Blackline Safety Corp.
Management's Discussion and Analysis

For the three and six-month periods ended April 30, 2021

Notice

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation", the "Company", "we", "us", or "our") unaudited condensed consolidated interim financial statements and accompanying notes, prepared in accordance with International Accounting Standard 34 *Interim Financial* Statements ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for the three and six-month periods ended April 30, 2021. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2020, and its most recently completed Annual Information Form, is available on our website at www.blacklinesafety.com/investors/ and can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under Blackline Safety Corp.

This MD&A is presented as of June 22, 2021. All financial information contained herein is expressed in Canadian dollars, the Company's presentation currency, unless otherwise indicated. All figures in the MD&A are reported in thousands, except for per share, stock option, common share, percentages and unit amounts.

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 future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. 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 were a significant disruption to its information technology to occur. See also "Risks Factors and Uncertainties" below. 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.

NON-IFRS FINANCIAL MEASURES

The Company reports its financial results in accordance with IFRS. However, the MD&A contains references to the following non-IFRS financial measures: EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization), Adjusted EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product development costs and non-recurring impact transactions, if any), EBITDA per common share, Adjusted EBITDA per common share and net loss excluding stock-based compensation expense. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

See "Non-IFRS Measures" section below for further details for each measure.

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.

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Company Overview

Founded in 2004 and headquartered in Calgary, Canada, Blackline Safety is a hardware enabled software as a service ("SaaS") technology company that's focused on bringing connected worker solutions to the global marketplace. Blackline develops, manufactures and markets a complete suite of safety wearables and cloud-connected services to protect workers at their jobs and support businesses undergoing digital transformation.

Blackline technology empowers businesses with real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance and to 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 wearables and cloud software, businesses are able to increase operational performance through business analytics software and data science services, adding value from the data generated by G7 safety wearables, area monitors and software. Productivity gains are achieved through employee movement pattern analysis, heat-mapping environmental gas leaks, viewing resource utilization, automating safety compliance reporting, wireless configuration management and interactive reporting.

Blackline's lineup of G7 safety wearables connect to the Blackline cloud using either cellular (G7c) or satellite (G7x) connectivity. All products feature plug-and-play cartridges that configure for lone worker and gas detection scenarios as required by the end client.

All safety alerts generated by G7 wearables are communicated in real-time to monitoring personnel, pinpointing the employee's location on an interactive map using GPS or Blackline's proprietary location beacons. Blackline's monitoring teams efficiently manage incidents from alert to resolution using cloud-hosted software that provides employee messaging tools, the option for two-way voice calling and quick access to emergency contact escalation.

With its Blackline Live cloud-hosted software, the Company enables businesses to monitor their personnel from a control room or by supervisors using a mobile device. Optionally, Blackline's in-house safety operations center (or an alarm receiving centre partner) provides 24/7 live monitoring services, taking on front-line emergency management and escalating to responders as required.

Blackline's G7c device features 4G/3G direct-to-cloud connectivity with wireless coverage in over 100 countries and on over 350 mobile networks. For regions where cellular networks are not available, Blackline's two-part system with a G7x wearable and G7 Bridge satellite base station monitors workers in remote locations in North America, South America, Australia and New Zealand.

G7 wearables feature the industry's first expandable interface that enables customization to support each customer scenario and requirement. G7 functionality expands using one of four field-replaceable cartridges—a Standard Cartridge, 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 minimizing overall cost of ownership.

The Blackline G7 Dock is available for calibrating, bump testing and charging G7 devices. The G7 Dock requires no initial setup and can manage up to four single or multi-gas cylinders. Docks can be used with both G7c and G7x devices, and support G7 Single-gas or Quad-gas cartridges. The G7 dock doesn't require an internet connection and it doesn't need to be connected to the Blackline network to perform calibrations or bump tests. All data is communicated through connected G7 devices via cellular or satellite networks. The G7 Dock facilitates bump tests and calibrations, generating data for device compliance reporting. When a G7 device is inserted and a test action is completed, the device automatically streams calibration and bump test logs in real-time back to the Blackline Live portal.

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 has launched the G7 EXO area monitor globally to provide businesses with new portable and semi-permanent gas detection monitoring options.

Although many of Blackline's customers self-monitor the safety of their personnel using their Blackline Live monitoring account, a significant portion select Blackline's in-house, 24/7/365 Safety Operations Centre (“SOC”).

Unlike a traditional call center that often provides unrelated services such as telemarketing, technical support and answering services, Blackline's dedicated SOC focuses 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 center. Blackline's SOC, together with its partner Alarm Receiving Centers in Europe, now monitor over 36,500 devices.

In regions not covered by Blackline's in-house SOC that provides 24/7 live monitoring, customers are able to provide monitoring of their employees via an approved Blackline Alarm Receiving Center partner.

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 drives Blackline's data-driven services including analytics, emergency response management, notifications to users and more. To date, the Blackline Safety Cloud has stored over 151 billion data points, over 2.6 billion locations and over 3.7 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.

Service revenues relate to monitoring and support services that are provided to customers for safety devices. These revenues are associated with new customers who purchase the Company's connected safety monitoring concurrent with a new device, device rental revenue and data consulting. Service revenues also include recurring revenues from existing customers who renew their monitoring service for a Blackline device.

The Company also offers the G7 Lease program through a three or four-year lease commitment. Leases of more than three years are considered to be a finance lease commitment with hardware revenue recognized up-front as product revenues with service and interest revenue recognized over the life of the contract. For three-year lease commitments all revenues are recognized on a monthly basis as service is provided and positively impact the service revenue, but negatively impact product revenue from traditional hardware sales and deferred revenue from associated service contracts.

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 servicing those products in comprised of direct costs, direct labor for the SOC and maintenance of the Blackline Live portal, communication costs for devices equipped with cellular and/or satellite technology, depreciation of cartridges and units leased through the Blackline ‘G7 Lease’ program and an allocation of overhead.

During the three-months ended April 30, 2021, the Company completed the acquisition of Wearables Technologies Limited (“WTL”), operating under the brand name of Eleksen and based in Leicester, in the United Kingdom. Focused on the construction and light industrial safety market, WTL has developed a complete offering comprised of smart safety clothing, a cloud-connected safety wearable, personal area networking, sensor partnerships, user portal, software infrastructure and data analytics.

Also, during the three-months ended April 30, 2021, the Company established a new wholly-owned subsidiary, Blackline Safety Europe SAS in France. With the establishment of this company, Blackline will operate a new facility in northeastern France that will incorporate a distribution warehouse and service centre and provide efficient access to the European Union (“EU”).

On June 10, 2021, Blackline was granted final approval to list its common shares on the Toronto Stock Exchange (“TSX”) at the opening of the market on Friday June 11, 2021. Blackline’s shares commenced trading on the TSX, under the ticker symbol BLN. Concurrently, Blackline common shares were delisted from the TSX Venture Exchange

COVID-19

Blackline continues to implement its COVID-19 continuity plan and monitor the global impact of the Coronavirus pandemic. This plan has provided continued delivery of services to customers around the world, ensuring continuing business operations and reducing the impact on Blackline's growth trajectory.

Monitoring the safety of tens of thousands of personnel around the world, Blackline's priority is for the high-quality delivery of services throughout each of its regions. With our cloud-connected software and distributed workforce, Blackline continues to deliver the exceptional user experience to our clients located globally. Services are delivered through a combination of cloud-hosted tools, wireless networks and both in-house and partner monitoring teams that operate around the clock. As a result, Blackline has been able to maintain its critical 24-hour monitoring services to its customers.

Blackline's cloud software and infrastructure is hosted by Amazon Web Services, a globally recognized leader. By hosting the Company's software in the cloud, clients around the world receive fast loading times and do not need to maintain their own local server hardware.

As part of Blackline Analytics our customers utilize our Close Contact tracing tools to enable industrial contact tracing as part of pandemic workforce planning. Our G7c firmware enables real time notification to users when they enter into close proximity with other G7c users. Blackline has continued to include these features during the COVID-19 pandemic at no additional cost to its customers, to support them as they maintain compliance with social distancing regulations.

Blackline commenced a phased return to office work plan for our office teams at our Dominion Bridge facility in line with the Government of Alberta "Open for Summer" plan. We continue to adhere to the workplace guidelines of Alberta and Alberta Health Services to reduce the risk of transmission of COVID-19 among our employees.

As a result of the recent relaxation of restrictions enacted by the Government of the United Kingdom ("UK") certain staff in our Colchester and Leicester offices have returned to the Company's office locations while following the social distancing requirements stipulated by Blackline's *Return to Office Work Plans,* joining our warehouse team who continue working safely to ensure product shipments are delivered to essential workers.

Our employees in the European Union and the United States are following evolving national and state guidelines regarding work and related travel.

There continues to be uncertainty regarding the duration and magnitude of the impact of the COVID-19 pandemic and the possibility of a resurgence in those countries and regions where cases of the Coronavirus have decreased, making it difficult to forecast the impact on the Company's current rate of growth.

In the short term, the primary impact will be on new product sales during the COVID-19 pandemic with our recurring service revenue being impacted by lower usage levels amongst some customers at this time.

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Highlights

000s, except per share data	Three-months ended April 30, 2021 $	2020 $	Change %	Six-months ended April 30, 2021 $	2020 $	Change %
Product revenue	**4,572**	1,908	140	**8,401**	5,249	60
Service revenue	**7,103**	6,564	8	**13,952**	12,141	15
Total Revenue	**11,675**	8,472	38	**22,353**	17,390	29
Gross margin	**5,963**	4,658	28	**11,517**	8,717	32
Gross margin %	**51%**	55%	(4)	**52%**	50%	2
Total Expenses	**14,441**	6,908	109	**24,945**	13,379	86
Net loss	**(8,558)**	(2,099)	(308)	**(13,442)**	(4,454)	(202)
Loss per common share - Basic and diluted	**(0.16)**	(0.04)	(300)	**(0.26)**	(0.09)	(189)
EBITDA[1]	**(7,268)**	(1,222)	(495)	**(11,131)**	(2,670)	(317)
EBITDA per common share[1] - Basic and diluted	**(0.13)**	(0.03)	(333)	**(0.21)**	(0.06)	(250)
Adjusted EBITDA[1]	**(1,519)**	1,333	(214)	**(1,879)**	1,909	(198)
Adjusted EBITDA per common share[1] - Basic and diluted	**(0.03)**	0.03	(200)	**(0.03)**	0.04	(175)

Financial Position 000s	April 30, 2021	October 31, 2020	Change %
Cash, cash equivalents and short-term investments	**39,559**	51,523	(23)
Working capital	**44,353**	58,067	(24)
Total assets	**82,846**	88,610	(7)
Non-current liabilities	**4,427**	4,554	(3)
Shareholders' equity	**55,125**	66,327	(17)

[1] *Refer to "Non-IFRS Measures" for further detail.*

Results of Operations

Revenue

000s	Three-months ended April 30, 2021 $	2020 $	Change %	Six-months ended April 30, 2021 $	2020 $	Change %
Product revenue	**4,572**	1,908	140	**8,401**	5,249	60
Service revenue	**7,103**	6,564	8	**13,952**	12,141	15
Total Revenue	11,675	8,472	38	22,353	17,390	29
Percentages of total revenue						
Product	**39%**	23%		**38%**	30%	
Service	**61%**	77%		**62%**	70%	
Total	**100%**	100%		**100%**	100%	

Second quarter overall revenue was $11,675, an increase of $3,203 from $8,472 in the comparable period of the prior year. The 38% increase was due to higher sales of our connected safety products as well as growth in recurring service revenues from new hardware sales over the past twelve months compounded by customer renewals of service on existing devices.

Revenues for the six-month period ended April 30, 2021, increased $4,963 or 29% 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 second quarter product revenue was $4,572, an increase of $2,664 or 140% compared to $1,908 in the prior year. The increase in the current year period was due to our ability to regain access to customer sites, particularly in the United States and Europe, compared to the prior year period, which was heavily impacted by product order deferrals and a lack of customer site access due to COVID-19 restrictions. The increase also reflects the Company's investment in the expanded sales network across North America, Europe and international markets over the last twelve months. Blackline continued sales of its new G7 EXO area monitor contributing $1,205 in product sales during the quarter.

During the six-month period ended April 30, 2021, product revenue was $8,401 compared to $5,249, an increase of $3,152 compared to the same period in the prior year. The 60% increase was a result of the reduction of COVID-19 restrictions allowing more access to customer sites and the contribution of the expanded sales team. Sales of the Company's new G7 EXO amounted to $2,860 of the product sales in the period.

Service Revenue

	Three-months ended April 30,			**Six-months ended April 30,**		
000s	**2021 $**	2020 $	Change %	**2021 $**	2020 $	Change %
Software services revenue	**6,207**	5,262	18	**12,164**	9,622	26
Operating lease revenue	**804**	1,171	(31)	**1,611**	2,227	(28)
Rental revenue	**92**	131	(30)	**177**	292	(39)
Total	**7,103**	6,564	8	**13,952**	12,141	15
Percentages of total service revenue						
Software services revenue	**87%**	80%		**87%**	79%	
Operating lease revenue	**11%**	18%		**12%**	18%	
Rental revenue	**2%**	2%		**1%**	3%	
Total	**100%**	100%		**100%**	100%	

The Company's second quarter total service revenue was $7,103 compared to $6,564 in the same period last year with an increase of $539 or 8%.

Software services revenue for the second quarter was $6,207 up 18% from $5,262 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, SaaS and data services. In the current quarter there was newly activated device service revenues as well as service revenue increases within our existing customer base of $642.

Service revenues during the quarter were negatively impacted by approximately $90 as customers across many industries, opted to place some of their service plans on pause due to worksite slowdowns as a result of the impact of COVID-19. There were also adverse effects of $219 from customers who renewed fewer active devices after experiencing workforce reductions during last twelve months. In addition, certain customers declined to renew their service plans resulting in an impact of $58.

Operating lease revenue decreased 31% to $804 from $1,171 due to lease customers moving to month-to-month agreements as their leases expire or opting to renew with a longer-term finance lease. Rental revenue decreased $39 in the second quarter versus the prior year quarter due to several customer projects utilizing the Blackline's owned rental fleet ending and delays to the start of other projects due to COVID-19.

Service revenues increased $1,811 or 15% to $13,952 during the six-months ended April 30, 2021, from $12,141 in the prior year period.

Software services revenue for the six-months ended April 30, 2021 increased $2,542 or 26% versus the same period in the prior year. This growth is a result of the increase in Blackline's customer base throughout the past twelve months as well as strong retention of our existing customers across geographic regions and industry sectors. Newly activated devices globally contributed $326 of service revenue during the six-months ended April 30, 2021.

Services revenues were negatively impacted by $330 of customers opting to place some of their service plans on pause due to worksite slowdowns as a result of the impact of COVID-19. There were also adverse effects of $620 from customers who renewed fewer active devices after experiencing workforce reductions during last twelve months. In addition, certain customers declined to renew their service plans resulting in an impact of $95.

Operating lease revenue decreased $616 year to date compared to the same prior year period due to lease customers switching to month-to-month agreements as their leases expired or renewing with longer-term agreements recognized as finance leases. Rental revenue decreased $115 during the six-months ended April 30, 2021 due to the completion of several projects.

	Three-months ended April 30,			**Six-months ended April 30,**		
000s	**2021** **$**	2020 $	Change %	**2021** **$**	2020 $	Change %
Canada	**3,119**	2,820	11	**6,517**	6,490	0
United States	**4,591**	3,965	16	**8,448**	7,074	19
Europe	**3,447**	1,445	139	**6,258**	3,336	88
Australia & New Zealand	**260**	163	60	**573**	337	70
Other international	**258**	79	227	**557**	153	264
Total	**11,675**	8,472	38	**22,353**	17,390	29
Percentages of total revenue						
Canada	**27%**	33%		**29%**	37%	
United States	**39%**	47%		**38%**	41%	
Europe	**30%**	17%		**28%**	19%	
Australia & New Zealand	**2%**	2%		**3%**	2%	
Other international	**2%**	1%		**2%**	1%	
Total	**100%**	100%		**100%**	100%	

Blackline continues to maintain a strong presence in the Canadian market while aggressively expanding its sales network in the United States, Europe as well as other international markets. The growth in revenue across these markets is a result of the increased presence of sales personnel in these regions and the strategic targeting of customers in specific industries including fire, emergency and hazardous materials response, water treatment and food processing. Within Europe this was reflected in current quarterly revenue growth of $560 in France, $153 in the Netherlands and $131 in Italy; all countries where Blackline deployed new sales personnel in the past twelve months. As we sell more of our connected safety products to these regions, the associated SaaS revenue contributes to the increase in revenue for the region as well.

Contracted Future Revenue

Contracted future revenue represents future operating lease and associated service revenue commitments in place over the lease term. This amount is comprised of the total undiscounted value of our G7 operating lease contracts excluding the lease service revenue recognized to date, with no amount included in deferred revenue on the Statement of Financial Position.

000s	**2021** **$**	2020 $
Balance at October 31, 2020 and 2019	**4,008**	6,749
New operating lease contracts – G7 products	**281**	999
New operating lease contracts – Cartridges	**19**	61
Net operating lease contract changes	**49**	19
Lease revenue recognized in the period	**(807)**	(1,056)
Balance at January 31	**3,550**	6,772
New operating lease contracts – G7 products	**226**	555
New operating lease contracts – Cartridges	**58**	181
Net operating lease contract changes	**7**	10
Lease revenue recognized in the period	**(804)**	(1,171)
Balance at April 30	**3,037**	6,347

In the second quarter of the current fiscal year, the Company entered into new operating lease contracts for G7 products with a total contract value of $226 (three-month period ended April 30, 2020 - $555). The Company also entered into new leasing contracts for gas sensor cartridges for a total contract value of $58 in the second quarter (three-month period ended April 30, 2020 - $181).

Operating lease revenues recognized were $804 in the second quarter of the current fiscal year (three-month period ended April 30, 2020 - $1,171). The quarter also included $7 (three-month period ended April 30, 2020 - $10) relating to customers who amended their lease contracts resulting in the remainder of the contract term being accounted for as a finance lease.

Contracted future revenue of $3,037 at April 30, 2021, represents a decrease of $3,310 or 52% over the three-months ended April 30, 2020. The decrease is due to the ongoing trend of customers opting for four year and longer leases, which are accounted for as finance leases or outright purchases of Blackline's products throughout the past twelve months. These options do not contribute to contracted future revenue as do operating leases which the company no longer actively markets. As customers' operating leases come to an end, they are opting to continue with Blackline's services on a monthly agreement or renewing with a finance lease of four years or more.

Finance Leases

Contracted future revenue does not include leases that are classified as finance leases. The present value of the hardware component of these finance leases is recognized in current and long-term other receivables on the Consolidated Statement of Financial Position. The service component is recognized within trade receivables when the service is delivered.

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Cost of Sales

000s	Three-months ended April 30, 2021 $	2020 $	Change %	Six-months ended April 30, 2021 $	2020 $	Change %
Product	**3,436**	1,885	82	**6,471**	4,970	30
Service	**2,276**	1,929	18	**4,365**	3,703	18
Total cost of sales	**5,712**	3,814	50	**10,836**	8,673	25
Percentages of segment revenue						
Product	**75%**	99%		**77%**	95%	
Service	**32%**	29%		**31%**	31%	
Total	**49%**	45%		**48%**	50%	

Cost of sales for the quarter ended April 30, 2021, totaled $5,712 compared to $3,814 in the same period last year, an increase of $1,898 or 50%. 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 quarter. It is also a result of an increase to the service segment with costs expanding to support a growing customer base.

Cost of Sales Product

The cost of sales for products increased in the current quarter versus the prior year quarter by $1,551 or 82% due to increased material costs of $1,615, and to a lesser degree, increased production salaries due to more product being sold in the quarter. Gross production salaries increased $92 during the three-months ended April 30, 2020. This increase was greater on a net basis after accounting for the impact of Canadian Emergency Wage Subsidy ("CEWS") during the quarter of $89 (three-months ended April 30, 2020 - $181).

Higher sales resulted in higher freight and warranty costs of $415 and $60 respectively versus the prior year quarter, and our increase in inventory build resulted in higher production supplies and equipment expenses of $55.

These increases were partially offset by lower unabsorbed material costs of $926 in Q2 2021 versus Q2 2020 arising from the negative impact of COVID-19 on our product sales in the prior year quarter.

Cost of sales for products increased $1,501 or 30% for the six-months ended April 30, 2021, compared to the six-months ended April 30, 2020. The primary reason for the increase was due to additional material costs of $1,373 associated with greater sales in current year to date. Salaries for production increased $204 on a gross basis however this was partially offset by increased CEWS funding of $221 versus $181 in the prior year period.

Higher sales for the six-months ended April 30, 2021, also resulted in higher expenses for freight of $349 and production supplies and equipment of $101. There were also higher scrappage costs and current product upgrade costs of $415 and $160, respectively.

These increases were partially offset by lower unabsorbed material costs of $1,034 in the current year to date period as compared to the same period in the prior year, owing to the increased product sales in the current period.

Cost of Sales Service

Service cost of sales increased by $347 or 18% compared to the prior year second quarter. The increase is a result of higher infrastructure and carrier charges of $118 supporting a larger number of devices deployed. Salaries for our SOC team members and the Blackline Vision data science team have also increased due to the addition of more team members to support our expanded scope of service. Gross salaries included in cost of service increased $111 in the current quarter versus the same period in the prior year and increased $183 on a net basis after CEWS of $57 for the three-months ended April 30, 2021, compared to $181 for the three-months ended April 30, 2020.

During the six-months ended April 30, 2021, service cost of sales increased by $662 or 18% compared to the same period in 2020. The increase is due to higher infrastructure and carrier charges of $199 as well as higher personnel costs for our SOC and Blackline Vision data science team. Gross salaries increased $340 period over period and $330 on a net basis after CEWS of $145 which was recorded during the six-months ended April 30, 2021, compared to $135 recorded during the six-months ended April 30, 2020.

Gross Margin

	Three-months ended April 30,			Six-months ended April 30,		
000s	**2021 $**	2020 $	Change %	**2021 $**	2020 $	Change %
Product	**1,135**	22	5,059	**1,930**	279	592
Service	**4,828**	4,636	4	**9,587**	8,438	14
Total gross margin	**5,963**	4,658	28	**11,517**	8,717	32
Gross margin percentages						
Product	**25%**	1%		**23%**	5%	
Service	**68%**	71%		**69%**	69%	
Total	**51%**	55%		**52%**	50%	

Total gross margin for the second quarter was $5,963 compared to $4,658 in the comparable three-month period of the prior year. This represented a total gross margin percentage of 51%, a 4% decrease compared to the prior year comparable quarter, despite product gross margin increasing to 25% from 1% during the quarter. The decrease in total gross margin percentage is due to the shift in sales mix with product revenue making up 39% of total revenue compared to 23% for the three-months ended April 30, 2020. The decrease is also a result of the 3% decrease in service margin. CEWS recorded for the quarter improved product margin percentage 2% and service margin percentage 1%, compared to the prior year quarter where the impact of CEWS improved product margin percentage 10% and service margin percentage 2%

Total gross margin for the six-months ended April 30, 2021, increased $2,800 or 32% to $11,517 from $8,717 in the same period in the prior year. Total gross margin percentage improved to 52% from 50% due to the increase in product margin percentage to 23% from 5% in the comparable period. This more than offset a slight drop in service gross margin percentage. Product margin percentage benefited 2% from CEWS funding recorded against production salaries during the year-to-date period, while service margin percentage benefited 1% from CEWS recorded against SOC and Blackline Vision salaries. In the prior year, product margin percentage benefited from CEWS by 4% while service margin percentage benefited 1%.

Product margin during 2021 has also improved due to the introduction of Blackline's new G7 EXO area gas monitor and its associated sales and cost mix compared to Blackline's other connected safety products.

blacklinesafety

Expenses

000s	Three-months ended April 30, 2021 $	2020 $	Change %	Six-months ended April 30, 2021 $	2020 $	Change %
General and administrative expenses	**4,662**	1,802	159	**7,002**	3,205	118
Sales and marketing expenses	**5,510**	3,429	61	**9,809**	7,180	37
Product development costs	**4,039**	2,136	89	**7,364**	4,144	78
Foreign exchange (gain) loss	**230**	(459)	(150)	**770**	(1,150)	(167)
Total expenses	**14,441**	6,908	109	**24,945**	13,379	86
Percentages of total revenue						
General and administrative expenses	**40%**	21%		**31%**	18%	
Sales and marketing expenses	**47%**	40%		**44%**	41%	
Product development costs	**35%**	25%		**33%**	24%	
Foreign exchange (gain) loss	**2%**	(5%)		**3%**	(7%)	
Total expenses	**124%**	81%		**111%**	76%	

General and administrative expenses

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

General and administrative expenses increased $2,860 or 159% in the current quarter to $4,662 from $1,802 in the prior year quarter. The quarter included $664 for advisory, legal, and other professional fees that were incurred in relation to the acquisition of WTL. Excluding the impact of these non-recurring expenses of $664, the increase was $2,196 or 122%. The quarter also included incremental expenses contractors, consultants, professional and listing fees of $398 in the current quarter related to the finalization of the Company's new credit facility, our preparation for graduation to the TSX and the professional and legal fees for the establishment of our new EU subsidiary in France.

In the current quarter the Company granted stock options to directors, officers, and employees of the Company with the total stock-based compensation recognized in general and administrative expenses the period being $901 compared to $451 in the comparative period. There was an equivalent stock option grant completed in the comparable fiscal quarterly period however the expense associated with the granting of the stock options was greater in the current year as determined by the valuation model used.

As we have accelerated our sales, marketing and product development efforts, our corporate team has also expanded to support the continued scaling of the Company. This includes the establishment of a new enterprise information technology function serving the needs of our global team. Salaries and benefits for these employees increased $804 during the three-months ended April 30, 2021, compared to the prior year period. CEWS funding recorded in the quarter of $94 was the same as in the prior year comparable quarter.

Also contributing to the increase for the quarter were additional software maintenance costs of $142 as we added more licenses and functionalities to support additional team members joining Blackline. Building rent and operating costs increased $137 due to additional office space for our Calgary head office as well as the office for our WTL subsidiary in Leicester, which was net of $38 of Canadian Emergency Rent Subsidy ("CERS") funding that was not available in the prior year period.

In the three-months ended April 30, 2021, $619 of general and administrative expenses are directly attributable to the operation of WTL.

During the six-month period ended April 30, 2021, general and administrative expenses increased $3,797 or 118% compared to the same period in 2020. Excluding the impact of non-recurring expenses for the WTL acquisition the increase was $3,133 or 98%. The increase was primarily related to $676 of contractors, consultants, legal, professional, and listing fees related to the finalization of the Company's new credit facility, our preparation for graduation to the TSX and the professional and legal fees related to the incorporation of our new EU subsidiary.

In support of our graduation and continued growth of operations, general and administrative salaries increased $1,150 during the six-month period ended April 30, 2021, when compared to the same period in the prior year. CEWS funding recorded year to date was $132 compared to $94 for a net increase of $38 year over year.

Software maintenance costs increased $219 for the six-months ended April 30, 2021, when compared with the prior year, and rent and building operating costs increased $148 net of CERS funding recorded of $103 which was not available in the prior fiscal year period.

Stock-based compensation during the six-months ended April 30, 2021 was $1,065 compared to $471 in the prior year. There was an equivalent stock option grant completed in the comparable fiscal period however the expense associated with the granting of the stock options was greater in the current year as determined by the valuation model used. There were also incremental options issued to two new directors of the Company, as well as members of management of the newly acquired WTL subsidiary.

Sales and marketing expenses

Sales and marketing expenses include the salaries, benefits and stock-based compensation expense of the sales, marketing, business development, customer care and sales support staff as well as travel costs, selling and marketing expenses and supporting contractors and consultants' professional fees.

Sales and marketing expenses for the quarter increased $2,081 or 61% to $5,510 from $3,429 versus the prior year quarter. The increase is primarily due to the hiring of additional sales personnel and support team members over the last twelve months. The gross increase in salaries and benefits for the sales and marketing team was $1,667 during the three-months ended April 30, 2021, compared to the same period in 2020. The net increase to salaries and benefits was larger at $1,804 after accounting for CEWS funding recorded for the quarter of $221 compared to $358 for the three-months ended April 30, 2020.

Also, increasing sales and marketing expense during the quarter were incremental sales commissions to our sales personnel of $218 resulting from increased hardware sales when compared to the same period in 2020. This was partially offset by $160 for lower distributor commission expenses during the quarter relating to a revised distributor commission plan rolled out during 2021. In addition, recruiting costs were greater by $200 versus the prior year quarter and bad debt expense increased $204 due to a recovery in the prior year quarter.

In the quarter ended April 30, 2021, $75 of sales and marketing expenses are directly attributable to the sales and marketing function of WTL.

During the six-months ended April 30, 2021, sales and marketing expenses increased $2,629 or 37% to $9,809 from $7,180 compared to the six-months ended April 30, 2020. The increase was largely due to additional salaries and benefits for the expanded sales and marketing team. The increase on a gross basis was $2,510 during the current period compared to the same period in the prior year. The increase was $2,348 on a net basis after CEWS of $520 was recorded for the six-months ended April 30, 2021 (six-months ended April 30, 2020 - $358).

Increases period over period for consulting ($120), subscriptions and licenses ($125) and recruiting costs ($523) supporting our expanded sales workforce were mostly offset by the reduction in travel ($500) and tradeshow ($207) costs due to the ongoing impact of restrictions due to COVID-19 with no equivalent in the current year period.

Bad debt expense for the six-months ended April 30, 2021, increased by $319 compared to the same period in the prior year due to a bad debt recovery of $211 recorded in the second quarter of 2020.

Product development costs

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

Product development costs increased $1,903 or 89% during the current quarter to $4,039 from $2,136 in the prior year comparable quarter. The increase was driven by increased consulting fees of $615 focused on improving the back end supporting platform for the Blackline Live portal to enhance its ability to absorb data as well as an increase of $298 in software maintenance and license costs.

The employee compensation and benefit costs increased $613 on a gross basis and by $753 including the impact of $135 of CEWS funding recorded in the three-months ended April 30, 2021 compared to $276 of funding recorded for the comparable prior year period.

Amortization charges increased $147 during the current quarter due to additional certification costs that have been capitalized over the last twelve months and increased material costs of $85 due to testing and development of a new core product.

In the three-months ended April 30, 2021, $245 of product development costs were incurred as part of WTL's continued development of its product offerings. Of this, $97 relates to the amortization of intangible assets acquired as part of the transaction.

During the six-months ended April 30, 2021 product development costs increased $3,220 or 78% to $7,364 from $4,144 in the prior year period. External consulting costs increased $1,521 compared to the six-months ended April 30, 2020, due to the increased support for the inhouse team to deliver the upcoming product roadmap and continued development of the Blackline Live portal. Software maintenance and subscriptions resulted in an increase of $421 versus the prior year.

Salaries and benefits costs for the six-months ended April 30, 2021 were $1,024 higher than the same period in the prior year, before the impact of CEWS. Including $348 of government support recorded in 2021 (six-months ended April 30, 2020 - $276) the increase was $952.

The increase to amortization charges was $174 during the current fiscal year compared the prior period and material costs increased $158 over the same period.

Foreign exchange (gain) loss

Total net realized and unrealized foreign exchange loss was $229 compared to a gain of ($459) in the prior year comparable quarter.

Total net realized and unrealized foreign exchange loss was $770 year to date compared with a gain of ($1,150) during the same period of the prior year.

The foreign exchange gain/loss relates predominately to the Company's foreign currency denominated cash and cash equivalents, accounts receivable and accounts payable at the period end.

Finance income, Net

Finance income, net of finance expenses was $35 for the three-months ended April 30, 2021 and $105 for the six-months ended April 30, 2021. This was compared to $87 and $199 in the comparable prior year period, respectively. The decrease was due to the lower interest rates obtained from the Company's chartered banks on its short-term investments compared to those available during the prior year periods.

Net loss, EBITDA, and Adjusted EBITDA

Net loss was ($8,558) and ($13,442) respectively for the three and six-months ended April 30, 2021 compared to ($2,099) and ($4,454) in the same periods of 2020. The increased net loss in the periods is due primarily to an increase in general and administrative expenses, sales and marketing expenses and product development costs, offset by increased gross margin and year-over-year.

EBITDA[1] was ($7,268) and ($11,131) respectively for the three and six-months ended April 30, 2021 compared to ($1,222) and ($2,670) in the same periods of 2020. The decrease in EBITDA arises from the increase in general and administrative expenses, sales and marketing expenses and product development costs, offset by increased gross margin compared to the prior year comparable periods.

Adjusted EBITDA[1] was ($1,519) and ($1,879) respectively for the three and six-months ended April 30, 2021 compared to $1,333 and $1,909 in the same periods of 2020. The decrease in Adjusted EBITDA is a result of the increase in general and administrative expenses, sales and marketing expenses, offset by increased gross margin compared to the prior year comparable periods.

[1] See "Non-IFRS Measures" section for a reconciliation of these non-IFRS measures to IFRS.

Total Assets and Liabilities

Blackline's total assets as at April 30, 2021 were $82,846 compared to $88,610 as at October 31, 2020. Total liabilities were $27,720 compared to $22,282 as at October 31, 2020.

The decrease in total assets as at April 30, 2021 when compared to the prior fiscal year end is primarily due to the decrease in cash and cash equivalents which was partially offset by increased trade and other receivables, inventory, property and equipment and intangibles.

Cash and cash equivalents as at April 30, 2021 were $16,519 compared to $28,523 as at October 31, 2020, a decrease of $12,004. Short-term investments with financial institutions at the period end were $23,040 with the majority of those funds being invested from the September 2020 Brokered Private Placement and the remainder from the October 2018 Brokered Private Placement. This represents total cash and cash equivalents and short-term investments of $39,559 as at April 30, 2021 (October 31, 2020 - $51,523).

Trade and other receivables totaled $15,266 an increase from $13,342 at the prior year end. The increase is due to the growth in trade receivables resulting from the product sales generated in the current fiscal period and the associated collection terms and timing of these receivables. The increase in other receivables is attributed to the growth in lease receivables from the Company's finance lease contracts in the current fiscal period.

Inventory totaled $12,955 as at April 30, 2021 compared to $10,771 at the prior year end. Material parts inventory decreased to $5,926 from $6,142 at the prior year end with finished goods, comprised of finished and packaged units, increasing to $7,029 from $4,629. The growth in inventory is a result of the build for both G7 and G7 EXO to meet increased orders during the quarter, higher stocking requirements for the Company's subsidiaries in the UK and France as well as proactive management of material levels in light of current global supply chain challenges.

Total contract assets, consisting of current and long-term costs related to the fulfilment of G7 lease contracts, were $631 compared to $722 at October 31, 2020. The decrease is largely due to the immediate recognition in the Consolidated Statements of Loss of distributor commission related to the product component of finance leases rather than recognition over the course of the contract term as a contract asset.

Property and equipment at the period end was $8,849 compared to $8,562 at the prior year end. There were net additions of $224 of leasehold improvements from the expansion of the Company's headquarters and $213 for new computer equipment as we continued to add personnel throughout the quarter. Blackline also added net owned cartridges of $65 from hardware sales during the period.

Intangible assets were $2,646 at April 30, 2021 compared to $802 at October 31, 2020. Blackline added net intangibles of $1,844 following the acquisition of WTL during the second quarter of 2021.

Right-of-use assets of $1,577 represent the lease obligations that have been entered into by the Company, the majority of which relate to the lease agreements for the Company's offices in Calgary, Canada, and Colchester and Leicester in the UK. The slight increase from year end is due to amortization of these obligations being offset by the new sublease entered into by the Company for additional office space in the Dominion Bridge building, the Company's Calgary headquarters as well as the addition of office space in Leicester for WTL which was acquired during the second quarter of 2021.

Total current liabilities at April 30, 2021 were $23,293 compared to $17,728 at October 31, 2020. Accounts payable and accrued liabilities owed by Blackline increased to $10,616 from $7,311 due to the timing of the payment of the Company's expenditures at the end of each fiscal period. The current portion of the Company's deferred revenue, whereby customers commit to service plans that are paid in advance, was $11,519 at the quarter-end compared to $9,288 at the prior year end. The increase is a result of new service revenue contracts net of the timing of when cash is received, and revenue being recognized.

The current portion of contract liabilities which represent the Company's obligations to pay commission to third-party distributors who assist with the fulfilment of G7 lease contracts was $478 compared to $632 at the prior year end.

The current portion of the Company's lease liabilities was $542 which increased slightly from $497 at the prior year end due to the addition of the obligations related to the additional space at the Company's Calgary headquarters and the newly acquired office in Leicester for WTL.

Total non-current liabilities as at April 30, 2021 were $4,427 compared to $4,554 as at October 31, 2020. The non-current liabilities include the non-current portions of deferred revenue and deferred lease incentives. The long-term portion of the Company's deferred revenue decreased to $3,045 from $3,289 at the prior year end, which reflects the timing of when the deferred revenue from service sales will be earned. The non-current portion of contract liabilities was $242 as at April 30, 2021 compared to $202 at the prior year end.

The non-current portion of the Company's lease liabilities as at April 30, 2021 were $1,140 which was consistent with the prior year end obligation of $1,064.

Acquisition of Wearable Technologies Limited

On February 10, 2021 the Company acquired 100% of the shares of WTL for $878 (GBP 500). WTL enhances the Company's current safety offering with a focus in the construction and light industrial safety market. WTL has developed a complete platform comprised of smart safety clothing, a cloud-connected safety wearable, personal area networking, sensor partnerships, user portal, software infrastructure and data analytics.

Transaction costs relating to due diligence fees, legal costs, advisory fees and other professional fees for the three and six-months ended April 30, 2021 amounting to $664 were incurred in relation to the acquisition. These amounts have been included in general and administrative expenses in the Company's consolidated statements of loss and comprehensive loss.

In conjunction with the acquisition of WTL, the Company assumed certain deferred compensation obligations due to employees of WTL of $535. These obligations were settled during the three- months ended April 30, 2021.

The results of operations of WTL have been consolidated with those of the Company as at February 10, 2021. The acquisition has been accounted for as a business combination in accordance with IFRS 3 *Business Combinations*, using the acquisition method whereby the net assets acquired, and the liabilities assumed are recorded at fair value. The majority of the value of net assets acquired relates to the intangible assets of WTL.

Proceeds of Private Placements

On September 2, 2020, the Company closed an underwritten private placement of 6,000,000 common shares of the Company at an issue price of $6.00 per Common Share for aggregate gross proceeds of $36,000 (the "September 2020 Brokered Private Placement"). After deduction of broker and other fees the net proceeds from the September 2020 Brokered Private Placement were $33,638. All Common Shares issued pursuant to the Offering were subject to a four month plus one day hold period.

Blackline advised at the time that it intends to use the net proceeds of the September 2020 Brokered Private Placement to undertake a series of programs, including:

- Accelerated investment in two new core products
- Accelerated investment in its cloud-based platform to dramatically enhance its ability to absorb data
- Expand its Blackline Vision data science offering and increase investment into its promotion
- Build new sales channels targeting new core vertical markets
- Explore opportunities for accretive growth through acquisition
- Other general corporate purposes

The Company invested $15,000 of the funds raised in short-term investments and as at April 30, 2021; all of these funds remain invested in short-term investments.

On October 22, 2018, the Company closed an underwritten private placement of 6,325,000 common shares of the Company at an issue price of $5.00 per common share for aggregate gross proceeds of $31,625 (the "October 2018 Brokered Private Placement"). After deduction of broker and other fees the net proceeds from the October 2018 Brokered Private Placement were $29,399.

Blackline advised at the time that it intends to use the net proceeds of the October 2018 Brokered Private Placement to support the accelerated growth of its international sales network, to fund potential accretive acquisition opportunities as well as general corporate purposes. The Company invested $27,624 of the funds raised in notice term deposits and short-term investments and as at April 30, 2021 $9,144 of these funds remains invested in notice term deposits and short-term investments.

Summary of Quarterly Results

The following table highlights revenue, gross margin percentage, net loss, net loss per share, Adjusted EBITDA[1] and Adjusted EBITDA[1] per share amounts for the eight most recently completed quarters ended April 30, 2021. These have been prepared in accordance with IFRS, with the non-IFRS measures captioned below, and are presented in Canadian dollars which is the presentation and functional currency of the Company.

	2021		2020				2019	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Total revenue ($)	**11,675**	10,678	11,550	9,437	8,472	8,918	10,746	8,108
Gross margin (%)	**51**	52	56	53	55	46	47	49
Net loss ($)	**(8,558)**	(4,884)	(1,804)	(1,762)	(2,099)	(2,355)	(2,924)	(2,240)
Net loss per share ($)	**(0.16)**	(0.09)	(0.04)	(0.04)	(0.04)	(0.05)	(0.06)	(0.05)
Adjusted EBITDA[1] ($)	**(1,519)**	(364)	2,149	1,420	1,333	520	155	112
Adjusted EBITDA[1] per share ($)	**(0.03)**	(0.01)	0.05	0.03	0.03	0.01	0.00	0.00

[1] See "Non-IFRS Measures" for a reconciliation of Adjusted EBITDA as a non-IFRS measure to IFRS. The reconciling items and the movements in these items from period to period are discussed in the MD&A of each period.

The variations over the quarters, including their comparable quarter, are discussed in this MD&A and in the previously filed interim and annual MD&A of the Company.

Fiscal Year 2021

The increase in product revenue in the second quarter of fiscal 2021 compared to the first quarter of fiscal 2021 relates to the early returns of the investments in our sales and marketing team in late fiscal 2020 and early fiscal 2021 which led to increased sales of Blacklines core G7 product line as well as the newly introduced G7 EXO. The second quarter also saw the first sales in Europe for our new wholly owned subsidiary Blackline Safety Europe SAS from France.

Service revenues increased versus the consecutive quarter due to the new service activations by end-users of our devices during the first and second fiscal quarters of 2021.

The increase in net loss in the second quarter of fiscal 2021 compared to the first quarter for fiscal 2021 resulted from increased general and administrative expenses, sales and marketing expenses and product development costs, which were partially offset by an increase in gross margin.

The decrease in Adjusted EBITDA in the second quarter of fiscal 2021 resulted from increased general and administrative expenses, sales and marketing expenses, which were partially offset by an increase in gross margin.

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

Fiscal Year 2020

The increase in revenue in the fourth quarter of fiscal 2020 compared to the third quarter of fiscal 2020 relates predominately to higher product revenues. The increase in gross margin percentage in the fourth quarter of fiscal 2020 compared to the third quarter of fiscal 2020 was due to the product margin earned period-over-period. The increase in net loss in the fourth quarter of fiscal 2020 compared to the third quarter of fiscal 2020 resulted from increased product development costs, offset by increased gross margin, decreased general and administrative expenses and sales and marketing expenses period-over-period. The increase in Adjusted EBITDA in the fourth quarter of fiscal 2020 resulted from increased gross margin, decreased general and administrative expenses and sales and marketing expenses period-over-period.

The increase in revenue in the third quarter of fiscal 2020 compared to the second quarter of fiscal 2020 relates predominately to higher service revenues. The decrease in gross margin percentage in the third quarter of fiscal 2020 compared to the second quarter of fiscal 2020 was due to the product and service mix sold, as well as a reduction in service gross margin, period-over-period. The decrease in net loss in the third quarter of fiscal 2020 compared to the second quarter of fiscal 2020 resulted from increased gross margin, decreased sales and marketing expenses offset by increased general and administrative expenses period-over-period.

The increase in gross margin percentage in the second quarter of fiscal 2020 compared to the first quarter of fiscal 2020 was due to the product and service mix sold period-over-period. The increase in Adjusted EBITDA in the second quarter of fiscal 2020 compared to the first quarter of fiscal 2020 resulted from increased gross margin, decreased sales and marketing expenses offset by increased general and administrative expenses period-over-period.

The decrease in revenue in the first quarter of fiscal 2020 compared to the fourth quarter of fiscal 2019 relates predominately to lower product revenues. The decrease in net loss in the first quarter of fiscal 2020 compared to the fourth quarter of fiscal 2019 is attributable to decreased general and administrative expenses, offset by decreased revenues and gross margin and increased sales and marketing expenses period-over-period. The increase in Adjusted EBITDA in the first quarter of fiscal 2020 resulted from decreased general and administrative expenses, offset by decreased revenues and gross margin and increased sales and marketing expenses period-over-period.

Fiscal Year 2019

The increase in revenue in the fourth quarter of fiscal 2019 compared to the third quarter of fiscal 2019 relates predominately to higher product revenues. The decrease in gross margin percentage in the fourth quarter of fiscal 2019 compared to the third quarter of fiscal 2019 was due to the product and service mix sold period-over-period. The increase in net loss in the fourth quarter of fiscal 2019 compared to the third quarter of fiscal 2019 is attributable to increased selling, general and administrative expenses and product development costs, offset by increased revenues and gross margin period-over-period.

The increase in gross margin percentage in the third quarter of fiscal 2019 compared to the second quarter of fiscal 2019 was due to a proportionally higher product margin due to the mix of products sold period-over-period. The decrease in net loss in the third quarter of fiscal 2019 compared to the second quarter of fiscal 2019 is attributable to stock-based compensation expense incurred in the second quarter of the fiscal year from stock options granted to directors, officers and employees of the Company.

There are no factors, other than those previously disclosed, that have caused variations over the quarters necessary to understand general trends that have developed for which separate discussion in this MD&A is required. The Company's business is not significantly impacted by seasonality.

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 cash flows from operations, funds from equity financing, a bank demand operating revolving loan facility and government assistance in the form of repayable debt.

Blackline had cash and cash equivalents of $16,519 as at April 30, 2021. Cash and cash equivalents decreased by $7,322 and $12,004 during the three and six-month periods ended April 30, 2021 respectively. This was compared to an increase of $1,846 and $833 during the three and six-month periods ended April 30, 2020.

	Three-months ended April 30,			**Six-months ended April 30,**		
000s	**2021 $**	2020 $	Change %	**2021 $**	2020 $	Change %
Cash provided by (used in) operating activities	**(5,423)**	(2,037)	(166)	**(9,610)**	(5,236)	(84)
Cash provided by (used in) financing activities	**467**	368	27	**633**	430	47
Cash provided by (used in) investing activities	**(1,883)**	3,808	(149)	**(3,023)**	6,540	(146)
Effect of foreign exchange	**(483)**	(293)	(65)	**(4)**	(901)	100
Total net increase (decrease in cash and cash equivalents	**(7,322)**	1,846	(497)	**(12,004)**	833	(1,541)

Operating activities during the three and six-months ended April 30, 2021 used $5,423 and $9,610 of cash respectively (three and six-months ended April 30, 2020, $2,037 and $5,236 respectively). The increase in cash used was a result of a larger net loss for the period, excluding greater non-cash charges of depreciation, amortization, and stock-based compensation. This was partially offset for the current quarter by improvements in non-cash working capital of $731 compared to ($1,699) in the same quarter of the prior year. This improvement was due primarily to the net change of trade and other receivables of $1,251 (three-months ended April 30, 2020 - ($1,239)) as well as accounts payable and accrued liabilities of $740 (three-months ended April 30, 2020 - $282) as we proactively worked with customers and suppliers to improve our working capital turnover.

During the six-months ended April 30, 2021 operating activities used $9,610 of cash (six-months ended April 30, 2020 - $5,236). The increase in cash used was a result of a larger net loss for the period, excluding greater non-cash charges of depreciation, amortization, and stock-based compensation. This was partially offset by improvements in non-cash working capital of $171 compared to ($3,405) in the prior year. This improvement was due to a better management of inventory build, using $1,914 of cash compared to $3,148 in the prior year as well as accounts payable and accrued liabilities of $1,667 versus ($999) in the same period of 2020.

Financing activities for the three and six-months ended April 30, 2021 provided $467 and $633 of cash respectively (three and six-months ended April 30, 2020 - $368 and $430 respectively). Proceeds from option exercises were $597 and $882 for the three and six-months ended April 30, 2021, compared to $556 and $804 in the comparative periods. There were also repayments of $100 and $190 made to TECTERRA relating to a funding and compensation agreement in the three and six-month periods in the prior year with no such repayments in the current year. Our repayment of lease liabilities partially offset this with payments of $130 and $249 made during the three and six-month periods ended April 30, 2021, compared to $88 and $183 during the three and six-month periods ended April 30, 2020, as we expanded our office space at our Calgary corporate office as well as the inclusion of the office lease for WTL acquired in the quarter.

Investing activities in the three and six-month periods ended April 30, 2021 used cash in the amounts of $1,883 and $3,023 respectively compared to cash provided of $3,808 and $6,540 in the comparable three and six-month periods. There were purchases of short-term investments totaling $15,040 and $22,051 compared to $455 and $2,398 in the prior year comparable periods. These purchases were offset by redemptions of short-term investments of $15,010 and $22,010 during the three and six-months ended April 30, 2020, respectively (three and six-months ended April 30, 2020 - $4,931 and $10,942 respectively).

Net finance income from the Company's cash and cash equivalents and short-term investments in three and six-month periods ended April 30, 2021 was $27 and $70 respectively (three and six-months ended April 30, 2020 - $72 and $136 respectively). During the three and six-months ended April 30, 2021, the Company incurred capital expenditures of $1,001 and $2,175, primarily for property and equipment additions of cartridges and computer equipment for our expanded workforce. Capital expenditures for the three and six-month periods ended April 30, 2020, totaled $740 and $2,140 respectively for property and equipment, primarily consisting of molds and cartridges.

During the quarter, the Company purchased all of the outstanding shares of WTL for $878 (GBP 500) of cash.

The total of the short-term investments held as at April 30, 2021 amounted to $23,040 compared to $23,000 at the prior year end. The short-term investments were comprised of fixed interest rate guaranteed investment certificates with two Canadian chartered banks. The total cash and cash equivalents and short-term investments at April 30, 2021 was $39,559 (October 31, 2020 - $51,523).

000s	**April 30, 2021 $**	October 31, 2020 $	Change %
Current assets	**67,646**	75,795	(11)
Current liabilities	**(23,293)**	(17,728)	(31)
Working capital	**44,353**	58,067	(24)

Working capital at April 30, 2021, was $44,353 compared to $58,067 at the prior year end, a decrease of $13,714. The reduction is mainly due to a decrease in cash and cash equivalents and increase in accounts payable and accrued liabilities and deferred revenue in current liabilities, offset by an increase in inventory.

Blackline activity managed its working capital during the three-months ended April 30, 2021 as we worked to improve collections, terms with customers, and our overall receivables turnover. We proactively managed inventory as we built up our stock on hand by $1,790 to mitigate against current global supply chain challenges.

The decrease in working capital was also impacted by a combination of a reduction in cash and increase in accounts payable due to expenditures related to the acquisition of WTL, the Company's graduation to the TSX, the establishment of a new European Union based subsidiary in France and the finalization of the Company's new credit facility which amounted to $2,475.

The Company has a demand operating line of credit ("loan facility") of up to $15,000 with a Canadian chartered bank. The loan facility bears interest at the Canada prime rate plus 1.97% for CAD advances or U.S. base rate plus 1.97% for USD advances. The borrowing base for the operating line of credit is determined using a formula driven by the Company's monthly recurring revenue. The loan facility also includes a credit card facility and a facility for the sale or purchase of foreign currencies and other treasury products.

The loan facility includes general covenants and a cash to cash burn financial covenant, tested quarterly, that shall not at any time be below 12.00 to 1.00. The Company was in compliance with all covenants as at April 30, 2021.

The loan facility is secured, including by a general security agreement creating a first priority security interest in all present and after acquired personal property of the Blackline Safety Corp. and its subsidiary Blackline Safety Europe Ltd.

The loan facility was not drawn against as at April 30, 2021.

The Company has participated in the British Business Bank bounce back loan scheme which enabled UK based businesses to access financing during the Coronavirus pandemic. The scheme provided the Company with a government-backed guarantee against any outstanding balance of the facility interest; the borrower remains fully liable for the principal amount. The loan is included as part of the acquisition of Wearable Technologies Ltd. and is held with a UK plc bank.

The outstanding loan amount as at April 30, 2021 was $138 (October 31, 2020: $nil), all of which is repayable within one year.

The Company is utilizing the Government of Canada's CEWS program that is available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19. The Company received wage subsidy funding of $556 for payroll related to the current fiscal quarter (three-months ended April 30, 2020 - $1,047) and a total of $1,366 during the fiscal year to date (six-months ended April 30, 2020 - $1,047). This funding has been recorded as a reduction in related payroll expenses.

The Company is also utilizing the Government of Canada's CERS program that is available to qualifying tenants, subject to eligibility criteria, whose business has been adversely affected by COVID-19. The Company received rent subsidy funding of $37 and $102 for the three and six-months ended April 30, 2021 (three and six-months ended April 30, 2020 - $nil) which has been recorded as a reduction in related rent expenses.

As at April 30, 2021, $593 is included in trade and other receivables as the subsidy cash funding was not received until post quarter end. The Company will continue to participate in relevant governmental support programs throughout the period of the COVID-19 pandemic.

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 investment in wages, tooling and product certifications during the development process. To meet these development-based capital requirements, in addition to the loan facility and focusing on improving cash flow from operating activities, the Company continues to pursue multiple levels of government grants and funding arrangements. Such arrangements, including zero interest loans for developing new geomatics technologies (TECTERRA) and wage programs to cover the cost of hiring new developers (Alberta Innovates), 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 assurances can be given that the Company will achieve all or part of its liquidity objective, or that sufficient funds will be generated internally or that financing from outside sources, if needed, will be available.

There are no capital expenditure commitments at April 30, 2021, other than the manufacturing of owned modular cartridges used in the G7 connected safety device and which generate service revenue for the Company. These budgetary commitments will be funded primarily through cash flows from operations.

Contractual Obligations

000s	Less than 1 year $	1-3 years $	Thereafter $	**Total** **$**
Bank indebtedness	138	-	-	**138**
Finance lease obligations	543	1,131	9	**1,683**
Operating leases	634	1,061	-	**1,695**
Purchasing commitments	480	-	-	**480**
Total	**1,795**	**2,192**	**9**	**3,996**

Contractual obligations relate to bank indebtedness, finance lease obligations, operating leases and committed lease related expenses as well as purchasing commitment with suppliers of consulting services and raw materials. Finance lease obligations have been recognized on the Consolidated Statement of Financial Position as short-term and long-term leases liabilities and corresponding right-of-use assets, in accordance with IFRS 16 *Leases*.

Off-Balance Sheet Arrangements

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

Related Party Transactions

There were no transactions between the Company and related parties for the three and six-month periods ended April 30, 2021 and 2020. As at April 30, 2021 and October 31, 2020, there were no amounts outstanding in accounts payable and accrued liabilities in relation to transactions with related parties.

Subsequent Events

TSX Graduation

On June 10, 2021, the Company announced that it has received final approval from the TSX to graduate from the TSXV and list its common shares on the TSX. Blackline's common shares commenced trading on the TSX at market open on Friday June 11, 2021, under its existing symbol "BLN". In connection with the TSX listing, the Company's common shares were concurrently delisted from the TSXV. Shareholders were not required to take any action in connection with the graduation and listing on the TSX.

Critical Accounting Estimates

The preparation of the Company's Condensed Consolidated Interim Financial Statements requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying value of assets and liabilities. These estimates are based on historical experience and management's judgments based on information available as at the financial statement date, and as a result, the estimates used by management involve uncertainty and may change as additional experience is acquired. Furthermore, as the impacts of the COVID-19 pandemic on the global economy continue, management cannot reasonably estimate the resulting length or severity of the impact on the Company. As such, actual results may differ significantly from estimates made within the Condensed Consolidated Interim Financial Statements for the three months ended April 30, 2021.

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

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

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

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

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

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

There have been no changes made to the methodology used to determine the critical accounting estimates in the previous two years. Each of these accounting estimates impact both the product and service reportable segments of the Company's results.

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 current reporting period.

New Accounting Policies Not Yet Adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for April 30, 2021, reporting periods and have not been early adopted by the Company.

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

Financial Instruments

Blackline held the following financial instruments as at April 30, 2021 fiscal period end:

Financial Assets

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

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Financial Liabilities

The financial liabilities held by the Company consisted of accounts payable and accrued liabilities, contract liabilities and lease liabilities. These financial liabilities are initially measured at fair value with any subsequent changes in measurement being at amortized cost. The carrying amounts of these financial liabilities are not considered to be significantly different to their fair values due to the instruments short-term nature.

The Company's risk exposure associated with these financial instruments and the strategies used to manage these risks are disclosed in note 3 b) of the April 30, 2021 unaudited condensed consolidated interim financial statements of the Company. The amounts, timing and certainty of future cash flows, 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.

Non-IFRS Measures

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS as issued by the IASB.

Certain supplementary information and measures not recognized under IFRS are provided where management believes they assist the reader in understanding Blackline's results. The calculations of the non-IFRS measures are consistent with the prior year comparable periods. These measures include:

EBITDA

EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA refers to earnings before interest expense, interest income, income taxes, depreciation, and amortization.

Management believes that operating performance, as determined by EBITDA, may be meaningful to securities analysts, investors, and other interested parties because it presents the results of the Company on a basis which excludes the impact of certain non-operational items. Readers should be cautioned, however, that EBITDA should not be construed as an alternative measure to net earnings (loss) determined in accordance with IFRS. Management does not use this non-IFRS measure to assess the Company's financial results against internal expectations.

Adjusted EBITDA

Adjusted EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Adjusted EBITDA refers to earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product development costs and non-recurring impact transactions, if any.

The Company does not include stock-based compensation expenses, product development costs or other nonrecurring impact transactions, if any, in Adjusted EBITDA. This is presented to provide analysts, investors, and other interested parties a representative adjusted EBITDA of the Company such that it was not incurring product development costs related to new and existing products or the effects of stock-based compensation expense and non-recurring 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.

Management believes that operating performance, as determined by Adjusted EBITDA, may be meaningful to securities analysts, investors and other interested parties because it presents the results of the Company on a basis which excludes the impact of product development costs related to new and existing products, which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without any expenditures in product development. The exclusion of stock-based compensation expense as a non-cash item as well as non-recurring impact transactions, if any, also enables those readers of the MD&A to evaluate the results of the Company because it presents the results of the Company on a basis which excludes the impact of non-cash and non-recurring items, if any. Readers should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative measure to net earnings (loss) determined in accordance with IFRS. Management does not use this non-IFRS measure to assess the Company's financial results against internal expectations.

EBITDA per Share and Adjusted EBITDA per Share

EBITDA per share and Adjusted EBITDA per share are calculated on the same basis as net earnings (loss) per share, utilizing the basic and diluted weighted average number of common shares outstanding during the periods presented. These are presented in the "Highlights" section of the MD&A.

Reconciliation of Non-IFRS Measures

The following table presents a reconciliation of the non-IFRS measures presented in the MD&A to their nearest measures under IFRS for the three and six-month periods ended April 30, 2021 and April 30, 2020. These are net loss to EBITDA, Adjusted EBITDA and net loss to net loss excluding stock-based compensation expense.

	Three-months ended April 30,			**Six-months ended April 30,**		
000s	**2021** **$**	2020 $	Change %	**2021** **$**	2020 $	Change %
Net loss	**(8,558)**	(2,099)	(308)	**(13,442)**	(4,454)	(202)
Depreciation and amortization	**1,210**	1,028	18	**2,297**	1,992	15
Finance income, net	**(35)**	(87)	(60)	**(105)**	(199)	(47)
Income tax	**115**	(64)	280	**119**	(9)	1,422
EBITDA	**(7,268)**	(1,222)	(495)	**(11,131)**	(2,670)	(317)
Product development costs, net of depreciation, amortization and stock-based compensation expense	**3,633**	1,939	87	**6,807**	3,869	76
Stock-based compensation expense	**1,452**	827	76	**1,781**	921	93
Other non-recurring impact transactions	**664**	(211)	415	**664**	(211)	415
Adjusted EBITDA	**(1,519)**	1,333	(214)	**(1,879)**	1,909	(198)

Outstanding Share Data

Blackline had 54,522,458 common voting shares issued and outstanding as at June 22, 2021.

The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$2.85	281,834
$4.25	846,583
$4.40	482,834
$5.26	749,917
$5.50	679,159
$5.84	10,000
$6.55	115,000
$8.00	595,000
$8.50	671,500
Total	4,431,827

Risk Factors and Uncertainties

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

General Economic Conditions

The Company currently operates in Canada, the United States, Europe and other international markets and like all businesses globally, it has been subject to the impact of national and global economic issues related to the global COVID-19. These challenging conditions have affected the global marketplace and have resulted in significant disruption throughout nearly every industry, including on global supply chains. Blackline is working proactively with client entities whose operational and capital spending has been impacted. These conditions continue to create uncertainty around the demand for products and services currently provided by Blackline.

The effects of this pandemic are pervasive and will continue to affect commodity prices, demand for the products and services provided Blackline's customers, and access to capital for both the Company and its customers. The extent to which the COVID-19 pandemic may impact our overall business, business opportunities, results of operations, financial condition and cash flows is not within the control of the Company and cannot be accurately predicted at this time.

Competition

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

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

Risk Associated with International Operations

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

Technological Change and Standards

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

Intellectual Property Risks

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

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

Reliance on Information Systems and Technology

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

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

Reliance on Third Party Licenses

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

Dependence on Third Parties

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

History of Operating Losses

Since its incorporation, the Company has recorded an inadequate level of revenue to offset its costs and has an accumulated deficit as at April 30, 2021 of $83,649. The deficit is expected to increase in the near term as the Company accelerates the growth of its international sales network and continues its product development.

Price Volatility of Publicly Traded Securities

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

Climate Change

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

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

BREXIT

In June 2016, voters in the UK approved the withdrawal of the UK from the European Union (commonly known as "Brexit"). Following parliamentary ratification of Brexit by the UK and the European Union, there followed an agreed transitional period that ended on December 31, 2020, during which time a trade agreement was to be negotiated. The EU–UK Trade and Cooperation Agreement ("Agreement") was signed on December 30, 2020 between the UK and the European Union and has been applied provisionally since January 1, 2021 when the Brexit transition period ended.

The effects of the terms of the Agreement on the UK's future trading relationship with the European Union could cause continued economic and political uncertainty in the UK and the European Union. It is possible that Blackline or certain of its subsidiaries will be subject to increased obligations and complexities imposed by new or changing laws and regulations, including those relating to tax benefits and liabilities, trade, security and employment. This could lead to increased costs and expenses as it adapts to changing legal and regulatory frameworks. It is unclear at this time how the Agreement will impact the long-term trading relationship between the UK with the European Union and associated impacts on Blackline and its subsidiaries, one of which, has significant operations in the UK and the European Union. These or other effects of Brexit could be disruptive to Blackline's operations and business in the UK and the European Union and could significantly adversely affect its overall business, business opportunities, results of operations, financial condition and cash flows.

Outlook

Blackline has a comprehensive connected safety hardware enabled SaaS portfolio that is designed and developed in-house to meet the demands of industry, from utilities to energy and petrochemical, telecom, consumer packaged goods, transportation and manufacturing. The Company delivers solutions that provide robust, turn-key safety solutions for personnel operating in urban, suburban, rural, hazardous and remote locations.

Throughout the last year, we have stood behind our customers through the worst pandemic in memory, supporting them through an incredibly demanding operational environment. Despite these challenges, Blackline was able to grow its revenue 38% quarter over prior year quarter, including 135% growth outside North America, while also establishing a new European Union based subsidiary, completing and successfully onboarding our first corporate acquisition, and finally, graduating to the TSX. We have done this by adding considerable resources to our already talented, diverse team and by staying true to our commitment to ensure that every worker has the confidence to get the job done and return home safe.

This growth has positioned us well to maintain our market leading position in connected safety. Our strong working capital position provides us the opportunity to continue investing in our products and service offerings as well as accelerating our sales to new verticals and geographies while increasing our penetration into existing markets.

We are already beginning to see demand returning, as procurement processes reinitiate across the world, as businesses execute on their post COVID-19 operational strategies. As employees return to worksites at full capacity, current and prospective customers are understanding more than ever the value that connected safety and data offers. We plan to capitalize on these factors with our expanded sales force and anticipate returning to our pre-pandemic growth trajectory as we pursue the transformation of the industrial workplace into a connected one.

Blackline will not stop at solidifying our lead in the world of connected safety, we will continue to accelerate our product development plans and build relationships with current and new distribution and industrial partners. We believe safety should not be a competitive advantage and we look forward to working with other leading organizations that are committed, as we are, to demonstrating leadership using data while driving innovative, resilient, sustainable workforce safety solutions that serve our customers and their employees.

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