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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2025

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 Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), as set out in IAS 34 *Interim Financial Statements*, for the three-month period ended January 31, 2025. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2024, 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 March 11, 2025. 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 options, common shares, 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 Accounting Standards and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP financial measures, ratios and supplementary financial measures include EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization), Adjusted EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, foreign exchange loss (gain), and non-recurring impact transactions, if any), EBITDA per common share, Adjusted EBITDA per common share, gross margin percentage and other supplementary financial measures. See "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further information.

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

Overview

Founded in 2004 and headquartered in Calgary, Canada, Blackline Safety is a hardware-enabled software-as-a-service ("HeSaaS") technology company that is focused on bringing connected worker solutions to the global marketplace. Blackline develops, manufactures and markets a suite of safety devices and cloud-connected services in its Calgary headquarters to protect workers at their jobs and support businesses undergoing digital transformation. Blackline has foreign subsidiaries that support its global business located in the United Kingdom, France, United States and Australia, allowing Blackline to serve its customers around the world. Despite the presence of foreign subsidiaries, the Company's principal business activities, including key management and operations are primarily conducted from its principal office in Calgary.

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 G6 and G7 safety wearables, 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, evacuation 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, New Zealand and Africa.

G7 wearables feature the industry's first expandable interface that enables customization to support unique customer scenarios and requirements. All products feature plug-and-play cartridges that are configured 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 21 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, helping equipment to stay in the field and maximizing up-time. Old cartridges can be sent to Blackline for remanufacturing, thereby reducing 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. Conventional area monitors may suffer from short battery life, limited configurability and inadequate connectivity. Blackline's EXO area monitor provides global businesses with 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 EXO also offers connectivity by directly connecting to the cloud via 4G or satellite so there are no range limits between monitors or maximum number of devices allowed on the network.

Blackline launched the EXO 8 in September 2024, unveiling the new portable area monitor with direct-to-cloud area monitoring capable of detecting up to eight gases and gamma radiation. The EXO 8 contains enhanced features, including a gas expansion module with the ability to add up to eight sensors, optional integrated gamma radiation sensors, AlertLink capabilities and automatic bump and calibration service. The EXO 8 is targeted for large industrial organizations in the oil and gas, petrochemical, mining, hazardous materials, water and wastewater sectors and is intended for organizations to be able to rapidly respond to incidents involving hazardous substances.

Blackline's G6 device is a single-gas cloud-connected gas monitor. The mass-market 4G-enabled, cloud connected single gas monitor is complementary to the current G7 series of connected safety monitors. The longer-lasting connectivity and market leading efficiency enables fast incident response time along with Blackline's leading safety and compliance. The 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 that will help Blackline drive further growth with its lower price point, as a result lowering customers' operating cost base. The G6 monitor has enhancements to the service line known as "Protect" and "Protect Plus". These features enable the G6 to function with the same real-time connectivity as the G7 product line and includes an emergency SOS button as well as an expanded suite of data and analytics.

A significant portion of customers select Blackline's in-house, 24/7/365 Safety Operations Centre ("SOC"), although they also have the option to self-monitor the safety of their personnel using the Blackline Live cloud-based software platform. 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 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, customers are able to facilitate monitoring of their employees via approved Blackline Alarm Receiving Centre partners. Blackline's SOC, together with its partner Alarm Receiving Centres in Europe, now monitor over 66,000 devices.

Blackline has developed and innovated a proprietary cloud-hosted safety monitoring infrastructure that runs on Amazon Web Services. Blackline has deployed tens of thousands of safety wearables and area monitors that connect to the Blackline Safety Cloud, continuously streaming status, environmental, location, gas readings and alerts. This information enables Blackline's data-driven services including analytics, emergency response management, notifications to users and more. To date, the Blackline Safety Cloud has stored over 275 billion data points, over 3.9 billion locations and over 10.0 billion location-enabled gas readings.

Blackline's revenues are comprised of product and service revenues, which are the two operating segments of the Company. Product revenues are generated from sales of Blackline's connected safety monitoring hardware devices and accessories to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on and fluctuations in any one market space. For the three-months ended January 31, 2025, product revenue was $17,799, accounting for 47% of total revenue (January 31, 2024: $11,435, accounting for 43% of total revenue).

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 devices as well as device rental and data consulting services. For the three-months ended January 31, 2025, service revenue was $19,876, accounting for 53% of total revenue (January 31, 2024: $14,890, accounting for 57% of total revenue).

The Company also offers its products and services through a lease program with variable lease term commitments. These agreements are typically four years in length and 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.

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 centres, maintenance of the Blackline Live portal, communication costs for devices equipped with cellular and/or satellite technology, costs associated with rental equipment, and an allocation of overhead. For the three-months ended January 31, 2025, Blackline's product cost of sales was $10,733 (January 31, 2024: $8,123) and service cost of sales was $4,523 (January 31, 2024: $3,623).

Highlights

(CAD thousands, except per share amounts)	Three-Months Ended January 31, 2025	2024	% Change
Product revenue	17,799	11,435	56
Service revenue	19,876	14,890	33
Total Revenue	37,675	26,325	43
Gross profit	22,419	14,579	54
Gross margin percentage(1)	60%	55%	
Total Expenses	22,458	19,916	13
Total Expenses as a percentage of revenue(1)	60%	76%	
Net loss	(1,130)	(5,791)	(80)
Loss per common share - Basic and diluted	(0.01)	(0.08)	(88)
EBITDA(1)	2,056	(3,392)	NM
EBITDA per common share(1) - Basic and diluted	0.03	(0.05)	NM
Adjusted EBITDA(1)	1,517	(3,234)	NM
Adjusted EBITDA per common share(1) - Basic and diluted	0.02	(0.04)	NM

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

NM - Not meaningful

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Cash and cash equivalents and short-term investments	64,374	43,107	49
Working capital(1)	76,106	54,141	41
Total assets	176,498	146,879	20
Non-current liabilities	31,101	33,719	(8)
Shareholders' equity	84,377	57,613	46

(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 Accounting Standards and cannot be reconciled to a directly comparable IFRS Accounting Standards 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, adjusted 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 the expansion of existing contracts with our customers and indicates the continued strength in the growth of our business.

	As at January 31,			As at October 31,	
(CAD thousands)	2025	2024	% Change	2024	% Change
Annual Recurring Revenue(1)	70,920	54,245	31	66,404	7

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

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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 the trailing twelve-month 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, is upsold or downsold or is cancelled, but excludes the total service revenue from new activations during the period. NDR reflects the net expansion of our existing contracts with our customers and is 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 January 31,			As at October 31,	
	2025	**2024**	**Change**	**2024**	**Change**
Net Dollar Retention[1]	128%	130%	(200) bps[2]	127%	100 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 January 31,		
(CAD thousands)	**2025**	**2024**	**% Change**
Product revenue	17,799	11,435	56
Service revenue	19,876	14,890	33
Total Revenues	37,675	26,325	43
Product revenue as a percentage of revenue[1]	47%	43%	
Service revenue as a percentage of revenue[1]	53%	57%	
Total	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 January 31, 2025 was $37,675 which is an increase of $11,350 from $26,325 in the comparable period of the prior year. The 43% increase was driven by higher sales of our connected safety products as well as strong growth in recurring service revenues by customer upsell and expansion of service on existing devices.

Product Revenue

For the three-month period ended January 31, 2025, product revenue was $17,799, an increase of $6,364 or 56% compared to $11,435 in the prior year comparative quarter. The increase reflects the Company's increasing market demand, targeted demand generation and sales development activities. The Company's enhanced pricing strategy also contributed to the increase.

Service Revenue

(CAD thousands)	Three-Months Ended January 31, 2025	2024	% Change
Software services revenue	18,159	13,902	31
Rental revenue	1,717	988	74
Total service revenue	19,876	14,890	33
Software services revenue as a percentage of service revenue(1)	91%	93%	
Rental revenue as a percentage of service revenue(1)	9%	7%	
Total	100%	100%	

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

Total service revenue for the three-month period ended January 31, 2025 increased $4,986 or 33% to $19,876 compared to $14,890 in the comparative period of the prior year.

Software services revenue for the three-month period ended January 31, 2025 was $18,159, an increase of 31% from $13,902 in the prior year comparative 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 $4,257 included newly activated device service revenues of $383 in the first quarter as well as net service revenue increases within our existing customer base of $3,979 compared to the prior year comparative period. This was partially offset by certain customers who declined to renew their service plans resulting in an impact of $105 in the same period.

Rental revenue for the three-month period ended January 31, 2025 was $1,717, an increase of 74% from $988 in the prior year comparative quarter, as the Company continued to experience strong demand for its connected solutions in the manufacturing, industrial construction, turnaround and maintenance markets.

Revenues from customers by country/ geographic area

(CAD thousands)	Three-Months Ended January 31, 2025	2024	% Change
Canada	6,824	5,387	27
United States	19,337	12,983	49
Europe	9,069	6,488	40
Rest of World	2,445	1,467	67
Total revenues	37,675	26,325	43
Canada as a percentage of revenue(1)	19%	20%	
United States as a percentage of revenue(1)	51%	49%	
Europe as a percentage of revenue(1)	24%	25%	
Rest of World as a percentage of revenue(1)	6%	6%	
Total	100%	100%	

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

The three-month period ended January 31, 2025 saw robust growth across all regions. Our United States sales team delivered strong new hardware sales and growth in our service contracts with existing customers resulting in 49% growth or an increase of $6,354 compared to the prior quarter comparative period. The European market also had strong growth in the three-month period ended January 31, 2025, increasing 40% or $2,581. The Canadian market increased by 27% or $1,437 compared to the prior quarter comparative period. The Rest of World market grew 67% or $978 in the three-month period ended January 31, 2025, due to the expansion of the Company's sales presence in these global regions.

The Company's Rest of World market is primarily in Asia, the Middle East, Australia, New Zealand and Africa and has not been directly impacted by the ongoing military conflict between Russia and Ukraine or between Israel and Hamas. The growth in revenue across these markets is a result of the sales personnel covering these regions and the strategic targeting of customers in specific industries including energy, water treatment and utilities.

Lease Revenue

The Company leases certain of its safety monitoring equipment to customers through the Company's lease program with monthly, quarterly or annual payments.

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)	January 31, 2025	October 31, 2024
Within one year	27,087	23,088
Later than one year but not later than five years	36,844	31,867
Total	63,931	54,955

The 16% increase in undiscounted payments under non-cancellable finance lease contracts from October 31, 2024 is a result of new customers entering into finance lease agreements as well as existing customers renewing lease contracts.

Cost of Sales

	Three-Months Ended January 31,		
(CAD thousands)	2025	2024	% Change
Product	10,733	8,123	32
Service	4,523	3,623	25
Total cost of sales	15,256	11,746	30
Product cost of sales as a percentage of segment revenue[1]	60%	71%	
Service cost of sales as a percentage of segment revenue[1]	23%	24%	
Cost of sales as a percentage of revenue[1]	40%	45%	

(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-months ended January 31, 2025, totaled $15,256 compared to $11,746 in the prior year comparative period. The increase in the cost of sales for the product segment is a result of more products being sold in the period. The increase in the service segment is a result of costs expanding to support our growing customer base.

Product Cost of Sales

Product cost of sales increased by $2,610 or 32% in the three-months ended January 31, 2025 compared to the prior year comparative quarter primarily due to increases in material costs as more products were sold in the period. There were also increases in production salaries and related benefits due to increased headcount to be commensurate with increased production volume as we scale and increased unabsorbed costs in the quarter compared to the prior year comparative quarter. The increases were partially offset by lower applied overhead costs and decreased scrappage costs due to a lower volume of returned devices from the field in the three-months ended January 31, 2025 compared to the prior year comparative quarter.

Service Cost of Sales

Service cost of sales increased by $900 or 25% in the three-months ended January 31, 2025 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 first quarter and increases in depreciation on rental equipment and owned cartridges generating cartridge-as-a-service revenue. There were also increases in costs of rental scrappage as the Company's rental program expanded globally.

Gross Profit

	Three-Months Ended January 31,		
(CAD thousands)	**2025**	**2024**	**% Change**
Product	7,066	3,312	113
Service	15,353	11,267	36
Gross profit	22,419	14,579	54
Product gross margin percentage[(1)]	40%	29%	
Service gross margin percentage[(1)]	77%	76%	
Gross margin percentage[(1)]	60%	55%	

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

Total gross profit for the three-months ended January 31, 2025 was $22,419 compared to $14,579 in the prior year comparative quarter. This represented a total gross margin percentage of 60%, which increased from 55% in the prior year comparable quarter. The increase in total gross profit is due to a combination of higher sales volume, enhanced pricing strategy, production line automation and cost management within our product and service segment.

Product gross margin percentage for the three-months ended January 31, 2025 increased to 40% from 29% in the prior year comparative quarter due to increased sales volume and enhanced pricing strategy. The Company has also been able to automate more of its manufacturing line, achieve more effective cost management through improved supplier pricing, and improve the efficiency and throughput of its operations.

Service gross margin percentage for the three-months ended January 31, 2025 increased to 77% from 76% in the prior year comparative quarter. The increase reflects an expansion in customer base and continuous 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 strength in service gross margin percentage.

Expenses

	Three-Months Ended January 31,		
(CAD thousands)	**2025**	**2024**	**% Change**
General and administrative expenses	7,208	6,209	16
Sales and marketing expenses	11,512	9,156	26
Product research and development costs	4,932	4,745	4
Foreign exchange gain	(1,194)	(194)	NM
Total Expenses	22,458	19,916	13
General and administrative expenses as a percentage of revenue[(1)]	19%	24%	
Sales and marketing expenses as a percentage of revenue[(1)]	31%	35%	
Product research and development costs as a percentage of revenue[(1)]	13%	18%	
Total expenses as a percentage of revenue[(1)]	60%	76%	

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

NM - Not meaningful

Total expenses for the three-months ended January 31, 2025 was $22,458 compared to $19,916 in the prior year comparative quarter, an increase of 13% or $2,542. The increase was primarily due to increases in sales and marketing expenses and general and administrative expenses, partially offset by a higher foreign exchange gain. Although total expenses increased as compared to the prior year comparative quarter, every category of expenses saw a decrease as a percentage of total revenue. Total expenses as a percentage of revenue for the three-months ended January 31, 2025 decreased to 60% compared to 76% in the prior year comparative quarter.

General and administrative expenses

General and administrative expenses are comprised of the salaries, benefits and stock-based compensation expense for the accounting and finance, business information technology, operational management as well as general management staff, the executive management team and the Board of Directors of the Company. These costs also include professional fees, costs for internal and external systems supporting the Company's global operations, insurance costs, the costs of compliance associated with being a public company, depreciation of certain property and equipment and general corporate expenses.

General and administrative expenses for the three-months ended January 31, 2025 increased $999 or 16% to $7,208 from $6,209 in the prior year comparative quarter. This is largely due to salaries and related benefits, which increased primarily as the Company expanded administrative functions to support the scaling of the business as well as increased subscriptions and license fees to support the expansion of the team. The increases were partially offset by a decrease in amortization due to the impact of certain fully depreciated assets in the current period compared to the prior year comparative period. General and administrative expenses as a percentage of total revenue decreased to 19% from 24% for the three-months ended January 31, 2025 compared to the prior year comparative quarter.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits, internal and external commissions and stock-based compensation expense of the sales and marketing 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 three-months ended January 31, 2025 increased $2,356 or 26% to $11,512 from $9,156 compared to the prior year comparative quarter. This was primarily due to increases in salaries and related benefits expenses and recruiting costs due to increased headcount and contractor fees to support the Rest of World sales team with growing demand for our connected solutions in those regions. There were also increases to sales commissions due to higher sales in the quarter as compared to the prior year comparative quarter and an increase in bad debt expense due to higher provisions from certain older accounts. There were also increases in tradeshow expenses due to a higher number of tradeshows attended in the three-months ended January 31, 2025. These increases were offset by a decrease in distributor commissions due to a lower number of lease contracts referred through channel distributors in the quarter. Sales and marketing expenses as a percentage of total revenue decreased to 31% for the three-months ended January 31, 2025 from 35% in the prior year comparative quarter.

Product research and development costs

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

Product research and development costs increased $187 or 4% during the three-months ended January 31, 2025 to $4,932 from $4,745 in the prior year comparative quarter. The increase was largely attributed to higher consulting costs incurred to accelerate product development efforts as well as increased salaries and related benefits expenses due to the increase in headcount in the first quarter of 2025 compared to the prior year comparative period. Product research and development costs as a percentage of total revenue decreased to 13% for the three-months ended January 31, 2025 from 18% in the prior year comparative quarter.

Foreign exchange gain

Total net realized and unrealized foreign exchange gain was $1,194 in the three-months ended January 31, 2025 compared to a gain of $194 in the prior year comparative quarter. The Canadian dollar ended the first quarter at 1.45 USD/CAD, 1.50 EUR/CAD and 1.80 GBP/CAD compared to 1.34 USD/CAD, 1.45 EUR/CAD and 1.70 GBP/CAD as at January 31, 2024. The average exchange rates were 1.42 USD/CAD, 1.49 EUR/CAD and 1.80 GBP/CAD during the first quarter of 2025 compared to the prior year comparative quarter when they averaged 1.35 USD/CAD, 1.47 EUR/CAD and 1.70 GBP/CAD.

The foreign exchange gain relates predominately to the impact of changes in the Canadian dollar on the Company's foreign currency denominated cash and cash equivalents, trade and other receivables, trade accounts payables and other accrued liabilities and securitization facility payables at the end of the period.

Finance expense, Net

Finance expense, net was $109 for the three-months ended January 31, 2025 compared to net finance expense of $186 in the comparable prior year period. Finance expenses were lower in the quarter due to the higher interest revenue from finance leases and financial assets held for cash management purposes, offset by interest expense on the Company's senior secured operating facility and securitization facility.

Net loss, EBITDA and Adjusted EBITDA

Net loss was $1,130 for the three-months ended January 31, 2025 compared to $5,791 in the prior year comparative quarter. The decrease in net loss in the three-month period was primarily due to the increase in revenue and overall gross profit as well as a higher foreign exchange gain, offset by an increase in total expenses.

EBITDA for the three-months ended January 31, 2025 was $2,056 compared to $(3,392) in the prior year comparative quarter. The increase in EBITDA was primarily due to the increase in revenue and gross profit.

Adjusted EBITDA was $1,517 for the three-months ended January 31, 2025 compared to $(3,234) in the prior year comparative quarter. The increase in Adjusted EBITDA was primarily due to the increases in EBITDA, stock-based compensation expense and other non-recurring impact transactions, partially offset by a higher foreign exchange gain compared to the prior year comparable period.

Key Assets and Liabilities

(CAD thousands)	**January 31, 2025**	**October 31, 2024**	**% Change**
Total assets	176,498	146,879	20
Total liabilities	92,121	89,266	3

Total assets as at January 31, 2025 were $176,498 compared to $146,879 as at October 31, 2024. The increase in total assets is primarily due to increases in short-term investments, trade and other receivables and non-current receivables, partially offset by a decrease in cash and cash equivalents.

Total liabilities as at January 31, 2025 were $92,121 compared to $89,266 as at October 31, 2024. The increase in total liabilities is primarily due to increases in deferred revenue and accounts payable and other accrued liabilities, partially offset by decreases in contract liabilities, securitization facility payables and bank indebtedness.

Trade and other receivables

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Trade accounts receivable	39,820	33,999	17
Other receivables – current	11,392	10,073	13
Other receivables – non-current	15,620	12,471	25
Loss allowance	(874)	(478)	83
Total	65,958	56,065	18

Trade and other receivables as at January 31, 2025 totaled $65,958, compared to $56,065 as at October 31, 2024, an increase of $9,893 or 18%. This is primarily due to an increase in trade accounts receivable of $5,821 due to the increase in revenue and timing of collections. Current and non-current other receivables increased $4,468 as at January 31, 2025 compared to October 31, 2024 due to an increase in finance leases entered into in the quarter.

Inventory

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Parts	10,522	10,024	5
Finished goods	6,244	6,802	(8)
Total	16,766	16,826	—

Inventory totaled $16,766 as at January 31, 2025 compared to $16,826 as at October 31, 2024. Overall, inventory remained consistent as the Company maintained inventory levels, while more effectively managing its supply chain and continuously working towards improving its inventory turns during the period.

Contract assets and contract liabilities

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Contract assets			
Current	1,889	1,755	8
Non-current	960	1,039	(8)
Total	2,849	2,794	2
Contract liabilities			
Current	2,853	3,757	(24)
Non-current	924	933	(1)
Total	3,777	4,690	(19)

Total contract assets, consisting of current and non-current costs related to the fulfillment of lease contracts, were $2,849 as at January 31, 2025 compared to $2,794 as at October 31, 2024. The increase is largely due to the lease contracts sold through channel distributors in the period and the timing of recognition for distributor commissions related to the product component over the course of the contract term.

Total contract liabilities, which represent the Company’s obligations to pay commissions to third-party distributors who assist with the fulfillment of certain contracts was $3,777 compared to $4,690 at the prior year end. The decrease is due to a larger payment to a distributor in the quarter.

Property and equipment

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Property and equipment	14,061	14,479	(3)

Property and equipment decreased by 3% or $418 at January 31, 2025 to $14,061 from $14,479 as at October 31, 2024. There were primarily additions of $750 for cartridges, $267 for manufacturing equipment, $184 for computer hardware and $152 for rental equipment as the Company's rental program expanded globally to meet the demand for our customers' diverse safety needs for short-term projects. The additions were partially offset by depreciation of $1,630 for the quarter ending January 31, 2025.

Accounts payable and other accrued liabilities

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Trade accounts payable	10,058	10,642	(5)
Other accrued liabilities	14,017	12,313	14
Total	24,075	22,955	5

Accounts payable and other accrued liabilities increased by 5% at January 31, 2025 to $24,075 from $22,955 as at October 31, 2024 due to the timing of payment of the Company's expenditures at the end of each fiscal period. Other accrued liabilities includes the provision for taxes payable in the United States.

Deferred Revenue

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Current	24,170	21,668	12
Non-current	16,246	14,540	12
Total	40,416	36,208	12

The Company’s total deferred revenue increased by 12% or $4,208 as at January 31, 2025 to $40,416 as at October 31, 2024 due to payments in advance from customers for service contracts, partially offset by service revenue recognized in the period.

Securitization facility payable

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Current	6,740	3,950	71
Non-current	—	3,655	(100)
Total	6,740	7,605	(11)

The Company has a lease securitization facility with a Canadian chartered bank to sell certain existing and future finance lease contracts, 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 net decrease in the total lease securitization facility payables of $865 is due to repayments of $1,220 during the year, partially offset by the impact of interest and foreign exchange effects. In the quarter, the Company has provided notice to settle the securitization facility by repaying the remaining outstanding balance of the securitization facility by the maturity date of March 31, 2025.

Bank indebtedness

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Non-current	10,023	10,653	(6)

The Company has a senior secured operating facility and as at January 31, 2025, bank indebtedness decreased to $10,023 from $10,653 in October 31, 2024 as the Company had a net repayment of $630 during the three-months ended January 31, 2025.

Proceeds of Share Issuances

On January 23, 2025, the Company closed a non-brokered private placement for a total of 4,170,024 common shares at an issue price of $6.47 per common share for gross proceeds of $26,980. After deduction of issuance fees, the net proceeds from the non-brokered placement was $26,449. The net proceeds from the issuance will be used to fund investments in cloud-based software, data platform enhancements, and scalability initiatives, including expansion of manufacturing for growing demand and the improvement of internal operating systems to strengthen margins. Additionally, funds will be allocated for debt repayment and general corporate purposes.

Summary of Quarterly Results

The following table highlights total revenue, gross margin percentage, net loss, net loss per common share, EBITDA, EBITDA per common share, Adjusted EBITDA and Adjusted EBITDA per common share amounts for the eight most recently completed quarters ended January 31, 2025. These have been prepared in accordance with IFRS Accounting Standards, 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)	2025	2024				2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	37,675	35,695	33,686	31,580	26,325	30,035	24,830	24,095
Gross margin percentage[1]	60%	61%	59%	57%	55%	55%	54%	52%
Net loss[1]	(1,130)	(68)	(2,469)	(4,267)	(5,791)	(4,455)	(6,842)	(6,557)
Net loss per common share[1]	(0.01)	0.00	(0.03)	(0.06)	(0.08)	(0.06)	(0.09)	(0.09)
EBITDA	2,056	2,477	53	(1,872)	(3,392)	(1,480)	(4,849)	(4,618)
EBITDA per common share	0.03	0.03	0.00	(0.03)	(0.05)	(0.02)	(0.07)	(0.06)
Adjusted EBITDA[1]	1,517	2,033	810	(2,043)	(3,234)	(1,829)	(3,760)	(4,500)
Adjusted EBITDA per common share[1]	0.02	0.02	0.01	(0.03)	(0.04)	(0.03)	(0.05)	(0.06)

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

Fiscal Year 2025

The increase in revenue in the first quarter of fiscal 2025 relates to higher product and services revenues compared to the fourth quarter of fiscal 2024. Gross margin percentage and expenses as a percentage of revenue for the first quarter of fiscal 2025 remained consistent compared to the fourth quarter of fiscal 2024. The increase in net loss and decrease in EBITDA and Adjusted EBITDA is primarily due to higher general and administrative expenses, product research and development costs, sales and marketing expenses, income tax expenses and finance expenses. These increases are partially offset by a larger foreign exchange gain.

Fiscal Year 2024

The increase in revenue in the fourth quarter of fiscal 2024 relates to higher product and service revenues compared to the third quarter of fiscal 2024. The gross margin percentage for product increased and the gross margin percentage for service remained consistent compared to the prior quarter, resulting in the increase of overall gross margin percentage. The decrease in net loss, improvement to EBITDA and to Adjusted EBITDA in the fourth quarter of fiscal 2024 compared to the previous quarter was primarily due to increased quarterly revenue, increased gross profit and lower general and administrative expenses, lower product research and development costs and a higher foreign exchange gain. This was slightly offset by an increase in sales and marketing expenses. Expenses as a percentage of revenue decreased in the fourth quarter compared to the third quarter of fiscal 2024.

The increase in revenue in the third quarter of fiscal 2024 is a result of increases in both product and service revenues. Similarly, product and service gross margin percentages also increased compared to the prior quarter resulting in the increase of overall gross margin percentage. The decrease in net loss, improvement to EBITDA and to Adjusted EBITDA in the third quarter of fiscal 2024 compared to the previous quarter was primarily due to increased quarterly revenue, increased gross profit and lower sales and marketing expenses and product research and development costs. This was slightly offset by increases in general and administrative expenses. Although general and administrative expenses was higher, the expense as a percentage of revenue were effectively the same.

The increase in revenue in the second quarter of fiscal 2024 is a result of both increased product and service sales. The second quarter of fiscal 2024 also saw an increase in gross margin percentage compared to the first quarter of fiscal 2024 which was a result of higher product and service gross margin percentages. The decrease in net loss and improvement to Adjusted EBITDA in the second quarter of fiscal 2024 compared to the first quarter of 2024 was primarily due to increased quarterly revenues, resulting in higher overall gross profits, which were slightly offset by increases in overall expenses and higher net finance expenses. Although sales and marketing and product research and development expenses were higher in the second quarter as compared to the first quarter of fiscal 2024, the expenses as a percentage of revenue were all lower in the second quarter as compared to the first quarter.

The decrease in revenue in the first quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023 of 12% or $3,710 relates to lower product revenues as well as marginally lower service revenues. Due to the seasonality of the business wherein results are stronger in the latter half of the fiscal year, the revenue in the first quarter of fiscal 2024 decreased expectantly compared to the fourth quarter of the fiscal year, however increased compared to the other quarters of fiscal 2023. The gross margin percentage in the first quarter of fiscal 2024 compared to the seasonally strong fourth quarter of fiscal 2023 remained the same as service revenue made up a higher proportion of total revenue, partially offset by slight decreases in product and service margin percentage compared to the fourth quarter of fiscal 2023. The increase in net loss and decrease in Adjusted EBITDA in the first quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023 was a result of lower total revenue and higher overall expenses. Sales and marketing expenses decreased but were offset by higher general and administrative and product research and development expenses. Overall, the general and administrative and product research and development expenses as a percentage of revenue increased, while sales and marketing expenses as a percentage of revenue decreased.

Fiscal Year 2023

The increase in revenue in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 relates to higher product and service revenues. The increase in gross margin percentage in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 was due to a 3% increase in product gross margin and a 2% increase in service gross margin. The decrease in net loss and increase in Adjusted EBITDA in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 was a result of higher gross margins as well as lower product research and development costs and a foreign exchange gain as opposed to a loss in the third quarter of fiscal 2023. Although general and administrative expenses were marginally higher in the fourth quarter as compared to the third quarter, the expenses as a percentage of revenue decreased. Similarly, despite sales and marketing expenses being higher in the fourth quarter as compared to the third quarter, the expenses as a percentage of revenue remained effectively the same.

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.

Liquidity and Capital Resources

The Company's primary requirements for capital are for general working capital requirements and to fund the development of enhanced product offerings. The Company finances these activities primarily through short-term investments, cash flows from operations, funds from equity financing and its operating facility with a Canadian financial institution.

Total cash and cash equivalents were $13,874 as at January 31, 2025. Cash and cash equivalents decreased $2,233 compared to October 31, 2024.

	Three-Months Ended January 31,		
(CAD thousands)	2025	2024	% Change
Net cash used in operating activities	(3,521)	(418)	742
Net cash provided by financing activities	25,000	1,583	NM
Net cash used in investing activities	(24,742)	(989)	NM
Effect of foreign exchange	1,030	(233)	NM
Net decrease in cash and cash equivalents	(2,233)	(57)	NM

NM – Not meaningful

Operating activities during the three-months ended January 31, 2025 used $3,521 of cash (January 31, 2024: $418). The increase in cash used was primarily a result of a decrease in net changes in non-cash working capital of $(4,764) (January 31, 2024: $3,005). This was partially offset by a lower net loss for the three-months ended January 31, 2025 compared to the prior year comparative quarter.

The net decrease to changes in non-cash working capital for the three-months ended January 31, 2025 was primarily due to the increase in current and non-current trade and other receivables of $(9,919) (January 31, 2024: $1,058) and the decrease in contract liabilities of $(912) (January 31, 2024: $843). This is offset by an increase in current and non-current deferred revenue of $4,278 (January 31, 2024: $2,291) and accounts payable and other accrued liabilities of $1,005 for the three-months ended January 31, 2025 (January 31, 2024: $(1,506)).

Financing activities for the three-months ended January 31, 2025 provided $25,000 of cash (January 31, 2024: $1,583). This was primarily a result of net proceeds from the non-brokered private placement, share issuances and option exercises of $26,993 (January 31, 2024: $475). Partially offsetting the increase in net cash provided by financing activities is a repayment of securitization facility of $1,220 in the three-months ended January 31, 2025 (January 31, 2024: net repayments of $926). There was also a net repayment on bank indebtedness of $630 during the three-months ended January 31, 2025 (January 31, 2024: $2,244).

Investing activities for the three-months ended January 31, 2025 used $24,742 of cash (January 31, 2024: $989). There were purchases of short-term investments of $32,500 and redemptions of $9,000 in the three-months ended January 31, 2025 (January 31, 2024: $nil purchases and redemptions). During the three-months ended January 31, 2025, the Company incurred capital expenditures of $1,522 primarily for property and equipment additions of revenue-generating cartridges, manufacturing equipment, computer hardware and rental equipment (January 31, 2024: $1,254).

Total short-term investments held as at January 31, 2025 increased by $23,500 to $50,500 compared to $27,000 at October 31, 2024.

(CAD thousands)	January 31, 2025	October 31, 2024	% Change
Current assets	137,126	109,688	25
Current liabilities	(61,020)	(55,547)	10
Working capital(1)	76,106	54,141	41

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

Working capital at January 31, 2025 was $76,106 compared to $54,141 at the prior year end, an increase of $21,965. The 41% increase was mainly due to higher short-term investments and trade and other receivables compared to the prior year end, slightly offset by an increase in deferred revenue and accounts payable and other accrued liabilities and a decrease in cash and cash equivalents.

The Company has a two-year $25,000 senior secured operating facility ("operating facility") with a Canadian financial institution (the "lender"). The operating facility includes a $5,000 accordion feature to increase the size of the facility. The operating facility borrowing base is derived from the Company's monthly recurring revenue and bears interest at the Canada prime rate plus 2.00% for CAD advances or U.S. base rate plus 2.00% for USD advances. The operating facility was renewed and extended on October 31, 2024 for two years, maturing on October 31, 2026. The Company had available capacity on its operating facility of $12,331 as at January 31, 2025 (October 31, 2024: $12,276).

The operating facility includes financial covenants, principally a quarterly liquidity to cash burn ratio, as defined in the agreement with the lender, of not less than 6.0 to 1.0. The Company was in compliance with all covenants as at January 31, 2025.

The Company has a renewable securitization facility with Blackline Safety SPV Seller Corp. ("SPV") and a Canadian chartered bank ("the Purchaser) and on November 1, 2024, an amendment was signed to reduce the available capacity on the securitization facility to $5,000 and USD $10,000. Under the securitization facility, leases are sold to the Purchaser 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 ("Purchase Rate"). The tranches of lease receivables are calculated as present value of combined scheduled payments from the eligible contracts using the Purchase Rate.

The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth of at least $18,000 and an unrestricted cash balance of $250 tested quarterly, as defined in the agreement with the Purchaser. As at January 31, 2025, the Company was in compliance with the covenants. The Company had available capacity on its securitization facility of $12,490 as at January 31, 2025 (October 31, 2024: $48,461). The Company has notified the Purchaser that it does not intend to renew the securitization facility, which is set to expire on March 31, 2025. As part of the settlement of the securitization facility, the Company will repay the outstanding payable balance of $5,125 as at the maturity date, net of the reserve account funds. Discussions are ongoing regarding the settlement of the securitization facility.

On January 23, 2025, the Company closed a non-brokered private placement for a total of 4,170,024 common shares at an issue price of $6.47 per common share for gross proceeds of $26,980.

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 also requires funding for wages, tooling and product certifications during the development process. To meet these capital requirements, in addition to the operating facility and continuing 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 January 31, 2025 other than the manufacturing of rental equipment and owned modular cartridges used in the G7 connected suite of technologies which generate service revenue for the Company. The Company will settle the securitization facility by the maturity date of March 31, 2025 in the outstanding payable balance of $5,125. These budgetary commitments will be funded primarily through cash flows from operations, funds from brokered and non-brokered private placements, bought deal short-form prospectuses and the Company's operating facility.

Contractual Obligations

(CAD thousands)	Less than 1 year $	1-3 years $	Thereafter $	Total $
Finance lease obligations	1,076	1,515	492	3,083
Purchase commitments	7,917	15,085	5,936	28,938
Securitization facility commitment	7,179	—	—	7,179
Total	16,172	16,600	6,428	39,200

Contractual obligations relate to various lease obligations, raw materials purchase commitments, business information technology commitments and payments under the lease securitization facility.

The Company has various commitments to minimum inventory purchases, a minimum spend on certain components over a five-year period and has contracted for the services of certain third parties. There were no material changes in the specified contractual obligations during the period ended January 31, 2025.

Off-Balance Sheet Arrangements

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

Related Party Transactions

On January 23, 2025, the Company completed a non-brokered private placement of 1,078,834 common shares for gross proceeds of $6,980 with a related party. Besides the private placement, there were no transactions outside the ordinary course of business between the Company and related parties for the three-month periods ended January 31, 2025 and 2024.

Critical Accounting Judgments and Estimates

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

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The 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, 2024. There were no changes to or additional use of critical accounting judgments and estimates for the period ended January 31, 2025.

Changes in Accounting Policies Including Initial Adoption

New Accounting Policies Adopted by the Company

For the period ended January 31, 2025, the Company adopted the below amendments:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures)

The amendments did not have any significant impact on the condensed consolidated financial statements. Refer to Note 2 (b) in the condensed consolidated financial statements for further details.

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 January 31, 2025 reporting period and have not been early adopted by the Company. Refer to Note 2 (b) in the condensed consolidated financial statements for further details.

Internal Controls and Procedures

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at January 31, 2025, designed or have caused to be designed under their supervision, disclosure controls and procedures and internal control procedures 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 procedures 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 November 1, 2024 and ended January 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The Company's disclosure and internal controls and 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 January 31, 2025 fiscal period end:

Financial Assets

The financial assets held by the Company consisted of cash and cash equivalents, short-term investments and trade and other receivables. These financial assets are initially measured at fair value 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 January 31, 2025 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 86,297,410 common voting shares issued and outstanding as at March 11, 2025. The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$1.75	965,000
$2.75	489,250
$3.04	40,000
$3.35	526,165
$3.47	75,000
$4.25	434,501
$4.64	1,271,417
$5.26	417,916
$5.57	100,000
$6.05	77,500
$6.55	50,000
$8.00	490,000
$8.50	244,000
$8.93	75,000
Total	5,255,749

Risk Factors and Uncertainties

A discussion of material risk factors that may affect Blackline's business, operations and financial condition or future performance can be found under the section entitled "Risk Factors" in the Company's most recent Annual Information Form filed on SEDAR+ under the Company's profile at www.sedarplus.ca, which section is incorporated by reference herein. As at January 31, 2025, except as set forth below, there are no changes to the material risks that may affect Blackline's business, operations and financial condition or future performance than those described in the Company's Annual Information Form.

With operations in various markets and the Company's global supply chain and utilization of transportation routes and logistics providers around the world, the Company is exposed to heightened risks as a result of economic, geopolitical, or other events. Changes in international trade policy can also have a substantial adverse effect on the Company's, and certain of its customer's, financial condition, results of operations, or their business in general. Steps taken by governments to implement additional or new tariffs on foreign products may have the potential to disrupt existing supply chains, impose additional costs on the Company's business, and could lead to other countries attempting to retaliate by imposing tariffs, which would make the Company's products more expensive for customers, and, in turn, could make the Company's products less competitive. The tariffs that have been announced by the United States and Canadian governments (but which may not be in effect or otherwise delayed) on imports may have a significant adverse effect, including financial, on the Company and the Company's supply chain. Further, any additional tariffs in the United States or retaliatory tariffs imposed by other governments, including Canada, China, Mexico and other countries or trading blocks could exacerbate the impact.

Outlook

Blackline has a comprehensive portfolio of connected safety wearables and area monitors. Our unique monitoring portal – designed and developed in-house – helps 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. Our customers continue to select Blackline over older technologies as our solution can reduce the severity of outcomes to affected people by providing visibility and direct help to workers who are isolated or in hazardous environments.

The Company's previous investments in its manufacturing and sales and marketing capabilities allowed Blackline to grow its revenue 43% compared to the prior year comparative quarter. Following the exit of the fiscal 2024 where we achieved strong revenue growth, positive EBITDA and positive Adjusted EBITDA, we have continued the sales momentum and growth trajectory into the first quarter of fiscal 2025 as we achieved positive EBITDA of $2,056 and positive Adjusted EBITDA of $1,517. Strong Net Dollar Retention of 128% along with new activations has pushed the Company's Annual Recurring Revenue to above $70,000 and will provide a strong foundation for 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 growing our positive Adjusted EBITDA and Free Cash Flow as part of a successful sustainable financial business model.

We believe we are well-positioned to grow our market share and addressable market with our comprehensive suite of connected safety products and services. With the addition of the EXO 8 in the fourth quarter of 2024, Blackline is now able to fully meet the portable gas detection and compliance requirements of thousands of new customers globally. While the evolving economic uncertainty regarding the imposition of tariffs on imports from Canada by the United States, together with retaliatory tariffs by Canada on imports from the United States may pose potential challenges on our business into fiscal 2025, we are actively assessing measures to mitigate the impact and maintain efficiency within our supply chain and business. We expect that the geopolitical uncertainty may have the potential to slow the investment environment, impose additional costs on the Company's business, and could lead to other countries attempting to retaliate by imposing tariffs, the combination of which could negatively impact the Company's revenue and earnings. 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 Accounting Standards 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 Accounting Standards and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Non-GAAP Financial Measures

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

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

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

"Adjusted EBITDA" is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company which excludes the impact of certain non-operational items and certain non-cash and non-recurring items, such as stock-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.

Readers should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as an alternative measure to net loss determined in accordance with IFRS Accounting Standards.

Reconciliation of non-GAAP financial measures	**Three-Months Ended January 31,**		
(CAD thousands)	**2025**	**2024**	**% Change**
Net loss	(1,130)	(5,791)	(80)
Depreciation and amortization	2,095	1,945	8
Finance expense, net	109	186	(41)
Income taxes	982	268	266
EBITDA	2,056	(3,392)	NM
Stock-based compensation expense(1)	455	352	29
Foreign exchange gain	(1,194)	(194)	NM
Other non-recurring impact transactions(2)	200	—	NM
Adjusted EBITDA	1,517	(3,234)	NM

(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) Other non-recurring impact transaction in the current period includes severance costs relating to the departure of a senior management personnel.
NM – Not meaningful

Non-GAAP Ratios

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

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

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

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

Supplementary Financial Measures

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

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

- **“Gross margin percentage”** represents gross profit 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 profit as a percentage of product revenue
- **“Service gross margin percentage”** represents service gross profit 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 costs as a percentage of revenue”** represents product research and development expenses as a percentage of total revenue
- **“Total expenses as a percentage of revenue”** represents total expenses as a percentage of total revenue

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 including but not limited to management's belief that the Company has sufficient funds to support the growth of the Company and to fund its development activities; the expected funding of budgetary commitments through cash flows from operations, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, the operating facility and the lease securitization facility; the Company's expectation to not renew its securitization facility; that the Company's Annual Recurring Revenue will provide a strong foundation for growth in the Company's high margin service revenue; the Company's expectation that it will continue sales momentum and strong growth trajectory into fiscal 2025; that Net Dollar Retention growth will continue to drive strong growth in the high margin service revenue as the Company pursues the transformation of the industrial workplace into a connected one and expected sales related to the new EXO 8 product offering; Blackline's expectations regarding managing its capital structure and liquidity risk to result in strong revenue and margin growth while further growing positive Adjusted EBITDA and achieving consistent free cash flow; and the belief that Blackline is well-positioned to grow its market share with its comprehensive suite of connected safety products and services and will expand with leading brands around the world. 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 (x) the effects and impacts on tariffs and other trade disputes and disruptions on the Company's (and its customers) operations and (xi) 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, 2024. 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.

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