Blackline Safety Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE-MONTH PERIODS ENDED JULY 31, 2023

blacklinesafety

blacklinesafety

Notice

This Management's Discussion and Analysis ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation", the "Company", "we", or "our") unaudited condensed consolidated interim financial statements and accompanying notes, prepared in accordance with International Accounting Standard 34 *Interim Financial Statements* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, for the three and nine-month periods ended July 31, 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.sedarplus.ca under Blackline Safety Corp.

This MD&A is presented as of September 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.

blacklinesafety

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 49,818 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 216 billion data points, over 3.1 billion locations and over 6.8 billion location-enabled gas readings.

Blackline's revenues are comprised of product and service revenues, which are the two operating segments (as determined in accordance with IFRS) of the Company. Product revenues are generated from sales of Blackline's connected safety monitoring hardware devices and accessories to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on and fluctuations in any one market space. For the three and nine-months ended July 31, 2023, product revenue was $11,255 and $31,881, accounting for 45% and 46% of total revenue, respectively (July 31, 2022: $8,910 and $24,092, accounting for 48% 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 nine-months ended July 31, 2023, service revenue was $13,575 and $38,090, accounting for 55% and 54% of total revenue, respectively (July 31, 2022: $9,657 and $26,809, accounting for 52% 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, and an allocation of overhead. For the three and nine-months ended July 31, 2023, Blackline's product cost of sales were $7,973 and $23,772, respectively (July 31, 2022: $7,409 and $20,898, respectively) and service cost of sales were $3,435 and $9,871, respectively (July 31, 2022: $2,884 and $8,281, respectively).

blacklinesafety

Highlights

(CAD thousands, except per share and percentage amounts)	Three-months ended July 31, 2023	2022	% Change	Nine-months ended July 31, 2023	2022	% Change
Product revenue	11,255	8,910	26	31,881	24,092	32
Service revenue	13,575	9,657	41	38,090	26,809	42
Total Revenue	24,830	18,567	34	69,971	50,901	37
Gross margin	13,422	8,274	62	36,328	21,722	67
Gross margin percentage[1]	54%	45%		52%	43%	
Total Expenses	20,092	24,605	(18)	57,456	65,442	(12)
Total Expenses as a percentage of revenue[1]	81%	133%		82%	129%	
Net loss	(6,842)	(16,291)	(58)	(21,092)	(43,707)	(52)
Loss per common share - Basic and diluted	(0.09)	(0.27)	(65)	(0.29)	(0.72)	(59)
Adjusted EBITDA[1 & 2]	(3,760)	(11,517)	67	(14,491)	(34,971)	59
Adjusted EBITDA per common share[1 & 2] - Basic and diluted	(0.05)	(0.19)	73	(0.20)	(0.58)	65

(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)	July 31, 2023	October 31, 2022	% Change
Cash and cash equivalents and short-term investments	17,626	31,140	(43)
Working capital[1]	33,622	40,307	(17)
Total assets	104,703	108,049	(3)
Non-current liabilities	28,718	20,025	43
Shareholders' equity	35,922	52,362	(31)

(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.

(CAD thousands)	As at July 31, 2023	2022	% Change	As at October 31, 2022	% Change
Annual Recurring Revenue[1]	47,008	32,942	43	36,597	28

(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 July 31,			As at October 31,	
	2023	**2022**	**Change**	**2022**	**Change**
Net Dollar Retention(1)	125%	105%	2,000 bps(2)	105%	2,000 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 July 31,			Nine-months ended July 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Product revenue	11,255	8,910	26	31,881	24,092	32
Service revenue	13,575	9,657	41	38,090	26,809	42
Total Revenues	24,830	18,567	34	69,971	50,901	37
Product revenue as a percentage of revenue(1)	45%	48%		46%	47%	
Service revenue as a percentage of revenue(1)	55%	52%		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 July 31, 2023 was $24,830 which is an increase of $6,263 from $18,567 in the prior year comparative quarter. The 34% increase was driven by higher sales of our connected safety products as well as steady growth in recurring service revenues from new hardware sales over the past twelve months and by customer renewals of service on existing devices.

Total revenue for the nine-month period ended July 31, 2023, increased $19,070 or 37% 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 July 31, 2023 was $11,255, an increase of $2,345 or 26% compared to $8,910 in the prior year comparative quarter. The increase reflects the Company's expanded sales network and past investments in our global sales team through their aggressive demand generation and sales development activities. The Company's enhanced pricing strategy also contributed to the increase.

During the nine-month period ended July 31, 2023, product revenue was $31,881 compared to $24,092, an increase of $7,789 compared to the prior year comparative period. The 32% increase was a result of the contribution of the expanded sales team particularly in the United States and European markets.

Service Revenue

(CAD thousands)	Three-months ended July 31, 2023	2022	% Change	Nine-months ended July 31, 2023	2022	% Change
Software services revenue	12,429	8,810	41	34,403	25,271	36
Rental revenue	1,146	847	35	3,687	1,538	140
Total service revenue	13,575	9,657	41	38,090	26,809	42
Software services revenue as a percentage of service revenue(1)	92%	91%		90%	94%	
Rental revenue as a percentage of service revenue(1)	8%	9%		10%	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.

The Company's third quarter total service revenue increased $3,918 or 41% to $13,575 compared to $9,657 in the same period last year.

Software services revenue for the third quarter was $12,429, an increase of 41% from $8,810 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 $3,619 included newly activated device service revenues of $1,391 in the third quarter as well as net service revenue increases within our existing customer base of $2,359 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 $133 in the same period.

Rental revenue increased by 35% to $1,146 from $847 in the three-months ended July 31, 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 nine-month period ended July 31, 2023 increased $11,281 or 42% to $38,090 compared to $26,809 in the same period last year.

Software service revenue for the nine-months ended July 31, 2023 was $34,403 which was an increase of $9,132 or 36% compared to $25,271 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 140% in the nine-months ended July 31, 2023 when compared to the prior year period as a result of the Company's focus on the rental market.

Revenues from external customers by country/geographic area

(CAD thousands)	Three-months ended July 31, 2023	2022	% Change	Nine-months ended July 31, 2023	2022	% Change
Canada	5,735	4,837	19	17,699	13,282	33
United States	11,798	8,654	36	32,708	22,535	45
Europe	6,125	3,955	55	15,147	11,943	27
Rest of World	1,172	1,121	5	4,417	3,141	41
Total revenues	24,830	18,567	34	69,971	50,901	37
Canada as a percentage of revenue(1)	23%	26%		25%	26%	
United States as a percentage of revenue(1)	48%	47%		47%	44%	
Europe as a percentage of revenue(1)	25%	21%		22%	24%	
Rest of World as a percentage of revenue(1)	4%	6%		6%	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 third quarter of fiscal 2023. The third quarter of fiscal 2023 saw our European sales team take advantage of a strengthening industrial safety sector, resulting in a 55% 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)	**July 31, 2023**	**October 31, 2022**
Within one year	16,658	13,301
Later than one year but not later than five years	21,518	22,677
Total	38,176	35,978

The 6% 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

	Three-months ended July 31,			**Nine-months ended July 31,**		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Product	7,973	7,409	8%	23,772	20,898	14%
Service	3,435	2,884	19%	9,871	8,281	19%
Total cost of sales	11,408	10,293	11%	33,643	29,179	15%
Product cost of sales as a percentage of segment revenue(1)	71%	83%		75%	87%	
Service cost of sales as a percentage of segment revenue(1)	25%	30%		26%	31%	
Cost of sales as a percentage of revenue(1)	46%	55%		48%	57%	

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

Cost of sales for the three and nine-months ended July 31, 2023, totaled $11,408 and $33,643, respectively compared to $10,293 and $29,179 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 $564 or 8% in the third quarter compared to the prior year comparative quarter due to increased material costs of $2,007 as more products were sold. The increase in material costs were partially offset by a decrease in scrappage, rework and obsolete inventory charges by $1,415 in the third quarter compared to the prior year quarter. This decrease is due to the Company's ongoing efforts to streamline its inventory management and improve product quality by enhancing component quality and refining its production processes. The Company also incurred costs in the prior year quarter to replace certain customers' older generation products with current models and products where connectivity is better supported in the region of service.

Product costs of sales for the nine-month period ended July 31, 2023 were $23,772 compared to $20,898 in the prior year comparative period, an increase of $2,874 largely due to an increase in material costs of $3,948. The increase in material costs were partially offset by lower scrappage, rework and obsolete inventory charges of $1,559, as the Company improved its inventory management and production process. The Company also incurred costs in the prior year quarter to replace certain customers' older generation products with current models and products.

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 $417 in the period compared to the prior year comparative period due to a higher warranty provision in line with a greater number of devices under warranty in service.

Service Cost of Sales

Service cost of sales increased by $551 or 19% in the third 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 third quarter as well as increased spending year-over-year on security and reliability for the Blackline Live portal. Salaries expense also increased in the third quarter compared to the prior year comparative quarter.

Service cost of sales were $9,871 during the nine-months ended July 31, 2023, compared to $8,281 in the prior year comparative period, an increase of $1,590. The increase is due to higher connectivity and data costs as well as depreciation on owned cartridges generating cartridge-as-a-service revenue. Service cost of sales also increased due to additional salaries from the software team which were allocated to improving the reliability and security of the Blackline Live Portal.

Gross Margin

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Product	3,282	1,501	119	8,109	3,194	154
Service	10,140	6,773	50	28,219	18,528	52
Gross margin	13,422	8,274	62	36,328	21,722	67
Product gross margin percentage(1)	29%	17%		25%	13%	
Service gross margin percentage(1)	75%	70%		74%	69%	
Gross margin percentage(1)	54%	45%		52%	43%	

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

Total gross margin for the third quarter was $13,422 compared to $8,274 in the prior year quarter. This represented a total gross margin percentage of 54%, a 9% 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 third quarter increased to 29% from 17% 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 continued to process 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 third quarter increased to 75% from 70%. 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 benefited from our enhanced pricing structure.

Total gross margin for the nine-months ended July 31, 2023, increased $14,606 or 67% to $36,328 from $21,722 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 25% for the nine-months ended July 31, 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 nine-months ended July 31, 2023, increasing from 69% in the prior year comparative period due to 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

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
General and administrative expenses	5,696	6,164	(8)	17,954	17,325	4
General and administrative expenses as a percentage of revenue[1]	23%	33%		26%	34%	

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

General and administrative expenses is comprised of the salaries, benefits and stock-based compensation expense for the accounting and finance, business 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 decreased $468 or 8% in the third quarter to $5,696 from $6,164 in the prior year quarter, primarily due to reduced legal and consulting expenses due to the Company's continued focus on reducing costs. There was also a loss recorded on dispositions in the prior year quarter with no such loss in the current year quarter. Stock-based compensation expense increased in the third quarter due to the impact of employee forfeitures in the prior year quarter from stock options previously granted. General and administrative expenses as a percentage of total revenue decreased to 23% from 33% for the third quarter compared to the prior year comparative quarter.

During the nine-months ended July 31, 2023, general and administrative expenses increased 4% or $629, from $17,325 to $17,954 from the prior year comparative period. This is primarily an increase in stock-based compensation expense from a directors and officers stock option grant in the current year and the impact of employee forfeitures in the prior year. There was also an increase in salaries expenses in the current year compared to the prior year as the Company expanded its administrative functions to support the scaling of the business. These increases were offset by lower recruiting costs due to the internalization of the recruitment function. The Company also incurred non-recurring expenses in the second quarter of the current year related to the completion of the lease securitization facility. During the nine-months ended July 31, 2023, general and administrative expenses as a percentage of total revenue decreased to 26% from 34% compared to the prior year comparative period. Excluding the non-recurring expenses in the second quarter of the current year, general and administrative expenses were 24% of revenue.

Sales and marketing expenses

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Sales and marketing expenses	9,343	9,660	(3)	25,754	27,498	(6)
Sales and marketing expenses as a percentage of revenue[1]	38%	52%		37%	54%	

(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 third quarter decreased $317 or 3% to $9,343 from $9,660 compared to the prior year quarter. This was primarily due to a decrease in salaries and contractor costs as the Company undertook workforce reductions during the latter half of fiscal 2022. There were also decreases in travel related costs, subscription and license costs as a result of the cost reduction initiatives. Bad debt expense was lower in the current quarter compared to the prior year quarter due to improvements in the overall aging of the Company's receivables and lower write-offs. These decreases were offset by an increase to distributor and employee sales commissions due to the increase in sales in the third quarter as compared to the prior year quarter. Our third quarter sales and marketing expenses as a percentage of total revenue decreased to 38% from 52% compared to the prior year comparative quarter.

During the nine-months ended July 31, 2023, sales and marketing expenses decreased $1,744 or 6% to $25,754 from $27,498 compared to the prior year comparative period. This was largely due to a decrease in salaries and contractor expenses as well as decreases in marketing and tradeshow costs which were strategically reduced during the first half of the year compared to the previous year. There were also decreases in subscription and license 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 nine-month period ended July 31, 2023, decreased to 37% from 54% compared to the prior year comparative period.

Product research and development costs

	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Product research and development costs	4,251	7,517	(43)	14,898	19,115	(22)
Product research and development costs as a percentage of revenue(1)	17%	40%		21%	38%	

(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 $3,266 or 43% during the third quarter of 2023 to $4,251 from $7,517 in the prior year comparative quarter. The decrease was largely attributed to a decrease in salaries, recruitment and consulting costs of $2,679 as a result of the workforce reduction that the Company undertook in the prior year. There were also other decreases in subscription and license costs due to the Company's continued efforts to reduce costs and a decrease in stock based compensation expenses due to larger employee grants in the previous year quarter compounded by forfeitures recorded in the current quarter. Our third quarter product research and development costs as a percentage of total revenue decreased to 17% from 40% last year.

Product research and development costs decreased $4,217 or 22% during the nine-months ended July 31, 2023, to $14,898 from $19,115 in the prior year period primarily due to a decrease in salaries, recruitment and consulting costs of $3,343 as the Company significantly reduced its use of internal and external resources following the completion of the development of G6. The Company also benefited from a decrease in subscriptions and licenses expenses due to the ongoing efforts to reduce costs. Partially offsetting these decreases include a one-time separation cost incurred for the departure of the Company's Chief Technology Officer and the lack of a research expenditure credit received in fiscal year 2023 which was received in the first quarter of 2022 from the UK government. During the nine-month period ended July 31, 2023, product research and development costs as a percentage of total revenue decreased to 21% from 38% in prior year.

Foreign exchange gain or loss

(CAD thousands)	Three-months ended July 31, 2023	2022	% Change	Nine-months ended July 31, 2023	2022	% Change
Foreign exchange (gain) loss	802	1,264	(37)	(1,150)	1,504	NM
Foreign exchange (gain) loss as a percentage of revenue[(1)]	3%	7%		2%	3%	

(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 loss was $802 in the third quarter compared to a loss of $1,264 in the prior year comparative quarter. The Canadian dollar ended in the third quarter at 1.32 USD/CAD, 1.45 EUR/CAD and 1.69 GBP/CAD compared to 1.35 USD/CAD, 1.36 EUR/CAD and 1.57 GBP/CAD at October 31, 2022. The average exchange rates of 1.35 USD/CAD, 1.45 EUR/CAD and 1.69 GBP/CAD during the third quarter of 2023 were weaker than the same period in 2022 when they averaged 1.29 USD/CAD, 1.34 EUR/CAD and 1.58 GBP/CAD.

During the nine-months ended July 31, 2023, total net realized and unrealized foreign exchange gain was $1,150 compared to a loss of $1,504 during the same period of the prior year. The average exchange rates of 1.35 USD/CAD, 1.45 EUR/CAD and 1.66 GBP/CAD during the nine-months ended July 31, 2023 were weaker than the same period in 2022 when they averaged 1.27 USD/CAD, 1.39 EUR/CAD and 1.65 GBP/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, trade accounts payable and securitization facility payable at the end of the period.

Finance income, Net

Finance income, net of finance expenses was $16 and $517 for the three and nine-months ended July 31, 2023. This was compared to $38 and $160 in the comparable prior year periods. The decrease in the three-months ended July 31, 2023 was due to higher interest rates on the Company's senior secured operating facility ("operating facility") and interest expense on the Company's securitization facility. This was offset by the Company's finance lease interest revenue as revenue from finance leases increased, as well as higher interest rates obtained on the Company's short-term investments. The increase in the nine-months ended July 31, 2023 was due to higher finance lease interest revenue, partially offset by the interest expense on the Company's operating facility and interest expense on the Company's securitization facility.

Net loss and Adjusted EBITDA

Net loss was $6,842 and $21,092 for the three and nine-months ended July 31, 2023 compared to $16,291 and $43,707 in the prior year comparative periods. The decrease in net loss in the three-month period was due primarily to the increase in revenue, decreases in general and administrative expenses, sales and marketing expenses, and product research and development costs.

For the nine-months ended July 31, 2023, the decrease in net loss was attributable to the increase in revenue, decrease in sales and marketing and product research and development costs, partially offset by an increase in general and administrative expenses.

Adjusted EBITDA was $(3,760) and $(14,491) for the three and nine-months ended July 31, 2023 compared to $(11,517) and $(34,971) in the prior year comparative periods. The increase in Adjusted EBITDA was primarily due to the increase in gross margin and the decrease in net loss compared to the prior year comparable periods.

Total Assets and Liabilities

(CAD thousands)	July 31, 2023	October 31, 2022	% Change
Total assets	104,703	108,049	(3)
Total liabilities	68,781	55,687	24

Blackline's total assets as at July 31, 2023 were $104,703 compared to $108,049 as at October 31, 2022. The decrease in total assets is primarily due to a decrease in cash and cash equivalents and short-term investments, offset by an increase in trade and other receivables.

Trade and other receivables as at July 31, 2023 totaled $42,284, compared to $30,943 as at October 31, 2022, an increase of $11,341. This is primarily due to increased trade accounts receivable of $10,427 as the Company had significantly more sales in the period.

Inventory totaled $16,619 as at July 31, 2023 compared to $18,712 as at October 31, 2022. Overall, the decrease in inventory is primarily due to a decrease in finished goods as the Company sold more products, while more effectively managing its supply chain and improving its inventory turns during the period.

Total contract assets, consisting of current and non-current costs related to the fulfillment of 'G7 lease' contracts, were $2,740 as at July 31, 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. Prepaid expenses were $3,383 as at July 31, 2023 compared to $2,215 at October 31, 2022, an increase of $1,168.

Property and equipment as at July 31, 2023 was $13,297 compared to $12,807 at the prior year end. There were additions of $1,709 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 $1,906 at July 31, 2023, compared to $2,195 at October 31, 2022. The decrease is due to amortization in the current nine-month period.

Right-of-use assets were $1,965 at July 31, 2023 compared to $2,513 at October 31, 2022. The decrease is primarily due to amortization of right-of-use assets in the current nine-month period.

Total liabilities as at July 31, 2023 were $68,781 compared to $55,687 as at October 31, 2022. Total current liabilities at July 31, 2023 increased to $40,063 from $35,662 at October 31, 2022. Accounts payable and other accrued liabilities at July 31, 2023 decreased to $17,485 from $19,155 at October 31, 2022 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 $1,811 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 $13,250 at July 31, 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 fulfillment of 'G7 lease' contracts was $1,834 compared to $1,323 at the prior year end. The increase is due to a larger number of lease contracts being added in the current nine-month period. The current portion of the Company's lease liabilities remained consistent at $823 at July 31, 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 $4,860 at July 31, 2023. The Company repaid $809 on the securitization facility during the three and nine-months ended July 31, 2023.

Total non-current liabilities as at July 31, 2023 were $28,718 compared to $20,025 as at October 31, 2022. The non-current portion of warranty provision was $757 as at July 31, 2023 compared to $477 at the prior year end. The non-current portion of the Company's deferred revenue increased to $12,165 as at July 31, 2023 from $7,374 at the prior year end, due to payments in advance from customers for service contracts, offset by service revenue recognized in the period. The non-current portion of contract liabilities was $1,813 as at July 31, 2023 compared to $1,806 at the prior year end.

The non-current portion of the Company's lease liabilities as at July 31, 2023 decreased to $1,309 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 $5,655 as at July 31, 2023.

Bank indebtedness as at July 31, 2023 decreased to $7,019 from $8,575 at the prior year end. The Company received net proceeds of $16 on the operating facility during the three-months ended July 31, 2023, and repaid $1,556 during the nine-months ended July 31, 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 July 31, 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	24,830	24,095	21,046	22,030	18,567	16,665	15,670	19,266
Gross margin percentage(1)	54%	52%	49%	48%	45%	42%	41%	47%
Net loss	(6,842)	(6,557)	(7,692)	(9,940)	(16,291)	(14,543)	(12,873)	(9,606)
Net loss per common share	(0.09)	(0.09)	(0.11)	(0.14)	(0.27)	(0.24)	(0.21)	(0.17)
Adjusted EBITDA(1 & 2)	(3,760)	(4,500)	(6,231)	(7,653)	(11,517)	(12,330)	(11,124)	(7,814)
Adjusted EBITDA per common share(1 & 2)	(0.05)	(0.06)	(0.09)	(0.11)	(0.19)	(0.20)	(0.18)	(0.14)

(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.

Fiscal Year 2023

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

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.

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 $13,126 as at July 31, 2023. Cash and cash equivalents decreased $9,514 or 42% compared to October 31, 2022.

blacklinesafety

(CAD thousands)	Three-months ended July 31, 2023	2022	% Change	Nine-months ended July 31, 2023	2022	% Change
Cash provided by (used in) operating activities	(5,455)	(19,541)	72	(20,089)	(37,026)	46
Cash provided by (used in) financing activities	2,074	(7)	NM	8,687	(39)	NM
Cash provided by (used in) investing activities	(2,088)	7,012	NM	(1,535)	11,531	NM
Effect of foreign exchange	1,170	1,031	13	3,423	1,588	116
Total net increase (decrease) in cash and cash equivalents	(4,299)	(11,505)	63	(9,514)	(23,946)	60

NM – Not meaningful

Operating activities during the three and nine-months ended July 31, 2023 used $5,455 and $20,089 of cash, respectively (July 31, 2022: $19,541 and $37,026, respectively). The decrease in cash used was a result of a lower net loss for the periods and also changes in non-cash working capital of $(985) and $(5,905) for the three and nine-months ended July 31, 2023, respectively, (July 31, 2022: $(5,369) and $1,246, respectively).

Changes in non-cash working capital for the three-months ended July 31, 2023 compared to the prior year quarter were mainly due to increases in trade and other receivables of $4,266 compared to a decrease in trade and other receivables of $1,129 in the prior year quarter. Accounts payable and other accrued liabilities used $229 of cash compared to the prior year quarter which used $2,479 of cash. These were offset by a decrease in inventory of $1,371 compared to an increase in inventory of $1,261 in the prior year quarter as the Company increased inventory build in the prior year quarter due to the past global supply chain challenges. There were also net changes in other receivables — non-current of $1,122, and net changes in deferred revenue of $1,596 (July 31, 2022: Other receivables — non-current $(1,778) and deferred revenue $(191)).

For the nine-months ended July 31, 2023, the decrease in changes in non-cash working capital were mainly due to decreases in inventory of $2,299 compared to an increase in inventory build of $6,297 in the prior comparable period as the Company navigated through increasing inventory in the face of global supply challenges. There were also net changes in trade and other receivables of $(11,718), prepaid expenses and advances $(1,143) and accounts payable and other accrued liabilities of $(1,812) (July 31, 2022: trade and other receivables $3,125, prepaid expenses and advances $(1,259), and accounts payable and other accrued liabilities of $1,614). These were mainly offset by net changes in deferred revenue of $4,628 compared to $7,021 in the prior comparable period.

Financing activities for the three and nine-months ended July 31, 2023 provided $2,074 and $8,687 of cash, respectively (three and nine-months ended July 31, 2022 used $7 and $39 of cash, respectively). This was mainly from the funds received under the securitization facility of $2,600 and $10,865 during the three and nine-months ended July 31, 2023. For the three and nine-months ended July 31, 2023 there were repayments on the securitization facility of $809 for both periods. During the three-months ended July 31, 2023, there were also proceeds of bank indebtedness of $16 and repayments of $1,556 during the nine-months ended July 31, 2023, compared to $nil in both comparable periods of the prior year. Lease liability repayments of $218 and $710 were made during the three and nine-months ended July 31, 2023, compared to $248 and $692 in the prior year comparable periods.

Investing activities for the three and nine-months ended July 31, 2023 used $2,088 and $1,535 of cash, respectively (three and nine-months ended July 31, 2022 provided $7,012 and $11,531 of cash, respectively). There were no purchases of short-term investments in the three-months ended July 31, 2023 while purchases of short-term investments totaled $12,500 for the nine-month period in 2023 compared to $nil for both comparative periods in 2022. These purchases were offset by redemptions of short-term investments in the three and nine-months ended July 31, 2023 of $nil and $16,500, respectively (July 31, 2022: $8,046 and $20,083, respectively).

During the three and nine-months ended July 31, 2023, the Company incurred capital expenditures of $1,449 and $5,456 respectively, primarily for property and equipment additions of rental equipment, and cartridges used in Blackline cartridge-as-a-service plans (July 31, 2022: $1,034 and $5,478, respectively).

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

(CAD thousands)	July 31, 2023	October 31, 2022	% Change
Current assets	73,685	75,969	(3)
Current liabilities	(40,063)	(35,662)	12
Working capital[(1)]	33,622	40,307	(17)

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

Working capital at July 31, 2023 was $33,622 compared to $40,307 at the prior year end, a decrease of $6,685. The decrease was mainly due to a decrease in cash and cash equivalents and short-term investments and an increase in securitization facility payable, 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 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 Company had available capacity on its operating facility of $7,981 as at July 31, 2023 (October 31, 2022: $6,425).

The operating facility includes financial covenants, including a quarterly liquidity to cash burn ratio, as defined in the agreement with the Canadian financial institution, 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 the assets of Blackline Safety SPV Seller Corp (“SPV”). The operating facility was drawn against as at July 31, 2023 with a maturity date of October 20, 2024. The Company was in compliance with all covenants as at July 31, 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 with a Canadian chartered bank (“the Purchaser”) to sell tranches of lease receivables from safety wearables and area gas monitoring contracts. Under the securitization 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 securitization 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.

As of July 31, 2023, SPV had sold certain of its preexisting lease receivables, under the facility, and received cash consideration of $2,823 and USD $5,954. The Company repaid $216 and USD $444 on the securitization facility for the three and nine-months ended July 31, 2023. The Company had available capacity on its securitization facility of $12,133 and USD $28,949 as at July 31, 2023.

The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth, as defined in the agreement with the Canadian chartered bank, greater than $25 million tested monthly and an unrestricted cash balance of $250 tested quarterly. The Company was in compliance with all covenants as at July 31, 2023.

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 July 31, 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 operating facility.

Contractual Obligations

(CAD thousands)	Less than 1 year $	1-3 years $	Thereafter $	Total $
Finance lease obligations	692	937	66	1,695
Purchase commitments	211	46	—	257
Securitization facility commitment	4,860	5,083	572	10,515
Total	5,763	6,066	638	12,467

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. Other than the addition of the obligation to repay funds under the lease securitization facility, there were no material changes in the specified contractual obligations during the period ended July 31, 2023.

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 nine-month periods ended July 31, 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

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 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 to the critical accounting judgments and estimates for the period ended July 31, 2023 are as follows:

Tax regulations and legislation of which interpretations are made are subject to change. Changes to tax regulations and legislation and other assumptions are subject to measurement uncertainty. The Company is subject to taxes in various jurisdictions and evaluates its positions with respect to applicable tax regulations and legislation which are subject to interpretation. The Company recognizes provisions related to tax uncertainties when appropriate, based on an estimate of the amount that ultimately will be paid to the tax authorities as of the reporting date. To the extent that interpretations change, there may be a significant impact on the consolidated financial statements.

Changes in Accounting Policies Including Initial Adoption

New Accounting Policies Adopted by the Company

There were no new or amended standards that became applicable and were adopted by the Company for the period ended July 31, 2023.

New Accounting Policies Not Yet Adopted by the Company

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the July 31, 2023 reporting period and have not been early adopted by the Company.

In May 2023, the International Accounting Standards Board ("IASB") issued the International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 *Income Taxes.* The amendments provide a temporary exception to entities from the recognition and disclosure of information about deferred tax asserts and liabilities related to Pillar Two model rules. The relief is effective immediately upon release of the amendments and should be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, while the disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments on the consolidated financial statements and on foreseeable future transactions.

Internal Controls and Procedures

Our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have, as at July 31, 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 May 1, 2023 and ended July 31, 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 July 31, 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 July 31, 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 72,484,293 common voting shares issued and outstanding as at September 13, 2023. The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$1.75	1,535,000
$2.75	639,000
$3.47	75,000
$4.25	698,251
$5.26	1,142,251
$5.84	10,000
$6.05	77,500
$6.55	105,000
$8.00	540,000
$8.50	283,833
$8.93	75,000
Total	5,180,835

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, manufacturing and emergency response. 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 in hazardous locations across urban, suburban, rural, and remote settings, our products and services are as versatile and easy-to-use as they are robust.

Throughout the third quarter of fiscal 2023, the Company's previous investments in its manufacturing, sales and marketing capabilities allowed Blackline to grow its revenue 37% year-over-year. We expect sales momentum and a strong growth trajectory for the rest of the 2023 fiscal year to continue in fiscal 2024 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 125% along with these new activations has pushed the Company's Annual Recurring Revenue to nearly $50M 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 constantly assesses 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 and Free Cash Flow 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.

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 July 31,**		**Nine-months ended July 31,**	
(CAD thousands)	**2023**	**2022**	**2023**	**2022**
Adjusted EBITDA	—	(5,819)	—	(16,542)
Adjusted EBITDA per common share – Basic and diluted	—	(0.10)	—	(0.28)

Reconciliation of non-GAAP financial measures	Three-months ended July 31,			Nine-months ended July 31,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Net loss	(6,842)	(16,291)	58	(21,092)	(43,707)	52
Depreciation and amortization	1,821	1,755	4	5,616	4,889	15
Finance income, net	(16)	(38)	58	(517)	(160)	223
Income taxes	188	(2)	NM	481	147	227
Stock-based compensation expense(1)	287	416	(31)	1,029	783	31
Foreign exchange loss (gain)(2)	802	1,264	(37)	(1,150)	1,504	(176)
Other non-recurring impact transactions(3)	—	1,379	(100)	1,142	1,573	(27)
Adjusted EBITDA(4)	(3,760)	(11,517)	67	(14,491)	(34,971)	59

(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 year 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. Other non-recurring transactions in the prior year period include restructuring costs and acquisition expenses.
(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.

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

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 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.

This page intentionally blank

This page intentionally blank

This page intentionally blank

blacklinesafety

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