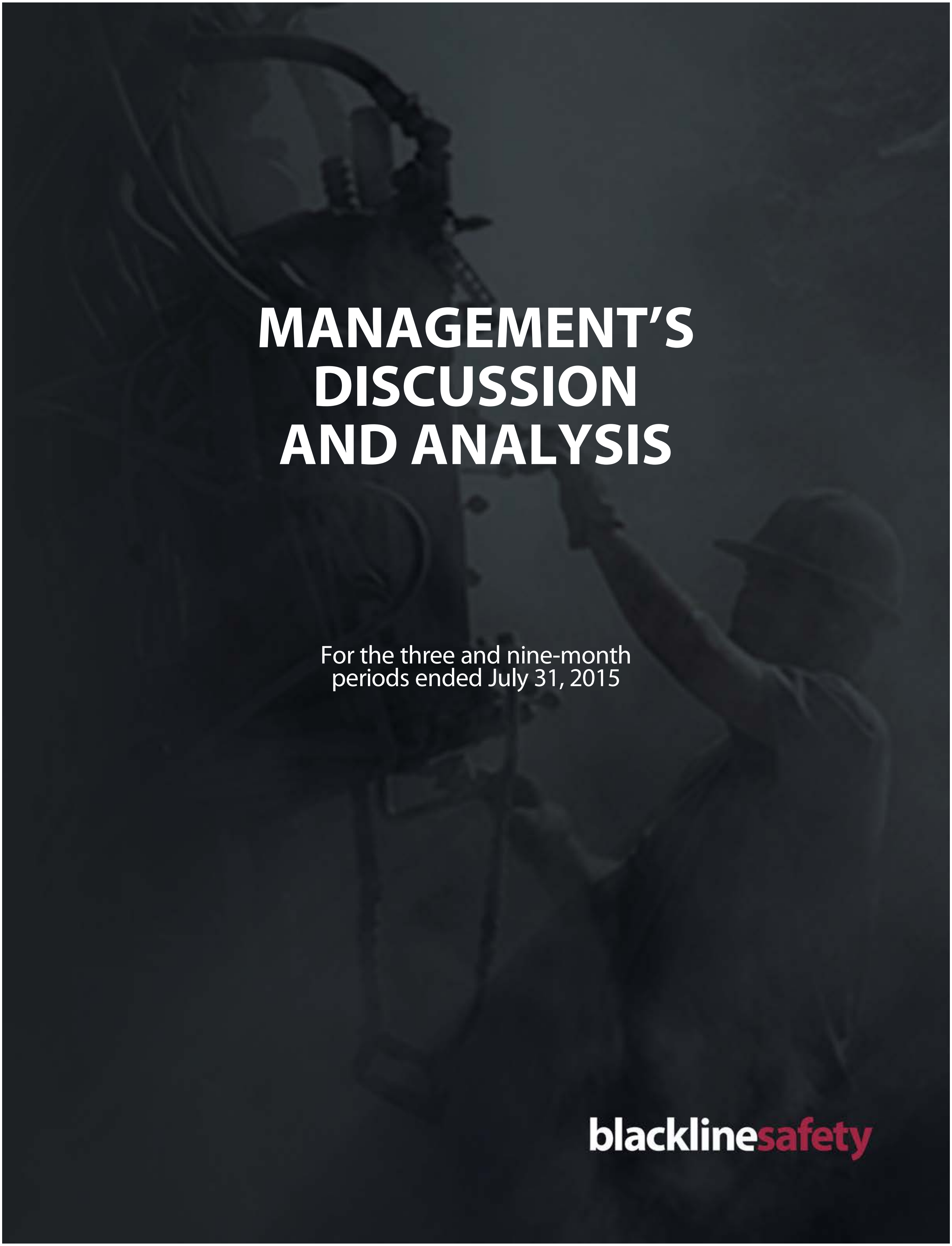


MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine-month periods ended July 31, 2015

blacklinesafety

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" or the "Company") unaudited condensed consolidated interim financial statements and the accompanying notes, prepared under IAS 34, *Interim Financial Reporting*, for the three and nine-month periods ended July 31, 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 Safety Corp.

This MD&A is presented as of Sept 18, 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 19. 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 non-IFRS 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-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other reporting issuers.

These non-IFRS 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-IFRS financial measures assist in identifying underlying operating trends.

CONTENTS

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.

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. 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. Leveraging these core applications the Company is able to approach a wide variety of business and markets. In particular the Safety Monitoring applications are able to address the needs of any customer interested in the well being of their employees.

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.

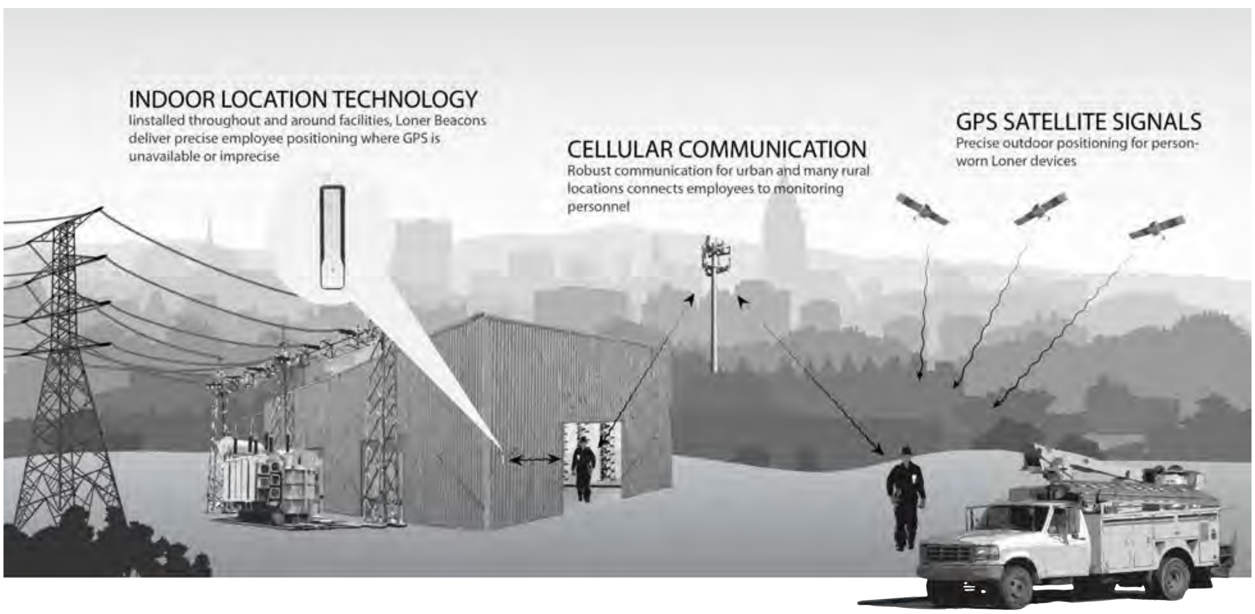
- Natural Resources
- Industrial & Manufacturing
- Utilities & Public Works
- Warehousing & Transportation
- Engineering & Construction
- Government
- Healthcare & Business

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.

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:

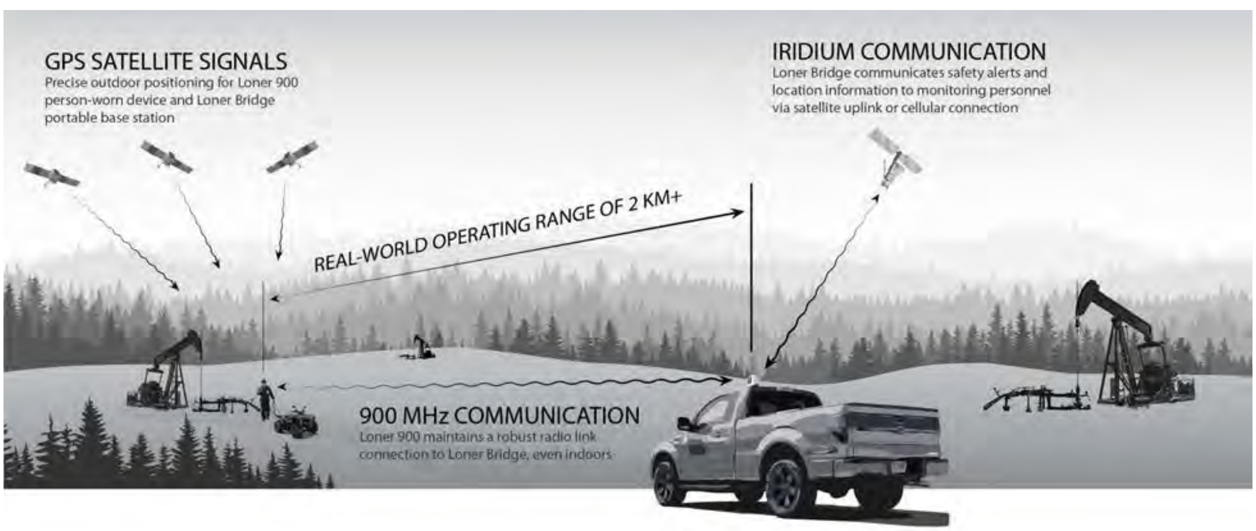
- True Fall Detection®—automatic
- No-motion (person-down) detection—automatic
- Missed employee check-in detection—automatic
- An emergency latch (similar to pulling a fire alarm) —manual
- Silent emergency button—manual

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.

SURVEILLAND AND 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 SEGMENT

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 for 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

BLACKLINE SAFETY NAME CHANGE, NEW BOARD MEMBER AND NEW WEBSITE

Blackline completed its formal name change to Blackline Safety Corp. from the previous Blackline Safety Corp. The Company also announced the appointment of Brad Gilewich to the board of directors. Mr. Gilewich is a Chartered Accountant, independent Blackline board member and holds the position Senior Vice President, Corporate Affairs at the Katz Group, a major shareholder of the Company.

In June, Blackline launched a new marketing website to support its increased focus upon lone worker safety monitoring applications, to showcase its name change, and to help promote the Loner brand of monitoring solutions.

LAUNCHED LONER MOBILE AND LONER DUO

During the quarter, Blackline launched is new Loner Mobile smartphone safety monitoring application and optional companion Bluetooth® accessory, Loner Duo.

The release of Loner Mobile supports iPhone iOS 8.0.1+, select Android 4+ devices, and BlackBerry OS 10+ devices. This new application is also being 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 well known but non-legislated standard, voice communication capability is a requirement. Loner Mobile will be able to initiate a voice call directly to a monitoring agent if an alert is triggered allowing instant communication when needed.

Loner Duo is a belt worn accessory that supplements Loner Mobile by adding the same advanced feature-set as Blackline's more industrially-focused safety monitoring devices.

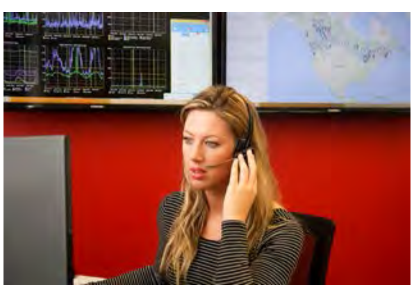
TECTERRA PROVIDED $500K IN PRODUCT DEVELOPMENT FUNDING

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 Safety 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.

EXPANDED REACH OF SAFETY OPERATIONS CENTER



Blackline's Safety Operations Center 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 across the United States in order to provide the most efficient and comprehensive response management possible. The Safety Operations Center is now monitoring approximately 3,800 individuals.

LONER COMPLETE

Responding to uncertainty in the Oil & Gas industry, Blackline 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. The Loner Complete includes consulting, complete employee training, warranty coverage, Blackline's in-house 24/7/365 Safety Operations Center monitoring, among other features. The program assists companies with reduced capital budgets to provide safety monitoring for employees working in remote locations.

BORROWING AGREEMENT AMENDMENT

The Company 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 purchase order. The terms of the original amount of $900,000 remain unchanged and is based on the receipt of a customer purchase order.

ADJUSTMENT TO SALES STRUCTURE

The Company adjusted its 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.

POST QUARTER REVIEW

ALBERTA VENTURE NAMES BLACKLINE TOP-20 INNOVATOR

Within their August magazine issue, Alberta Venture named Blackline as one of the top-20 innovators in the province. Recognition was for Blackline's recent launch of its Loner Bridge System that brings leading safety monitoring capability to remote lone workers.

CONTINUED 3G PRODUCT DEVELOPMENT

Blackline continued 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 fourth quarter. The Company's Loner SMD and Loner IS+ solutions are also being updated to include 3G wireless communications and are slated for launch prior to Blackline's year end.

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.

FINANCIAL INFORMATION

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

Quarter ended July 31,	2015	2014
Sales	$1,724	$761
Adjusted Gross Margin[1]	$765	$411
- Selling, General and Administration Expense	$1,035	$943
- Royalties	$6	$6
- Loss (Gain) on Foreign Exchange	($95)	$34
Adjusted EBITDA[2]	($180)	($572)
- Research and Development	$798	$593
- Stock-based Compensation	$413	$58
EBITDA	($1,391)	($1,223)
- Amortization	$81	$52
- Interest (Income)	($14)	($13)
Net Loss	($1,458)	(1,262)
Adjusted EBITDA per Common Share		
- Basic and Diluted	($0.01)	($0.03)
EBITDA per Common Share		
- Basic and Diluted	($0.06)	($0.06)
Loss per Common Share		
- Basic and Diluted	($0.06)	($0.06)

- 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 127% over the same period of the prior year and revenue for the nine-month period ended July 31, 2015 increased 135% over the same period of the prior year. Continuing customer deployements of the Loner Bridge system in addition to its other safety products has enabled the

Company to reach more than 100% increase in revenue over the same quarters of the prior year for every quarter in FY2015. Revenue for the nine-month period ended July 31, 2015 was $5.0M compared to $2.1M from the same period of the prior year. The consistent growth of product sales and service revenue is largely attributable to the Loner Bridge System which shipments began during the last quarter of FY2014.

The Company's quarterly product revenue increased 148% over the same period of the prior year, primary driven from the Loner Bridge System units which represented almost 50% of product revenue. The growth of 8% over Q2 FY2015 is due to a combination of four new significant customers, including one in China and two leading energy companies that were secured throughout the quarter on top of the continuing investment by many of key current customers.

The Company's revenue was also positively impacted again by the growth of its European Subsidiary. The Subsidiary was responsible for 10% of the Company's total Q3 FY2015 revenue compared to 5% of total revenue in Q3 FY2014. Supported by the Italian distribution agreement signed in the current quarter, the European Subsidiary's quarterly revenue improved 262% over the same period of the prior year and increased 69% over Q2 FY2015. The Subsidiary will continue to make efforts in building distribution channels in the various countries the Subsidiary serves as well as further development of end customer sales within the United Kingdom. In August 2015 the Subsidiary hired its second full time sales employee due to increasing interest in the products and services.

Since the deployments of the Loner Bridge System in Q4 of the prior year, service revenue has continuously improved, essentially doubling the monthly and quarterly service revenue since Q2 FY2014 and increasing more than 11% over Q2 FY2015. This increase in service growth is partly attributable to the increase in the numbers of customers with deployed units (25% increase in units deployed since July 31, 2014) and the increase in the average price generated from each unit ($32 per unit ARPU July 31, 2015 vs $21 ARPU as of July 31, 2014).

COST OF SALES

Cost of sales incurred for the quarter ended July 31, 2015 totalled $985k, an increase of 164% over the same period of the prior year. The Company wrote-down $53k of inventory in the quarter and increased its manufacturing team. The Company had intended to use the components which made up its older model FDU but unfortunately the new Bluetooth technology made the older components obsolete. The majority of write-off inventory was due to this reduction of value. The Company has increased scrutiny at the testing stage in order to reduce the quantity of defective units before shipment. Components that fail testing are reviewed in detail to determine the source of the issue and the results of the review are being used to improve the manufacturing process. Another 10% of the increase in cost of sales was attributtable to wages as the production team doubled compared to the prior year in order to accommodate the higher production requirements.

Quarterly service margin was 61% compared to 67% in the same period of the prior year. The lowered service margin was a result of the additional costs required for map loads used in the localisation of Blackline's devices. The estimate of total map loads required throughout the year was made at the beginning of FY2015 and prepaid at the time however, due to the increase in sales and moniting services, the entirety of the map loads were consumed, resulting in additional costs for Q3 FY2015.

The Company has reviewed satellite data usage of the Loner Bridge System devices over the year and found a less costly plan would have sufficient data to support the devices without having additional surprise costs. The Company transitioned the devices in June and July—Q4 will be the first quarter in which the full benefits of the lower cost plan will be seen. The lower price plan is expected to add ~15% margin to each Loner Bridge system deployed. This lower cost per satellite based unit had a 2% benefit to the Company's total gross margin percentage in Q3 FY2015 compared to Q2 FY2015.

EXPENSES

Expenses for the three-month period ended July 31, 2015 were $2,211k, an increase of $549k or 33% over the prior year primarily from the non-cash impact stock compensation expense of $413k. The stock compensation expense is the result from the issuance of stock options to employees, executive and directors in the quarter. The additional increase is a result the higher costs incurred for salaries and building rent.

The growth in salaries is a direct result from increased staffing. Total headcount increased by 32% since Q3 FY2014, mainly in the product development team where wages incurred were up by 39% over the same period of the prior year. Since the start of FY2015, the Company has progressively brought on more consultants and hired new staff in order to develop its new products and services. In Q3 FY2015 alone, six new employees were hired in the research & development team specifically to support the development of the Company's future projects. The Company has also realigned its sales team and expects to add additional headcount. One new person in North America and one new person in the UK have been added to the respective sales teams subsequent to the end of Q3 FY2015.

The increase in building rent is the result of the Company effectively doubling its leased headquarters office and manufacturing space to accommodate the continued growth which began in Q4 FY2014. The additional space is being used for the expanded development team, to double the Company's manufacturing capabilities and to support Blackline's in-house 24/7 Safety Operations Center live monitoring service.

ADJUSTED EBITDA AND NET LOSS

Adjusted EBITDA for the quarter ended July 31, 2015 improved by $392k to ($180k) over the same period of the prior year. The improvement in the adjusted EBITDA is a direct result of the increased sales volume generated in the quarter offset by the increased wages due to the additional staff required to support sales growth.

Net loss increased by $196k to ($1,458k) for the three-month period ended July 31, 2015 over the same period of the prior year. The majority of the increase stemmed from the increase in Stock Based Compensation (SBC) expense. Removing the impact of the SBC, the Company's net loss improved over the three-month period of the prior year by ~$159k. The remaining difference is due to the increase in revenue offset by the increased investment since the prior year in personnel and systems which are in place to support the continuous growth of the Company along with new research and development projects and continuous enhancements of the current line of products.

TOTAL ASSETS AND LIABILITIES

Blackline's total assets as of July 31, 2015 were $10,877,545 compared to $7,029,323 in the prior year. Total liabilities were $5,045,545 compared to $3,061,740 the prior year.

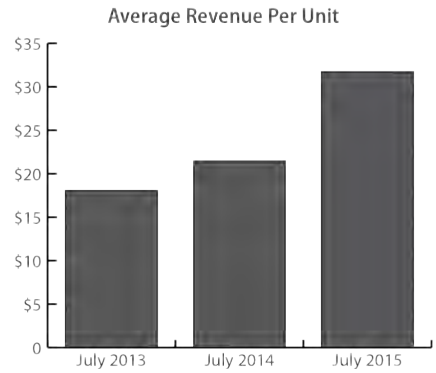
The increase in assets is due largely to the Company's improved cash balance (including short term investments) which grew by $2.3M over July 31, 2014 and accounts receivable with a year-on-year increase of $1.0M. The change in cash and short term investments is a result of the $5.2M of warrants and options exercised by investors and employees in Q2 and Q3 of FY2015. The accounts receivable increased as the the Company generated a substantial amount of billings due to the high volume of units shipped compared to the same period of the prior year. Accounts receivable also include service renewal for some of our key customers that were collected subsequent to the quarter ended July 31, 2015.

The change in liabilities is largely due to the increase in deferred revenue (year-over-year increase of $1.6M), accounts payable (year-over-year increase of $382k) and deferred lease incentives (year-over-year increase of $153k) and offset by a net decrease of $100k on the bank indebtedness. Deferred revenue increased significantly due to the shipments made since Q4 FY2014 that were accompanied with at least one year of service billed on shipment. 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. During the quarter, the Company amended the borrowing agreement with HSBC allowing it to borrow up to an additional $200k and with the intention of using it as it is more cost effective and simpler to use than the purchase order based funding already in place. The $200k was fully used as at July 31, 2015, the net impact resulting in a year-over-year decrease of $100k on bank indebteness.

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 July 2013, 2014, and 2015.

ARPU increased by 48% to approximately $32 in July 2015 and 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 the 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 July 31, 2015.

			2015				2014	2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$1,724	$1,590	$1,700	$2,048	$761	$702	$672	$942
Gross Margin	43%	46%	48%	38%	51%	46%	48%	36%
Net Loss	($1,458)	($699)	($822)	($1,069)	($1,262)	($1,332)	($881)	($1,040)
- Net Loss per Share, Basic and Diluted	($0.06)	($0.03)	($0.04)	($0.05)	($0.06)	($0.06)	($0.05)	($0.06)
Adjusted EBITDA[1]	($180)	($357)	($64)	($287)	($572)	($490)	($391)	($403)
- Adjusted EBITDA per Share, Basic and Diluted	($0.01)	($0.02)	($0.00)	($0.01)	($0.03)	($0.03)	($0.02)	($0.02)

- 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.

Overall the Company continues to see adjusted EBITDA improvements from the prior year to the current year as the increases in gross margin are outpacing increases in its operational expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary requirement for capital is to fund development of new products and to generate increasing revenues. As at July 31, 2015, the Company had approximately $6.6M in cash and cash equivalents. The Company generated a net cash reduction of $934k in the quarter essentially due to increased costs derived from the growth in staff and net payment of $400k on the borrowing agreement with HSBC; this was offsetted by $585k of options and warrants exercised during the quarter.

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.

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 July 31, 2015, the Company has recorded an inadequate level of revenue to offset its costs and has an accumulated deficit since its incorporation through July 31, 2015 of approximately $27M. 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 yet fully embraced the need for the Company's products. 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 July 31, 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 instruments are discussed in detail in Note 11 of the unaudited condensed consolidated interim financial statements dated July 31, 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	24,497,949		
Stock Options	51,000	@	$1.13
Stock Options	50,000	@	$1.20
Stock Options	250,000	@	$1.25
Stock Options	318,000	@	$1.30
Stock Options	493,583	@	$1.31
Stock Options	2,500	@	$1.40
Stock Options	109,167	@	$1.50
Stock Options	35,000	@	$1.70
Stock Options	571,000	@	$1.80
Stock Options	40,000	@	$2.15
Stock Options	70,000	@	$2.20
Stock Options	15,000	@	$2.27
Stock Options	35,000	@	$2.30
Warrants	3,174,082	@	$1.40
Warrants	173,930	@	$1.15

OUTLOOK

Blackline now has a comprehensive employee safety monitoring product 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 in the past two quarters 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.

blacklinesafety

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