Blackline Safety Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX-MONTH PERIODS ENDED APRIL 30, 2023

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Notice

This Management's Discussion and Analysis ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation", the "Company", "we", or "our") unaudited condensed consolidated interim financial statements and accompanying notes, prepared in accordance with International Accounting Standard 34 *Interim Financial Statements* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, for the three and six-month periods ended April 30, 2023. 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 June 13, 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, and percentages.

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

Blackline's lineup of G7 safety wearables connect to the Blackline cloud using either cellular (G7c) or satellite (G7x) connectivity. 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 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 customer. 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 along with Blackline’s leading 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 49,000 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 208 billion data points, over 3.0 billion locations and over 6.3 billion location-enabled gas readings.

Blackline's revenues are comprised of product and service revenues, which are the two operating segments (as determined in accordance with IFRS) of the Company. Product revenues are generated from sales of Blackline's connected safety monitoring hardware devices and accessories to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on and fluctuations in any one market space. For the three and six-months ended April 30, 2023, product revenue was $11,202 and $20,626, accounting for 46% and 46% of total revenue, respectively (April 30, 2022: $7,858 and $15,182, accounting for 47% and 47% of total revenue, respectively).

Service revenues relate to software and support services that are provided to customers who purchase the Company's connected safety devices. Service revenues also include recurring revenues from existing customers who renew their services for their Blackline device as well as device rental and data consulting services. For the three and six-months ended April 30, 2023, service revenue was $12,893 and $24,515, accounting for 54% and 54% of total revenue, respectively (April 30, 2022: $8,807 and $17,152, accounting for 53% and 53% of total revenue, respectively).

The Company also offers its products and services through a 'G7 Lease' program with variable lease term commitments. Generally, leases are longer than three years and 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. The Company entered into a renewable one-year lease securitization program with a Canadian chartered bank in April 2023 to sell tranches of lease receivables to provide increased financial flexibility and improved liquidity.

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, partner alarm receiving centers, maintenance of the Blackline Live portal, communication costs for devices equipped with cellular and/or satellite technology, depreciation of cartridges and units leased through the Blackline 'G7 Lease' program and an allocation of overhead. For the three and six-months ended April 30, 2023, Blackline's product cost of sales were $8,327 and $15,798, respectively (April 30, 2022: $6,870 and $13,489, respectively) and service cost of sales were $3,244 and 6,437, respectively (April 30, 2022: $2,733 and $5,397, respectively).

Highlights

(CAD thousands, except per share and percentage amounts)	Three-months ended April 30, 2023	2022	% Change	Six-months ended April 30, 2023	2022	% Change
Product revenue	11,202	7,858	43	20,626	15,182	36
Service revenue	12,893	8,807	46	24,515	17,152	43
Total Revenue	24,095	16,665	45	45,141	32,334	40
Gross margin	12,524	7,062	77	22,906	13,448	70
Gross margin percentage(1)	52%	42%		51%	42%	
Total Expenses	19,200	21,514	(11)	37,364	40,838	(9)
Total Expenses as a percentage of revenue(1)	80%	129%		83%	126%	
Net loss	(6,557)	(14,543)	(55)	(14,249)	(27,416)	(48)
Loss per common share - Basic and diluted	(0.09)	(0.24)	(63)	(0.20)	(0.45)	(56)
Adjusted EBITDA(1 & 2)	(4,500)	(12,330)	64	(10,731)	(23,454)	54
Adjusted EBITDA per common share(1 & 2) - Basic and diluted	(0.06)	(0.20)	70	(0.15)	(0.39)	64

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

(2) In the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange losses or gains. Comparative periods have been restated to reflect this change.

(CAD thousands)	April 30, 2023	October 31, 2022	% Change
Cash and cash equivalents and short-term investments	21,925	31,140	(30)
Working capital(1)	34,662	40,307	(14)
Total assets	106,929	108,049	(1)
Non-current liabilities	26,412	20,025	32
Shareholders' equity	40,805	52,362	(22)

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

Key Performance Indicators

Management uses a number of key performance indicators, including those identified below, to measure the performance of the business, identify and assess trends affecting the Company and to make strategic decisions. These key performance indicators do not have any standardized definitions prescribed by IFRS and cannot be reconciled to a directly comparable IFRS measure. These key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Annual Recurring Revenue

Annual Recurring Revenue ("ARR") is the total annualized value of recurring service amounts (ultimately recognized as software services revenue) of all service contracts at a point in time. Annualized service amounts are determined solely by reference to the underlying contracts, normalizing for the varying revenue recognition treatments under IFRS 15 *Revenue from Contracts with Customers*. It excludes one-time fees, such as for rentals and non-recurring professional services, and assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal, unless such renewal is known to be unlikely. We believe that ARR provides visibility into future cash flows and is a fair measure of the performance and growth of our service contracts. The increase in ARR is due to the service plans that have been added on new device sales as well as expansion of existing contracts with our customers and indicates the continued strength in the growth of our business.

	As at April 30,			As at October 31,	
(CAD thousands)	2023	2022	% Change	2022	% Change
Annual Recurring Revenue(1)	42,420	30,803	38	36,597	16

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

Net Dollar Retention

Net Dollar Retention ("NDR") compares the aggregate service revenue contractually committed for a full period under all customer agreements of our total customer base as of the beginning of each period to the total service revenue of the same group at the end of the period. It includes the effect of our service revenue that expands, renews, contracts or is cancelled, but excludes the total service revenue from new activations during the period. The growth in NDR is due to the net expansion of our existing contracts with our customers and offset by the customers who declined to renew their service plans which provides a fair measure of the strength of our recurring revenue streams and growth within our existing customer base.

	As at April 30,			As at October 31,	
	2023	2022	Change	2022	Change
Net Dollar Retention(1)	118%	102%	1,600 bps(2)	105%	1,300 bps(2)

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

(2) Basis points ("BPS") is defined as one hundredth of 1 percentage point.

Results of Operations

	Three-months ended April 30,			Six-months ended April 30,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Product revenue	11,202	7,858	43	20,626	15,182	36
Service revenue	12,893	8,807	46	24,515	17,152	43
Total Revenues	24,095	16,665	45	45,141	32,334	40
Product revenue as a percentage of revenue(1)	46%	47%		46%	47%	
Service revenue as a percentage of revenue(1)	54%	53%		54%	53%	
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 April 30, 2023 was $24,095 which is an increase of $7,430 from $16,665 in the prior year comparative quarter. The 45% increase was driven by higher sales of our connected safety products as well as steady growth in recurring service revenues from new hardware sales over the past twelve months and by customer renewals of service on existing devices.

Total revenue for the six-month period ended April 30, 2023, increased $12,807 or 40% versus the same period in the prior year. The increase was due to higher product sales and the continued growth in the Company's service revenues from its connected safety monitoring, analysis and compliance solutions.

Product Revenue

The Company's product revenue for the three-months ended April 30, 2023 was $11,202, an increase of $3,344 or 43% compared to $7,858 in the prior year comparative quarter. The increase reflects the Company's expanded sales network and investment in our global sales team over the past twelve months through aggressive demand generation and sales development activities. The Company's enhanced pricing strategy also contributed to the increase. Finance lease revenue growth of $431 also contributed to higher product revenues in the second quarter compared to the prior year quarter as the Company has seen growth in customers choosing the lease option as it aligns better with their capital allocation strategies.

During the six-month period ended April 30, 2023, product revenue was $20,626 compared to $15,182, an increase of $5,444 compared to the prior year comparative period. The 36% increase was a result of the contribution of the expanded sales team particularly in the United States and Rest of World markets.

Service Revenue

	Three-months ended April 30,			Six-months ended April 30,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Software services revenue	11,333	8,357	36	21,974	16,461	33
Rental revenue	1,560	450	247	2,541	691	268
Total service revenue	12,893	8,807	46	24,515	17,152	43
Software services revenue as a percentage of service revenue(1)	88%	95%		90%	96%	
Rental revenue as a percentage of service revenue(1)	12%	5%		10%	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 Company's second quarter total service revenue increased $4,086 or 46% to $12,893 compared to $8,807 in the same period last year.

Software services revenue for the second quarter was $11,333, an increase of 36% from $8,357 in the prior year period. The increase is a result of the new activations of the devices sold to end-users over the past twelve months for customers utilizing the Company's monitoring, software and data services. Total increases in software services of $2,976 included newly activated device service revenues of $1,502 in the second quarter as well as net service revenue increases within our existing customer base of $1,640 compared to the prior year period. This was partially offset by certain customers who declined to renew their service plans resulting in an impact of $166 in the same period.

Rental revenue increased by 247% to $1,560 from $450 in the three-months ended April 30, 2023 compared to the prior year comparative 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 we continue to meet strong demand for its connected solutions in the industrial construction, turnaround and maintenance markets.

The Company's total service revenue for the six-month period ended April 30, 2023 increased $7,363 or 43% to $24,515 compared to $17,152 in the same period last year.

Software service revenue for the six-months ended April 30, 2023 was $21,974 which was an increase of $5,513 or 33% compared to $16,461 in the prior year comparable period. The increase is due to new activations over the previous twelve months, as well as expansion of services within the Company's existing customer base.

Rental revenue increased 268% in the six-months ended April 30, 2023 when compared to the prior year period as a result of the Company's focus on the rental market.

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Revenues from external customers by country/geographic area	Three-months ended April 30,			Six-months ended April 30,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Canada	6,367	5,134	24	11,964	8,445	42
United States	11,495	6,953	65	20,911	13,881	51
Europe	4,366	3,741	17	9,022	7,988	13
Rest of World	1,867	837	123	3,244	2,020	61
Total revenues	24,095	16,665	45	45,141	32,334	40
Canada as a percentage of revenue(1)	26%	31%		27%	26%	
United States as a percentage of revenue(1)	48%	42%		46%	43%	
Europe as a percentage of revenue(1)	18%	22%		20%	25%	
Rest of World as a percentage of revenue(1)	8%	5%		7%	6%	
Total	100%	100%		100%	100%	

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

Our established sales network in the US markets delivered strong new hardware sales and growth in our service contracts with existing customers in the second quarter of fiscal 2023. The second quarter of fiscal 2023 saw our Rest of World sales team take advantage of a strengthening industrial safety sector, with several large customer wins in the Middle East, resulting in a 123% increase in revenue compared to the prior year quarter.

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. 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.

Lease Revenue

The Company leases certain of its safety monitoring equipment to customers through the Company's 'G7 Lease' program with monthly or quarterly 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 the Company's leases classified as finance leases is recognized in current and non-current other receivables on the condensed consolidated statements of financial position. The service component is recognized within trade receivables when the service is delivered.

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

(CAD thousands)	April 30, 2023	October 31, 2022
Within one year	16,058	13,301
Later than one year but not later than five years	23,134	22,677
Total	39,192	35,978

The 9% increase in undiscounted payments under non-cancellable finance lease contracts from October 31, 2022 is a result of new customers entering into finance lease agreements as well as existing customers renewing with leases rather than purchasing hardware upfront.

Cost of Sales

(CAD thousands)	Three-months ended April 30, 2023	2022	% Change	Six-months ended April 30, 2023	2022	% Change
Product	8,327	6,870	21	15,798	13,489	17
Service	3,244	2,733	19	6,437	5,397	19
Total cost of sales	11,571	9,603	20	22,235	18,886	18
Product cost of sales as a percentage of segment revenue(1)	74%	87%		77%	89%	
Service cost of sales as a percentage of segment revenue(1)	25%	31%		26%	31%	
Cost of sales as a percentage of revenue(1)	48%	58%		49%	58%	

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

Cost of sales for the three and six-months ended April 30, 2023, totaled $11,571 and $22,235, respectively compared to $9,603 and $18,886 in the prior year comparative periods. 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 combined with inflationary pressures. It is also a result of an increase in the service segment with costs of connectivity and data infrastructure expanding to support a larger number of devices in service.

Product Cost of Sales

Product cost of sales increased by $1,457 or 21% in the second quarter compared to the prior year comparative quarter due to increased material costs as more products were sold. The Company also faced inflationary pressures on its source materials input costs which increased the overall material cost on a per unit basis. Warranty expense in the quarter also increased to $304 due to a higher warranty provision in the quarter compared to the prior year comparative quarter.

Scrappage, rework and obsolete inventory charges remained consistent in the second quarter compared to the prior year quarter as the Company continues to optimize its inventory and enhance product quality through improvements in its components.

Product costs of sales for the six-month period ended April 30, 2023 were $15,798 compared to $13,489 in the prior year comparative period, an increase of $2,309 largely due to an increase in material costs. The increase in material costs were partially offset by lower scrappage, rework and obsolete inventory charges, as the Company improved its inventory management and production process. The Company also incurred costs to replace devices for certain customers where 3G technology is no longer supported.

Salaries expense decreased overall due to improvements in automation on the production line which has allowed the Company to reduce the amount of labor per device, while increasing throughput. There were also increases in warranty expense of $337 in the period compared to the prior year comparative period due to a higher warranty provision with a greater number of devices under warranty in service.

Service Cost of Sales

Service cost of sales increased by $511 or 19% in the second quarter compared to the prior year comparative quarter. The increase is primarily a result of higher connectivity and data costs driven by the increased user base and associated higher service revenue in the second quarter as well as increased spending year-over-year on security and reliability for the Blackline Live portal.

Depreciation on owned cartridges generating cartridge-as-a-service revenue increased in the second quarter compared to the prior year comparative quarter as a result of the growth in the number of Company owned cartridges in use by our customers.

Service cost of sales were $6,437 during the six-months ended April 30, 2023, compared to $5,397 in the prior year comparative period, an increase of $1,040. This increase is due to an increase in connectivity and data costs as well as salaries and consulting costs to improve the security and reliability of the Blackline Live portal.

During the six-months ended April 30, 2023, depreciation on owned cartridges generating cartridge-as-a-service revenue increased with more devices in service with customers compared to the prior year comparative period.

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Gross Margin

(CAD thousands)	Three-months ended April 30, 2023	2022	% Change	Six-months ended April 30, 2023	2022	% Change
Product	2,875	988	191	4,828	1,693	185
Service	9,649	6,074	59	18,078	11,755	54
Gross margin	12,524	7,062	77	22,906	13,448	70
Product gross margin percentage(1)	26%	13%		23%	11%	
Service gross margin percentage(1)	75%	69%		74%	69%	
Gross margin percentage(1)	52%	42%		51%	42%	

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

Total gross margin for the second quarter was $12,524 compared to $7,062 in the prior year quarter. This represented a total gross margin percentage of 52%, a 10% increase compared to the prior year comparative quarter. The increase in total gross margin is due to a combination of a higher sales volume, a shift to a heavier weighting of service revenue, production line automation, cost management within our service segment, and our enhanced pricing strategy.

Product gross margin percentage in the second quarter increased to 26% from 13% as the Company has been able to mitigate most of the global supply chain challenges that it has experienced since the third quarter of 2021. During the quarter, the Company completed most of its sales under our updated pricing structure. The Company has also been able to automate more of its manufacturing line, improving the efficiency and throughput of its operations.

Service gross margin percentage in the second quarter increased to 75% from 69%. The increase reflects a higher penetration of Blackline's value-added services for which the Company realizes a higher margin. Continued growth and larger absorption of fixed costs as well as improvements to the Company's received pricing for connectivity and infrastructure also contributed to the improvement in gross margin percentage. During the quarter, the service gross margin percentage also began to benefit from our enhanced pricing structure.

Total gross margin for the six-months ended April 30, 2023, increased $9,458 or 70% to $22,906 from $13,448 in the prior year comparative period due to the pricing increase, a higher proportion of service revenue and higher overall revenues. Total gross margin was also positively impacted by improvements in the supply chain environment which presented challenges for hardware manufacturers in the prior year comparative period.

Product gross margin percentage was 23% for the six-months ended April 30, 2023, a 12% increase from the prior year comparative period due to the enhanced pricing structure, higher overall product revenues, automation efforts across our manufacturing line, and mitigation of supply chain challenges.

Service gross margin percentage was 74% for the six-months ended April 30, 2023, increasing from 69% in the prior year comparative period due to growth of the Company's increased penetration of high value services, higher overall service revenue, more than offsetting the increase in cost of sales as the Company continued its efforts to optimize its connectivity and data costs.

Expenses

General and administrative expenses

(CAD thousands)	Three-months ended April 30, 2023	2022	% Change	Six-months ended April 30, 2023	2022	% Change
General and administrative expenses	6,790	6,226	9	12,258	11,161	10
General and administrative expenses as a percentage of revenue(1)	28%	37%		27%	35%	

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

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

General and administrative expenses increased $564 or 9% in the second quarter to $6,790 from $6,226 in the prior year quarter. This is primarily due to $1,002 of legal and consulting expenses which were incurred as the Company completed its lease securitization facility during the quarter. Excluding these costs, general and administrative expenses were $5,788 in the second quarter of fiscal 2023.

Stock-based compensation expense increased in the second quarter as compared to the prior year quarter due to a directors and officers stock option grant in the quarter with no corresponding grant in the comparative period. Amortization expense increased compared to the prior year quarter from capital asset additions in the past twelve months, specifically in the computer hardware and leasehold improvement categories. These increases were partially offset by decreases in subscription and license costs and in professional fees due to the Company's focus on reducing costs. Our general and administrative expenses as a percentage of total revenue decreased to 28% from 37% for the second quarter compared to the prior year comparative quarter.

During the six-months ended April 30, 2023, general and administrative expenses increased 10% or $1,097, from $11,161 to $12,258 from the prior year comparative period. This is primarily due to increased legal and consulting expenses incurred for the lease securitization facility during the second quarter. Salaries and wage expense increased modestly period-over-period as the Company expanded administrative functions to support the scaling of the business. Stock-based compensation expense increased in the first half of fiscal 2023 due to a directors and officers stock option grant in the second quarter and the impact of employee forfeitures in the prior year quarter from stock options previously granted. These increases were offset by lower subscription and license and consulting costs as the Company focused on reducing redundant costs. During the six-months ended April 30, 2023, general and administrative expenses as a percentage of total revenue decreased to 27% from 35% compared to the prior year comparative period. Excluding one-time charges for the lease securitization facility, general and administrative expenses were 25% of revenue.

Sales and marketing expenses

	Three-months ended April 30,			Six-months ended April 30,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Sales and marketing expenses	8,586	8,960	(4)	16,411	17,838	(8)
Sales and marketing expenses as a percentage of revenue[(1)]	36%	54%		36%	55%	

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

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, direct marketing and distribution channel expenses and supporting contractors and consultants' professional fees.

Sales and marketing expenses for the second quarter decreased $374 or 4% to $8,586 from $8,960 compared to the prior year quarter. Salary and contractor costs decreased as the Company undertook workforce reductions during the latter half of fiscal 2022. As part of the cost reduction initiatives, there was also a decrease in direct marketing and tradeshow costs as well as subscription and license expenses. These decreases were partially offset by an increase to bad debt expense due to a higher provision from the overall aging profile of the portfolio. Our second quarter sales and marketing expenses as a percentage of total revenue decreased to 36% from last year's 54%.

During the six-months ended April 30, 2023, sales and marketing expenses decreased $1,427 or 8% to $16,411 from $17,838 compared to the prior year comparative period. The decrease was largely due to salary and contractor expenses as well as advertising and tradeshows which were strategically reduced during the first half of the year compared to the previous year. Other notable decreases included consulting and subscription costs, as the Company continued to optimize its operating expenses. These decreases were partially offset by increases to distributor and sales commissions as a result of higher product sales compared to the prior year period. Sales and marketing expenses as a percentage of total revenue for the six-month period ended April 30, 2023, decreased to 36% from 55% compared to the prior year period.

Product research and development costs

(CAD thousands)	Three-months ended April 30, 2023	2022	% Change	Six-months ended April 30, 2023	2022	% Change
Product research and development costs	5,050	6,329	(20)	10,647	11,598	(8)
Product research and development costs as a percentage of revenue(1)	21%	38%		24%	36%	

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

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

Product research and development costs decreased $1,279 or 20% during the second quarter of 2023 to $5,050 from $6,329 in the prior year comparative quarter. The decrease was largely attributed to a decrease in salary, recruitment, consulting and contractor costs associated with the development of the G6 in the prior year quarter. The second quarter of 2023 also included a recovery of stock-based compensation due to forfeitures from stock options previously granted, and a decrease in subscriptions and licenses. These decreases were partially offset by one-time separation costs incurred on the departure of the Company's Chief Technology Officer. Our second-quarter product research and development costs as a percentage of total revenue decreased to 21% from 38% last year.

Product research and development costs decreased $951 or 8% during the six-months ended April 30, 2023, to $10,647 from $11,598 in the prior year period primarily due to a decrease in consulting costs as the Company significantly reduced its use of external resources following the completion of the development of G6, as well as a decrease in external recruiting costs as the pace of hiring was significantly reduced. The Company also benefited from a decrease in subscriptions and licenses. Partially offsetting these decreases was an increase to salaries expense due to the acquisition of Swift Labs employees and the lack of a research expenditure credit received in fiscal year 2023 which was received in the first quarter of 2022 from the United Kingdom government. During the six-month period ended April 30, 2023, product research and development costs as a percentage of total revenue decreased to 24% from 36% in prior year.

Foreign exchange gain or loss

(CAD thousands)	Three-months ended April 30, 2023	2022	% Change	Six-months ended April 30, 2023	2022	% Change
Foreign exchange (gain) loss	(1,226)	(1)	NM	(1,952)	241	NM
Foreign exchange (gain) loss as a percentage of revenue(1)	5%	-		4%	1%	

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

NM – Not meaningful

Total net realized and unrealized foreign exchange gain was $1,226 in the second quarter compared to a gain of $1 in the prior year comparative quarter. The Canadian dollar ended in the second quarter at 1.36 USD/CAD, 1.49 EUR/CAD and 1.70 GBP/CAD compared to 1.28 USD/CAD, 1.36 EUR/CAD and 1.62 GBP/CAD at April 30, 2022. The average exchange rates of 1.35 USD/CAD and 1.46 EUR/CAD during the second quarter of 2023 were weaker than the same period in 2022 when they averaged 1.27 USD/CAD and 1.39 EUR/CAD. The average exchange rate of 1.66 GBP/CAD for the second quarter of 2023 was the same as the prior comparable quarter.

During the six-months ended April 30, 2023, total net realized and unrealized foreign exchange gain was $1,952 compared to a loss of $241 during the same period of the prior year. The average exchange rate of 1.64 GBP/CAD was stronger during the second quarter compared to 1.68 GBP/CAD in the same period in 2022, while the average exchange rate of 1.35 USD/CAD and 1.44 EUR/CAD were weaker compared to the same period in 2022 at 1.26 USD/CAD and 1.41 EUR/CAD.

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

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Finance income, Net

Finance income, net of finance expenses was $222 and $501 for the three and six-months ended April 30, 2023. This was compared to $57 and $122 in the comparable prior year periods. The increase was due to higher finance lease interest revenue as revenue from finance leases increased, as well as higher interest rates obtained on the Company's short-term investments. This was partially offset by the interest expense from higher interest rates on the Company's operating facility.

Net loss and Adjusted EBITDA

Net loss was $6,557 and $14,249 for the three and six-months ended April 30, 2023 compared to $14,543 and $27,416 in the prior year comparative periods. The decrease in net loss in the periods is due primarily to increases in revenue, decreases in sales and marketing expenses, decreases in product research and development costs, offset by increases in general and administrative expenses.

Adjusted EBITDA was ($4,500) and ($10,731) for the three and six-months ended April 30, 2023 compared to ($12,330) and ($23,454) in the prior year comparative periods. The increase in Adjusted EBITDA is primarily due to the decrease in net loss offset by higher finance income.

Total Assets and Liabilities

(CAD thousands)	April 30, 2023	October 31, 2022	% Change
Total assets	106,929	108,049	(1)
Total liabilities	66,124	55,687	19

Blackline's total assets as at April 30, 2023 were consistent at $106,929 compared to $108,049 as at October 31, 2022.

Trade and other receivables as at April 30, 2023 totaled $39,171, compared to $30,943 as at October 31, 2022, an increase of $8,228. This is primarily due to increased trade accounts receivable of $7,229 as the Company had significantly more sales in the period.

Inventory totaled $18,023 as at April 30, 2023 compared to $18,712 as at October 31, 2022. Overall, inventory remained consistent as the Company increased its build for G6, G7 and G7 EXO during the prior fiscal year due to the global supply chain challenges and the Company has maintained inventory levels throughout the year to meet anticipated orders.

Total contract assets, consisting of current and non-current costs related to the fulfilment of 'G7 lease' contracts, were $3,045 as at April 30, 2023 compared to $2,641 at October 31, 2022. 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 as at April 30, 2023 was $13,151 compared to $12,807 at the prior year end. There were additions of $1,231 in rental equipment as the Company's rental program expanded globally to meet the demand for our customers' diverse safety needs for short-term projects.

Intangible assets were $2,047 at April 30, 2023, compared to $2,195 at October 31, 2022. The decrease is due to amortization in the quarter.

Right-of-use assets were $2,208 at April 30, 2023 compared to $2,513 at October 31, 2022. The decrease is primarily due to amortization of right-of-use assets in the quarter.

Total liabilities as at April 30, 2023 were $66,124 compared to $55,687 as at October 31, 2022. Total current liabilities at April 30, 2023 increased to $39,712 from $35,662 at October 31, 2022. Accounts payable and other accrued liabilities decreased to $17,934 from $19,155 at April 30, 2023 due to timing of payments. The current portion of warranty provision increased to $1,673 from $1,480 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 $13,430 at April 30, 2023 compared to $12,825 at October 31, 2022.

The current portion of contract liabilities which represent the Company's obligations to pay commissions to third-party distributors who assist with the fulfilment of 'G7 lease' contracts was $1,655 compared to $1,323 at the prior year end. The increase is due to a larger number of lease contracts being added in the quarter. The current portion of the Company's lease liabilities remained consistent at $870 at April 30, 2023 compared to $879 at the prior year end.

The Company entered into a lease securitization facility to sell certain existing and future finance lease contracts to a Canadian chartered bank on April 12, 2023, where there is an obligation to collect and remit payments associated with these contracts coincident with the Company's provision of its connected safety devices and services over the duration of the underlying contracts. The current portion of these lease securitization payments due was $4,150.

Total non-current liabilities as at April 30, 2023 were $26,412 compared to $20,025 as at October 31, 2022. The non-current liabilities include bank indebtedness and the non-current portions of warranty provision, deferred revenue, contract liabilities, and payments due under the lease securitization facility. The non-current portion of warranty provision was $715 as at April 30, 2023 compared to $477 at the prior year end. The non-current portion of the Company's deferred revenue increased to $10,527 as at April 30, 2023 from $7,374 at the prior year end, which reflects the timing of when the deferred revenue from new service sales, which are paid in advance, will be recognized. The non-current portion of contract liabilities was $2,141 as at April 30, 2023 compared to $1,806 at the prior year end.

The non-current portion of the Company's lease liabilities as at April 30, 2023 decreased to $1,505 from $1,793 at the prior year end due to the timing of future payments for the Company's facility leases.

The non-current portion of the lease securitization payable was $4,521 as at April 30, 2023.

Bank indebtedness as at April 30, 2023 decreased to $7,003 from $8,575 at the prior year end. The Company repaid $988 on the operating facility during the three-months ended April 30, 2023, and repaid $1,572 during the six-months ended April 30, 2023.

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 continue to be used primarily to further strengthen the Company's financial position and provide sufficient liquidity to finance ongoing operations, including general and administrative expenses, sales and marketing expenses and research and development costs incurred, or expected to be incurred, in connection with the ongoing operations including the development and launch of various new products and services.

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 April 30, 2023. 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)	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	24,095	21,046	22,030	18,567	16,665	15,670	19,266	12,693
Gross margin percentage[(1)]	52%	49%	48%	45%	42%	41%	47%	46%
Net loss	(6,557)	(7,692)	(9,940)	(16,291)	(14,543)	(12,873)	(9,606)	(10,257)
Net loss per common share	(0.09)	(0.11)	(0.14)	(0.27)	(0.24)	(0.21)	(0.17)	(0.19)
Adjusted EBITDA[(1 & 2)]	(4,500)	(6,231)	(7,653)	(11,517)	(12,330)	(11,124)	(7,814)	(8,256)
Adjusted EBITDA per common share[(1 & 2)]	(0.06)	(0.09)	(0.11)	(0.19)	(0.20)	(0.18)	(0.14)	(0.15)

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.
(2) In the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange losses or gains. Comparative periods have been restated to reflect this change.

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Fiscal Year 2023

The increase in revenue in the second quarter of fiscal 2023 compared to the first quarter of fiscal 2023 relates to higher product and service revenue. The increase in gross margin percentage in the second quarter of fiscal 2023 compared to the first quarter of fiscal 2023 was due to higher product and service gross margins. The decrease in net loss and increase in Adjusted EBITDA in the second quarter of fiscal 2023 compared to the first quarter of 2023 was a result of higher gross margins as well as lower project research and development costs and a larger foreign exchange gain. Although general and administrative expenses and sales and marketing expenses were higher in the second quarter as compared to the first quarter, the expenses as a percentage of revenue were approximately the same for general and administrative expenses, but lower for sales and marketing expenses.

The decrease in revenue in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 relates to lower product revenues, partially offset by increased service revenue. The increase in gross margin percentage in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 was due to service revenue making up a higher proportion of total revenue as well as higher service margin percentage and was offset by a lower product margin. The decrease in net loss and increase in Adjusted EBITDA in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 was a result of higher total gross margin and lower overall expense. Sales and marketing expenses decreased but were offset by higher general and administrative and product research and development costs. Although general and administrative and product research and development costs were higher, the expenses as a percentage of revenue were approximately the same.

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.

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, its operating facility with a Canadian financial institution, and a lease securitization facility with a Canadian chartered bank.

Blackline had cash and cash equivalents of $17,425 as at April 30, 2023. Cash and cash equivalents decreased $6,098 and $5,215 during the three and six-month periods ended April 30, 2023 compared to decreases of $6,974 and $12,441 during the prior year comparable periods.

	Three-months ended April 30,			Six-months ended April 30,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Cash provided by (used in) operating activities	(7,062)	(8,682)	19	(14,634)	(17,484)	16
Cash provided by (used in) financing activities	7,245	(69)	NM	6,613	(34)	NM
Cash provided by (used in) investing activities	(7,257)	1,914	NM	553	4,517	(88)
Effect of foreign exchange	976	(137)	NM	2,253	560	302
Total net increase (decrease) in cash and cash equivalents	(6,098)	(6,974)	13	(5,215)	(12,441)	58

NM – Not meaningful

Operating activities during the three and six-months ended April 30, 2023 used $7,062 and $14,634 of cash, respectively (April 30, 2022: $8,682 and $17,484, respectively). The decrease in cash used was a result of a lower net loss for the periods which also includes greater non-cash charges of depreciation and amortization, and greater stock-based compensation expense. This was offset by changes in non-cash working capital of ($2,756) and ($4,920) for the three and six-months ended April 30, 2023, respectively, (April 30, 2022: $4,035 and $6,616, respectively).

Changes in non-cash working capital for the three-months ended April 30, 2023 compared to the prior year quarter were mainly due to net changes in trade and other receivables of ($4,664), accounts payable and other accrued liabilities of ($88), and deferred revenue of $1,171 (April 30, 2022: trade and other receivables $2,267, accounts payable and other accrued liabilities $2,425, and deferred revenue of $2,996). These were mainly offset by increasing inventory build $970 compared to ($2,564) in the prior comparable quarter.

For the six-months ended April 30, 2023, changes in non-cash working capital were mainly due to net changes in trade and other receivables of ($7,452), accounts payable and other accrued liabilities of ($1,582), and deferred revenue of $94 (April 30, 2022: trade and other receivables $1,995, accounts payable and other accrued liabilities $4,092, and deferred revenue of $4,779). These were mainly offset by increasing inventory build $927 compared to ($5,036) in the prior comparable period.

Financing activities for the three and six-months ended April 30, 2023 provided $7,245 and $6,613 of cash, respectively (three and six-months ended April 30, 2022 used $69 and $34 of cash, respectively). This was mainly from the funds received under the securitization facility of $8,265 during the second quarter of the year. During the three and six-months ended April 30, 2023, there were also repayments of bank indebtedness of $988 and $1,572, respectively compared to $nil in both comparable periods of the prior year. Lease liability repayments of $305 and $493 were made during the three and six-months ended April 30, 2023, compared to $239 and $444 in the prior year comparable periods.

Investing activities for the three and six-months ended April 30, 2023 used $7,257 and provided $553 of cash (three and six-months ended April 30, 2022 provided $1,914 and $4,517 of cash, respectively). There were purchases of short-term investments in the three and six-months ended April 30, 2023 totaling $12,500 compared to $nil in the prior year comparable periods. These purchases were offset by redemptions of short-term investments in the three and six-months ended April 30, 2023 of $8,000 and $16,500, respectively (April 30, 2022: $8,036 and $12,036, respectively).

Net finance income from the Company's cash and cash equivalents and short-term investments for the three and six-months ended April 30, 2023 were $287 and $473, respectively (April 30, 2022: $37 and $38, respectively). During the three and six-months ended April 30, 2023, the Company incurred capital expenditures of $3,260 and $4,008 respectively, primarily for property and equipment additions of rental equipment, and cartridges used in Blackline cartridge-as-a-service plans (April 30, 2022: $2,915 and $4,445, respectively).

Total short-term investments held as at April 30, 2023 amounted to $4,500 compared to $8,500 at October 31, 2022.

(CAD thousands)	April 30, 2023	October 31, 2022	% Change
Current assets	74,374	75,969	(2)
Current liabilities	(39,712)	(35,662)	11
Working capital(1)	34,662	40,307	(14)

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

Working capital at April 30, 2023 was $34,662 compared to $40,307 at the prior year end, a decrease of $5,645. The decrease was mainly due to a lower total of cash and cash equivalents and short-term investments, offset by decreases in accounts payable and other accrued liabilities and an increase in trade and other receivables.

The Company has 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 based on certain of the Company's monthly recurring revenue and bears interest at the Canada prime rate plus 200 bps for CAD advances or U.S. base rates plus 200 bps for USD advances.

The operating facility includes financial covenants, including a quarterly liquidity to cash burn ratio of not less than 9.0 to 1.0. The operating facility is secured, including a general security agreement over the property of Blackline Safety Corp. and its significant subsidiaries, including a second charge on assets of Blackline Safety SPV Seller Corp ("SPV"). The operating facility was drawn against as at April 30, 2023 with a maturity date of October 20, 2024. The Company was in compliance with all covenants as at April 30, 2023.

On April 12, 2023, Blackline's 100% owned subsidiary, SPV entered into a renewable one-year $15 million plus US $35 million securitization facility ("purchase facility") with a Canadian chartered bank ("the Purchaser") to sell tranches of lease receivables from safety wearables and area gas monitoring contracts. Under the purchase facility, leases are sold to the bank on a fully serviced and non-recourse basis, at a discount equal to the yield on a Government of Canada Bond or US Treasury Bond with a term to maturity that most closely matches the term of the relevant lease contracts forming part of the tranche plus 375 basis points. The purchase facility is expected to provide increased financial flexibility and supplement the Company's liquidity position while lowering its overall cost of capital to finance these customer lease contracts. The Company incurred set-up fees and will be charged monthly standby fees.

The purchase facility includes both financial and performance covenants, including maintaining a tangible net worth greater than $25 million tested monthly and an unrestricted cash balance of $250 tested quarterly.

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 operating facility, securitization 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 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 as at April 30, 2023 other than the manufacturing of owned modular cartridges used in the G7 connected suite of technologies which generate service revenue for the Company. These budgetary commitments will be funded primarily through cash flows from operations and the Company's credit facility.

Contractual Obligations

(CAD thousands)	Less than 1 year $	1-3 years $	Thereafter $	Total $
Finance lease obligations	696	1,140	34	1,870
Purchase commitments	367	134	-	501
Securitization facility commitment	4,691	4,798	351	9,840
Total	5,754	6,072	385	12,211

Contractual obligations relate to various lease obligations, raw materials purchase commitments, and payments under the lease securitization facility. The finance lease obligations above were not capitalized as the Company applies the practical expedients for short-term leases and leases of low-value assets in accordance with IFRS 16 *Leases*. Finance lease obligations that were capitalized as right-of-use assets have been recognized on the condensed 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. There were no material changes in the specified contractual obligations during the period ended April 30, 2023 besides the addition of the obligation to repay funds under the lease securitization facility.

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 six-month periods ended April 30, 2023 and 2022.

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 was based on the quoted price of the common shares on the TSX on the closing date.

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

Critical Accounting Judgments and Estimates

There were no changes to or additional use of critical accounting judgments and estimates for the period ended April 30, 2023. Further information on the Company's critical accounting judgements and estimates can be found in the notes to the annual consolidated financial statements and MD&A for the year ended October 31, 2022.

Changes in Accounting Policies Including Initial Adoption

New Accounting Policies Adopted by the Company

There were no new or amended standards that became applicable and were adopted by the Company for the period ended April 30, 2023.

New Accounting Policies Not Yet Adopted by the Company

There were no significant new accounting standards or interpretations issued during the period ended April 30, 2023.

Internal Controls and Procedures

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at April 30, 2023, 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.

There were no changes in our internal control over financial reporting during the period beginning on February 1, 2023 and ended April 30, 2023 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 April 30, 2023 fiscal period end:

Financial Assets

The financial assets held by the Company consisted of cash and cash equivalents and trade and other receivables. These financial assets are initially measured at fair value and subsequently measured 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, lease liabilities and the payments due under the lease securitization facility. These financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying amounts of these financial liabilities are not considered to be significantly different to their fair values due to the instruments' short-term nature.

The Company's risk exposure associated with these financial instruments and the strategies used to manage these risks are disclosed in Note 3 b) of the April 30, 2023 condensed consolidated interim financial statements of the Company. The amounts, timing and certainty of future cash flows associated with those financial instruments are also disclosed in this note. Blackline does not have any financial assets or liabilities that are measured subsequently at fair value, either through other comprehensive income or through profit or loss, or derivative financial instruments used for hedging.

Outstanding Share Data

Blackline had 72,309,055 common voting shares issued and outstanding as at June 12, 2023. The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$1.75	1,645,000
$2.75	639,000
$4.25	698,251
$5.26	1,146,001
$5.84	10,000
$6.05	177,500
$6.55	108,333
$8.00	540,000
$8.50	290,833
$8.93	75,000
Total	5,329,918

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Outlook

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

Throughout the first half of fiscal 2023, the Company's previous investments in its manufacturing, sales and marketing capabilities allowed Blackline to grow its revenue 40% year-over-year. We expect continued sales momentum and a strong growth trajectory for the rest of the fiscal year as we add material sales of our G6 zero-maintenance wearable to our robust sales of G7 and G7 EXO. Net Dollar Retention growth of 118% along with these new activations has pushed the Company's Annual Recurring Revenue above $40M and will continue to drive strong growth in our high margin service revenue as we continue to play our role in the transformation of the industrial workplace into a connected one.

The Company continues to assess its strategic opportunities in the current market conditions and will continue to manage its capital structure and liquidity risk in order to fund its product roadmap and strategic additions to its global sales and distribution network in order to execute our strategy to continue strong revenue and margin growth while achieving our goal of positive Adjusted EBITDA as part of a successful sustainable financial business model.

We believe are well-positioned to grow our market share with our comprehensive suite of connected safety products and services. With the addition of the G6, Blackline is now able to fully meet the gas detection and compliance requirements of thousands of new customers globally. We look forward to expanding our work with leading brands around the world – who share our purpose to ensure every worker has the confidence to get the job done and return home safe – to harness the power of data-driven safety to optimize their performance, increase their competitiveness and empower their people.

Non-GAAP and Supplementary Financial Measures

Non-GAAP and supplementary financial measures, including non-GAAP ratios not recognized under IFRS are provided where management believes they assist the reader in understanding Blackline's results. The calculations of the non-GAAP and supplementary financial measures are consistent, except where described, 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:

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

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Change in Composition of Non-GAAP Financial Measure

In the fourth quarter of fiscal 2022, Management 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 April 30,**		**Six-months ended April 30,**	
(CAD thousands)	**2023**	**2022**	**2023**	**2022**
Adjusted EBITDA	-	(5,966)	-	(10,723)
Adjusted EBITDA per common share – Basic and diluted	-	(0.09)	-	(0.18)

Reconciliation of non-GAAP financial measures	**Three-months ended April 30,**			**Six-months ended April 30,**		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Net loss	(6,557)	(14,543)	(55)	(14,249)	(27,416)	(48)
Depreciation and amortization	2,058	1,619	27	3,795	3,134	21
Finance income, net	(222)	(57)	289	(501)	(122)	311
Income taxes	103	148	(30)	292	148	97
Stock-based compensation expense(1)	202	310	(35)	742	367	102
Foreign exchange loss (gain)(2)	(1,226)	(1)	NM	(1,952)	241	NM
Other non-recurring impact transactions(3)	1,142	194	489	1,142	194	489
Adjusted EBITDA(4)	(4,500)	(12,330)	64	(10,731)	(23,454)	54

(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 condensed consolidated statements of loss and comprehensive loss.
(2) During the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to include an adjustment for foreign exchange loss (gain). Comparative periods have been restated to reflect this change.
(3) Other non-recurring impact transactions in the current period include consulting and legal fees related to the completion of the lease securitization facility and separation related costs comprising of severance, stock forfeitures and accelerated vesting related to the departure of an officer of the Company.
(4) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition in the fourth fiscal quarter of 2022 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.
NM – Not meaningful

Non-GAAP Ratios

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

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

"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.

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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
- **"Working capital"** represents current assets minus current liabilities
- "**Annual recurring revenue**" represents total annualized value of recurring service amounts of all service contracts
- "**Net dollar retention**" represents the aggregate service revenue contractually committed
- **"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
- **"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

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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 and associated service revenue, undiscounted payments under non-cancellable finance lease contracts; anticipated orders for G6, G7 and G7 EXO; the results of Blackline's building up stock on hand; the Company's expectation that it will continue to pursue multiple levels of equity and debt financing, government grants and funding arrangements and the results thereof; management's belief that the Company has sufficient funds to support the growth of the Company and to fund its development activities; the financing of the Company's working capital and capital expenditure commitments; the Company's expectation that it will continue sales momentum and strong growth trajectory for the rest of the fiscal year as it pursues the transformation of the industrial workplace into a connected one; 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.

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

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

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

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