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Management's Discussion and Analysis

For the three and six month periods ended April 30, 2015

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Notice

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with Blackline GPS Corp.'s ("Blackline GPS", "Blackline", the "Corporation" or the "Company") unaudited condensed consolidated interim financial statements and the accompanying notes, prepared under IAS 34, *Interim Financial Reporting*, for the three and six month periods ended April 30, 2015. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2014, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under Blackline GPS Corp.

This MD&A is presented as of June 15, 2015. All financial information contained herein is expressed in Canadian dollars, the Company's reporting currency, unless otherwise indicated.

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 new 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 and (ix) market and general economic conditions. See also "Risks Factors and Uncertainties" on page 24. 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-GAAP Financial Measures

The Company reports its financial results in accordance with Canadian GAAP. However, the MD&A contains references to non-GAAP financial measures, such as Gross margin (sales less cost of sales), 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, research and development costs for the development of new products, and one-time non-cash impact transactions), adjusted EBITDA per common share, and ARPU (average revenue per unit). Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers.

These non-GAAP financial measures have been included in this MD&A as they are measures which management uses to assist in evaluating the Company's operating performance against its expectations and against other companies in the technology industry. Management believes that non-GAAP financial measures assist in identifying underlying operating trends.

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Company Overview

Founded in 2004, Blackline is a wireless location technology company and manufacturer with a focus upon business-to-business markets including Employee Safety Monitoring and Portable Business Tracking applications. Headquartered in Calgary, Canada, Blackline has complete in-house design control over its solutions, from end-to-end, enabling the Company to be agile and deliver upon real customer requirements.

Blackline solutions enable businesses to monitor the real-time safety status of their employees, to secure important assets, share the delivery progress of shipments, track targeted individuals, and monitor the location of vehicles.

Company Management

Blackline's management team has expertise in the development, manufacturing and marketing of portable, rugged, and compact safety products for industrial and professional applications. Each member of Blackline's management team offers broad experience within the high tech industry, including experience that ranges from start-ups to mature technology companies and related markets.

- Cody Slater, Chief Executive Officer & Chairman
- Clark Swanson, President
- Kevin Meyers, Chief Operating Officer
- Peter Dorrius, Chief Financial Officer

- Brendon Cook, Chief Technology Officer
- Sean Stinson, VP Sales and Product Management
- Barry Moore, VP Product Development

Blackline's wireless location solutions incorporate several technologies that facilitate high quality end user experiences, including:

- Cellular, satellite, and 900 MHz spread spectrum data communication
- GPS, cellular, and proprietary indoor/outdoor location beacon positioning
- Inertial sensors for detection of falls and person-down (motionless) events
- Infrared surface proximity detection

Markets

Although the Company has one operating business segment, Blackline focuses upon two core applications– Employee Safety Monitoring and Portable Business Tracking. Blackline leverages its core technology across these two markets, reducing overall research and development costs.

Employee Safety Monitoring

Blackline's Loner® portfolio of safety monitoring products helps minimize corporate risk, connect personnel to their employer, and notify monitoring personnel of safety incidents in real-time. These solutions couple wireless communications, positioning technologies, inertial sensors, and easy-to-use interfaces to instantly communicate safety incidents to monitoring personnel for an immediate, pin-point emergency response. The overall goals of Loner employee safety monitoring solutions are to optimize response time and improve the outcome for individuals who have suffered a safety incident, be it an injury, health condition, or physical threat.

This emerging market is growing through the establishment of employee safety monitoring as a new best practice. Further, some jurisdictions have instituted regulations that require employers to monitor the safety of employees regularly, such as with use of an electronic monitoring aid. Blackline believes that the Employee Safety Monitoring market presents its largest opportunity for product and service growth.

The value delivered by efficient and comprehensive safety incident detection, alerting, and precise employee locating is very broad, resonating with nearly every industry including the following.

- Natural Resources
- Industrial & Manufacturing
- Utilities & Public Works
- Warehousing & Transportation

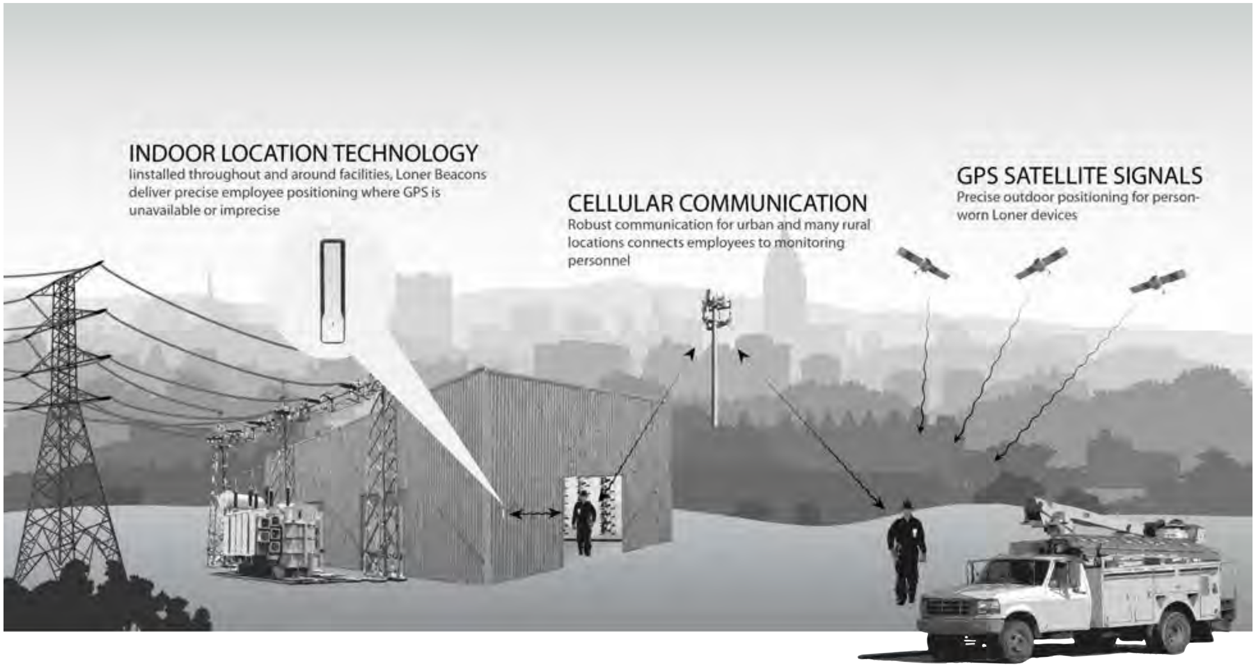
- Engineering & Construction
- Government
- Healthcare & Business

Current marketing and sales efforts are focusing upon the more industrial-oriented markets. As Blackline's portfolio continues to broaden, other applications such as for Healthcare and Business will be addressed with safety monitoring solutions.

Safety Monitoring—How it Works

Blackline's Loner safety monitoring devices combine wireless communications, positioning technologies, and safety monitoring features. Loner devices are turned on by their user and connect to the cellular network through GSM / GPRS communications much like a traditional mobile phone. The employee's location is computed using GPS satellites or Blackline's proprietary Loner Beacon indoor/outdoor positioning technology. GPS technology provides precise outdoor positioning while Loner Beacons provide precise positioning within, and nearby, facilities.

When connected to Blackline's monitoring infrastructure through the cellular network, an employee's safety is monitored by personnel within their organization or through Blackline's 24/7 Safety Operations Center service. All safety alerts generated by Loner devices are communicated in real-time to monitoring personnel. The employee's name, contact information, and precise location are available to manage an efficient and pin-point emergency response.



Each Loner safety monitoring device provides advanced safety monitoring features including three automatic alerts and two manual alerts:

- True Fall Detection®—automatic
- No-motion (person-down) detection—automatic
- Missed employee check-in detection—automatic
- An emergency latch (similar to pulling a fire alarm) —manual
- Silent emergency button—manual

Each of these alert types can be enabled individually and are fully customizable over-the-air to ensure appropriate configuration for each employee role. Further, each Loner device can be configured with group or individual alerting preferences, providing the capability to tailor solutions for small and medium-sized businesses through to multi-national organizations.

Remote Safety Monitoring—How it Works

Blackline's new Loner Bridge System expands the Company's safety monitoring portfolio with the capability to operate anywhere, including extremely remote locations. Prior to the launch of this innovation, Loner solutions relied purely upon terrestrial cellular networks. In contrast, the satellite communication capability of the Loner Bridge System provides safety monitoring capability nearly anywhere on Earth. The Loner Bridge System has been released in a version suitable for use within the Americas initially and will be followed by an Australian version and then a version for Europe, the Middle East, Russian Federation, and Africa.

Blackline divided the Loner Bridge System into two components—the Loner 900 device that is worn by the employee and the portable Loner Bridge satellite base station. The devices are connected by a radio link that allows employees to operate indoors while Loner Bridge maintains a satellite uplink outside in the open, such as located on a truck, all-terrain vehicle, boat, or even back-pack. The Loner 900 device's radio link enables employees to work up to 2 km away from the Loner Bridge portable base station in open environments and up to 1 km away in congested areas, within buildings, or rugged terrain.

Similar to Blackline's cellular-connected Loner devices, the Loner Bridge System is configurable to meet the needs of organizations with employees working remotely.

Portable Business Tracking

Blackline's family of tracking products provides value to businesses through surveillance, loss prevention, shipment monitoring, asset security, and vehicle tracking applications. Blackline's in-house technology has enabled the Company to evaluate customer requirements and deliver a highly-tailored solution that meets their needs and expectations.

Anti-Diversion and Loss Prevention

Blackline has launched a new user account module that helps organizations monitor their inventory and distribution channel activities. The so-called Grey Market refers to products distributed beyond authorized channels that can cause a loss of revenue and harm an organization's brand and reputation. Blackline's Flat Track® device is able to monitor inventory shipment progress to provide real-time awareness of distribution anomalies and also help to fight inventory losses due to internal or external theft.

Surveillance & Asset Security

Blackline covert tracking solutions monitor the activity of target vehicles, assets, and individuals for police services, government agencies, private investigation, and corporate security. Blackline's Javelin®, Dart®, and Flat Track® wireless location solutions were built from the ground up specifically to deliver the highest performance and affordability for professional surveillance.

The surveillance and security market is mature and features shorter sales cycles with opportunity for further growth. Blackline portable tracking solutions that target the covert tracking marketplace focus upon the following sectors:

- Police Services plus federal, state and provincial level departments and agencies
- Private Investigation
- Asset Security & Management
- Loss Prevention & Delivery Services

Blackline has developed a software application programming interface (API) that enables partners to view the current and prior location of Blackline tracking devices within their own software application.

Vehicle Tracking

Blackline's Dart tracking product provides an economical, easy-to-install method for companies to monitor the location of their vehicles. With an optional hard-wiring cable, Dart may be installed within vehicles to ensure an always-on, always-available tracking system to assist with the management of mobile assets.

Consumer Segments

Although no significant focus is made within consumer sectors, Blackline continues to provide service and support to a base of consumer customers. These users have purchased older Blackline equipment that focused upon automotive security and tracking applications.

Distribution

Blackline's products are available through a number of established distributor and dealer channels throughout Canada, the United States, Europe, and other international locations. The Company is actively building its distribution network and adding direct sales people to service the Employee Safety Monitoring and Business Tracking markets.

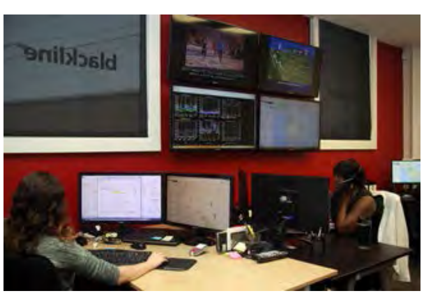
These markets are familiar to the management of the Company, in particular Blackline's team members previously employed with BW Technologies. Blackline has a patent pending for its core safety systems technology that Management believes will provide a strong base of intellectual property protection for the Company.

Quarter in Review

During the quarter, Blackline expanded the coverage of its Safety Operations Center into the United States and continued the development of solutions that target smartphone users across all industries. Blackline continued development of a 3G product line in order to establish a long-term foundation for international network compatibility. The Company raised working capital through the early exercise of outstanding warrants and continued the implementation of a new, company-wide ERP system.

Business Developments

Safety Operations Center



Blackline launched its new, in-house, 24/7/365 Safety Operations Center that provides industry-leading monitoring of employee safety. Many organizations choose to subscribe to Blackline's monitoring service in order to ensure all safety alerts are received and managed by a highly available service staffed with fully trained agents. Blackline's Safety Operations Center has the capability to escalate to local 9-1-1 emergency response services, greatly increasing overall responsiveness and service quality. Additionally, monitoring agents are able to assist Loner device users who have generated a false alarm in order to reduce the likelihood of similar future incidents and increase user adoption.

Loner Mobile and Loner Duo

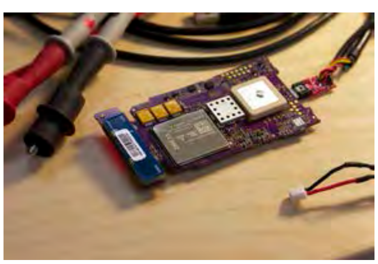
Blackline continued development of a new Loner Mobile smartphone safety monitoring application and an optional companion Bluetooth® accessory, Loner Duo.

The release of Loner Mobile will target iPhone iOS 8.0.1+, select Android 4+ devices, and BlackBerry OS 10+ devices. This new application will also be designed to meet the British Standard 8484 that will aid with marketing efforts within the United Kingdom and to compete against other available smartphone applications. Under this standard, voice communications is required—Loner Mobile will provide a feature that initiates a voice call to a monitoring agent if an alert is triggered.

Loner Duo is a differentiated accessory that significantly improves the capability of the base Loner Mobile application. When used with Loner Duo, the Loner Mobile system provides the same feature-set as Blackline's more industrially-focused safety monitoring equipment such as Loner SMD.

Features include True Fall Detection, no-motion detection, a physical emergency latch that an employee can trigger, and a silent emergency alert. Standalone smartphone applications similar to Loner Mobile that do not feature such an accessory product require a user to enter an access code to unlock the smartphone, navigate to the safety application, and swipe a control to activate an emergency help request. In contrast, the Loner Duo emergency latch can be triggered instantly, saving precious seconds that an employee may not otherwise have. Loner Duo incorporates Bluetooth® Low Energy and is compatible with smartphones supported by Loner Mobile.

Continued 3G Product Development



Blackline began developing a new generation of wireless location solutions featuring 3G wireless technology. Many wireless carriers are in process of building out 3G and 4G networks but no longer expanding 2G capability. Some carriers have plans to decommission 2G networks in the future in order to re-purpose their radio spectrum.

Blackline's 3G solutions will provide customers with leading wireless coverage for Blackline into the foreseeable future. Blackline is targeting the release of its first 3G-capable product, Dart, in the third quarter. The Company's Loner SMD and Loner IS+ solutions are also under development and are slated for launch prior to Blackline's year end.

Blackline Raised $4.6M from Exercise of Warrants

2,970,000 warrants of the total 3,360,000 warrants issued on July 31, 2012 were exercised during the quarter. The exercise price of the warrants was $1.50 each and Blackline received total proceeds of $4.6M from the early exercise. An additional 390,000 warrants from the July 31, 2012 private placement remain outstanding and may be still be exercised prior to the close of business on July 31, 2015.

Continued Deployment of New Enterprise Resource Planning System

The Company continued implementation of its new enterprise resource planning (ERP) system that will integrate Blackline's various software tools including its customer relationship management, customer support and warranty, billing system, planning, budgeting and financial reporting. Blackline expects to generate significant efficiencies from the new system by linking customer data throughout the Company to make it simpler for customers to purchase additional products and services while easing support and reporting efforts. This implementation is on track and the new ERP is expected to be fully implemented for the start of the next fiscal year.

Post quarter Review

TECTERRA Provided $500k in Product Development Funding

Blackline received $500k in funding from TECTERRA, a Calgary-based national geomatics industry investment organization. This repayment-based funding was received as part of the TECTERRA Industry Investment Program that is focused upon integrated resource management solution product development and commercialization. A previous round of TECTERRA funding contributed to the development of Blackline's Loner Bridge System for the monitoring of employees who work in the remote locations, beyond the reach of cellular networks.

Distribution of Safety Products in Italy

Blackline announced the opening of distribution in Italy with Blackline GPS Europe having secured an agreement and stocking order with EcoSafe S.r.l. The Italian government enacted a new safety program in 2014 that enables employers to claim employee insurance rebates based upon the implementation of new safety initiatives.

Blackline Expanded Reach of Safety Operations Center (SOC)

Blackline's SOC expanded its service coverage beyond Canada to include the United States. The Company now has the capability to escalate a safety incident to local 9-1-1 responders in order to provide the most efficient and comprehensive response management possible. The SOC is now monitoring approximately 3,500 individuals.

Loner Complete

Responding to uncertainty in the Oil & Gas industry, Blackline has launched Loner Complete, a turnkey safety monitoring program that features no up-front capital purchase of equipment. Loner Complete is a three-year operational lease that bundles the Loner Bridge System with everything that a customer would require to deploy an industry-leading worker safety monitoring program. Included with Loner Complete are consulting, complete employee training, warranty coverage, Blackline's in-house 24/7/365 Safety Operations Center monitoring, and other features. This program reduces the safety monitoring barrier of entry for each industry with employees working in remote locations.

Borrowing Agreement Amendment

The Company has signed an amendment to its borrowing agreement with HSBC allowing it to borrow an additional $200,000. The additional line of credit amount is a more traditional form where drawdowns and paybacks of the funds can be made without the need of a customer PO.

Adjustment to Sales Structure

The Company adjusted the Sales structure in May 2015 to allow focused efforts into three key areas: enterprise customers, distribution, and the installed customer base. These changes have been put in place to align Management and the individual sales representatives within specific sales patterns to maximize the results generated for their efforts. The expectation is to have high level sales efforts into business development and distribution while individual sales representatives will concentrate their efforts on enterprise customers. In addition, the need for a greater sales focus into customer renewals was noted. Although most customers already renew, there is a greater opportunity to sell newly developed products and services as well as promote greater usage into the current installed base.

Financial information

The following table presents a summary of select operating data and financial information for the Company.

Quarter ended April 30,	2015	2014
Sales	$1,590	$702
Adjusted Gross Margin[1]	$759	$343
- Selling, General and Administration Expense	$1,059	$798
- Royalties	$4	$4
- Loss (Gain) on Foreign Exchange	$53	$32
Adjusted EBITDA[2]	($357)	($491)
- Research and Development	$249	$534
- Stock-based Compensation	$16	$272
EBITDA	($622)	($1,297)
- Amortization	$80	$49
- Interest (Income)	($3)	($14)
Net Loss	($699)	(1,332)
Adjusted EBITDA per Common Share		
- Basic and Diluted	($0.02)	($0.03)
EBITDA per Common Share		
- Basic and Diluted	($0.03)	($0.06)
Loss per Common Share		
- Basic and Diluted	($0.03)	($0.07)

- All figures within the table above are reported in thousands except for per share amounts.
- [1] Adjusted gross margin is defined as gross margin without amortization expense.
- [2] Adjusted EBITDA is defined as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation, research and development costs for the development of new products, and one-time non-cash impact transactions.

Sales

Quarterly revenues improved 126% over the same period of the prior year and revenue for the six-month period ended April 30, 2015 increased 140% over the same period of the prior year. This is the third quarter in a row with more than 100% increase in sales over the same quarter of the prior year. Revenue for the six month period ended April 30, 2015 was $3.3M compared to $1.4M from the same period of the prior year. These increases are attributable to the product sales and service revenue generated from the new Loner Bridge System the shipments of which began in Q4 FY2014.

The Company saw a 149% increase in quarterly product revenue over the same period of the prior year. The largest contribution to the increase in product revenue comes again from the Loner Bridge System units which represented approximately 1/3 of product revenue. However, the Company saw improvement through its entire product portfolio except in its older legacy retail products. Customers seem to appreciate the enterprise-wide reach of the Company's services as many that are purchasing the Loner Bridge System are also investing in the Company's other safety products. In addition, the Company now has four significant deployments where customers are using the Company as the single source for their international employee safety monitoring programs.

The Company continues to see growth through its European subsidiary as revenue generated from Europe was 6% of total revenues for Q2 FY2015 compared to less than one percent of total revenue in Q2 FY2014. The Company is continuing to build distribution channels in the various countries the subsidiary represents as well as developing end customer sales within the United Kingdom.

The Company's deployments of the Loner Bridge System which began in Q4 of the prior year are continuing to have a significant positive impact on service revenue, more than doubling the monthly and quarterly service revenue since Q2 FY2014 and increasing 10% over Q1 FY2015.

Cost of Sales

Cost of sales for the quarter ended April 30, 2015 came to $858k, an increase of $476k, or 125%, over the same period of the prior year. This increase follows the same trend as revenue for offsetting reasons:

- To accommodate increased production requirements, the number of manufacturing staff has been doubled compared to the prior year.
- Offsetting this increase in staff is an increase in service margin as the Company continues to work on maximizing service revenue margins by diligently reviewing and reducing all costs to deliver the service.

In an effort to reduce the quantity of defective units the Company has increased scrutiny on components of its devices before they are shipped. Any components that fail testing are put aside and reviewed in detail to determine the cause of the deficient result. The results of the review are then used to improve the manufacturing process. The Company wrote down $50k of such components in the quarter, which lowered overall gross margin by 3%.

Service margin in Q2 FY2015 was 57% compared to 63% in the same period of the prior year.

Service margins were lower in Q2 as the Company's Safety Operations Center became fully staffed in February (nine employees in total are now in place) however the previous third party monitoring providers used by the Company needed to be retained over the quarter to ensure all units were successfully transferred. The monitoring of customer employees has now fully transitioned and the third party monitoring providers are no longer required. The impact of the additional monitoring to the Q2 FY2015 service revenue margin is approximately 5%.

In deploying the Loner Bridge System, the Company chose a satellite data plan that had sufficient data in place to ensure that no unexpected costs would appear causing significant impact to the cost of sales. The Company has reviewed data usage of the devices over the past six months and found that a less costly plan can be used. All the devices were switched to the lower plan in May 2015 which should add approximately 15% margin to each individual unit, the effects of which should be first seen in Q3 FY2015. This lower cost per satellite based unit is expected to have up to a 5% benefit to the Company's total gross margin percentage.

Expenses

Expenses for the three-month period ended April 30, 2015 were $1,435,053, a decrease of 212,260 or 14% over the prior year. This decrease comes from the receipt of the 2013 and 2014 SR&ED claims being requested and received within the quarter, partially offset by increasing costs for salaries, building rent, software, and development.

The Company received $460k of SR&ED funds from the Alberta Government which were recorded as reductions in development expenses in the quarter. Removing the impact of the SR&ED, overall expenses increased 14% and development costs increased 33%.

The increase in product development costs for the three month period ended April 30, 2015 came from increased staffing and consulting costs. Since the start of FY2014, the Company has progressively brought on more consultants and hired new staff in order to complete the Loner Bridge System development program. Development wages and consulting have increased 50% since Q2 FY2014, stemming from the addition on eight new staff as well as bringing on key consultants to perform specific, non-recurring work. The additional staff were brought on for the build of the Loner Bridge System as well as to begin the development of the Company's next products and services. Hiring in development is expected to continue into Q3 FY2015 in support of the future projects, one of which is being assisted through the $500k TECTERRA loan. Consultants were used more in Q2 as the tasks to which they were assigned are not expected to be recurring. Included in the consulting cost is the use of developers for the creation of the Loner Mobile App. The software is now available for download by customers on the respective Android, Blackberry, and iPhone app stores.

In Q3 FY2014 the Company effectively doubled its leased headquarters office and manufacturing space to accommodate growth. The additional space is being used mostly for the expanded development team and to double the manufacturing floor space.

A new ERP system was licensed during the first quarter of FY2015 to support the growth of the Company. This system will integrate all of Blackline's current databases to improve customer engagement, develop internal efficiencies, and provide important information through reporting. The implementation process began in April 2015.

Adjusted EBITDA and Net Loss

Adjusted EBITDA for the quarter ended April 30, 2015 improved by $134k to ($357k) over the same period of the prior year. The improvement in the adjusted EBITDA is due to the increased sales volume generated in the quarter offset by the increased costs to support the onboarding of new customers and sales growth of the Company.

Net loss improved by $633k to ($699k) for the three month period ended April 30, 2015 over the same period of the prior year. The primary portion of the improvement was derived by the SR&ED credits received in the period. The Company has made a number of investments in personnel and systems since the prior year which are in place to support the larger deployments the Company has been seeing since Q4 of the prior year. This has increased monthly expenditures; however, the company is expecting further increases in sales expenses in the near future as more sales reps will be brought on over the next few months.

Total Assets and Liabilities

Blackline's total assets as of April 30, 2015 were $11,256,710 compared to $7,525,382 of the prior year. Total liabilities were $4,961,778 compared to $2,559,449 the prior year.

The change in assets is due primarily to the Company's increased cash balance (including short term investments) which grew by $2.4M over April 30, 2014 and accounts receivable which saw a year-on-year increase of $530k. The increase in cash and short term investments comes from the $4.6M of warrants and options exercised by investors and employees during the quarter. The accounts receivable increased as the number and price of units shipped in Q2 FY2015 increased significantly over the same period of the prior year. The Company generated a substantial amount of billings in the quarter, a good portion of which were not collected by April 30, 2015.

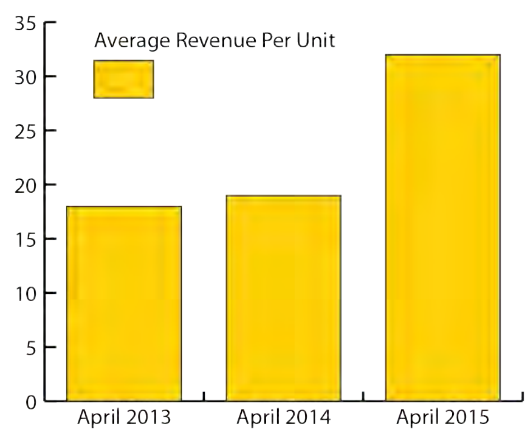
The increase in liabilities is largely due to the increase in deferred revenue (year-over-year increase of $1.3M), bank indebtedness (year-over-year increase of $600k), accounts payable (year-over-year increase of $375k) and deferred lease incentives (year-over-year increase of $226k). Deferred revenue increased significantly due to shipments made in the past three quarters that were accompanied with at least one year of service billed on shipment. The bank indebtedness arose from the operating line of credit of up to $900k obtained from HSBC, enabling the Company to fulfill its backlog of large purchase orders. The increase in accounts payable stems from the larger purchases being made for inventory to support the increased sales volumes as well as the additional benefits costs of increased staff. Lease incentives were received upon renewal of the building lease agreement, resulting in a deferred lease incentives liability in order to recognize the aggregate benefit of incentives as a reduction of rental expense over the term of the lease.

Other Items

Average Revenue per Unit

Blackline tracks the monthly Average Revenue per Unit ("ARPU") as a key indicator of its service revenue performance. A higher ARPU indicates a greater contribution margin being generated by the units. The following chart compares the Company's ARPU for the months of April 2013, 2014, and 2015.

The increase to approximately $32 in April 2015 is derived from the deployments of the Loner Bridge System solutions in the current and past quarter. The ARPU for some units can be as much as three times the Service revenue from a single non-satellite unit. As more Loner Bridge System units are deployed, it is expected that ARPU will increase further. The Company has added services, such as call center monitoring, that it is selling into its installed base of customers that also contributed to the increases.



Summary of Quarterly Results

The following table highlights revenue, gross margin, adjusted EBITDA, net loss and loss per share for the eight most recently completed quarters ended April 30, 2015.

		2015				2014		2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	$1,590	$1,700	$2,048	$761	$702	$672	$942	$656
Gross Margin	46%	48%	38%	51%	46%	48%	36%	47%
Net Loss	($699)	($822)	($1,069)	($1,262)	($1,332)	($881)	($1,040)	($875)
- Net Loss per Share, Basic and Diluted	($0.03)	($0.04)	($0.05)	($0.06)	($0.06)	($0.05)	($0.06)	($0.05)
Adjusted EBITDA[1]	($357)	($64)	($287)	($572)	($490)	($391)	($403)	($480)
- Adjusted EBITDA per Share, Basic and Diluted	($0.02)	($0.00)	($0.01)	($0.03)	($0.03)	($0.02)	($0.02)	($0.03)

- All figures within the table above are reported in thousands except for per share amounts.
- [1]Adjusted EBITDA is defined as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation, research and development costs for the development of new products, and one-time non-cash impact transactions.

Adjusted EBITDA for Q2 FY2015 declined $293k over Q1 FY2015, due primarily to the following items:

- Changes in foreign exchange gain / (loss) amounted to 1/3 of the change in adjusted EBITDA from Q1 to Q2 FY2015. The Canadian dollar strengthened against all currencies from January 31, 2015 to April 31, 2015.
- Q2 saw the write down of non-recoverable inventory of $50k.
- An additional $65k of marketing costs were incurred in Q2 compared to Q1 of FY2015. The costs for were for three tradeshows and the Company has outsourced some marketing functions to consultants. The outsourcing will take advantage of the diverse skill set of the third party providers and is project specific to developing the Company's online presence, starting with improvements to the corporate website.

Overall the Company has seen adjusted EBITDA improvements from Q4 FY2014 to Q2 FY2015 over the other past quarters. The improvements come from increased gross margin offset by moderate growth in SG&A and research and development compared to those prior quarters.

Liquidity and Capital Resources

The Company's primary requirements for capital is to fund development of new products and to generate increasing revenues. At April 30, 2015, the Company had approximately $7.6M in cash and cash equivalents. The Company saw an increased cash balance in the quarter as $4.6M of options and warrants were exercised well in advance of the expiration dates of the securities.

The Company continues to maintain its borrowing agreement with HSBC for which there are certain financial covenants that must be maintained. The covenants, all of which are currently being met, are:

- ratio of debt to tangible net worth shall not at any time exceed 3.00 to 1.00;
- ratio of current assets to current liabilities shall not at any time be less than 1.25 to 1.00; and
- working capital base shall not at any time be less than 1.25 to 1.00.

Post quarter the Company amended the borrowing agreement with HSBC allowing it to borrow up to an additional $200k. Going forward the Company intends use the smaller $200k portion of the borrowing agreement as it is more cost effective and simpler to use than the Purchase Order based funding already in place. In May 2015 the Company paid down the remainder of the $600k owing as at April 30, 2015.

The Company also secured an interest free loan from TECTERRA for $500k to assist it in developing additional products and services within its portfolio.

Management's objective is to maintain sufficient cash and cash equivalents to finance operations and minimize dilution to shareholders. Management believes they have sufficient funds to support the growth of the Company and to reach profitability. No assurances can be given that the Company will achieve all or part of its liquidity objective, or that sufficient financing from outside sources, if needed, will be available.

The Company's ongoing research and development program requires significant capital investment in wages, tooling, and product certifications during the development process. To meet these development based capital requirements, in addition to the borrowing agreement and increasing cash flow from operating activities the Company continues to pursue multiple levels of government grants and funding arrangements. Such arrangements like zero interest loans for developing new technologies (TECTERRA) or wage programs to cover the cost of hiring new developers (Alberta Innovates) can greatly assist the Company to meet its liquidity objective.

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. The following section describes specific and general 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 materially 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.

1. General Economic Conditions

The Company currently operates in Canada, the United States, and Europe and like all businesses globally, it has been subject to the impact of national and global economic issues affecting Oil & Gas companies. The current year capital budget spending available to these entities has been significantly reduced. Although the Company has not been significantly affected by the reduced capital spending by these companies, some customers have requested delays to implementations. Through the Company's range of products the risk exposure to the reduced capital spending by Oil & Gas companies is not expected to have a material effect on the Company. Further the company is working directly with the companies whose capital spending has been reduced to generate non-capital proposals for safety services which would generate less revenue short term but greater revenue, cash flow, and profitability in the longer term. However, should these conditions continue to prevail, there may be pressure on the Company's profitability.

2. History of Operating Losses

To April 30, 2015, the Company has recorded an inadequate level of revenue to offset its costs and has an accumulated deficit since its incorporation through April 30, 2015 of approximately $26M. The deficit is expected to increase in the near term as the Company continues its product development and establishes selling channels for its new products.

3. Reliance on New Markets

The Company is focused on the employee safety monitoring and business tracking markets for which the Company currently has eleven products and six more in development. However, neither market has fully embraced the need for the Company's products yet. The Company will be significantly impacted if the markets do not open up to the Company's expectations.

4. Competition

The market for location based services is competitive both from legacy companies utilizing different technology and from new and existing GPS/GPRS companies. 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.

5. 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 and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. In addition, even with the possible recruitment of additional personnel and international resellers, 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.

6. Dependence on Third Parties

The Company's products rely on GPS location satellites which it does not own or operate. Such satellites and the corresponding ground support systems are complex electronic and mechanical systems which are subject to 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. Further 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 will be considerably impacted.

7. Intellectual Property Risks

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its 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.

8. 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.

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.

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.

9. 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 materially adversely affect the Company's business, results of operations and financial condition.

10. Technological Change, New Products 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 and products developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Company's business, results of operations and financial condition.

11. 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 which 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.

Critical Accounting Estimates

General

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. The estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses in cases where they are not readily ascertainable from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

The Company's significant accounting policies are fully described in note 4 to the audited consolidated financial statements of the Company for the year ended October 31, 2014 and available at www.sedar.com. Certain accounting policies are particularly important to the reporting of financial position and results of operations, and require the application of judgment by management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made. Different management estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the consolidated financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of consolidated financial statements.

Going Concern Assumption

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. If the Company were to change its assumption regarding the ability to continue as a going concern for a reasonable period of time, adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities would likely be necessary and potentially material. See also note 2 to the unaudited condensed consolidated interim financial statements dated April 30, 2015.

Revenue Recognition

The Company recognizes revenue from the sale of its hardware devices as the units are delivered to customers and recognizes revenue derived from services on a straight line basis over the period in which the services are contracted.

Financial Instruments

The financial instruments of the Company are monetary assets and liabilities recorded on its balance sheet comprised of cash and cash equivalents, short term investments, accounts receivable, long term accounts receivable, accounts payable and accrued liabilities, bank indebtedness, long term debt and obligations under capital lease.

The fair value of the obligations under capital lease approximates the carrying cost due to the stability of interest rates. The fair value of all other financial instruments approximate carrying value due to short term maturity of those instruments or the defined contracted amounts.

The Company is exposed to financial risks arising from the normal course of business operations and its financial assets and liabilities. The risks associated with the Company's financial instrument are discussed in detail in Note 11 of the unaudited condensed consolidated interim financial statements dated April 30, 2015.

From Management's review of the associated risks it was determined that the Company has minimal exposure to credit, market, or liquidity risk and thus specific mitigation was not necessary.

Disclosure

Controls and Procedures and Internal Controls over Financial Reporting

The Company's shares are traded on the TSX-Venture stock exchange in Canada. The Venture Issuer Basic Certificate does not require the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company to file quarterly and yearly certificates certifying that they are responsible for establishing and maintaining controls and procedures for the Company, and that they have designed such disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company during the period in which the interim filings are being prepared. However, the issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate.

Based on that evaluation and in spite of the control weaknesses discussed below, the CEO and the CFO concluded that the disclosure controls and procedures as at the end of the period covered by this filing are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the entity.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls become inadequate because of changes in conditions or personnel, or that the degree of compliance with the policies or procedures may deteriorate.

In compliance with Multilateral Instrument 52-109, management must disclose in its MD&A any material weakness found to exist within its system of internal control over financial reporting. Management has identified a material weakness in lack of segregation of duties. The management group of the Company is small and full segregation of all duties has not been possible. Management believes this is a typical issue for smaller companies.

Notwithstanding the above control weakness, the CEO and CFO have satisfied themselves that the control environment and reporting practices are such that reasonable assurance exists that material information related to the Company has been made known to them.

The Board of Directors together with the Audit Committee have direct oversight responsibilities for the review and approval of the yearly and quarterly financial reporting including the consolidated financial statements and the MD&A.

Outstanding Share Data

Blackline had the following common shares, options, and warrants outstanding.

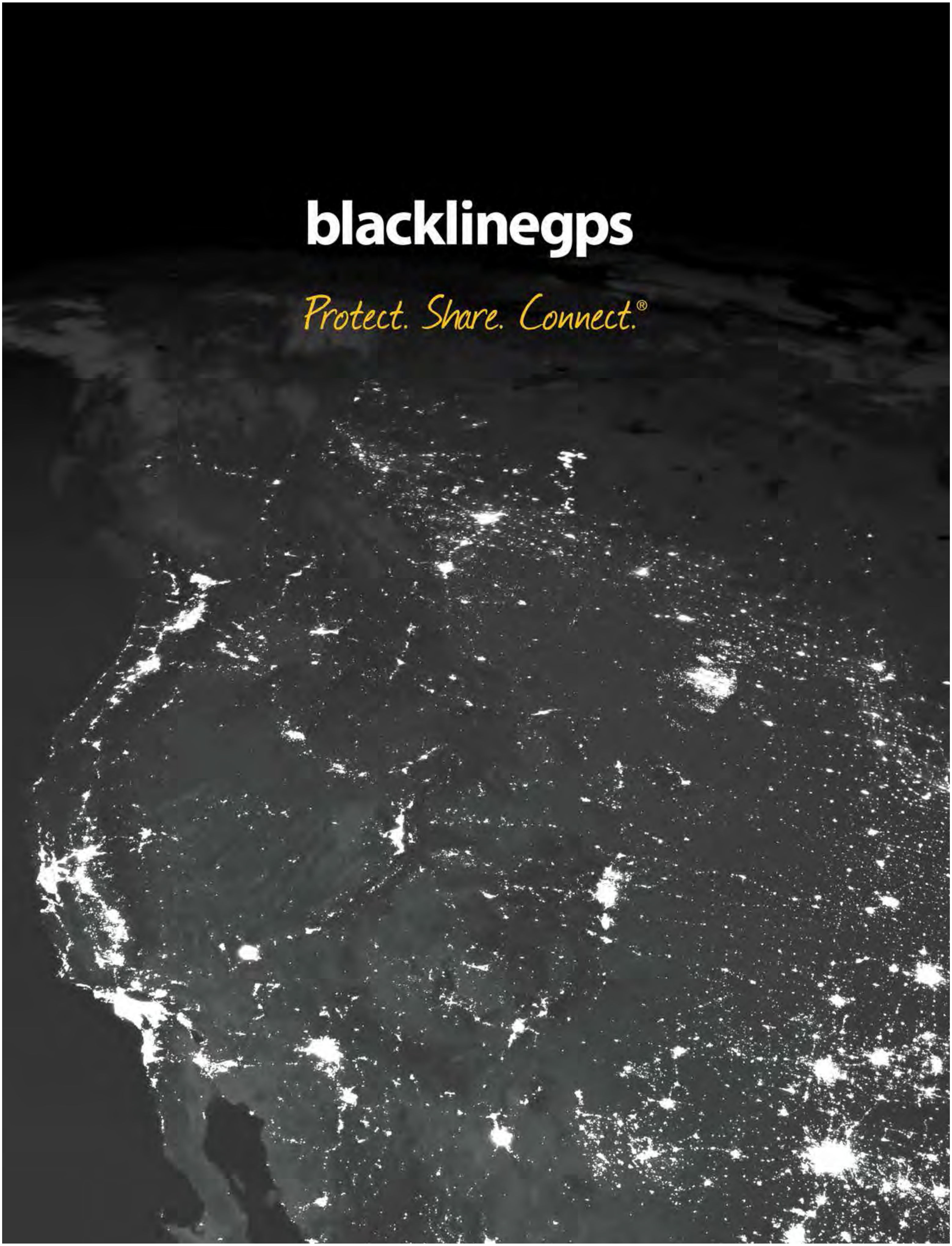
Common Shares	24,076,473		
Stock Options	54,000	@	$1.13
Stock Options	50,000	@	$1.20
Stock Options	250,000	@	$1.25
Stock Options	330,500	@	$1.30
Stock Options	497,583	@	$1.31
Stock Options	2,500	@	$1.40
Stock Options	109,167	@	$1.50
Stock Options	35,000	@	$1.70
Stock Options	12,000	@	$1.80
Stock Options	6,000	@	$2.00
Stock Options	40,000	@	$2.15
Stock Options	70,000	@	$2.20
Stock Options	20,000	@	$2.27
Stock Options	35,000	@	$2.30
Warrants	390,000	@	$1.50
Warrants	3,174,082	@	$1.40
Warrants	173,930	@	$1.15

Outlook

Blackline now has a comprehensive employee safety monitoring portfolio that is able to meet the demands of nearly every industry including Oil & Gas, Utilities, Engineering & Construction, Industrial & Manufacturing, and Transportation & Warehousing. The Company provides solutions that deliver robust, turnkey safety monitoring of personnel operating anywhere including urban environments, rural locations, and the most remote of sites. Safety monitoring is not limited to just those employees working outdoors—with Blackline's indoor location technology, personnel can be monitored with the same positioning precision as employees working outdoors.

With the additional liquidity made available this quarter Blackline intends to aggressively pursue further development of products and services. The Company is focused on adding additional monitoring capabilities of the environment in which a worker is exposed to provide a greater ability to mitigate that employee's risk. Through its products and services the Company intends to be the World safety monitoring leader, offering comprehensive, enterprise wide employee safety monitoring to customers around the globe.

Blackline also plans to increase its North American, European, and international presence by developing its distribution network around the globe. Such a network will provide sales and training assistance to customers including multi-national corporations. With a broad safety monitoring portfolio, Blackline's solutions have the capability to work virtually everywhere in the world, enabling the Company to maximize its reach and address new opportunities.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