MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six month periods ended June 30, 2013 and 2012

BLACK DIAMOND GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of August 8, 2013 and is provided to assist readers in understanding Black Diamond Group Limited's financial performance for the three and six month periods ended June 30, 2013 and significant trends that may affect the future performance of Black Diamond. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements of the Company for the three and six month periods ended June 30, 2013 and 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2012. The accompanying unaudited condensed consolidated interim financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). Black Diamond's common shares trade on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Certain information set forth in this MD&A contains forward-looking statements including management's assessment of Black Diamond's future operations, performance, business prospects and opportunities and statements relating to future operational and financial results and dividend levels. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: the impact of general economic conditions, industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information form and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed through the SEDAR website at www.sedar.com. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.

OVERVIEW OF THE COMPANY

Black Diamond Group Limited was incorporated on October 7, 2009 under the laws of the Province of Alberta pursuant to the Business Corporations Act (Alberta) to participate in a plan of arrangement involving, among others, Black Diamond's predecessor Black Diamond Income Fund (the "Fund"), Black Diamond Group Limited and the unit holders of the Fund. Effective December 31, 2009, pursuant to the plan of arrangement, the Fund restructured (the "Conversion") from an unincorporated open-ended income fund trust to Black Diamond Group Limited, a publicly listed corporation.

Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships ("Black Diamond" or the "Company") are headquartered in Calgary, Alberta. The address of the Company's head office is Suite 2000, 715 – 5th Avenue S.W., Calgary, Alberta, Canada. The business of Black Diamond, through its subsidiaries and its approximate 50% equity participation in certain aboriginal partnerships is to rent modular structures for use as workforce accommodation and temporary workspace, rent various types of oilfield equipment used in the exploration and production of oil and gas and to provide complementary services including transportation, installation, dismantling, repair and maintenance of modular structures and oilfield rental equipment. Black Diamond operates four complementary business units in strategic locations across Canada, the United States and Australia. As of January 1, 2013, Black Diamond operates through four business units consisting of Black Diamond Structures, Black Diamond Logistics, Black Diamond Energy Services and Black Diamond International.

Black Diamond changed the basis of its business unit structure for reporting purposes beginning in the 2013 fiscal year to five reportable segments: Structures, Logistics, Energy Services, International and Corporate. Previously, the reportable segments were disclosed as Camps and Logistics, BOXX Modular, Energy Services and Corporate. The change had an impact on the segment information reported but did not change the aggregate financial information reported for Black Diamond. To enable readers to understand the changes and to assess trends, prior period segment information included in the financial statements and this MD&A for comparative purposes, was restated to reflect the new business structure.

Black Diamond Structures provides workforce housing and associated services through its Black Diamond Camps operating division primarily in western Canada to a diversified client base which includes oil and natural gas exploration and development companies, large catering and food services providers, engineering and construction companies, drillers, general contractors, pipeline constructors and municipal, provincial and federal governments. Black Diamond Camp's products include large dormitories, kitchen/diner complexes and recreation facilities and offer customers flexible and expedient solutions to accommodating their workforce in remote locations where local accommodation infrastructure is either insufficient or non-existent. In addition to workforce housing rental units, this division offers both new and used units for sale and provides delivery, installation, project management and ancillary products and services. Black Diamond Structures is also a provider of modular workspace solutions through its BOXX Modular operating division in the markets it serves. This division provides high quality, cost effective modular space solutions to a diversified client base which includes general contractors, construction trades, real estate developers, manufacturers, commercial businesses, government agencies, and various companies involved in the resource industry. The products include 'single wide' office units, lavatories, storage units, large multi-unit office complexes, training (classroom) facilities, custom manufactured modular facilities and blast resistant structures. These products offer customers flexible and expedient solutions to meet their temporary and permanent workspace and storage needs.

Black Diamond Logistics provides turnkey lodging services, remote facility management and supply chain solutions. Black Diamond Logistics operates Sunday Creek Lodge where the Company owns the lease. This business unit manages a number of other workforce housing facilities and associated services for

OVERVIEW OF THE COMPANY (continued)

customers. This business unit also provides sophisticated supply chain management services to large exploration and production customers to improve efficiency of remote services.

Black Diamond Energy Services rents oilfield surface equipment and oilfield and drilling accommodation equipment and provides full service installation and maintenance services. The primary business of Black Diamond Energy Services can be separated into the following two revenue streams: oilfield rentals consisting of various types of oilfield rental equipment used to support drilling, completion and production activities and wellsite quarters and drill camps. The rental equipment consists of single and multi-unit complexes which are highly mobile and durable and which, when fully assembled, create a single building to house, feed and provide life support amenities to drilling crews and support staff.

Black Diamond International rents and sells remote workforce housing and modular workspace solutions and provides associated services outside of North America. The primary operating geography for this business unit is Australia. The rental fleet assets are similar to assets which the Company operates in North America and are well-positioned in the resource-rich states of Queensland and Western Australia. Black Diamond International's diverse customer base includes natural resource companies, building and construction companies, commercial and general industrial companies and government.

2013 SECOND QUARTER HIGHLIGHTS

Revenue levels for the three month period ended June 30, 2013 (hereafter referred to as the "Period") increased by 15% to $71.1 million compared to the three month period ended June 30, 2012 (hereafter referred to as the "Comparative Period"). Rental revenue was 44% higher at $35.6 million, non-rental revenue decreased by 20% to $17.8 million and lodging revenue was 17% higher at $17.7 million relative to the Comparative Period.

Revenue levels for the six month period ended June 30, 2013 (hereafter referred to as the "YTD Period") increased by 34% to $162.1 million compared to the six month period ended June 30, 2012 (hereafter referred to as the "Comparative YTD Period"). Rental revenue was 48% higher at $75.9 million, non-rental revenue remained consistent at $42.6 million and lodging revenue was 63% higher at $43.6 million relative to the Comparative YTD Period.

One of the primary drivers of Black Diamond's business continues to be the rental of fleet units. The significant investment in fleet and operated facilities during 2012 resulted in a 44% or $10.8 million increase in rental revenue in the Period compared to the Comparative Period. In the YTD Period, there was a 48% or $24.5 million increase in rental revenue over the Comparative YTD Period, also as a result of an increase in the rental fleet. Within the Structures business unit, the number of workforce accommodation fleet units grew by 65% or 1,151 units between June 30, 2012 and June 30, 2013 . Over the same period, the space rentals fleet grew by 10% or 281 units. The utilization of these fleet assets was strong throughout the Period averaging 88% for Structures workforce accommodations equipment compared with 93% for 2012. The space rental fleet utilization increased to 85% in the Period as compared to 75% in the Comparative Period. Between June 30, 2012 and June 30, 2013 the Energy Services accommodations fleet grew by 8% or 22 units, and the number of surface rental pieces of equipment decreased by 1% or 28 units. Within Energy Services, drilling accommodations and surface rental equipment utilization rates were 57% and 24%, respectively, in the Period compared to 52% and 32% respectively in the Comparative Period. Drilling accommodations and surface rental equipment utilization rates were 68% and 32%, respectively, in the YTD Period compared to 69% and 43% respectively in the Comparative YTD Period. The decrease in utilization of surface rental equipment in this business unit is as a result of lower drilling and completion activity in the Period and the YTD Period.

The Company's business activities continue to be concentrated on the resource sector, with approximately 77% of total revenue in the YTD Period generated by oil and gas related companies in Western Canada, including oilsands projects representing 33% of total revenue in the YTD Period. During the YTD Period revenue generated from non-oil and gas sectors includes 7% relating to mining and metal extraction, with the balance of 16% generated from business not directly related to resource sector activity.

In the Period, Black Diamond's Australian division generated $4.6 million of revenue, consisting of $3.3 million in rental revenue and $1.3 million in non-rental revenue. For the YTD Period, the total Australian revenue was $10.6 million, consisting of $6.6 million of rental revenue and $4.0 million of non-rental revenue. The Australian operations added 1,126 workforce accommodation and space rental units inclusive of the acquisition at the start of the year. Fleet utilization was 83%for the Period and 82% for the YTD Period.

Administrative expenses for the Period were 19% of revenue, an increase from the 14% incurred in the Comparative Period. For the YTD Period, administrative expenses were 16% of revenue, which is an increase from the 14% incurred in the Comparative YTD Period. The Period's expenses as a percentage of revenue are unusually high due to one time costs and the fact that the Company experienced abnormally low levels of revenue due to project timing and other factors explained elsewhere in this MD&A. The increase is partly due to one time costs associated with the Australian acquisitions and business restructuring.

2013 SECOND QUARTER HIGHLIGHTS (continued)

Also, the administrative costs associated with the Australian division are higher as a percentage of revenue than Black Diamond's more mature business in North America as the Company establishes a platform for anticipated future growth in Australia. Finally, the Company's normalized administration expenses as a percentage of revenue have increased slightly as a result of new programs to manage the ongoing growth of the business and personnel to address the risks and challenges of a larger business. As a result, the Company expects its normal run rate for administrative costs to be slightly higher than in previous years.

EBITDA (see “Non-IFRS measures”) for the Period was $29.2 million or 41% of revenue, versus $26.5 million or 43% for the Comparative Period. EBITDA for the YTD Period was $69.7 million or 43% of revenue, versus $52.9 million or 44% for the Comparative YTD Period.

Net income for the Period was $8.9 million compared to $11.0 million for the Comparative Period. Net income for the YTD Period was $27.8 million compared to $24.0 million for the Comparative YTD Period.

Black Diamond paid dividends of $0.06 per share per month in January and February of 2013, and paid dividends of $0.07 per share per month since March 2013, resulting in a payout ratio (see “Non-IFRS Measures”) for the Period of 32% compared to 25% for the Comparative Period. The payout ratio for the YTD Period was 26% compared to 24% for the YTD Comparative Period.

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with, the unaudited condensed interim consolidated financial statements of Black Diamond for the three and six month periods ended June 30, 2013 and 2012.

	Three months ended June 30			Six months ended June 30		
(in thousands, except as noted)	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Financial Highlights	$	$	$	$	$	$
Total revenue	71,071	61,974	56,801	162,051	120,931	112,532
Gross Profit	41,438	34,298	28,459	92,958	67,898	56,507
Gross Profit %	58%	55%	50%	57%	56%	50%
Administrative expenses	13,186	8,697	7,368	25,479	16,416	13,994
Administrative expense %	19%	14%	13%	16%	14%	12%
EBITDA (1)	29,209	26,462	21,548	69,735	52,938	43,410
EBITDA %	41%	43%	38%	43%	44%	39%
Net income before taxes	13,526	16,169	13,084	40,032	33,130	27,054
Net income	8,946	10,976	9,385	27,754	24,019	19,280
Per share - Basic	0.21	0.29	0.27	0.67	0.64	0.57
- Diluted	0.21	0.28	0.26	0.66	0.62	0.55
Capital expenditures	19,524	47,928	20,723	41,450	67,605	48,533
Property & equipment (NBV)	468,885	350,125	278,599	468,885	350,125	278,599
Total assets	614,523	463,643	393,116	614,523	463,643	393,116
Long-term debt	144,516	86,249	62,973	144,516	86,249	62,973
Dividends declared	8,786	6,685	5,015	16,662	12,872	9,810
Payout ratio (1)	32%	25%	24%	26%	24%	23%

Note:

(1) EBITDA and payout ratio are supplemental non-IFRS measurements and do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA and payout ratio may not be comparable to similar measures presented by other issuers. See "Non-IFRS Measures" for further details.

SELECTED OPERATING INFORMATION

	Three months ended June 30			Six months ended June 30		
(in thousands, except as noted)	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Operational Highlights						
Structures Business Unit						
Workforce accommodation units in fleet at end of period	2,915	1,764	1,540	2,915	1,764	1,540
Average utilization during the period	88%	93%	92%	91%	92%	94%
Workforce accommodation bedcount	11,953	7,384	6,192	11,953	7,384	6,192
Space rental units in fleet	3,194	2,913	2,621	3,194	2,913	2,621
Average utilization	85%	75%	74%	84%	76%	73%
Logistics Business Unit						
Workforce accommodation bedcount (1)	3,704	2,411	1,903	3,704	2,411	1,903
Energy Services Business Unit						
Drilling accommodation units	290	268	213	290	268	213
Average utilization during the period	57%	52%	36%	68%	69%	58%
Drilling accommodation bedcount	916	932	466	916	932	466
Surface rental equipment	2,331	2,359	1,410	2,331	2,359	1,410
Average utilization	24%	32%	36%	32%	43%	42%
International Business Unit						
Workforce accommodation and space rental units in fleet at end of period	1,126	n/a	n/a	1,126	n/a	n/a
Workforce accommodation bedcount	1,610	n/a	n/a	1,610	n/a	n/a
Average utilization	83%	n/a	n/a	82%	n/a	n/a
Consolidated unit count	9,856	7,304	5,784	9,856	7,304	5,784
Consolidated bed count	14,479	8,316	6,658	14,479	8,316	6,658

Note:
(1) Logistics bedcount is a combination of beds owned by Black Diamond and by third parties.

OUTLOOK

Financial results for the second quarter of 2013 were in-line with management's expectations - moderately stronger than the second quarter of 2012 but significantly weaker than the first quarter of 2013. As anticipated, project sequencing gaps in both the Camps and the Logistics business units and expected lower activity in the Energy Services business unit contributed to lower financial results and EBITDA during the period.

Management's outlook is positive for the remainder of 2013 and moving into early 2014 as it expects increases in year-over-year and quarter-over-quarter revenue and corresponding EBITDA as it continues to invest in fleet assets, secures longer-term key contracts, and maintains high utilization rates of existing fleet, all of which contribute to strong visibility in all revenue streams.

Considerable increases in revenue and EBITDA are anticipated for the remainder of the year in both the Black Diamond Structures and the Black Diamond Logistics business units as several large-scale, longer-term contracts come on-line to service resource development in western Canada. Within the Energy Services division, management expects moderate increases for the remainder of 2013 as activity levels climb throughout the latter half of the year, aided by modestly stronger drilling activity. Black Diamond Australia expects to maintain status quo financial results for the second half of 2013 as the business continues to establish itself by solidifying the support team and establishing both the brand and operations for growth.

The strength of future expected financial results is based on previously announced new contracts, a robust sales pipeline and high level of visibility in new business development.

To date, Black Diamond has committed approximately $102 million of its previously announced $117 million 2013 capital budget. Capital spending for 2013 will remain at $117 million, focused primarily on remote, large scale infrastructure and resource related projects.

RESULTS OF OPERATIONS

Revenue

Consolidated

($ millions, except as noted)	Q2		YTD	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Revenue	71.1	62.0	162.1	120.9
Rental Revenue	35.6	24.8	75.9	51.4
% of Consolidated Revenue	50%	40%	47%	43%
Lodging Revenue	17.7	15.1	43.6	26.8
% of Consolidated Revenue	25%	24%	27%	22%
Non-Rental Revenue	17.8	22.1	42.6	42.7
% of Consolidated Revenue	25%	36%	26%	35%

There has been a significant increase in revenue for the six months ended June 30, 2013 compared to the same period in 2012. This is reflective of the significant increase in the rental fleet which resulted from the growth of the modular accommodation and workspace units during 2012, the increase in the number of rooms operated under the Logistics platform, as well as the level of sales and operations associated with a larger fleet. Significant projects, such as the opening of the renovated and expanded Sunday Creek Lodge, have contributed to the large increase in revenues from the Comparative YTD Period. In addition, 2013 has seen the addition of revenue from the International business unit.

The $10.8 million increase in rental revenue from the Comparative Period was similarly driven by fleet growth, with a 65% increase in workforce accommodation units and 10% increase in the space rental units under management.

RESULTS OF OPERATIONS (continued)

Structures Business Unit

($ millions, except as noted)	Q2		YTD	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Revenue	43.5	39.4	92.0	74.6
% of Consolidated Revenue	61%	64%	57%	62%
Rental Revenue	28.7	20.6	59.4	40.2
% of Structures Revenue	66%	52%	65%	54%
Non-Rental Revenue	14.8	18.8	32.6	34.4
% of Structures Revenue	34%	48%	35%	46%
EBITDA	27.0	21.5	56.7	41.0
% of Structures Revenue	62%	55%	62%	55%
Workforce accommodation utilization	88%	93%	91%	92%
Space rental fleet utilization	85%	75%	84%	76%

Revenue increased in the Period relative to the Comparative Period due to a 39% increase in rental revenue. Non-rental revenue decreased in the Period relative to the Comparative Period due to a decline in the amount of operations associated with new project deployment in the quarter and decrease in custom and fleet sales.

Revenue increased in the YTD Period relative to the Comparative YTD Period primarily due to a 48% increase in rental revenue. The increase in rental revenue in the YTD Period is predominantly derived from the 65%, or 1,151 unit increase in the workforce accommodation fleet since June 30, 2012. In addition, during the Period there was a 10%, or 281 unit, increase in the space rental fleet over the Comparative Period. Average utilization and rental rates also remained strong in the current year.

The continued high levels of utilization are a reflection of the type of equipment Black Diamond deploys as well as the longer term nature of the rental contracts Black Diamond has favored. The workforce accommodation units typically do not experience significant seasonality due to the longer term nature of the contracts on projects requiring larger complements of labour in remote areas, which tend to start and operate without regard to the time of year.

The increase in EBITDA margin for the Period and the YTD Period was a direct result of the relative increase of rental revenue versus other revenue streams compared to the relative comparative periods.

At June 30, 2013, the weighted average remaining contract rental term outstanding was approximately 12 months. Committed rental revenue from contracts in place was $109.9 million.

RESULTS OF OPERATIONS (continued)

Logistics Business Unit

($ millions, except as noted)	Q2		YTD	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Lodging Revenue	17.7	15.1	43.6	26.8
% of Consolidated Revenue	25%	24%	27%	22%
EBITDA	3.1	5.4	10.7	9.5
% of Logistics Revenue	18%	35%	25%	36%

Lodging revenue increased by 17% in the Period relative to the Comparative Period. The increase was in line with management's expectations with two substantial full service camps winding down in the Period, offset by several full service camps added since Q2 2012 and expansion of the Sunday Creek Lodge which came on line at the beginning of 2013.

Revenue increased by 62% in the YTD Period as a result of activity associated with several full service operated camps including the expanded Sunday Creek Lodge. The majority of camps saw full capacity early in 2013 with an associated increase in revenue due to higher bed counts at operated camps. There may be variability in revenue with respect to services related to daily occupancy levels in a given period.

EBITDA decreased over the comparative periods due to lower margins resulting from the closure of the two camps described above. During the winding down of the camps there was a period of lower occupancy during which fixed costs put downward pressure on margins. The Business Unit also provided a higher volume and proportion of lower margin services associated with operating the full service camps. EBITDA increased over the Comparative YTD Period due to several full service camps added since Q2 2012 and expansion of the Sunday Creek Lodge which came on line at the beginning of 2013 as explained above. The decrease in EBITDA margin over the Comparative YTD Period is due to two substantial full service operated camps winding down in the Period described above as well as the provision of a higher volume and proportion of lower margin services associated with operating the full service camps.

At June 30, 2013, Logistics had contracts in place to provide a minimum of $52.38 million of lodging service revenue for the camps it operates. This excludes the rental of equipment, which is reported in the Structures business unit.

RESULTS OF OPERATIONS (continued)

Energy Services Business Unit

($ millions, except as noted)	Q2		YTD	
	2013	2012	2013	2012
	$	$	$	$
Revenue	5.2	7.5	15.9	19.5
% of Consolidated Revenue	7%	12%	10%	16%
Rental Revenue	3.5	4.2	9.9	11.2
% of Energy Services Revenue	68%	56%	62%	58%
Non-Rental Revenue	1.7	3.3	6.0	8.3
% of Energy Services Revenue	32%	44%	38%	42%
EBITDA	1.6	2.3	6.1	7.9
% of Energy Services Revenue	30%	30%	38%	41%
Drilling Accommodation Utilization	57%	52%	68%	69%
Surface Rental Utilization	24%	32%	32%	43%

Revenue decreased by 30% in the Period over the Comparative Period and decreased 18% in the YTD Period over the Comparative YTD Period, mostly due to lower than anticipated market pricing and utilization of assets and reductions in non-rental revenue. Revenue tends to be more seasonal in the Energy Services business unit. Drilling accommodations and the surface rental assets typically have higher utilization rates during the winter months when drilling activity is greater and reduced utilization rates during the spring and summer months when drilling activity slows. Rental revenue also decreased in the Period from the Comparative Period due to a reduction in drilling and completions activity in western Canada and pricing in the oil and gas industry. Non-rental revenue decreased in the Period due to lower used fleet sales over the Comparative Period.

The drilling accommodations fleet grew by 8% since June 30, 2012. This total includes drill camps as well as a complement of wellsite units, free standing sleepers and support units. The surface rental equipment fleet decreased from 2,359 to 2,331 units in the Period and YTD Period relative to the Comparative Period and the Comparative YTD Period.

At June 30, 2013, the weighted average remaining contract rental term outstanding was approximately three months. Committed rental revenue from contracts in place was $1.1 million.

RESULTS OF OPERATIONS (continued)

International Business Unit

($ millions, except as noted)	Q2 2013	YTD 2013
	$	$
Revenue	4.6	10.6
% of Consolidated Revenue	6%	7%
Rental Revenue	3.3	6.6
% of International Revenue	73%	62%
Non-Rental Revenue	1.3	4.0
% of International Revenue	27%	38%
EBITDA	1.5	4.1
% of International Revenue	33%	38%
Workspace fleet utilization	83%	82%

In 2013 the Company added the Australian division to its International business unit. During the Period, the Australian fleet generated $3.3 million of rental revenue with non-rental revenue of $1.3 million. The rental component in the Period was consistent with the first quarter of 2013 while there were less operational revenues generated from the movement of equipment and provision of catering of services in the Period relative to the first quarter of 2013. Included in EBITDA during the Period were $0.2 million of administrative costs related to the pursuit of other international initiatives. These expenses were insignificant in first quarter of 2013. Overall, results of operations were in line with management's expectations based on the evaluation of the business prior to its purchase. The Australian division has added 1,126 workforce accommodation and space rental units in the YTD Period to the International business unit.

At June 30, 2013, the weighted average remaining contract rental term outstanding was approximately five months. Committed rental revenue from contracts in place was $5.40 million.

RESULTS OF OPERATIONS (continued)

Direct Costs and Gross Profit

($ millions, except as noted)	Q2		YTD	
	2013	2012	2013	2012
	$	$	$	$
Direct Costs	29.6	27.7	69.1	53.0
% of Consolidated Revenue	42%	45%	43%	44%
Gross Profit	41.4	34.3	93.0	67.9
% of Consolidated Revenue	58%	55%	57%	56%

The gross profit margin rose in respect of the comparative periods due to the increased amount of revenue generated from rental activity relative to other lower margin activities.

Direct costs attributable to revenue when arriving at the gross profit are the labor, fuel, materials, freight and maintenance required in maintaining, servicing and moving the units to and from the contracted sites. In addition, there are often opportunities for Black Diamond to sell some units from its fleet, rent equipment from third parties and re-rent the equipment, provide logistics services or to provide installation and other services to customers. The net book value of sold units, costs of units sub-leased from others and the cost of transport from third parties are included in the direct costs. Revenue streams ancillary to the rental revenue are generally at lower gross margins than the fleet rental operations. Therefore, depending on the proportion of revenue generated from these other activities in any given period, gross profit margins may fluctuate.

RESULTS OF OPERATIONS (continued)

Administrative Expenses

($ millions, except as noted)	Q2		YTD	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Administrative expenses	13.2	8.7	25.5	16.4
% of Consolidated Revenue	19%	14%	16%	14%
Personnel	6.7	4.6	12.5	8.8
% of Administrative expenses	51%	53%	49%	54%
Occupancy & Insurance	1.5	1.1	3.0	2.2
% of Administrative expenses	11%	12%	12%	13%
Other Administrative Expenses	5.0	3.0	10.0	5.4
% of Administrative expenses	38%	35%	39%	33%

Administrative expenses increased 56% in the Period in relation to the Comparative Period, predominately as a result of:

- one time legal and professional costs relating to the Australian acquisitions;
- some one time costs relating to organizational restructuring; and
- a higher than normal administrative cost run rate in our Australian division as the Company establishes the platform for anticipated future growth in that region.

In addition it should be noted the Company's normalized administration expenses as a percentage of revenue have increased slightly as a result of new programs and resources to manage the risks and challenges of a growing business. As a result, Black Diamond expects its run rate for administrative costs to be slightly higher this year than in previous years.

Personnel costs increased 42% in the Period and 47% in the YTD Period as the Company continued to hire additional employees to accommodate the growing scale of the business. In addition, personnel costs were incurred relating to the Australian divisions, which did not exist in the comparative periods.

Insurance costs increased due to the size of the total fleet under management while occupancy costs have risen due to the rise in staff complement.

Other administrative expenses increased 86% in the YTD Period primarily due to legal and banking fees being incurred relating to the Australian acquisitions as well as optimization of the Company's organizational structure. Other administrative expenses including audit, legal, travel, meals and entertainment, bank charges, and promotional items increased in proportion to the size of the business. Share based compensation charges reported within other administrative expenses were $0.96 million for the Period compared with $0.86 million for the Comparative Period and $1.96 million for the YTD Period compared with $1.46 million for the Comparative YTD Period.

RESULTS OF OPERATIONS (continued)

Administrative Expenses (continued)

Share based compensation was determined using the Black-Scholes valuation method. The increase in share based compensation year over year is a result of the additional options granted during the Period. Share based compensation charges were $0.96 million for the Period compared with $0.86 million for the Comparative Period.

Included in the Period EBITDA is $4.03 million of administrative expenses and $2.60 million for the Comparative Period in 2012, which relate to non-divisional corporate expenses. Included in EBITDA for the YTD Period is $7.88 million of administrative expenses and $5.49 million for the Comparative YTD Period in 2012, which relate to non-divisional corporate expenses.

RESULTS OF OPERATIONS (continued)

EBITDA

($ millions, except as noted)	Q2		YTD	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
EBITDA	29.2	26.5	69.7	52.9
% of Consolidated Revenue	41%	43%	43%	44%

The EBITDA percentage for the Period and the YTD Period were generally consistent with the comparative periods as a result of the higher gross margins generated due to the higher percentage of the business generated from rental activity which was offset by higher administrative expenses being incurred for the Period and the YTD Period.

The proportion of revenue from rental activity also affects EBITDA. The proportion may fluctuate from period to period depending on the level and mixture of the revenue generated from the rental of the fleet assets as compared to the ancillary revenue streams such as lodging services, custom manufactured sales, logistics, installation, sublease and services provided. The increase in costs associated with non-rental activities have also affected the margins.

Depreciation and Amortization

For the Period, the charge for depreciation and amortization was$12.89 million compared to $8.12 million in the Comparative Period. This included charges of $12.39 million with respect to depreciation taken on the property and equipment of Black Diamond, and $0.50 million relating to the amortization of the intangible assets. Depreciation and amortization for the Comparative Period was $7.90 million and $0.22 million, respectively.

For the YTD Period, the charge for depreciation and amortization was $23.93 million compared to $15.65 million in the Comparative YTD Period. This included charges of $23.21 million with respect to depreciation taken on the property and equipment of Black Diamond, and $0.72 million relating to the amortization of the intangible assets. Depreciation and amortization for the Comparative YTD Period was $15.21 million and $0.44 million, respectively.

Depreciation increased due to general fleet growth and addition of the Australian division in 2013. Amortization increased due to intangibles acquired in the Australia acquisitions.

Finance Costs

Finance costs for the Period were $1.84 million compared with $1.32 million in 2012. For the YTD Period, finance costs were $3.51 million compared to $2.70 million for the Comparative YTD Period. This increase represents interest that was charged on the utilization of the credit facilities and the interest charged on the senior secured notes outstanding. Average interest rates in the Period were 4.20% compared with 5.77% for the Comparative Period whereas the average interest rate for the YTD Period was 4.27% as compared to 6.00% for the Comparative YTD Period. Average long-term debt in the Period was $55.25 million higher than that in the second quarter of 2012.

RESULTS OF OPERATIONS (continued)

Income Taxes

For the Period, Black Diamond incurred a current income tax expense of $1.79 million (June 30, 2012 - $1.62 million) and provided a deferred income tax provision of $1.53 million (June 30, 2012 - $2.35 million).

For the YTD Period, Black Diamond incurred a current income tax expense of $6.42 million (June 30, 2012 - $4.74 million) and provided a deferred income tax provision of $3.52 million (June 30, 2012 - $3.39 million).

This deferred income tax has been calculated at the enacted tax rate of 25% in Canada, 40% in the United States and 30% in Australia.

At June 30, 2013, the deferred tax liability was $49.77 million compared to $44.82 million at December 31, 2012. The increase is due to the provision for deferred income taxes incurred in the YTD Period and due to the acquisitions in Australia.

Non-controlling Interests

Earnings attributable to non-controlling interests were $1.26 million during the Period compared to $1.22 million in the Comparative Period. Earnings attributable to non-controlling interests were $2.33 million during the YTD Period compared to $0.98 million in the Comparative YTD Period.

The non-controlling interest represent earnings attributable to the Fort Nelson First Nation’s approximate 50% interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation’s approximate 50% interest in the Black Diamond West Moberly Limited Partnership, and the Beaver Lake Cree Nation's approximate 50% interest in the Black Diamond Nehiyawak Limited Partnership.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the last eight quarters:

(in $000's, except for per share amounts)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012
	$	$	$	$
Revenue	71,071	90,980	68,442	74,901
EBITDA	29,209	40,526	27,941	31,210
Net Income	8,946	18,808	10,393	12,982
Per Share - Basic	$0.21	$0.47	$0.25	$0.32
Per Share - Diluted	$0.21	$0.46	$0.24	$0.32

	Q2 2012	Q1 2012	Q4 2011	Q3 2011
	$	$	$	$
Revenue	61,974	58,957	66,206	63,070
EBITDA	26,462	26,478	25,495	25,165
Net Income	10,976	13,043	10,688	11,011
Per Share - Basic	$0.29	$0.35	$0.31	$0.30
Per Share - Diluted	$0.28	$0.34	$0.30	$0.29

LIQUIDITY & CAPITAL RESOURCES

As of June 30, 2013, Black Diamond's principal sources of liquidity included:

- working capital of $54.2 million;
- a committed revolving operating facility in the amount of $15.0 million of which all $15.0 million is available and $8.0 million was drawn at June 30, 2013;
- a committed revolving capital expenditure facility of $130.0 million all of which is available and $88.2 million was drawn at June 30, 2013, including $13.0 million of letters of credit drawn against the facility;
- an operating facility in the United States in the amount of US$3.0 million all of which is available and $nil was drawn at June 30, 2013; and
- an operating facility in Australia in the amount of AU$5.0 million all of which is available and $nil was drawn at June 30, 2013.

Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through 2013 and beyond, and pursue its planned business objectives. This is due to the longer term nature of Black Diamond's customer contracts and the credit worthiness of Black Diamond's customers.

LIQUIDITY & CAPITAL RESOURCES (continued)

Based on Black Diamond's current business plan and internal forecasts management believes that cash generated from operations will continue to exceed the funds required to pay dividends. Management believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, interest costs, and partially funding capital expenditures. Black Diamond's cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including factors beyond Black Diamond's control. Management also believes that, dependent on capital market conditions, Black Diamond has the ability to raise additional debt or equity through the issuance of additional shares, if required.

The Company is committed to maintaining a strong balance sheet and flexible capital structure.

Working Capital

The working capital position of Black Diamond at June 30, 2013 was $54.2 million, an increase of $18.9 million from the working capital position at December 31, 2012.

Current assets at June 30, 2013 were $90.6 million, an increase of $3.7 million from December 31, 2012. The increase was mostly due to a decrease in accounts receivable of $5.6 million and a decrease in other assets of $2.8 million, with an offsetting increase of $12.1 million to cash and cash equivalents. The decreased accounts receivable balance is due to a decline in revenues.

Current liabilities at June 30, 2013 were $36.4 million, a decrease of $15.2 million from December 31, 2012. The decrease is mainly due to payment of $8 million relating to 2012 taxes and decrease in deferred revenue balances upon completion of some contracts.

Indebtedness

Black Diamond has established syndicated credit facilities with two Canadian chartered banks as follows: a committed revolving operating facility of $15.0 million and a committed revolving capital expenditure facility of $130.0 million. Draws on the operating and capital expenditure facilities are charged interest based on the previous quarter's funded debt to EBITDA ratio as defined in Black Diamond's credit agreement. As at June 30, 2013, the average interest rate applied to amounts drawn on both operating and capital expenditure facility was 3.31% (December 31, 2012 - 4.34%).

All facilities are collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries. The committed revolving operating facility matures on December 31, 2016; it is interest only until maturity and drawdowns may not exceed the sum of 75% of qualified Canadian accounts receivable and 60% of qualified US accounts receivable, in each case aged less than 90 days. The committed revolving capital expenditure facility is interest only payable monthly in arrears until December 31, 2015 and if the interest only period is not extended the facility, in aggregate, will be reduced beginning March 31, 2016 by equal quarterly reductions in an amount equal to 1/16th of the commitment on December 31, 2015. The facility may not exceed 60% of the net book value of tangible capital property and equipment less the principal and any accrued and unpaid interest on the senior secured notes of Black Diamond. The committed revolving capital expenditure facility matures December 31, 2016.

LIQUIDITY & CAPITAL RESOURCES (continued)

The Company has issued $62.0 million principal amount of senior secured notes, which rank pari passu with the other senior credit facilities of the Company. The senior secured notes have an interest rate of 5.44% per annum and mature in 2019. Amortized repayments of the notes begin in 2015 with 1/5th of the principal repaid annually for the five years until 2019. Financial covenants and security for these notes are similar to those in respect of the syndicated credit facilities described above.

Black Diamond's financial debt covenants are as follows:

Covenant as at June 30, 2013	Required	Actual
Current Ratio	≥ 1.25:1	2.67
Total Funded Debt to EBITDA	≤ 3.00:1	1.14
EBITDA to Interest Expense plus Dividends	≥ 2.00:1	3.42
Tangible Net Worth	> $290.0M	$327.0M

For the purposes of the covenant calculations, EBITDA is determined using a 12 month trailing basis. EBITDA is a non-IFRS measure that management uses to assist in the evaluation of Black Diamond's liquidity and is used by Black Diamond's lenders to calculate compliance with certain financial covenants.

As at June 30, 2013, Black Diamond was in compliance with all financial debt covenants. Management continues to monitor compliance with its debt covenants carefully and believes that the Company will continue to be in compliance with its debt covenants for the foreseeable future.

Black Diamond, through an indirect wholly owned U.S. subsidiary, has a US $3 million committed revolving loan facility to fund working capital requirements in the United States. The facility bears interest at a rate of U.S. prime plus 1% subject to a 5% minimum rate. At June 30, 2013, the effective interest rate was 5%. Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date. The facility is secured by a letter of credit issued by the Company's Canadian lenders. At June 30, 2013, there was $nil drawn on the facility.

Black Diamond, through its wholly owned Australian subsidiary, has a AU$5.0 million operating facility to fund working capital requirements in Australia. The facility bears interest at a rate of Australian Bank Bill Overdraft Rate plus 1.0%. At June 30, 2013, the effective interest rate was 3.87%. The facility is secured by a letter of credit issued by the Company's Canadian lenders. At June 30, 2013, there was AU$ nil drawn on the facility.

Black Diamond also has a letter of credit of AU$5.2 million backing debt issued to the acquired company in conjunction with the purchase of its indirect 20% interest in APB Britco LP.

On July 3, 2013, Black Diamond completed a private placement of senior secured notes. The notes, which rank pari passu with the senior credit facilities, have a principal amount of $40,000, an interest rate of 4.58% per annum and mature in 2022. Amortized repayment of the notes begins in 2020.

Commitments

Black Diamond has made capital commitments as presented in the Capital Expenditures section below.

LIQUIDITY & CAPITAL RESOURCES (continued)

Share Capital

At June 30, 2013, Black Diamond had 41.93 million common shares outstanding. In addition at June 30, 2013, Black Diamond had 3.44 million common shares reserved for issuance pursuant to the exercise of options which have been granted pursuant to Black Diamond's share option plan.

The following table summarizes Black Diamond's capitalization as at August 8, 2013:

(expressed in thousands of shares)	
Common shares	41,930
Stock options	3,440

Capital Expenditures

The capital expenditures are mainly incurred for the following:

- Structures Business Unit - workforce accommodation structures, space rental structures and ancillary equipment;
- Logistics Business Unit - site improvements;
- Energy Services Business Unit - accommodation structures and surface rental equipment;
- International Business Unit - workforce accommodation and space rental structures in Australia; and
- Corporate - land, leasehold improvements, computers, furniture and service related equipment.

For the Period, Black Diamond expended $19.5 million (2012 – $47.9 million) on additions to property and equipment. The additions consisted of:

	2013	2012
Structures	15,686	39,457
Energy Services	21	8,291
Logistics	672	—
International	242	—
Corporate	2,903	180
	19,524	47,928

For the YTD Period, Black Diamond expended $41.5 million (2012 – $67.6 million) on additions to property and equipment. The additions consisted of:

	2013	2012
Structures	21,326	53,964
Energy Services	1,995	11,777
Logistics	4,217	—
International	10,963	—
Corporate	2,949	1,864
	41,450	67,605

LIQUIDITY & CAPITAL RESOURCES (continued)

At June 30, 2013, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $13.85 million for delivery of modular structures in the next six months. It is management's intention to meet the funding requirements for these commitments through a combination of internally generated cash flow and available funds from credit facilities.

FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at June 30, 2013 relate to standard working capital accounts, credit facility items and an interest rate swap. There are no significant differences between the carrying value of these financial instruments and their estimated fair values.

Black Diamond is subject to both cash flow and interest rate risk on its committed revolving capital expenditure facility and interest rate fair value risk on the senior secured notes based on their fixed rate of interest. The required cash flow to service the credit facilities will fluctuate as a result of changes in market rates. On April 20, 2010, Black Diamond entered into a swap transaction to fix the rate of interest at 3.63% plus the credit spread on a notional $25 million of debt for a five year period expiring on April 10, 2015.

NON-IFRS MEASURES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain supplementary information and measures not recognized under IFRS are provided where management believes they assist the reader in understanding Black Diamond's results. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers for these non-IFRS measures. These measures include:

EBITDA refers to consolidated earnings before finance costs, tax expense, depreciation, amortization, accretion, foreign exchange, stock-based compensation, acquisition costs and non-controlling interest. Black Diamond uses EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by EBITDA, is meaningful because it presents the performance of the operations on a basis which excludes the impact of how they have been financed.

NON-IFRS MEASURES (continued)

The following is a reconciliation of consolidated Net Income to EBITDA:

For the three months ended June 30, (in thousands of dollars)	2013	2012	$ Change
Net income	8,946	10,976	(2,030)
Add:			
Depreciation and amortization	12,889	8,115	4,774
Finance costs	1,837	1,317	520
Deferred income taxes	1,530	2,352	(822)
Current income taxes	1,786	1,617	169
Non-controlling interest	1,264	1,224	40
Share-based compensation	957	861	96
EBITDA	29,209	26,462	2,747

For the six months ended June 30, (in thousands of dollars)	**2013**	**2012**	**Change**
	$	**$**	**$**
Net income	27,754	24,019	3,735
Add:			
Depreciation and amortization	23,933	15,649	8,284
Finance costs	3,514	2,703	811
Deferred income taxes	3,520	3,392	128
Current income taxes	6,424	4,737	1,687
Non-controlling interest	2,334	982	1,352
Acquisition costs	300	—	300
Share-based compensation	1,956	1,456	500
EBITDA	69,735	52,938	16,797

EBITDA Margin is calculated by dividing EBITDA by the revenue for the period.

NON-IFRS MEASURES (continued)

Funds available for dividends is calculated as the cash flow from operating activities excluding the changes in non-cash working capital adjusted for 1) maintenance capital expenditures made in the period, 2) funding of long-term unfunded contractual obligations arising from operations and 3) restrictions on dividends arising from compliance with financial covenants at the date of the calculation. Growth capital expenditures are also excluded from this calculation. Management believes that funds available for dividends is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments. Changes in non-cash working capital items have been excluded as such changes are financed using the operating line of Black Diamond's credit facility. Funds not distributed are available for re-investment in the business and funding the growth of Black Diamond.

The following is a reconciliation of Cash Flow from Operating Activities to Funds available for dividends:

For the three months ended June 30,

(in thousands of dollars)	**2013**	**2012**	**Change**
	$	**$**	**$**
Cash Flow from Operating Activities	46,087	23,443	22,644
Add/(Deduct):			
Book value of used fleet sales to operating activities	(1,226)	(1,400)	174
Reclassification of trade receivables to long-term	(991)	—	(991)
Changes in non-cash working capital	(16,447)	2,802	(19,249)
Funds available for dividends	27,423	24,845	2,578

For the six months ended June 30,

(in thousands of dollars)	**2013**	**2012**	**Change**
	$	**$**	**$**
Cash Flow from Operating Activities	59,665	43,240	16,425
Add/(Deduct):			
Book value of used fleet sales to operating activities	(2,144)	(3,458)	1,314
Reclassification of trade receivables to long-term	(2,092)	—	(2,092)
Changes in non-cash working capital	7,582	8,419	(837)
Funds available for dividends	63,011	48,201	14,810

Gross Profit is calculated as revenue less direct costs.
Gross Profit Margin is calculated by dividing Gross Profit by the revenue for the period.
Payout Ratio is calculated as the dividends declared for the period divided by Funds available for dividends.
Working Capital is calculated as current assets minus current liabilities.

Readers are cautioned that the Non-IFRS measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of Black Diamond's performance or cash flows, a measure of liquidity or as a measure of actual return on the shares of Black Diamond. These Non-IFRS measures should only be used in conjunction with the consolidated financial statements of Black Diamond.

RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond's financial condition, results of operations and cash flow, and therefore on cash available for dividends. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2012 available on SEDAR at www.sedar.com. Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

DISCLOSURE CONTROLS AND PROCEDURES

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Black Diamond is made known to Black Diamond's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Black Diamond in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of Black Diamond's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Black Diamond is required to disclose herein any change in Black Diamond's internal controls over financial reporting that occurred during the period beginning on April 1, 2013 and ended on June 30, 2013 that has materially affected, or is reasonably likely to materially affect, Black Diamond's internal controls over financial reporting. No material changes in Black Diamond's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's internal controls over financial reporting.

It should be noted that a control system, including Black Diamond's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2012 is available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS & ESTIMATES

Changes in Business Reporting Structure

Black Diamond changed the basis of its business unit structure for reporting purposes beginning in the 2013 fiscal year to four reportable segments: Structures, Logistics, Energy Services and International. Previously, the reportable segments were disclosed as Camps, Logistics, BOXX Modular and Energy Services. The change had an impact on the segment information reported but did not change the aggregate financial information reported for Black Diamond. To enable users to understand the changes and to assess trends, prior period segment information included in the financial statements and this MD&A for comparative purposes, was restated to reflect the new business structure.

Judgments and Estimates

The nature of the business and timely preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, the fair value of the identifiable assets acquired in business combinations, the fair value and useful lives of intangible assets for the purposes of impairment, percentage complete for revenue recognition, the fair value of share-based compensation awards and the future cash flows used to estimate the fair value of cash-generating units for goodwill impairment purposes. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the determination of control, definition of a business, determination of Cash Generating Units, effectiveness of hedging relationships and determination of functional currency.

While management applies judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.