year was $686 which reduced Product gross margin for the twelve months ended October 31, 2022 by 2% and the impact to general and administrative expenses was $159.

Foreign exchange gain or loss

Total net realized and unrealized foreign exchange loss was $35 in the fourth quarter of 2022 compared to a gain of $92 in the prior year quarter. The Canadian dollar ended the fourth quarter at 1.36 USD/CAD, 1.57 GBP/CAD and 1.35 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 1.54 GBP/CAD and 1.32 EUR/CAD during the fourth quarter of 2022 were stronger than the same period in 2021 when they averaged 1.73 GBP/CAD and 1.47 EUR/CAD, while the average exchange rate of 1.33 USD/CAD was weaker than the same period in 2021 at 1.26 USD/CAD.

During the year ended October 31, 2022, total net realized and unrealized foreign exchange loss was $1,539 compared to a loss of $992 in the prior year. The average exchange rates of 1.62 GBP/CAD and 1.38 EUR/CAD during the year ended October 31, 2022 was stronger than prior year when they averaged 1.73 GBP/CAD and 1.50 EUR/CAD, while the average rate of 1.29 USD/CAD was weaker than prior year 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 each period.

Finance income, Net

Finance income, net of finance expenses was $107 and $267 for the three-months and year ended October 31, 2022 compared to $31 and $173 in the comparable prior year periods. The increases for the three-months and year ended October 31, 2022 were due to higher finance lease interest revenue compared to the prior year comparable periods.

Net loss, EBITDA, and Adjusted EBITDA

Net loss increased by 3% to $9,940 for the three-months ended, and 61% to $53,646 for the year ended October 31, 2022 compared to $9,606 and $33,305 in the same periods of 2021. Net loss increased due to increases to general and administrative expenses, sales and marketing expenses and product research and development costs in the first three quarters of fiscal 2022. The increase in net loss was offset by an increase in gross margin. The increased net loss was also impacted by CEWS as fiscal 2021 saw a CEWS net impact to salaries expense of $1,440 while there was no funding available for fiscal 2022.

EBITDA was ($8,073) and ($46,903) for the quarter and year ended October 31, 2022 compared to ($8,126) and ($28,116) in the same periods of 2021. The improvement in EBITDA during the fourth fiscal quarter was due to increased sales and gross margin, partially offset by increased expenses. The decrease in EBITDA for the year ended October 31, 2022 is primarily due to increases in total expenses, which were partially offset by increased gross margin compared to the prior year comparable periods.

Adjusted EBITDA was ($7,653) and ($42,623) for the quarter and year ended October 31, 2022 compared to ($7,814) and ($23,921) in the same periods of 2021. Adjusted EBITDA increased by 2% for the quarter but decreased by 78% for the year ended October 31, 2022. The improvement in Adjusted EBITDA during the quarter was a result of increased gross margin, partially offset by an increase in general and administrative and sales and marketing expenses and product research and development costs. The decrease in Adjusted EBITDA for the year was a result of increases in general and administrative and sales and marketing expenses and product research and development costs, partially offset by increased gross margin during the year compared to the prior year. The composition for Adjusted EBITDA has been adjusted as noted in the Non-GAAP Financial Measures section to remove the adjustment of product research and development costs and to include the adjustment of foreign exchange gains or losses. The amounts noted in this section are the restated figures to align with the revised composition.

Total Assets and Liabilities

(CAD thousands)	October 31, 2022	October 31, 2021	% Change
Total assets	108,049	109,303	(1)
Total liabilities	55,687	35,965	55

Blackline's total assets as at October 31, 2022 were $108,049 compared to $109,303 as at October 31, 2021. The decrease in total assets as at October 31, 2022 compared to the prior year is primarily due to a $23,376 or 43% decrease in cash and cash equivalents and short-term investments mainly from operating activities and the Company's investment in the G6 product line that launched during the fourth quarter of the year. The decrease is offset by an increase in inventory of $6,002 of which $2,956 was built up in advance of the launch of G6. The decrease was also offset by an increase in long-term other receivables of $4,709 resulting from an increase in the number of finance leases recorded by the Company as at October 31, 2022

Trade and other receivables as at October 31, 2022 totaled $30,943, compared to $23,609 as at October 31, 2021. Overall, trade and other receivables remained consistent as the Company improved its collections in the year while long-term other receivables had a significant increase of $4,709 which resulted from the increase in finance leases recorded by the Company at October 31, 2022.

Inventory totaled $18,712 as at October 31, 2022 compared to $12,710 at the prior year. Material parts inventory increased to $12,805 from $7,173 in the prior year with finished goods, comprised of finished and packaged units, increasing to $5,910 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 $2,641 as at October 31, 2022 compared to $1,312 in the prior year. 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 October 31, 2022 was $12,807 compared to $9,866 in the prior year. There were net additions of $1,495 in surface mount technology and manufacturing equipment as the Company enhanced its manufacturing capacity to meet anticipated demand, including the launch of the G6 product. There were also net additions of $2,108 in rental equipment as the Company's product rental program expanded to meet the demand for our global customers' diverse safety needs for short-term projects.

Intangible assets were $2,195 at October 31, 2022, compared to $2,417 at October 31, 2021. The decrease is due to amortization in the year.

Right-of-use assets of $2,513 at October 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 Canada and its international locations in the United Kingdom, United States and France. The increase during fiscal 2022 is a result of extensions to the leases for corporate facilities in Canada.

Goodwill in the amount of $4,883 at October 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 consolidated statements of financial position. The Company performed its annual impairment assessment and identified no impairment to goodwill for the year ended October 31, 2022.

Total liabilities as at October 31, 2022 were $55,687 compared to $35,965 as at October 31, 2021. Total current liabilities at October 31, 2022 were $35,662 compared to $28,147 at October 31, 2021. Accounts payable and other accrued liabilities increased to $19,155 from $14,566 at October 31, 2021 due to the timing of payment of the Company's expenditures at the end of each fiscal period. The current portion of warranty provision increased to $1,480 from $1,018 as a higher number of devices were sold under warranty in the current year. The current portion of the Company's deferred revenue, whereby customers commit to service plans that are paid in advance, was $12,825 at October 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 year, 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 $1,323 compared to $920 at the prior year.

The current portion of the Company's lease liabilities was $879 at October 31, 2022 which increased from $784 at the prior year 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 October 31, 2022 were $20,025 compared to $7,818 as at October 31, 2021. The non-current liabilities include the non-current portions of warranty provision, bank indebtedness, deferred revenue and contract liabilities. The non-current portion of warranty provision was $477 as at October 31, 2022 compared to $555 at the prior year. The Company drew $8,575 from its operating facility as at October 31, 2022 with a maturity date of October 20, 2024. The non-current portion of the Company's deferred revenue increased to $7,374 as at October 31, 2022 from $5,008 at the prior year, 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 $1,806 as at October 31, 2022 compared to $665 at the prior year.

The non-current portion of the Company's lease liabilities as at October 31, 2022 increased to $1,793 from $1,590 at the prior year 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 strengthen 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.

Selected Annual Information

(CAD thousands)	October 31, 2022	October 31, 2021	October 31, 2020
Total revenues	72,931	54,312	38,377
Net loss	(53,646)	(33,305)	(8,021)
Loss per share – basic and diluted	(0.86)	(0.67)	(0.16)
Total assets	108,049	109,303	88,609
Total long-term liabilities	20,025	7,818	4,861

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 October 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 amounts)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	22,030	18,567	16,665	15,670	19,266	12,693	11,675	10,678
Gross margin percentage[(1)]	48%	45%	42%	41%	47%	46%	51%	52%
Net loss	(9,940)	(16,291)	(14,543)	(12,873)	(9,606)	(10,257)	(8,558)	(4,884)
Net loss per common share	(0.14)	(0.27)	(0.24)	(0.21)	(0.17)	(0.19)	(0.16)	(0.09)
Adjusted EBITDA[(1 & 2)]	(7,653)	(11,517)	(12,330)	(11,124)	(7,814)	(8,256)	(4,860)	(2,992)
Adjusted EBITDA per common share[(1 & 2)]	(0.11)	(0.19)	(0.20)	(0.18)	(0.14)	(0.15)	(0.09)	(0.06)

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

(2) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange gains or losses as noted in the Non-GAAP Financial Measures section. The amounts presented in the table above reflect the restated figures to align with the updated composition.

Fiscal Year 2022

The increase in revenue in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 relates to higher product and service revenue. The increase in gross margin percentage in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 was due to a 9% higher product gross margin percentage. The decrease in net loss and increase in Adjusted EBITDA in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 was a result of higher gross margin as well as lower general and administrative expenses, sales and marketing expenses, product research and development costs and foreign exchange losses.

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 and decrease in Adjusted EBITDA 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.

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, higher product research and development costs and foreign exchange losses compared to foreign exchange gains in the fourth quarter of fiscal 2021, offset by lower sales and marketing expenses.

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 a higher gross margin, offset by increases to general and administrative, product research and development and sales and marketing expenses. The improvement in Adjusted EBITDA in the fourth quarter compared to the third quarter of fiscal 2021 resulted from increased gross margin, offset by increased general and administrative expenses, sales and marketing expenses and product research and development costs.

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

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

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, the operating facility with a Canadian financial institution and government assistance in the form of repayable debt.

Blackline had cash and cash equivalents and short-term investments of $31,140 as at October 31, 2022. Cash and cash equivalents decreased $23,376 or 43% compared to October 31, 2021.

(CAD thousands)	Three-months ended October 31,			Year ended October 31,		
	2022	2021	% Change	2022	2021	% Change
Cash provided by (used in) operating activities	(13,534)	(13,379)	(1)	(50,560)	(28,970)	(75)
Cash provided by (used in) financing activities	32,272	37,758	(15)	32,233	38,722	(17)
Cash provided by (used in) investing activities	(11,282)	(5,759)	(96)	249	(3,045)	108
Effect of foreign exchange	4,697	(1,292)	463	6,285	(797)	888
Total net increase (decrease) in cash and cash equivalents	12,153	17,328	(30)	(11,793)	5,910	(300)

Operating activities during the three-months and year ended October 31, 2022 used $13,534 and $50,560 of cash, respectively (October 31, 2021: $13,379 and $28,970, respectively). The increase in cash used was a result of a larger net loss for the year, excluding greater non-cash charges of depreciation and amortization, offset by lower stock-based compensation. This was further impacted by changes in non-cash working capital of ($5,544) and ($4,298) for the three-months and year ended October 31, 2022, respectively (October 31, 2021: ($5,793) and ($2,587), respectively).

Changes in non-cash working capital for the three-months ended October 31, 2022 compared to the prior year quarter were primarily due to increasing inventory build using $38 of cash compared to a decrease of $783 in the prior year quarter as a result of increasing inventory build in the face of global supply chain challenges. Improvements to changes in non-cash working capital for the three-months ended October 31, 2022 was a result of increasing accounts payable and other accrued liabilities of $1,629 compared to $944 during the prior year quarter due to growth in the Company's expenditures.

Decreases to changes in non-cash working capital for the year ended October 31, 2022 compared to the prior year was primarily due to the increasing inventory build using $6,335 of cash compared to $1,727 in the prior year. This was offset by decreases in trade and other receivables to $2,832 compared to $8,569 in the prior year and increases in prepaid expenses and advances to $419 in fiscal 2022 compared to ($1,052) in the prior year.

Financing activities for the three-months and year ended October 31, 2022 provided $32,272 and $32,233 of cash, respectively (three-months and year ended October 31, 2021 provided $37,758 and $38,722 of cash, respectively). During the three-months and year ended October 31, 2022, net proceeds of $25,042 and $25,695, respectively, were raised through share issuances and option exercises (three-months and year ended October 31, 2021: $40,393 and $41,902, respectively). The Company drew from the operating facility in the amount of $8,575 at the end of the fiscal year and did not make any repayments on the operating facility in the year. Lease liability repayments of $273 and $965 were made during the three-months and year ended October 31, 2022, respectively, compared to $245 and $652 in the prior year with the Company having expanded its facilities during the year.

Investing activities for the three-months and year ended October 31, 2022 used cash of $11,282 and provided cash of $249 (three-months and year ended October 31, 2021 used cash of $5,759 and $3,045, respectively). There were redemptions of short-term investments during the three-months and year ended October 31, 2022 of $8,057 and $28,140, respectively (October 31, 2021: $16,020 and $45,051, respectively).

Finance income, net from the Company's cash and cash equivalents, finance leases and short-term investments for the three-months and year ended October 31, 2022 were $44 and $104, respectively (three-months and year ended October 31, 2021: $15 and $143, respectively). During the three-months and year ended October 31, 2022, the Company incurred capital expenditures of $3,185 and $8,663 respectively, primarily for property and equipment additions of rental equipment, cartridges, computer hardware, surface mount technology and manufacturing equipment. Capital expenditures totaling $2,159 and $5,464 for the three-months and year ended October 31, 2021 were primarily for property and equipment additions of revenue generating cartridges for customers and computer equipment for our expanded workforce.

During the year ended October 31, 2022, the Company purchased all of the outstanding shares of Swift Labs for $2,987 of cash (October 31, 2021: purchased all of the outstanding shares of Wearable Technologies Limited for $878 of cash).

Total short-term investments held as at October 31, 2022 amounted to $8,500 compared to $20,083 at October 31, 2021. The total cash and cash equivalents and short-term investments at October 31, 2022 was $31,140 (October 31, 2021: $54,516).

(CAD thousands)	October 31, 2022	October 31, 2021	% Change
Current assets	75,969	90,652	(16)
Current liabilities	(35,662)	(28,147)	(27)
Working capital	40,307	62,505	(36)

Working capital at October 31, 2022 was $40,307 compared to $62,505 in the prior year, a decrease of $22,198. 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 $6,002 for the year ended October 31, 2022 to mitigate against global supply chain challenges and meet anticipated demand for fiscal 2023, including the launch of the G6. The Company is targeting order fulfilment within 30 days, which will allow the Company to maintain its customer service advantage while reducing inventory carrying costs and therefore, generating cash through more efficient inventory turnover.

In the fourth quarter of fiscal 2022, the Company entered into a two-year $15,000 senior secured operating facility (“operating facility”) with a Canadian financial institution. The facility includes a $5,000 accordion feature to increase the size of the facility. The loan facility borrowing base is derived from the Company’s monthly recurring revenue and 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 operating facility replaced the loan facility which the Company previously held with a Canadian chartered bank.

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 is secured, including a general security agreement over the property of Blackline Safety Corp. and its significant subsidiaries. The operating facility was drawn against as at October 31, 2022 with a maturity date of October 20, 2024. The Company was in compliance with all covenants as at October 31, 2022.

The Company utilized the Government of Canada’s CEWS program in fiscal 2021 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 $1,440 for payroll related expenses for the year ended October 31, 2021 which has been recorded as a reduction in related payroll expenses on the consolidated statements of loss and comprehensive loss. The CEWS programs ended on October 23, 2021 and no additional funding was received during the year ended October 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 October 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.

blacklinesafety

Contractual Obligations

(CAD thousands)	Less than 1 year $	1-3 years $	Thereafter $	**Total** **$**
Finance lease obligations	660	1,358	5	**2,023**
Purchasing commitments	694	209	-	**903**
Total	**1,354**	**1,567**	**5**	**2,926**

Contractual obligations relate to various lease obligations as well as consulting services and raw materials purchase commitments. The finance lease obligations above were not capitalized as the Company applies the short-term leases and leases of low-value assets practical expedients in accordance with IFRS 16 *Leases*. Finance lease obligations that were capitalized as right-of-use assets have been recognized on the consolidated statements of financial position along with the corresponding lease liabilities which were classified as current and non-current leases liabilities, in accordance with IFRS 16 *Leases*.

The Company has various commitments to minimum inventory purchases and has contracted for the services of certain third parties. In fiscal 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 year ended October 31, 2022.

Off-Balance Sheet Arrangements

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

Related Party Transactions

There were no transactions between the Company and related parties for the three and twelve-months ended October 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 year ended October 31, 2022 amounting to $397 were incurred in relation to the acquisition. The amounts have been included in general and administrative expenses in the Company's 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

The preparation of financial statements requires the use of accounting estimates with management also needing to use judgment in applying the Company's accounting policies.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most significant accounting estimates that the Company has made in the preparation of its consolidated financial statements and this MD&A:

a) Stock-based compensation

The determination of the fair value of stock options impacts all the Company's expense captions and is calculated using a Black-Scholes option pricing model which requires the estimation of stock price volatility, the expected term of the underlying instruments, the estimation of the risk-free interest rate, and if applicable the resulting number of options that will ultimately vest, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

b) Property and equipment and intangible assets

When calculating depreciation of property and equipment, and amortization of intangible assets, the Company estimates the useful lives and residual values of the related assets. The estimates made by management regarding the useful lives and residual values affect the carrying amounts of the property and equipment and intangible assets on the consolidated statements of financial position and the related depreciation and amortization expenses recognized in the consolidated statements of loss and comprehensive loss. Assessing the reasonableness of the estimated useful lives of property and equipment and intangible assets requires judgment and is based on available information. The Company periodically, and at least annually, evaluates its depreciation and amortization methods and rates for consistency against those methods and rates used by its peers, or may revise initial estimates for changes in circumstances, such as technological advancements. A change in the estimated remaining useful life or the residual value will affect the depreciation or amortization expense prospectively.

c) Standard costing of inventory

Inventory cost includes a portion of production related overhead expenditures, being allocated on the basis of normal operating capacity. The estimates are made using current forecast information and are regularly updated to reflect current conditions and approximate cost. If the actual production or costs were to be adversely affected by demand for products or other factors, cost of sales and inventory valuation could be negatively impacted.

d) Warranty provision

A provision is recognized in cost of sales for expected warranty claims on products sold during the year, based on previous levels of repairs and returns. Assumptions used to calculate the provision are based on current sales levels and information available about returns based on the warranty period for all products sold. Information is limited on new products that have been introduced during the previous twelve months, and the possible impact of future adverse events could result in actual warranty expense differing significantly from these estimates.

e) Business combinations

Accounting for business combinations involves the allocation of the cost of an acquisition to the underlying net assets acquired based on estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to identifiable intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk, and the weighted average cost of capital used by a market participant. These estimates and assumptions determine the amount allocated to identifiable separable intangible assets, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges.

f) Impairment of non-financial assets

The Company tests goodwill annually irrespective of whether any indicators of impairment are present. Goodwill is tested at the cash generating unit ("CGU") or group of CGU level. Management has grouped CGU's together at the operating level for the purpose of goodwill impairment testing. The impairment test was based on significant estimates and assumptions to calculate the fair value less costs of disposal utilizing the discounted cash valuation model, including the allocation of goodwill to the operating segments, estimated discount rate, terminal value multiple, and revenue compounded annual growth rate.

The Company assesses for indicators of impairment at each reporting period that may indicate that property and equipment, right-of-use assets and intangible assets may be impaired. Key assumptions made to calculate the recoverable amount involves the use of estimates by management and can consist of forecasted sales and margins, estimated discount rates and terminal value multiple.

The following are the most significant judgements that the Company has made in the preparation of the consolidated financial statements:

a) Revenue recognition – bundled arrangements

The determination of the amount of revenue and discounts to allocate to individual elements in a bundled arrangement and whether a deliverable constitutes a separate unit of accounting.

b) Impairment of financial assets

The determination of the expected credit loss for the Company's trade and other receivables is determined by a provision matrix that is based on historical credit loss experiences, adjusted for forward looking factors specific to the debtors and the economic environment.

Changes in Accounting Policies Including Initial Adoption

New Accounting Policies Adopted by the Company

For the year ended October 31, 2022, the Company adopted the amendment Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendment did not have any impact on the Company's consolidated financial statements.

New Accounting Policies Not Yet Adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for October 31, 2022, reporting periods and have not been early adopted by the Company.

There are no mandatory standards that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Internal Controls and Procedures

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at October 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 objective of this instrument is to improve the quality, reliability and transparency of information that is filed or submitted under securities legislation. The CEO and CFO 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. The CEO and CFO have concluded that as of October 31, 2022, the disclosure controls and procedures, as defined under the National Instrument 52-109, were effective.

There were no changes in our internal control over financial reporting during the period beginning on August 1, 2022 and ended October 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The Company's disclosure and internal controls procedures can only provide reasonable assurance that the objectives of the control system will be met.

Financial Instruments

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

Financial Assets

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

Financial Liabilities

The financial liabilities held by the Company consisted of accounts payable and other accrued liabilities, bank indebtedness, 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 5 b) of the October 31, 2022 consolidated 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 72,139,344 common voting shares issued and outstanding as at January 20, 2023.The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$1.75	1,805,000
$4.25	698,251
$5.26	1,157,084
$5.50	588,392
$5.84	10,000
$6.05	177,500
$6.55	110,000
$8.00	540,000
$8.50	335,250
$8.93	200,000
Total	5,621,477

Risk Factors and Uncertainties

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. This section describes risk factors and uncertainties that could affect Blackline, with the Company's Annual Information Form, which can be found on SEDAR under the Company's profile at www.sedar.com, containing a comprehensive list of risks that could affect the Company. As it is difficult to predict whether any risk will be realized, or its related consequences will occur, the actual effect of any risk on the business could be significantly different from that anticipated. The following descriptions of risk do not include all possible risks, as there may be other risks of which management is currently unaware or currently believe to be immaterial.

General Economic Conditions

The Company currently operates in Canada, the United States, Europe and other international markets and like all businesses globally, it has been subject to the impact of national and global economic issues. The ongoing conflict between Russia and Ukraine and the sanctions that many countries have imposed, create risks across the global economy, including fluctuations in commodity prices, foreign exchange rates, supply chain disruptions and potential slowdowns in a variety of industries. Blackline will continue to monitor the impact of the ongoing Russia-Ukraine conflict, however the conflict has not had a significant adverse effect on the Company's overall business, business opportunities, results of operations, financial condition and cash flows at this time.

Global Supply Chain

The Company develops and manufactures its products by sourcing raw materials from around the world. We continuously seek suppliers who share our values and provide competitive pricing while allowing the Company to maintain visibility and security around its ability to build enough products to meet its customers' demands. Recent events affecting global supply chains have caused the Company to refocus its procurement strategy in order to maximize flexibility and access to required components.

If these global supply chain challenges were to exacerbate or prolong, the Company's margins and ability to meet sales demand or develop new products in its roadmap could be adversely affected.

Competition

The market for location-based services is competitive in the lone worker space, and some competitors in the gas detection industry have launched early wireless-capable solutions. Blackline has experienced, and may continue to experience, intense competition from other organizations with more established sales and marketing presence, superior technical support services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards.

As the market for the Company's products continues to develop, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced profitability and loss of market share, any of which could have an adverse effect on the Company's business, results of operations and financial condition.

Credit Risk

We have an exposure to credit risk related to trade balances owing from customers. In the normal course of business, we monitor the financial condition of our customers and review the credit history of new customers to establish credit limits and terms. We establish a loss allowance that corresponds to the credit risk of our customers, historical trends and economic circumstances to the best of our abilities. Losses could be realized by us if customers default on their balances owing. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Risk Associated with International Operations

Management of the Company believes that its continued growth and profitability will require expansion of its sales further in the United States, Europe and into other international markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. To increase international sales in subsequent periods, the Company may establish additional international operations, incur substantial infrastructure costs, hire additional personnel and recruit international distributors. In addition, even with the possible recruitment of additional personnel and international distributors, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

Growth Management

The Company may be subject to growth related risks including pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this potential growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Future Acquisitions

We may seek to expand our business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favourable terms, or that the acquired operations can be profitably operated or integrated in our operations. In addition, any internally generated growth experienced by us could place significant demands on our management, thereby restricting or limiting our available time and opportunity to identify and evaluate potential acquisitions. To the extent management is successful in identifying suitable companies or products for acquisition, we may deem it necessary or advisable to finance such acquisitions through the issuance of common shares, securities convertible into common shares, debt financing, or a combination thereof. In such cases, the issuance of common shares, or convertible securities could result in dilution to the holders of common shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of our assets, impeding our ability to obtain bank financing, and decreasing our liquidity.

To the extent acquisitions occur, we expect to realize strategic and other benefits as a result of such acquisitions and expansions including, among other things, the opportunity to extend our reach in the safety and employee monitoring industry and provide our customers with a wider range of products and services. However, it is impossible to predict with certainty whether, or to what extent, these benefits will be realized. Further, there can be no assurance that Blackline will be able to identify, acquire, develop or profitably manage additional products, or successfully integrate any acquired business, products, or technologies into our business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. Our ability to increase the scope or change the nature of our operations or acquire or develop additional businesses may be impacted by the cost of capital and access to credit.

Acquisitions and expansions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of North America, and legal liabilities, some or all of which could have a material adverse effect on Blackline's performance. In emerging markets, some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired, or newly developed businesses, products, or technologies will achieve anticipated revenues and income. There is a risk that some or all of the expected benefits will fail to materialize or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of Blackline.

Technological Change and Standards

We must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products, and enhance existing products, our future results would be adversely affected.

The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company’s existing products and systems obsolete. Blackline’s products employ complex technology and may not always be compatible with current and evolving technical standards. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a significantly adverse effect on the Company’s business, results of operations and financial condition.

Products and services as sophisticated as ours could contain undetected errors or defects, especially when first introduced or when new models or versions are released. Such occurrences could result in damage to our reputation, lost revenue, diverted development resources, increased customer service and support costs, warranty claims, and litigation. Errors, viruses or bugs may be present in software or hardware that we acquire or license from third parties and incorporate into our products or in third party software or hardware that our customers use in conjunction with our products. Changes to third party software or hardware that our customers use in conjunction with our software could also render our applications inoperable. Any errors, defects or security vulnerabilities in our products or any defects in, or compatibility issues with, any third party hardware or software or customers' network environments discovered after commercial release could result in loss of revenues or delay in revenue recognition, loss of customers, theft of trade secrets, data or intellectual property and increased service and warranty cost, any of which could adversely affect our business, financial condition, and results of operations. Undiscovered vulnerabilities in our products alone or in combination with third party hardware or software could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, and other malicious software programs that could attack our products. Actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to return products, to reduce or delay future purchases, or use competitive products.

Intellectual Property Risks

Since much of the Company's potential success and value lies in its ownership and use of intellectual property, failure to protect its intellectual property may negatively affect its business and value. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims, the Company's earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention.

Reliance on Information Systems and Technology

The Company's business relies upon information technology systems to support its monitoring of hardware devices and to service customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Were a significant disruption to its information technology to occur, the Company's earnings could be adversely affected through loss of revenue and costs to rectify the disruption as well as potentially suffering damage to its reputation.

The Company may also be required to expend significant capital and resources to protect against the threat of security, encryption, and authentication technology breaches or to alleviate problems caused by such breaches.

Data Privacy

The management, use and protection of data, including sensitive data, are becoming increasingly important, particularly given the high value attributed to data and the potential exposure to operational risks, reputational risks, and regulatory compliance risks and the coming into force of the General Data Protection Regulation by the EU in May 2018, and the expected proliferation of similar regulatory frameworks in other regions. Further, as our collaboration with third parties continues to grow and as we adopt new technologies and business models, our potential exposure to regulatory compliance, operational and reputational risk increases. If we fail to comply with applicable privacy laws, we could be subject to regulatory penalties, experience damage to our reputation or a loss of confidence in our products and services. We may also incur additional costs for remediation and modification or enhancement of our information systems to prevent future occurrences, all of which could adversely affect our business, operations or financial results. Furthermore, the adoption of emerging technologies, such as cloud computing, artificial intelligence, process automatization and robotics could lead to both new and complex risks that require continued focus and investment to manage effectively. We identify, assess and manage the operational risk associated with the implementation of new technologies prior to their adoption.

Dependence on Third Parties

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could substantially and adversely affect the Company's business, results of operations and financial condition.

The Company's products rely on GPS satellites that it does not own or operate. Such satellites and the corresponding ground support systems are complex electronic and mechanical systems that are subject to potential failures. Further, there is no assurance the U.S. Government will continue to operate and maintain the satellites or that it will continue the current policies for the commercial use of the satellites. The Company is contracted with Iridium Satellite LLC to provide data via their independent network of satellites. Should a significant number of the governmental or commercial satellites fail or should the terms of use policies for the U.S. Government satellites change the earnings of the Company would be considerably impacted.

History of Operating Losses

Since its incorporation, the Company has recorded an inadequate level of revenue to offset its costs and has an accumulated deficit as at October 31, 2022 of $157,158. The deficit is expected to increase in the near term as the Company continues to accelerate the growth of its international sales network and continues its product research and development.

Price Volatility of Publicly Traded Securities

The securities markets in Canada can experience a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

Environmental, Social and Governance (ESG) and Climate Change

Changes in market-based factors or investor strategies, including ESG, or responsible investing criteria/rankings (such as ESG, social impact or environmental scores) may adversely affect the trading price of the common shares and/or the Corporation's external reputation.

Blackline recognizes climate change as an important ESG issue. It is impracticable to predict the impact of climate change or the regulatory responses to it, on our business. The most direct impacts are likely to be an increase in energy costs, which would increase our operating costs, costs of the products and related transportation costs of raw materials we purchase from suppliers, and transportation costs related to shipping products to customers. Increasing environmental regulations on oil and gas, pipeline, transportation and other industrial companies could adversely impact certain of our customers' businesses which may impact demand for our products. It is too soon for us to predict with any certainty the ultimate impact of additional regulation, either directionally or quantitatively, on our overall business, results of operations or financial condition.

Furthermore, the potential physical impacts of climate change on our facilities, suppliers and customers and therefore on our operations are uncertain and will be particular to the circumstances in various geographical regions. These potential physical effects may adversely impact the demand for our products and the cost, production, sales and financial performance of our operations.

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 fiscal 2022, the Company's previous investments in its sales and marketing capabilities allowed Blackline to grow its revenue 34% year-over-year. We expect continued sales momentum and strong growth trajectory in our next fiscal year while we shift the Company to achieve positive Adjusted EBITDA.

The Company successfully launched 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 and materially expand the Company's total addressable market. As a single-gas wearable safety monitor, the G6 is a more comprehensive and cost-effective device than incumbent zero maintenance products offered by its competitors. It offers a longer battery life and device lifespan, enabling companies to protect their workers and improve compliance, while reducing waste and downtime.

The Company continues to monitor current market conditions and will manage its capital structure and liquidity risk in order to continue to enhance its world class products and services, while increasing its global market share. The Company has taken several meaningful steps to increase its operational efficiency and improve capital management which will continue to benefit overall financial performance during 2023 and beyond, as the Company targets the generation of free cash flow. These initiatives include increasing prices for its products and services, lowering the cost base for its core products through design improvements and automation, improving inventory management, streamlining operating expenses through reductions in headcount, use of consultants, contractors, recruitment and other business expenses, and identifying the optimal capital structure for its portfolio of long-term customer lease contracts.

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.

blacklinesafety

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 which excludes the impact of certain non-operational items and certain non-cash and non-recurring items, such as stock compensation expense. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, foreign exchange loss (gain), 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.

Change in Composition of Non-GAAP Financial Measure

In the fourth quarter of fiscal 2022, Management has updated the composition of certain non-GAAP measures such that adjustments for product research and development costs are no longer included as normalized adjustments. The change was made as a result of Management's assessment that product research and development costs related to new and existing products are recurring and ongoing in nature, and as such, the more appropriate methodology is to include these costs in this measure of operating performance.

Management also determined that foreign exchange loss (gain) are non-cash charges that should be normalized adjustments for the Company to compute the operational results of the Company.

Management believes these changes will provide greater relevance to comparable companies. The following table summarizes the impact of these changes on the periods presented in the MD&A:

Increase (decrease) as a result of change	**Three-months ended October 31,**		**Year ended October 31,**	
(CAD thousands)	**2022**	**2021**	**2022**	**2021**
Adjusted EBITDA	(5,170)	(4,334)	(21,711)	(14,000)
Adjusted EBITDA per common share – Basic and diluted	(0.08)	(0.08)	(0.37)	(0.27)

Reconciliation of non-GAAP financial measures	**Three-months ended October 31,**			**Year ended October 31,**		
(CAD thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Net loss	(9,940)	(9,606)	3	(53,646)	(33,305)	61
Depreciation and amortization	1,727	1,459	18	6,616	5,174	28
Finance income, net	(107)	(31)	245	(267)	(173)	54
Income taxes	247	52	375	394	188	110
EBITDA	(8,073)	(8,126)	1	(46,903)	(28,116)	(67)
Stock-based compensation expense(1)	385	404	(5)	1,168	2,539	(54)
Foreign exchange loss (gain)(2)	35	(92)	(138)	1,539	992	55
Other non-recurring impact transactions(3)	-	-	-	1,573	664	137
Adjusted EBITDA(4)	(7,653)	(7,814)	2	(42,623)	(23,921)	(78)

(1) 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 consolidated statements of loss and comprehensive loss.
(2) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition to include an adjustment for foreign exchange gains or losses as noted in the Non-GAAP Financial Measures section.
(3) Other non-recurring impact transactions includes restructuring costs and acquisition expenses.
(4) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition to remove the adjustment of product research and development costs as noted in the Non-GAAP Financial Measures section. The amounts presented in the table above reflect the restated figures to align with the updated composition.

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.

Refer to the Non-GAAP Financial Measures for the revised composition of adjusted EBITDA to remove the adjustment for product research and development costs and to include an adjustment for foreign exchange gains or losses. Adjusted EBITDA per common share has been updated for the periods presented in this MD&A to reflect the change in Adjusted EBITDA.

blacklinesafety

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

blacklinesafety

Forward Looking Statements

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as ''anticipate'', ''believe'', "continue", "could", ''estimate'', ''expect'', "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will" and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding Blackline's business plan and focus; the results, including but not limited to the functionality and benefits of the use of Blackline's products, technologies and hardware enabled software as a service; 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 as it pursues the transformation of the industrial workplace into a connected one; the expectation of continued sales momentum and strong growth trajectory in the Company's next fiscal year while it shifts the Company to achieve positive Adjusted EBITDA; that the G6 will open Blackline's connected safety technology to hundreds of thousands more industrial workers and materially expand the Company's total addressable market; that recent actions will increase the Company's operational efficiency and improve capital management which will continue to benefit overall financial performance during 2023 and beyond, as the Company targets the generation of free cash flow; expected future initiatives including increasing prices for its products and services, lowering the cost base for its core products through design improvements and automation, improving inventory management, streamlining operating expenses through reductions in headcount, use of consultants, contractors, recruitment and other business expenses, and identifying the optimal capital structure for its portfolio of long-term customer lease contracts, 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.

The material assumptions on which the forward-looking information in this news release are based, and the material risks and uncertainties underlying such forward-looking information, include: the ability to obtain sufficient and suitable financing to support operations, development and commercialization of products, the ability to execute partnerships and corporate alliances, uncertainties relating to the regulatory approval process, the ability to develop plant lines and manufacturing processes that result in competitive advantage and commercial viability, the ability to develop enhanced products and software in a cost-effective and timely manner, the impact of competitive products and pricing and the ability to successfully compete in the targeted markets, the ability to attract and retain key personnel and key collaborators, the ability to adequately protect proprietary information and technology from competitors, market and general economic conditions and the impact if a significant disruption to its information technology were to occur, business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by Blackline, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; cash flows, cash balances on hand, and access to the Company's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; accounting estimates and judgments; the ability to generate sufficient cash flow to meet current and future obligations; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; the Company's ability to carry out transactions on the desired terms and within the expected timelines; forecast inflation, including on the Company's components for its products, the ongoing impact of the COVID-19 pandemic and the war in the Ukraine on the global economy; and other assumptions, risks, and uncertainties described from time to time in the filings made by Blackline with securities regulatory authorities. See also risks identified in our Annual Information Form as at October 31, 2022. 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.

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.

Page intentionally left blank

blacklinesafety

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