Unaudited Condensed Consolidated Interim Financial Statements

Black Diamond Group Limited

For the three and six month periods ended June 30, 2011

Black Diamond Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Expressed in thousands)

As at	June 30, 2011	December 31, 2010
	$	$
ASSETS		
Current		
Trade and other receivables *(note 4)*	58,274	35,080
Prepaid expenses and other current assets	10,551	2,491
	68,825	37,571
Non-Current		
Property and equipment *(notes 5 and 13)*	278,599	247,160
Intangible assets *(note 6)*	11,216	12,064
Goodwill *(note 7)*	34,476	34,591
	393,116	331,386
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *(note 8)*	5,036	6,776
Accounts payable and accrued liabilities *(note 11)*	34,393	32,575
Dividends payable *(note 19)*	1,767	1,482
Current income taxes payable	19	68
Finance lease obligation *(notes 13 and 21)*	228	561
	41,443	41,462
Non-Current		
Long-term debt *(notes 9 and 21)*	62,973	66,000
Long-term customer deposits *(note 11)*	217	543
Risk management liability *(note 21)*	1,447	1,402
Asset retirement obligations *(note 12)*	1,817	1,780
Deferred tax liabilities	31,413	25,571
	139,310	136,758
Shareholders' equity		
Share capital *(note 14)*	239,762	187,925
Contributed surplus *(note 16)*	4,092	4,246
Non-controlling interest *(note 17)*	368	348
Accumulated other comprehensive income *(note 18)*	(5,146)	(3,151)
Retained earnings	14,730	5,260
	253,806	194,628
	393,116	331,386

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF NET INCOME
(Unaudited)

(Expressed in thousands, except per share amounts)

	Three month period ended		Six month period ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
	$	**$**	**$**	**$**
Revenue *(note 22)*	56,801	31,161	112,532	62,132
Direct costs *(note 23)*	28,342	15,870	56,025	30,386
Gross Profit	28,459	15,291	56,507	31,746
Expenses				
Administrative expenses *(note 23)*	7,368	5,444	13,994	10,259
Depreciation of property and equipment	6,641	4,618	12,655	8,941
Amortization of intangibles	373	382	763	769
	14,382	10,444	27,412	19,969
Operating profit	14,077	4,847	29,095	11,777
Finance costs *(note 24)*	993	551	2,041	1,092
Income before income taxes	13,084	4,296	27,054	10,685
Income tax				
Current	19	328	36	585
Deferred	3,129	1,100	6,793	2,476
	3,148	1,428	6,829	3,061
Net income	9,936	2,868	20,225	7,624
Net income attributable to non-controlling interest *(note 17)*	**551**	**(159)**	**945**	**75**
Net income attributable to Black Diamond Group Limited	**9,385**	**3,028**	**19,280**	**7,549**
Net income per share *(note 15)*				
Basic	0.53	0.19	1.13	0.49
Diluted	0.52	0.18	1.10	0.48

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

(Expressed in thousands)

	Three month period ended		Six month period ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
	$	**$**	**$**	**$**
Net income attributable to Black Diamond Group Limited	9,385	3,028	19,280	7,549
Net loss in derivative financial instruments designated as cash flow hedges (net of tax) *(note 18)*	(283)	(1,061)	(30)	(1,061)
Cumulative translation adjustment *(note 18)*	(393)	1,011	(1,965)	(164)
Comprehensive income attributable to Black Diamond Group Limited	**8,709**	**2,978**	**17,285**	**6,324**

See accopmanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(Expressed in thousands)

	Share Capital	Contributed Surplus	Non-Controlling interest	Accumulated Other Comprehensive income	Retained earnings	Total
Balance as at 1/1/2010	**140,749**	**6,586**	**51**	**-**	**5,233**	**152,619**
Net income for the period	-	-	75	-	7,549	7,624
Unrealised loss on derivative instrument	-	-	-	(1,061)	-	(1,061)
Cumulative translation adjustment	-	-	-	58	-	58
Dividends declared *(note 19)*	-	-	-	-	(8,529)	(8,529)
Distribution to partners	-	-	(206)	-	-	(206)
Share capital issued	39,061	-	-	-	-	39,061
Share capital issued on exercise of options	7,840	(4,087)	-	-	-	3,753
Purchase of shares in trust	(100)	-	-	-	-	(100)
Incurred share issue costs	(29)	-	-	-	-	(29)
Share based compensation expense *(note 14)*	-	1,043	-	-	-	1,043
Balance as at 6/30/2010	**187,521**	**3,542**	**(80)**	**(1,003)**	**4,253**	**194,233**
Balance as at 1/1/2011	**187,925**	**4,246**	**348**	**(3,151)**	**5,260**	**194,628**
Net income for the period	-	-	945	-	19,280	20,225
Unrealised loss on derivative instrument *(note 18)*	-	-	-	(30)	-	(30)
Cumulative translation adjustment *(note 18)*	-	-	-	(1,965)	-	(1,965)
Dividends declared *(note 19)*	-	-	-	-	(9,810)	(9,810)
Distribution to partners *(note 17)*	-	-	(925)	-	-	(925)
Share capital issued *(Note 14)*	49,587	-	-	-	-	49,587
Share capital issued on exercise of options *(note 14)*	2,324	(1,055)	-	-	-	1,269
Purchase of shares in trust *(note 14)*	(74)	-	-	-	-	(74)
Share based compensation expense *(note 14)*	-	901	-	-	-	901
Balance as at 6/30/2011	**239,762**	**4,092**	**368**	**(5,146)**	**14,730**	**253,806**

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

(Expressed in thousands)	Three month period ended		Six month period ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	$	$	$	$
Operating activities				
Operating profit for the period	14,077	4,847	29,095	11,777
Add (deduct) non-cash items:				
Depreciation of property and equipment *(note 5)*	6,641	4,618	12,655	8,941
Amortization of intangible assets *(note 6)*	373	382	763	769
Foreign exchange gain- unrealized *(note 23)*	(12)	(17)	(4)	(28)
Share-based compensation expense *(note 23)*	469	521	901	1,043
	21,548	10,351	43,410	22,502
Change in non-cash working capital related to operating activities *(note 20)*	(8,004)	(2,519)	(37,017)	(8,712)
Net cash from/ (used in) operating activities	13,544	7,832	6,393	13,790
Investing activities				
Purchase of property and equipment	(19,056)	(14,450)	(45,135)	(25,886)
Business combinations *(note 3)*	-	-	-	(17,945)
Change in non-cash working capital related to investing activities *(note 20)*	(774)	1,615	6,286	-
Net cash used in investing activities	(19,830)	(12,835)	(38,849)	(43,831)
Financing activities				
Proceeds from long-term debt	10,000	11,973	46,000	36,969
Repayment of long-term debt	(49,031)	-	(49,031)	(26,012)
Repayment of finance lease	(182)	(159)	(347)	(315)
Interest in period	(993)	(551)	(2,041)	(1,092)
Net proceeds from issuance of shares	48,889	326	48,889	24,079
Dividend payments	(4,909)	(4,866)	(9,526)	(8,734)
Distribution to non-controlling interests	(607)	-	(925)	-
Purchase of shares in trust	-	(100)	(74)	(100)
Bank indebtedness	2,336	(2,691)	(1,740)	1,493
Share options exercised	782	1,071	1,269	3,753
Net cash from financing activites	6,285	5,003	32,474	30,041
Increase/ (decrease) in cash and cash equivalents	(1)	-	18	-
Cash and cash equivalents, beginning of year	-	-	-	-
Effect of foreign currency rate changes on cash and cash equivalents	1	-	(18)	-
Cash and cash equivalents, end of year	-	-	-	-

See accompanying notes to the unaudited condensed consolidated interim financial statements

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

1. GENERAL INFORMATION

The condensed consolidated interim financial statements of Black Diamond Group Limited (the "Unaudited Financial Statements") for the three and six month periods ended June 30, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on August 11, 2011. Black Diamond Group Limited, its subsidiary companies and limited partnerships are referred to therein as ("Black Diamond", or the "Company", or the "Group") and are headquartered and incorporated in Calgary, Alberta. The Company's registered office is Suite 2000, 715 – 5th Avenue S.W., Calgary, Alberta, Canada. The business of Black Diamond, through its subsidiary companies and limited 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. The business of Black Diamond is conducted through three operating divisions: Camps and logistics, Space Rentals and Energy Services.

Black Diamond was formed pursuant to the provisions of 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 and the securityholders of the Fund (the "Conversion"). Effective December 31, 2009, the Conversion restructured the Fund from an unincorporated open-ended income trust to Black Diamond Group Limited, a publicly listed corporation.

The Company's common shares are listed on the Toronto Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICES

Basis of preparation

These unaudited financial statements are in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and its interpretations. Accordingly, these unaudited financial statements do not include all of the information and footnotes required by International Financial Reporting Standards (IFRS) for complete financial statements for year-end reporting purposes.

The unaudited financial statements for the three and six month periods ended June 30, 2011 were prepared in accordance with IAS 34 – Interim Financial Reporting. The same accounting policies and methods of computation were followed in the preparation of these unaudited financial statements as were followed in the preparation of the unaudited financial statements for the three month period ended March 31, 2011. Accordingly, these unaudited financial statements for the three and six month periods ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the unaudited financial statements for the three month period ended March 31, 2011.

The interim financial statements are presented in Canadian dollars and all amounts are rounded to the nearest thousand ($'000), except where otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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, equity, revenues and expenses. Such estimates primarily relate to unsettled transactions, the estimated useful lives of property and equipment, the fair value of the identifiable assets acquired in business combinations, the fair value of intangible assets for the purposes of impairment, 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. In the opinion of management, these condensed consolidated interim financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies detailed previously.

Basis of consolidation

Included in these Unaudited Financial Statements are the financial statements of Black Diamond and all of its subsidiary companies and limited partnerships. Certain of these entities have non-controlling interests presented separately in these Unaudited Financial Statements. The results of combined business operations are included in these Unaudited Financial Statements from their effective dates of combination. All inter-entity balances, transactions and unrealized gains or losses have been eliminated.

Changes in accounting policy and disclosure

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

IFRS 9 - Financial instruments - issued in November 2009. This standard is the first step in the process to replace IAS 39 - Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, which may affect the Company's accounting for its financial assets. The standard is not applicable until January 1 2013 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

(Amounts expressed in thousands, except share and per share amounts)

3. BUSINESS COMBINATIONS

Black Diamond acquired two businesses in 2010. The fair value of the net assets acquired and aggregate consideration given are as follows:

	Nortex	**Paragon**	**Total**
Fair Value of net assets acquired:	**$**	**$**	**$**
Current assets	2,492	1,647	4,139
Property, plant and equipment	26,041	3,091	29,132
Land	1,109	-	1,109
Intangible and other assets	3,504	450	3,954
Goodwill	4,106	1,369	5,475
Total assets	37,252	6,557	43,809
Current liabilities	(2,403)	(1,267)	(3,670)
Debt assumed	-	(520)	(520)
Future income taxes	(8,295)	(360)	(8,655)
Total liabilities	(10,698)	(2,147)	(12,845)
Net assets acquired	**26,554**	**4,410**	**30,964**
Consideration given:			
Cash	17,945	-	17,945
Shares	8,609	4,410	13,019
Total consideration	**26,554**	**4,410**	**30,964**

a) Nortex

Effective January 1, 2010, Black Diamond acquired all of the shares of Nortex Modular Leasing and Construction Company ("Nortex"). Nortex had a modular building lease fleet comprised of approximately 900 units and is based in Dallas, Texas with branch operations in Austin and Houston, Texas, and Denver, Colorado. The purchase price of $26,554 was paid through a combination of: (i) $17,945 in cash and (ii) $8,609 through the issuance of 485,800 common shares, 60,000 of which were held in escrow, at a value of $17.84 per share. Transaction costs connected to the combination were $266, all of which were expensed in the period of combination.

Intangible assets acquired with Nortex consist of customer relationships, which will be amortized over their estimated remaining useful life of 10 years. Assets and results of operations for this combination are reflected in the space rentals operating segment.

b) Paragon

Effective January 1, 2010, Black Diamond acquired all the shares of Paragon Energy Services (Saskatchewan) Ltd. ("Paragon"). Paragon had a surface rental fleet of approximately 220 units based in Estevan, Saskatchewan and services primarily the oil and potash markets in the southern area of the province. The purchase price of $4,410 was paid through the issuance of 254,427 shares, 25,443 of which were held in escrow, at a value of $17.41 per share. Transaction costs connected to the combination were $23, all of which were expensed in the period of combination.

(Amounts expressed in thousands, except share and per share amounts)

3. BUSINESS COMBINATIONS (continued)

Intangible assets acquired with Paragon consist of a non-compete agreement with the previous owners, which will be amortized over its estimated remaining useful life of 2 years. Assets and results of operations for this combination are reflected in the energy services operating segment.

4. ACCOUNTS RECEIVABLE

	June 30, 2011	December 31, 2010
Trade and accrued receivables	58,335	35,152
Provision for doubtful debts	(61)	(72)
Net trade receivables	**58,274**	**35,080**

Movement in provision for doubtful accounts	June 30, 2011	December 31, 2010
Balance at January 1, 2011 and 2010	72	207
Amount provided in the period	41	21
Written off in period	(52)	(156)
Balance at end of period	**61**	**72**

Credit risk arises from the possibility that the entities to which Black Diamond provides rentals and/or services are unable to meet their obligations. Black Diamond manages this risk by assessing the creditworthiness of its customers on an ongoing basis and by monitoring the age of receivable balances outstanding. To date, Black Diamond's bad debts have been within expectations and are limited to specific customer circumstances.

Provisions for impairment of receivables are made and have two components:

- A provision for amounts that have been individually determined not to be collectible in full, because of known financial difficulties of the debtor or evidence of default or delinquency in payment; and

- A provision based on historic experience of non-collectability of receivables.

As at June 30, 2011, 14% of Black Diamond's consolidated accounts receivable are due from one customer, compared to 16% at December 31, 2010. This customer is a significant company in the oil and gas industry and is considered to have high creditworthiness. Revenue for this customer is recognised in the camps and logistics operating segment.

(Amounts expressed in thousands, except share and per share amounts)

4. ACCOUNTS RECEIVABLE (continued)

Trade and accrued receivables are aged with respect to the payment terms specified in the terms and conditions established with customers. Amounts are not due until invoiced, with normal invoicing terms being net 30 days. The aging of the trade and accrued receivables is as follows:

As at	June 30, 2011	December 31, 2010
Amounts not yet due	41,561	23,853
Past due not more than 30 days	9,663	8,468
Past due not more than 60 days	2,468	843
Past due not more than 90 days	2,832	993
Past due greater than 90 days	1,811	995
	58,335	35,152

5. PROPERTY AND EQUIPMENT

Cost	As at 1/1/2010	Additions	Disposals	Transfers	Additions through Business combinations	Exchange rate adjustment	As at 12/31/2010
Computers, furniture and service equipment	1,864	3,347	(143)	390	455	(117)	5,796
Space rentals fleet equipment	48,463	11,991	(2,404)	(602)	24,808	(1,569)	80,687
Camps and workforce housing fleet equipment	111,572	61,710	(4,628)	1,128	-	(72)	169,710
Surface rental equipment	13,843	1,763	(63)	-	3,091	-	18,634
Carry-on options	1,909	2,309	(7)	(109)	-	-	4,102
Land	907	316	-	-	1,109	(54)	2,278
Leasehold improvements	4,947	3,927	-	-	778	(45)	9,607
Assets under Construction	807	-	-	(807)	-	-	-
Deposits on equipment	297	2,002	-	-	-	-	2,299
	184,609	87,365	(7,245)	-	30,241	(1,857)	293,113

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

5. PROPERTY AND EQUIPMENT (continued)

Accumulated Depreciation	**As at 1/1/2010**	**Charge for the period**	**Disposals**	**Transfers**	**Exchange rate adjustment**	**As at 12/31/2010**
Computers, furniture and service equipment	643	2,152	(72)	(67)	(67)	2,589
Space rentals fleet equipment	4,726	3,390	(262)	(19)	(46)	7,789
Camps and workforce housing fleet equipment	19,644	10,452	(1,292)	39	(5)	28,838
Surface rental equipment	1,747	2,010	(17)	-	-	3,740
Carry-on options	1,184	806	-	47	-	2,037
Leasehold improvements	177	791	-	-	(8)	960
	28,121	19,601	(1,643)	-	(126)	45,953

Cost	**As at 1/1/2011**	**Additions**	**Disposals**	**Transfers**	**Exchange rate adjustment**	**As at 6/30/2011**
Computers, furniture and service equipment	5,796	627	-	252	(59)	6,616
Space rentals fleet equipment	80,687	6,848	(1,433)	(289)	(1,139)	84,674
Camps and workforce housing fleet equipment	169,710	27,692	(3,303)	(163)	102	194,038
Surface rental equipment	18,634	9,175	(327)	200	-	27,682
Carry-on options	4,102	609	(1,301)	-	-	3,410
Land	2,278	4,161	-	-	(31)	6,408
Leasehold improvements	9,607	1,164	-	-	(24)	10,747
Deposits on equipment	2,299	-	(1,614)	-	(6)	679
	293,113	50,276	(7,978)	-	(1,157)	334,254

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

5. PROPERTY AND EQUIPMENT (continued)

Accumulated Depreciation	**As at 1/1/2011**	**Charge for the period**	**Disposals**	**Transfers**	**Exchange rate adjustment**	**As at 6/30/2011**
Computers, furniture and service equipment	2,589	564	-	35	(40)	3,148
Space rentals fleet equipment	7,789	2,488	(243)	(44)	(72)	9,918
Camps and workforce housing fleet equipment	28,838	7,222	(1,206)	(44)	5	34,815
Surface rental equipment	3,740	1,151	(125)	53	-	4,819
Carry-on options	2,037	726	(1,268)	-	-	1,495
Leasehold improvements	960	504	-	-	(4)	1,460
	45,953	12,655	(2,842)	-	(111)	55,655

Net book value	**As at 6/30/2011**	**As at 12/31/2010**
Computers, furniture and service equipment	3,468	3,207
Space rentals fleet equipment	74,751	72,899
Camps and workforce housing fleet equipment	159,224	140,872
Surface rental equipment	22,863	14,893
Carry-on options	1,919	2,065
Land	6,408	2,278
Leasehold improvements	9,287	8,647
Deposits on equipment	679	2,299
	278,599	247,160

Land and deposit on equipment are not subject to depreciation.

The cost of property and equipment under finance lease at June 30, 2011 is $2,954 (December 31, 2010- $2,954) with accumulated depreciation of $862 (December 31, 2010- $739).

(Amounts expressed in thousands, except share and per share amounts)

6. INTANGIBLE ASSETS

Cost	Customer relationships	Supplier commitments	Non-compete agreements	Trademarks	Total
At 1/1/2010	10,951	2,077	-	11	13,039
Additions	3,575	-	450	-	4,025
Disposals	-	(75)	-	-	(75)
Exchange differences	(169)	-	-	-	(169)
	14,357	2,002	450	11	16,820
Accumulated amortization					
At 1/1/2010	1,914	1,301	-	3	3,218
Charge for the period	920	401	225	1	1,547
Disposals	-	-	-	-	-
Exchange differences	(9)	-	-	-	(9)
	2,825	1,702	225	4	4,756
Net book value at 12/31/2010	**11,532**	**300**	**225**	**7**	**12,064**
Net book value at 1/1/2010	**9,037**	**776**	**-**	**8**	**9,821**

Cost	Customer relationships	Supplier commitments	Non-compete agreements	Trademarks	Total
At 1/1/2011	14,357	2,002	450	11	16,820
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange differences	(97)	-	-	-	(97)
	14,260	2,002	450	11	16,723
Accumulated amortization					
At 1/1/2011	2,825	1,702	225	4	4,756
Charge for the period	449	200	113	1	763
Disposals	-	-	-	-	-
Exchange differences	(12)	-	-	-	(12)
	3,262	1,902	338	5	5,507
Net book value at 6/30/2011	**10,998**	**100**	**112**	**6**	**11,216**

(Amounts expressed in thousands, except share and per share amounts)

7. GOODWILL

As at 1/1/2010	29,316
Acquisitions	5,475
Exchange differences	(200)
As at 12/31/2010	**34,591**
Acquisitions	-
Exchange differences	(115)
As at 6/30/2011	**34,476**

8. OPERATING FACILITY

Black Diamond has a committed revolving operating loan facility authorized to a maximum of the lesser of $10,000 and 75% of recoverable Canadian accounts receivable less than 90 days old, accessible in multiples of $100, maturing December 31, 2013. By January 1, 2012, the Company may elect to request a one year extension. As at June 30, 2011, the maximum of $10,000 was available under the facility and the Company had drawn $5,036 (December 31, 2010 - $5,576). The facility bears interest at a rate that is on a sliding scale dependent on the ratio of funded debt to EBITDA and is established in concert with each of the Company's quarterly financial statements. At June 30, 2011, the rate charged on this facility is bank prime plus 1.25% (December 31, 2010 - 1.625%) for an effective rate of 4.25% (December 31, 2010 - 4.375%). The facility is 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.

Black Diamond also has a hedging credit facility authorizing it to enter into non-speculative interest rate hedges and/or foreign currency hedges with its lenders, and providing credit against losses on the hedge instruments up to a maximum of $5,000. All hedges subject to this arrangement are collateralized by the same security and guarantees as the operating and capex facilities.

Black Diamond, through its wholly owned subsidiary, Nortex, also has a US $3,000 committed revolving loan facility to fund working capital requirements. The facility bears interest at a rate of US prime plus 1% subject to a 5% minimum rate. At June 30, 2011, the effective rate was 5% (December 31, 2010 – 5%). Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date of November 30, 2011. The facility is collateralized by a letter of credit issued by the Company's Canadian lenders under the capex facility. At June 30, 2011 there was $nil (December 31, 2010 - $1,200) drawn on the Nortex facility.

At June 30, 2011, the Company issued and has outstanding letters of credit in the amount of US $3,000 (December 31, 2010 – US $3,000) which mature December 31, 2011.

(Amounts expressed in thousands, except share and per share amounts)

9. LONG-TERM DEBT

	June 30, 2011 $	December 31, 2010 $
Committed Revolving Capex facility bearing interest at an effective variable rate of 4.75%. The interest rate is determined using a sliding scale, which is dependent on the ratio of funded debt to EBITDA and is established in concert with each of the Company's quarterly financial statements. The committed facility of $115,000 is available to December 31, 2013 and drawdowns may not exceed 60% of the net book value of tangible capital property and equipment. The facility is interest only payable monthly in arrears until December 31, 2012 and, if not extended by one year by January 1, 2012, will be reduced in 2013 by equal quarterly reductions in an amount equal to 1/16th of the commitment on December 31, 2012. The facility is 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.	62,973	66,000
	62,973	66,000
Amounts payable within one year	—	—
	62,973	**66,000**

At June 30, 2011, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the facilities described above and in Note 8 would result in an event of default in which case Black Diamond may have available specific cure periods to remedy such default. If the default is not remedied or waived, the lenders have the option to declare the obligations of Black Diamond under the credit facilities to be immediately due and payable without presentment, demand, protest or further notice of any kind.

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

10. CAPITAL DISCLOSURE

Black Diamond's objectives when managing capital are:

- to maintain the strength of its statement of financial position, ensuring Black Diamond's strategic objectives are met, while retaining an appropriate amount of leverage;
- to provide an appropriate return to shareholders relative to the risk of Black Diamond's underlying assets; and
- to maintain a credit rating that Black Diamond considers appropriate for its circumstances.

Black Diamond manages its capital structure within guidelines approved by the Board of Directors. Black Diamond considers its capital structure to include shareholders' equity, short and long term credit facilities and working capital. Black Diamond makes adjustments to its capital structure based on changes in economic conditions and Black Diamond's planned requirements. Black Diamond has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it dividends to the shareholders and making adjustments to its capital expenditure program. The only restriction Black Diamond has on its capital is in respect of certain financial covenants with regards to the credit facilities disclosed in Notes 8 and 9.

Black Diamond monitors capital using the Funded Debt/EBITDA ratio, and the Dividends/ (EBITDA – interest expense) ratio. The first ratio is calculated using long-term debt per the Statement of Financial Position and EBITDA, which is defined as follows:

	Three month period ended		Six month period ended	
	June 30, 2011 $	June 30, 2010 $	June 30, 2011 $	June 30, 2010 $
Net income	9,385	3,028	19,280	7,549
Add:				
Depreciation, amortisation	7,014	5,000	13,418	9,710
Finance costs	993	551	2,041	1,092
Foreign exchange gain-(unrealised)	(12)	(17)	(4)	(28)
Deferred income taxes	3,129	1,100	6,793	2,476
Current income taxes	19	328	36	585
Non-controlling interest	551	(159)	945	75
Acquisition costs	-	-	-	289
Share-based compensation	469	521	901	1,043
EBITDA	21,548	10,352	43,410	22,791

The Company targets to maintain this ratio at a level below 2.0. At June 30, 2011, the ratio is 0.96 (December 31, 2010 - 1.46).

The second ratio uses dividends per Note 19 to the Unaudited Financial Statements, EBITDA as defined above, and interest on long-term debt per Note 24 to the Unaudited Financial Statements. Black Diamond targets to maintain this ratio below a level of 0.6. At June 30, 2011 the ratio is 0.25 for the three month period and 0.24 for the six month period (June 30, 2010 - 0.35 and 0.35 respectively).

(Amounts expressed in thousands, except share and per share amounts)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at 6/30/2011	As at 12/31/2010
Current	$	$
Trade payables	8,302	14,316
Accruals	20,635	13,844
Customer deposits	1,706	3,005
Deferred revenue	216	701
Royalties payable	507	448
Other payables	3,027	261
	34,393	32,575
Non-current		
Customer deposits	217	543

12. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations relate to closure and post-closure costs concerning the Sunday Creek Lodges. Black Diamond estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at June 30, 2011 to be $1,900. This amount has increased from $1,800 at January 1, 2010 and is consistent with those amounts at December 31, 2010 due to additional infrastructure improvements made at the Conklin area open camp during the year ended December 31, 2010. Management has estimated the value of this obligation at June 30, 2011 to be $1,817, (December 31, 2010 $1,780) using a pre-tax risk-free rate of 4% that reflects current market assessments of the time value of money and the risks specific to the obligation and an inflation rate of 3%. These obligations are expected to be incurred over an estimated period from 2019 to 2020.

These estimates are based upon current and proposed reclamation and closure techniques in view of current environmental laws and regulations. Therefore, it is possible the costs could change in the future and changes to these estimates could have a significant effect on Black Diamond's consolidated financial statements. Black Diamond recorded the following activity during the period:

Obligation	
As at 1/1/2010	1,645
Additions	66
Accretion in period	69
Disposals	-
As at 12/31/2010	**1,780**
Additions	-
Accretion in period	37
Disposals	-
As at 6/30/2011	**1,817**

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

13. FINANCE LEASE OBLIGATION

Black Diamond is committed to annual minimum payments under a finance lease agreement as follows:

	As at 6/30/2011 $	As at 12/31/2010 $
Due within one year	231	576
Total minimum lease payments	231	576
Less amounts representing interest at 5.86%	(3)	(15)
Present value of finance lease obligations	228	561

A first charge on specific equipment financed under the finance lease has been provided as collateral for the finance lease obligation. All equipment under finance lease is workforce housing fleet equipment.

14. SHARE CAPITAL

a) Share capital

Authorized: An unlimited number of voting common shares with nominal or no par value and an unlimited number of preferred shares.

i) Issued - Common shares	Number	Amount $
Balance January 1, 2010	**13,672,893**	**140,749**
Issued as consideration for equipment	110,000	1,963
Issued on acquisition of US subsidiary *(note 3)*	485,800	8,609
Issued on acquisition of Canadian subsidiary *(note 3)*	254,427	4,410
Issued on public offering, net of costs	1,344,000	23,716
Tax savings from share issuance costs	-	373
Issued on exercise of options *(note 14 (b))*	567,219	3,921
Purchase of shares in Trust *(note 14 (c))*	(4,900)	(100)
Incurred share issue costs on acquisition of subsidiaries	-	(29)
Transfer from contributed surplus *(note 16)*	-	4,313
Balance December 31, 2010	**16,429,439**	**187,925**
Issued on public offering, net of costs	1,980,000	48,889
Issued on exercise of options *(note 14 (b))*	148,598	1,269
Tax savings from share issuance costs	-	698
Purchase of shares in Trust *(note 14 (c))*	(880)	(74)
Transfer from contributed surplus *(note 16)*	-	1,055
Balance June 30, 2011	**18,557,157**	**239,762**

(Amounts expressed in thousands, except share and per share amounts)

14. SHARE CAPITAL (continued)

As at June 30, 2011, there are 20,000 shares held in escrow as a result of the terms of the Nortex acquisition completed in January 2010. These shares are to be released to the vendors of Nortex prior to the end of 2011.

b) Share Option Plan

Effective December 31, 2009, Black Diamond established a Share Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of Black Diamond in order to provide an opportunity for these individuals to obtain a proprietary interest in Black Diamond's long-term success.

The aggregate number of common shares that may be issued pursuant to the exercise of options granted under the Plan and all other share compensation arrangements of Black Diamond shall not exceed 10% of the outstanding common shares from time to time. At June 30, 2011, there were 1,526,203 common shares reserved for issuance upon the exercise of options granted pursuant to the Plan. The exercise price of each option equals the weighted average trading price of the common shares for the five trading days preceding the date of the grant. This exercise price is not substantially different than the market value on the date of the grant. Options granted under the Plan to date vest on a graded model over three years and the option term is five years from the date of grant. Option holders, when exercising their options, have the election, if permitted by the Board of Directors of Black Diamond, to receive the net difference between the exercise price and the then market value of the common shares issued to them in common shares.

Grant date	Number of options outstanding	Exercise price	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price for exercisable options
February 23, 2007	18,500	$6.10	0.65	18,500	$0.33
May 2, 2007	50,000	$6.80	0.84	50,000	$0.93
October 1, 2007	40,000	$9.48	1.25	40,000	$0.92
March 20, 2008	89,401	$11.74	1.72	89,401	$2.36
March 9, 2009	254,802	$5.62	2.69	134,802	$4.84
April 1, 2010	562,500	$19.61	3.75	187,500	$7.07
March 25, 2011	511,000	$25.94	4.74	-	-
	1,526,203	$18.08	3.59	520,203	$16.45

(Amounts expressed in thousands, except share and per share amounts)

14. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity during 2011 and 2010:

	Number of options outsanding	Weighted average exercise price
Balance, January 1, 2010	1,148,520	$6.73
Granted	582,500	$19.61
Exercised	(567,219)	$6.93
Balance, December 31, 2010	**1,163,801**	**$13.42**
Granted	511,000	$25.94
Exercised	(148,598)	$8.54
Balance, June 30, 2011	**1,526,203**	**$18.08**

During the three and six month periods ended June 30, 2011, the Company recorded share-based compensation expense of $426 and $815, respectively (2010 – $494 and $1,026) related to options granted under the Plan. Options granted in the six month period ended June 30, 2011 have an estimated fair value of $3.45 per option (2010 - $2.58).

As a result of the conversion to a corporation, the nature of the Plan changed from being accounted for as cash settled to equity settled. On December 30, 2009, all outstanding options were revalued to fair value using the parameters applicable as at that date. The Black-Scholes option pricing model was used in determining the fair values of these options using the following assumptions:

Date of grant	Dividend yield %	Expected average volatility %	Average risk-free rate %	Expected life (years)
February 23, 2007	6.86	35	1.41	0.167
May 2, 2007	6.86	35	1.41	0.333
October 1, 2007	6.86	35	1.41	0.75
March 20, 2008	6.86	37	1.41	1.25
March 9, 2009	6.86	39	1.41	2.25
April 1, 2010	5.51	30	1.62	3.00
March 25, 2011	4.41	30	1.69	3.00

c) Long Term Incentive Plan (“LTIP”)

During 2009, Black Diamond implemented an LTIP pursuant to which common shares are purchased in trust for the participants. One-third of the shares that are the subject of a right granted under the LTIP will vest on each anniversary of the grant over a three year period. During the three and six month periods ended June 30, 2011, the Company recorded share-based compensation expense of $43 and $86, respectively (2010 – $53 and $53) related to shares subject to rights granted under the LTIP.

To satisfy the Company’s obligation to deliver share, the Company purchased 7,718 common shares (2010- 4,900) on the open market for $200 (2010 - $100) during the six month period ended June 30, 2011.

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

14. SHARE CAPITAL (continued)

These common shares are held in trust until the common shares that are the subject of a right to vest to the participants. The Company is not exposed to fluctuations in the share price in respect of the common shares held by the trustee.

For accounting purposes, the cost of the purchase of common shares held in trust has been accounted for as a reduction in outstanding common shares and the trust has been consolidated as it meets the definition of a special purpose entity with the Company as the primary beneficiary.

15. EARNINGS PER SHARE

Basic and diluted earnings per share from continuing operations are calculated on the net profit attributable to Black Diamond per the consolidated statement of income for the period.

Reconciliation of weighted average number of shares

	Three month period ended		Six month period ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Weighted average common shares outstanding- basic	17,631,282	16,285,619	17,053,088	15,512,099
Effect of share option plan	460,609	360,984	403,347	360,610
Weighted average common shares outstanding- diluted	18,091,891	16,646,603	17,456,435	15,872,709

Excluded from diluted weighted average number of shares are anti-dilutive options of 511,000 for the period ended June 30, 2011 (2010- nil).

16. CONTRIBUTED SURPLUS

	$
Balance, January 1, 2010	**6,586**
Stock-based compensation	1,867
Vesting of LTIP	106
Options exercised in the period	(4,313)
Balance, December 31, 2010	**4,246**
Stock-based compensation	815
Vesting of LTIP *(note 15 (c))*	86
Options exercised in the period	(1,055)
Balance, June 30, 2011	**4,092**

(Amounts expressed in thousands, except share and per share amounts)

17. NON-CONTROLLING INTERESTS

The non-controlling interests represent the Fort Nelson First Nation 50% interest in the Black Diamond Dene Limited Partnership and the West Moberly First Nation 50% interest in the Black Diamond West Moberly Limited Partnership.

In October 8, 2009, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Fort Nelson First Nation, as limited partners, formed Black Diamond Dene Limited Partnership through which Black Diamond and the Fort Nelson First Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Fort Nelson First Nation territory in Northeastern British Columbia.

On October 21, 2010 Black Diamond Group Limited and West Moberly First Nation, as limited partners, formed Black Diamond West Moberly Limited Partnership through which Black Diamond and the West Moberly First Nation will work together to provide services to resource development companies as well as other commercial and industrial activity in the Fort St. John area in Northeastern British Columbia.

For the three and six month periods ended June 30, 2011, a distribution of $497 and $814, respectively (2010- $nil) was declared to Fort Nelson First Nation, as per the limited partnership agreement. For the three and six month period ended June 30, 2011, a distribution of $111 and $111, respectively (2010- $nil) was declared to West Moberly First Nation, as per the limited partnership agreement.

	$
Non-controlling interest, January 1, 2010	**51**
Net income attributable to non-controlling interest	503
Distribution to partners	(206)
Balance December 31, 2010	**348**
Net income attributable to non-controlling interest	945
Distribution to partners	(925)
Balance June 30, 2011	**368**

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

18. OTHER RESERVES

Accumulated other comprehensive income [(A)]	
As at 1/1/2010	**-**
Net unrealised loss on cash flow hedge	(1,402)
Tax effect of cash flow hedge	350
Net movement in cash flow hedge	**(1,052)**
Exchange differences on translation of US operations	(2,099)
As at 12/31/2010	**(3,151)**
Net unrealised loss on cash flow hedge	(40)
Tax effect of cash flow hedge	10
Net movement in cash flow hedge	**(30)**
Exchange differences on translation of US operations	(1,965)
As at 6/30/2011	**(5,146)**

(A) Accumulated other comprehensive income reserve represents gains/losses recognised on the effective portion of cash flow hedges, as well as differences arising on the translation of the Company's US operations into Canadian dollars due to the functional currency of these operations differing from the Company's reporting currency.

19. DIVIDENDS

At the Board of Directors discretion, cash dividends are paid by Black Diamond on a monthly basis to shareholders of record on the last business day of each month. Dividends are payable on or about the 15th day of the month following the record date. The cash dividends are entirely discretionary. During the six month period ended June 30, 2011 and 2010, Black Diamond's dividends declared on common shares of record were as follows:

	2011		**2010**	
Record date	**Dividend per share $**	**Dividends $**	**Dividends per share $**	**Dividends $**
January 31	0.095	1,567	0.09	1,301
February 28	0.095	1,567	0.09	1,333
March 31	0.095	1,571	0.09	1,467
April 30	0.095	1,573	0.09	1,474
May 31	0.095	1,765	0.09	1,474
June 30	0.095	1,767	0.09	1,480
Total dividends declared		9,810		8,529

(Amounts expressed in thousands, except share and per share amounts)

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were as follows:

	Three month period ended		Six month period ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	$	$	$	$
Trade and other receivables	(745)	1,091	(22,922)	(6,483)
Prepaid expenses and other current assets	(6,370)	(138)	(8,005)	(723)
Accounts payable and accrued liabilities	(1,663)	(1,857)	196	(1,975)
	(8,778)	(904)	(30,731)	(9,181)
Working capital acquired	-	-	-	(469)
Attributable to operating activities	(8,004)	(2,519)	(37,017)	(8,712)
Attributable to investing activities	(774)	1,615	6,286	-

(Amounts expressed in thousands, except share and per share amounts)

21. FINANCIAL INSTRUMENTS

a) Analysis of financial assets and liabilities

Financial instruments classified as loans and receivables, and other financial liabilities are measured at amortized cost. Derivatives held for hedging are recorded on the consolidated Statement of Financial Position at fair value, with changes in the fair values recognized in other comprehensive income. Black Diamond had no held to maturity investments, available for sale or financial assets or liabilities at fair value through profit or loss at June 30, 2011 or December 31, 2010.

As at June 30, 2011	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	62,973	-
Accounts receivable	58,274	-	-
Accounts payable and long-term customer deposits	-	34,610	-
Dividends payable	-	1,767	-
Finance lease payable	-	228	-
Bank indebtedness	-	5,036	-
Risk management liability	-	-	1,447
	58,274	104,614	1,447

As at December 31, 2010	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	66,000	-
Accounts receivable	35,080	-	-
Accounts payable and long-term customer deposits	-	33,118	-
Dividends payable	-	1,482	-
Finance lease payable	-	561	-
Bank indebtedness	-	6,776	-
Risk management liability	-	-	1,402
	35,080	107,937	1,402

(Amounts expressed in thousands, except share and per share amounts)

21. FINANCIAL INSTRUMENTS (continued)

b) Fair value of financial instruments

There are no significant differences in the carrying amounts of those instruments classified as loans and receivables or financial liabilities measured at amortised cost and their estimated fair values due to their short-term nature. Financial instruments classified as derivatives used for hedging are measured in the Statement of Financial Position at fair value. Effective April 2010, the Company adopted the amendment to IFRS 7 for such financial instruments. This requires the disclosure of fair value measurements by the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3).

As at each reporting date, financial instruments classified as derivatives used for hedging were level 2 on the hierarchy. Those assets classified as loans and receivables and financial liabilities measured at amortised cost do not require input into the hierarchy analysis.

c) Interest rate risk

Interest rate risk arises from the possibility of the future cash flows of a financial instrument fluctuating as a result of changes in the market rates of interest. Black Diamond is subject to cash flow risk on its credit facilities because they are based on floating rates of interest. The required cash flow to service the credit facilities will fluctuate as a result of changes in market rates. Black Diamond has entered into an interest rate swap contract to fix a portion of its floating rate interest on long-term debt. The interest rate swap contract requires the periodic exchange of payments without the exchange of the notional principal amounts on which the payment is based. At June 30, 2011, Black Diamond had the following interest rate swap contract outstanding:

	Remaining term	Notional amount	Fixed rate	Floating rate
Swaps - Floating to fixed	July 2011 - April 2015	$25,000	3.63%	30 day CDOR

All interest rate related derivative financial instruments designated as hedges at June 30, 2011 were classified as cash flow hedges.

A 1% increase in interest rates assuming debt patterns consistent with those that actually occurred, when annualised, would result in 2011 other comprehensive income sensitivity of approximately $809.

(Amounts expressed in thousands, except share and per share amounts)

21. FINANCIAL INSTRUMENTS (continued)

d) Liquidity risk

Black Diamond is exposed to liquidity risk, which is the risk that the Company may be unable to generate or obtain sufficient cash resources to meet its commitments as they come due. Black Diamond mitigates this risk through its management of cash, debt and its level of dividends.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at June 30, 2011	On demand	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
Bank indebtedness	-	5,036	-	-	-	5,036
Trade and other payables	-	34,393	-	217	-	34,610
Finance leases	-	-	228	-	-	228
Long term debt	-	-	-	62,973	-	62,973
Risk management liability	-	-	-	1,447	-	1,447
	-	39,429	228	64,637	-	104,294

As at December 31, 2010	On demand	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
Bank indebtedness	-	6,776	-	-	-	6,776
Trade and other payables	-	32,575	-	543	-	33,118
Finance leases	-	-	561	-	-	561
Long term debt	-	-	-	66,000	-	66,000
Risk management liability	-	-	-	1,402	-	1,402
	-	39,351	561	67,945	-	107,857

Black Diamond maintains sufficient unused capacity in its revolving credit facilities to meet short-term working capital requirements. Black Diamond manages its liquidity requirements through the use of short and long-term cash forecasts maintaining conservative working capital balances as well as a conservative payout ratio in respect of its dividends.

On a regular basis management monitors its ability to meet long-term debt, capital lease and asset retirement obligations as well as the commitments as disclosed in Note 26. Due to the nature of contracted revenue Black Diamond has in future periods and the unused capacity in the committed revolving Capex facility, management is confident Black Diamond has the liquidity to meet these equipment purchase obligations.

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(Amounts expressed in thousands, except share and per share amounts)

22. REVENUE

	Three month period ended		Six month period ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Rental revenue	18,194	9,816	37,540	21,544
Lodging revenue	12,284	8,711	23,768	15,413
Non-rental revenue	26,323	12,634	51,224	25,175
	56,801	31,161	112,532	62,132

23. AMOUNTS CHARGED IN ARRIVING AT OPERATING PROFIT

	Three month period ended		Six month period ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Direct costs of operations	28,342	15,870	56,025	30,386
Administrative expenses				
Personnel costs	4,184	2,761	7,691	5,026
Office and other expenses	2,064	1,586	3,781	3,518
Occupancy and insurance	663	591	1,625	1,221
Share based compensation	469	521	901	1,053
Acquisition costs	-	-	-	289
Foreign exchange gain- (realised)	-	-	-	(820)
Foreign exchange gain- (unrealised)	(12)	(15)	(4)	(28)
Total Administrative expenses	7,368	5,444	13,994	10,259
Depreciation of property and equipment	6,641	4,618	12,655	8,941
Amortisation of intangibles	373	382	763	769
	42,724	**26,314**	**83,437**	**50,355**

24. FINANCE COSTS

	Three month period ended		Six month period ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest payable on				
- Operating facility	37	44	76	64
- Long term debt	932	475	1,917	963
- Capital lease	6	14	13	31
Accretion of asset retirement obligation	18	18	35	34
	993	551	2,041	1,092

25. SEGMENTED INFORMATION

Black Diamond determines its reportable segments based on the structure of its operations, which are primarily focused in three business segments – Camps and Logistics, Space Rentals and Energy Services.

Camps and Logistics ("Camps") provides modular structures designed for remote site accommodation. The structures, when assembled together, form large dormitories, kitchen/dining facilities and recreation complexes. Within this segment, Black Diamond also operates Sunday Creek Lodges where the Company owns and operates remote lodging facilities. The majority of the business activity within this segment occurs in Western Canada.

Space Rentals provides high quality, cost effective modular space solutions to a diverse customer base in Canada and the United States ("U.S."). The structures provided include office units, storage units, office complexes, training facilities, lavatories and custom manufactured structures.

Energy Services provides an accommodations fleet for drill camps, geologist/engineer quarters and staff quarters. Energy Services also provides a complement of surface rental assets that would typically support a drilling or completions operation such as solid and liquids containment, rig matting, and support equipment. Activity levels of Energy Services have been directly impacted by the seasonality of drilling operations, whereby activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

The Company has material assets and operations in the US. As such, segmentation by principal business as well as geographic region is presented.

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

25. SEGMENTED INFORMATION (continued)

For the three month period ended	**June 30, 2011**			**June 30, 2010**		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
Camps	36,271	-	36,271	19,176	-	19,176
Space Rentals	10,317	5,417	15,734	4,306	5,544	9,850
Energy Services	5,990	-	5,990	2,637	-	2,637
Intersegment eliminations [1]	(1,194)	-	(1,194)	(502)	-	(502)
	51,384	5,417	56,801	25,617	5,544	31,161

[1] All intersegment revenue eliminated is in respect to inter-divisional services provided within the Company.

	Canada	USA	Total	Canada	USA	Total
Depreciation of Property and Equipment						
Camps	4,150	-	4,150	2,300	-	2,300
Space Rentals	724	692	1,416	665	702	1,367
Energy Services	865	-	865	861	-	861
Corporate	210	-	210	90	-	90
	5,949	692	6,641	3,916	702	4,618
Finance costs						
Camps	572	-	572	268	-	268
Space Rentals	156	124	280	103	104	207
Energy Services	141	-	141	76	-	76
	869	124	993	447	104	551
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps	9,489	-	9,489	3,779	-	3,779
Space Rentals	2,469	215	2,684	967	(254)	713
Energy Services	254	-	254	(514)	-	(514)
Corporate	(3,042)	-	(3,042)	(950)	-	(950)
	9,170	215	9,385	3,282	(254)	3,028
Capital Expenditures						
Camps	7,692	-	7,692	11,824	-	11,824
Space Rentals	2,076	866	2,942	3,351	337	3,688
Energy Services	4,435	-	4,435	39	-	39
Corporate	4,781	-	4,781	232	-	232
	18,984	866	19,850	15,446	337	15,783

Black Diamond Group Limited
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

25. SEGMENTED INFORMATION (continued)

For the six month period ended	June 30, 2011			June 30, 2010		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Revenue						
Camps	70,821	-	70,821	35,871	-	35,871
Space Rentals	16,133	11,868	28,001	7,605	10,717	18,322
Energy Services	14,686	-	14,686	9,015	-	9,015
Intersegment eliminations (1)	(976)	-	(976)	(1,076)	-	(1,076)
	100,664	11,868	112,532	51,415	10,717	62,132

(1) All intersegment revenue eliminated is in respect to inter-divisional services provided within the Company.

Depreciation of Property and Equipment						
Camps	7,907	-	7,907	4,390	-	4,390
Space Rentals	1,407	1,397	2,804	1,269	1,364	2,633
Energy Services	1,627	-	1,627	1,727	-	1,727
Corporate	317	-	317	191	-	191
	11,258	1,397	12,655	7,577	1,364	8,941
Finance costs						
Camps	1,183	-	1,183	519	-	519
Space Rentals	329	260	589	205	202	407
Energy Services	269	-	269	166	-	166
	1,781	260	2,041	890	202	1,092
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps	18,859	-	18,859	7,520	-	7,520
Space Rentals	3,943	348	4,291	1,698	94	1,792
Energy Services	2,462	-	2,462	434	-	434
Corporate	(6,332)	-	(6,332)	(2,197)	-	(2,197)
	18,932	348	19,280	7,455	94	7,549
Capital Expenditures						
Camps	26,186	-	26,186	21,545	-	21,545
Space Rentals	3,205	1,814	5,019	6,832	1,903	8,735
Energy Services	8,030	-	8,030	3,120	-	3,120
Corporate	5,900	-	5,900	839	-	839
	43,321	1,814	45,135	32,336	1,903	34,239

For the three and six month periods ended June 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

25. SEGMENTED INFORMATION (continued)

As at	**June 30, 2011**			**December 31, 2010**		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Property and Equipment						
Camps	153,460	-	153,460	135,726	-	135,726
Space Rentals	44,029	34,743	78,772	42,466	34,882	77,348
Energy Services	35,971	-	35,971	29,491	-	29,491
Corporate	10,396	-	10,396	4,595	-	4,595
	243,856	34,743	278,599	212,278	34,882	247,160
Intangible Assets						
Camps	8,286	-	8,286	8,727	-	8,727
Space Rentals	7	2,709	2,716	22	2,983	3,005
Energy Services	207	-	207	325	-	325
Corporate	7	-	7	7	-	7
	8,507	2,709	11,216	9,081	2,983	12,064
Goodwill						
Camps	24,471	-	24,471	24,471	-	24,471
Space Rentals	4,845	3,791	8,636	4,845	3,906	8,751
Energy Services	1,369	-	1,369	1,369	-	1,369
	30,685	3,791	34,476	30,685	3,906	34,591
Total Assets						
Camps	228,029	-	228,029	179,334	-	179,334
Space Rentals	56,395	48,152	104,547	53,542	50,620	104,162
Energy Services	45,796	-	45,796	34,277	-	34,277
Corporate	14,744	-	14,744	13,613	-	13,613
	344,964	48,152	393,116	280,766	50,620	331,386

(Amounts expressed in thousands, except share and per share amounts)

26. COMMITMENTS

Black Diamond rents premises and vehicles under multiple operating leases with varying expiration dates. No arrangements have been entered into for contingent rental payments. The minimum lease payments over the next five fiscal years and thereafter are as follows:

As at	June 30, 2011 $	December 31, 2010 $
Due within one year	1,738	1,876
Due later than one year and less than five	4,899	4,713
Due after five years	232	1,120
	6,869	7,709

Black Diamond has committed to purchase $29,672 of fleet equipment for delivery in 2011. These purchases will be financed through a combination of operating cash flow and draws on Black Diamond's credit facilities.

27. RELATED PARTY TRANSACTIONS

There are no related party transactions requiring disclosure.

28. SUBSEQUENT EVENT

On July 7, 2011, Black Diamond closed a private placement of senior secured notes. The notes, which rank pari passu with the senior credit facilities, have a principal amount of $62,000, an interest rate of 5.44% per annum and mature in 2019. Amortized repayment of the notes begins in 2015.

29. EXPLANATION OF TRANSITION TO IFRS

These interim consolidated financial statements for the period ended June 30, 2011 form part of the Company's transitional year financial statements prepared under IFRS and should be read in conjunction with the interim statements for the period ended March 31, 2011. In accordance with IFRS 1 'First time adoption of International Financial Reporting Standards' ("IFRS"), certain disclosures relating to the transition to IFRS are given in this note. These disclosures are prepared under IFRS as set out in the basis of preparation in note 2.

The effect of the Company's transition to IFRS is summarized as follows:

i. Transition elections as under IFRS 1
ii. Reconciliation of equity as at June 30, 2010
iii. Reconciliation of comprehensive income for the three and six month periods ended June 30, 2010
iv. Explanation of the adjusting entries
v. Adjustments to the statement of cash flows

i. <u>Transition elections under IFRS 1</u>

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Company has taken the following exemptions:

IFRS 3(R) - Business Combinations

In accordance with IFRS transitional provisions, the Company elected to apply IFRS 3(R) prospectively from January 1, 2010. As such, previous CGAAP balances relating to business combinations entered into before this date, including goodwill, have been carried forward without adjustment.

IAS 21 - The Effects of Changes in Foreign Exchange Rates

In accordance with IFRS transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. This lead to an adjustment to the opening retained earnings upon transition resulting from the change in the foreign exchange conversion method for the US operations.

IFRS 2- Share based payments

A first time adopter is encouraged, but not required, to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002. A first time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested before the later of the transition date and January 1, 2005.

All of the Company's outstanding share options were granted after November 7, 2002, with the majority still vesting as at the date of transition. The Company applied IFRS 2 retrospectively to those grants already vested, as this valued those share options previously granted at their fair value at the date of the trust conversion.

29. EXPLANATION OF TRANSITION TO IFRS (continued)

IFRIC 1- Decommissioning liabilities included in the cost of property, plant and equipment
IFRS 1 permits a first time adopter to not add or deduct the changes in a decommissioning, restoration or similar liability to the cost of the asset to which it relates to for changes that occurred before the date of transition. If this exemption is utilized then the first time adopter shall measure the liability in accordance with IAS 37- Provisions, Contingent liabilities and assets.

The Company did not elect to take this exemption as there has not been any change in the cost estimates or assumptions prior to transition. The only adjustment that the Company made to the ARO upon transition was to update the discount rate. This was performed as a one-time adjustment at transition and was applied retrospectively, as IFRIC 1 suggests.

ii) Reconciliation of equity as at June 30, 2010

(Expressed in thousands) **As at**	**CDN GAAP**	**IAS 37 adj** ***(1)***	**IAS 21 adj** ***(2)***	**IFRS 2 adj** **(3)**	**Total IFRS adj.**	**IFRS**
	$	$	$	$	$	$
ASSETS						
Current						
Accounts receivable	23,111	-	(36)	-	(36)	23,075
Prepaid expenses and other current assets	1,600	-	-	-	-	1,600
	24,711	-	(36)	-	(36)	24,675
Non- current						
Property and equipment	205,526	499	(90)	-	409	205,935
Intangible assets	12,978	-	9	-	9	12,987
Goodwill	35,154	-	18	-	18	35,172
	278,369	499	(99)	-	400	278,769
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank indebtedness	1,502	-	-	-	-	1,502
Accounts payable and accrued liabilities	11,243	-	-	-	-	11,243
Dividends payable	1,480	-	-	-	-	1,480
Current income taxes payable	602	-	-	-	-	602
Current portion of finance lease obligation	657	-	-	-	-	657
	15,484	-	-	-	-	15,484
Non- current						
Capital lease obligation	228	-	-	-	-	228
Long-term debt	43,500	-	-	-	-	43,500
Risk management liability	1,415	-	-	-	-	1,415
Asset retirement obligations	1,226	520	-	-	520	1,746
Deferred tax liability	22,165	-	(2)	-	(2)	22,163
	84,018	520	(2)	-	518	84,536
Shareholders' equity						
Share capital	189,306	-	-	(1,785)	(1,785)	187,521
Contributed surplus	1,102	-	-	2,440	2,440	3,542
Non-controlling interest	(80)	-	-	-	-	(80)
Foreign currency translation reserve	-	-	58	-	58	58
Other comprehensive income	(1,061)	-	-	-	-	(1,061)
Retained earnings	5,084	(21)	(155)	(655)	(831)	4,253
	194,351	(21)	(97)	-	(118)	194,233
	278,369	499	(99)	-	400	278,769

iii) Reconciliation of comprehensive income for the three months ended June 30, 2010

(Expressed in thousands)	CGAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
Revenue	31,161	-	-	-	-	31,161
Direct costs	15,870	-	-	-	-	15,870
Gross Profit	15,291	-	-	-	-	15,291
Expenses						
Selling, general and administrative costs	4,938	-	-	-	-	4,938
Depreciation of property and equipment	4,604	14	-	-	14	4,618
Amortization of intangibles	382	-	-	-	-	382
Acquisition costs	-	-	-	-	-	-
Foreign exchange gain	290	-	(305)	-	(305)	(15)
Stock-based compensation	322	-	-	199	199	521
	10,536	14	(305)	199	(92)	10,444
Operating profit	**4,755**	**(14)**	**305**	**(199)**	**92**	**4,847**
Finance costs	558	(7)	-	-	(7)	551
Income before income taxes	4,197	(7)	305	(199)	99	4,296
Income tax expense						
Current	328	-	-	-	-	328
Deferred	1,100	-	-	-	-	1,100
	1,428	-	-	-	-	1,428
Income after income taxes	**2,769**	**(7)**	**305**	**(199)**	**99**	**2,868**
Net income attributable to non-controlling interest	(159)	-	-	-	-	(159)
Net income attributable to Black Diamond Group Limited	2,928	(7)	305	(199)	99	3,027
Net change in derivative financial instruments designated as cash flow hedges	(1,061)	-	-	-	-	(1,061)
Exchange difference on translation of US operations	-	-	1,011	-	1,011	1,011
Comprehensive income	1,867	(7)	1,316	(199)	1,110	2,977

Reconciliation of comprehensive income for the six months ended June 30, 2010

(Expressed in thousands)	CGAAP	IAS 37 adj. (1)	IAS 21 adj. (2)	IFRS 2 adj. (3)	Total IFRS adj.	IFRS
	$	$	$	$	$	$
Revenue	62,132	-	-	-	-	62,132
Direct costs	30,386	-	-	-	-	30,386
Gross Profit	31,746	-	-	-	-	31,746
Expenses						
Selling, general and administrative costs	9,775	-	-	-	-	9,775
Depreciation of property and equipment	8,914	27	-	-	27	8,941
Amortization of intangibles	769	-	-	-	-	769
Acquisition costs	289	-	-	-	-	289
Foreign exchange gain	(781)	-	(67)	-	(67)	(848)
Stock-based compensation	388	-	-	655	655	1,043
	19,354	27	(67)	655	615	19,969
Operating profit	**12,392**	**(27)**	**67**	**(655)**	**(615)**	**11,777**
Finance costs	1,105	(13)	-	-	(13)	1,092
Income before income taxes	11,287	(14)	67	(655)	(602)	10,685
Income tax expense						
Current	585	-	-	-	-	585
Deferred	2,476	-	-	-	-	2,476
	3,061	-	-	-	-	3,061
Income after income taxes	**8,226**	**(14)**	**67**	**(655)**	**(602)**	**7,624**
Net income attributable to non-controlling interest	75	-	-	-	-	75
Net income attributable to Black Diamond Group Limited	8,151	(14)	67	(655)	(602)	7,549
Net change in derivative financial instruments designated as cash flow hedges	(1,061)	-	-	-	-	(1,061)
Exchange difference on translation of US operations	-	-	(164)	-	(164)	(164)
Comprehensive income	7,090	(14)	(97)	(655)	(766)	6,324

29. EXPLANATION OF TRANSITION TO IFRS (continued)

iv) **Explanation of the effect of the transition to IFRS**

The following note explains the material adjustments to the statement of financial position and the statement of comprehensive income of the Company for the year of transition to IFRS. These adjustments should be read in conjunction with the interim financial statements for the period ended March 31, 2011.

1) The discounted value of the future cash flows related to funding the Company's asset retirement obligation was increased due to a change in the discount rate applied from the layering approach utilized under previous CGAAP to the current period discount rate utilized under IFRS. The increase in carrying value of the asset and obligation is amortized over the remaining useful life of the obligation. The accretion expense is now also disclosed under finance costs.

2) Upon transition to IFRS the Company's US operations were assessed to have a functional currency that differed from the Company's reporting currency. This change resulted in the Company using the closing rate method of translation, instead of the temporal method as used under previous CGAAP.

3) Under IFRS the Company accrues the cost of share based compensation over the vesting period using the graded method of amortization rather than the straight line method, as utilized under previous CGAAP. This change increased contributed surplus and reduced retained earnings at the date of transition and prospectively. The effect of this change was augmented by the fair value of the underlying options being recalculated at the time of the corporate conversion on December 31, 2009.

v. **Adjustments to the statement of cash flows**

The transition from previous CGAAP to IFRS had no significant impact on cash flows generated by the Company except that under IFRS cash flows relating to interest are classified as operating, investing or financing in a consistent manner with the underlying asset/liability. Whereas under previous CGAAP, cash flows relating to interest were classified as operating.