Unaudited Condensed Consolidated Interim Financial Statements

Black Diamond Group Limited

For the three and nine month periods ended September 30, 2011

Black Diamond Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Expressed in thousands)

As at	September 30, 2011	December 31, 2010
	$	$
ASSETS		
Current		
Cash and cash equivalents	16,049	-
Trade and other receivables *(note 4)*	62,656	35,080
Prepaid expenses and other current assets	12,351	2,491
	91,056	37,571
Non-Current		
Property and equipment *(notes 5 and 13)*	283,866	247,160
Intangible assets *(note 6)*	11,021	12,064
Goodwill *(note 7)*	34,734	34,591
	420,677	331,386
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *(note 8)*	-	6,776
Accounts payable and accrued liabilities *(note 11)*	30,656	32,575
Dividends payable *(note 19)*	1,770	1,482
Current income taxes payable	31	68
Finance lease obligation *(note 13)*	57	561
	32,514	41,462
Non-Current		
Long-term debt *(notes 9 and 21)*	86,071	66,000
Long-term customer deposits *(note 11)*	347	543
Risk management liability *(note 21)*	2,235	1,402
Asset retirement obligations *(note 12)*	1,834	1,780
Deferred tax liabilities	35,513	25,571
	158,514	136,758
Shareholders' equity		
Share capital *(note 14)*	240,135	187,925
Contributed surplus *(note 16)*	4,377	4,246
Non-controlling interest *(note 17)*	996	348
Accumulated other comprehensive loss *(note 18)*	(3,779)	(3,151)
Retained earnings	20,434	5,260
	262,163	194,628
	420,677	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		Nine month period ended	
	September 30, 2011	September 30, 2010	September30, 2011	September 30, 2010
	$	$	$	$
Revenue *(note 22)*	63,070	34,221	175,602	96,352
Direct costs	31,582	16,536	87,607	46,922
Gross Profit	31,488	17,685	87,995	49,430
Expenses				
Administrative expenses *(note 23)*	6,802	5,760	20,796	16,020
Depreciation of property and equipment (note 5)	6,912	4,932	19,567	13,873
Amortization of intangibles (note 6)	375	446	1,138	1,215
	14,089	11,138	41,501	31,108
Operating profit (note 23)	17,399	6,547	46,494	18,322
Finance costs *(note 24)*	1,466	622	3,507	1,713
Income before income taxes	15,933	5,925	42,987	16,609
Income tax				
Current	12	242	48	827
Deferred	3,724	1,870	10,517	4,346
	3,736	2,112	10,565	5,173
Net income	12,197	3,813	32,422	11,436
Net income attributable to non-controlling interest *(note 17)*	**1,186**	**(31)**	**2,131**	**43**
Net income attributable to Black Diamond Group Limited	**11,011**	**3,844**	**30,291**	**11,393**
Net income per share *(note 15)*				
Basic	0.30	0.12	0.84	0.37
Diluted	0.29	0.12	0.82	0.36

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		Nine month period ended	
	September 30, 2011	**September 30, 2010**	**September 30, 2011**	**September30, 2010**
	$	**$**	**$**	**$**
Net income attributable to Black Diamond Group Limited	11,011	3,844	30,291	11,393
Net loss in derivative financial instruments designated as cash flow hedges (net of tax) *(note 18)*	(592)	(410)	(623)	(1,471)
Cumulative translation adjustment *(note 18)*	1,959	(708)	(5)	(872)
Comprehensive income attributable to Black Diamond Group Limited	**12,378**	**2,726**	**29,663**	**9,050**

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	-	-	43	-	11,393	11,436
Unrealised loss on derivative instrument	-	-	-	(1,471)	-	(1,471)
Cumulative translation adjustment	-	-	-	(650)	-	(650)
Dividends declared *(note 19)*	-	-	-	-	(12,971)	(12,971)
Distribution to partners	-	-	(206)	-	-	(206)
Share capital issued	39,061	-	-	-	-	39,061
Share capital issued on exercise of options	8,037	(4,208)	-	-	-	3,829
Purchase of shares in trust	(100)	-	-	-	-	(100)
Incurred share issue costs	(29)	-	-	-	-	(29)
Share based compensation expense *(note 16)*	-	1,517	-	-	-	1,517
Balance as at 9/30/2010	**187,718**	**3,895**	**(112)**	**(2,121)**	**3,655**	**193,035**
Balance as at 1/1/2011	**187,925**	**4,246**	**348**	**(3,151)**	**5,260**	**194,628**
Net income for the period	-	-	2,131	-	30,291	32,422
Unrealised loss on derivative instrument *(note 18)*	-	-	-	(623)	-	(623)
Cumulative translation adjustment *(note 18)*	-	-	-	(5)	-	(5)
Dividends declared *(note 19)*	-	-	-	-	(15,117)	(15,117)
Distribution to partners *(note 17)*	-	-	(1,483)	-	-	(1,483)
Share capital issued - Net *(Note 14)*	49,470	-	-	-	-	49,470
Share capital issued on exercise of options *(note 14)*	2,814	(1,259)	-	-	-	1,555
Purchase of shares in trust *(note 14)*	(74)	-	-	-	-	(74)
Share based compensation expense *(note 16)*	-	1,390	-	-	-	1,390
Balance as at 9/30/2011	**240,135**	**4,377**	**996**	**(3,779)**	**20,434**	**262,163**

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		Nine month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	$	$	$	$
Operating activities				
Operating profit for the period	17,399	6,547	46,494	18,322
Add (deduct) non-cash items:				
Depreciation of property and equipment *(note 5)*	6,912	4,932	19,567	13,873
Amortization of intangible assets *(note 6)*	375	446	1,138	1,215
Foreign exchange gain- unrealized *(note 23)*	(9)	47	(13)	20
Share-based compensation expense *(note 23)*	488	474	1,390	1,517
	25,165	12,446	68,576	34,947
Change in non-cash working capital related to operating activities *(note 20)*	(14,091)	16,120	(51,143)	6,608
Net cash from/ (used in) operating activities	11,074	28,566	17,433	41,555
Investing activities				
Purchase of property and equipment *(note 25)*	(9,824)	(19,799)	(54,959)	(45,746)
Business combinations *(note 3)*	-	-	-	(17,945)
Change in non-cash working capital related to investing activities *(note 20)*	4,015	(9,787)	10,301	(9,787)
Net cash used in investing activities	(5,809)	(29,586)	(44,658)	(73,478)
Financing activities				
Proceeds from long-term debt	61,072	5,000	86,072	41,969
Repayment of long-term debt	(37,969)	(2,980)	(66,000)	(28,441)
Repayment of finance lease *(note 13)*	(157)	(160)	(504)	(475)
Interest in period *(note 24)*	(1,447)	(592)	(3,453)	(1,618)
Net proceeds from issuance of shares *(note 14)*	(117)	-	48,772	24,079
Dividend payments *(note 19)*	(5,304)	(4,441)	(14,830)	(12,930)
Distribution to non-controlling interests *(note 17)*	(557)	-	(1,483)	-
Purchase of shares in trust *(note 14)*	-	-	(74)	(100)
Bank indebtedness	(5,036)	4,117	(6,776)	5,610
Share options exercised *(note 14)*	286	76	1,555	3,829
Net cash from financing activites	10,771	1,020	43,279	31,923
Increase/ (decrease) in cash and cash equivalents	16,036	-	16,054	-
Cash and cash equivalents, beginning of year	-	-	-	-
Effect of foreign currency rate changes on cash and cash equivalents	13	-	(5)	-
Cash and cash equivalents, end of year	**16,049**	**-**	**16,049**	**-**

See accompanying notes to the unaudited condensed consolidated interim financial statements

1. GENERAL INFORMATION

The condensed consolidated interim financial statements of Black Diamond Group Limited (the "Unaudited Financial Statements") for the three and nine month periods ended September 30, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on November 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 nine month periods ended September 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 nine month periods ended September 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.

IFRS 10 – Consolidated Financial Statements – issued in May 2011. The objective of this standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard sets out reporting requirements for the parent entity, definitions regarding the principle of control and how to apply these principles. 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 10.

IFRS 11 – Joint Arrangements – issued in May 2011. The objective of this standard is to establish principles for financial reporting by entities that have an interest in arrangements that are jointly controlled, by setting out clear definitions and the reporting requirements related to these definitions. The standard is not applicable until January 1, 2013. The Company has yet to assess the full impact of IFRS 11.

IFRS 12 – Disclosure of interests in other entities – issued in May 2011. The objective of this standard is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard is not applicable until January 1, 2013. The Company has yet to assess the full impact of IFRS 12.

(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

	September 30, 2011	December 31, 2010
Trade and accrued receivables	62,738	35,152
Provision for doubtful debts	(82)	(72)
Net trade receivables	**62,656**	**35,080**

Movement in provision for doubtful accounts	September 30, 2011	December 31, 2010
Balance at January 1, 2011 and 2010	72	207
Amount provided in the period	105	21
Written off in period	(95)	(156)
Balance at end of period	**82**	**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 September 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 both the Space Rentals and Camps and Logistics operating segments.

(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 not yet due include accrued receivables and amounts invoiced but outstanding for less than 30 days. The aging of the trade and accrued receivables is as follows:

As at	September 30, 2011	December 31, 2010
Amounts not yet due	53,406	23,853
Past due not more than 30 days	3,197	8,468
Past due not more than 60 days	2,350	843
Past due not more than 90 days	2,708	993
Past due greater than 90 days	1,077	995
	62,738	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

(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 9/30/2011
Computers, furniture and service equipment	5,796	1,044	(163)	290	97	7,064
Space rentals fleet equipment	80,687	9,106	(3,438)	135	1,307	87,797
Camps and workforce housing fleet equipment	169,710	37,904	(9,050)	(924)	102	197,742
Surface rental equipment	18,634	11,228	(674)	961	-	30,149
Carry-on options	4,102	762	(1,301)	-	-	3,563
Land	2,278	4,165	-	-	39	6,482
Leasehold improvements	9,607	1,228	-	(462)	4	10,377
Deposits on equipment	2,299	88	-	-	-	2,387
	293,113	65,525	(14,626)	-	1,549	345,561

For the three and nine month periods ended September 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 9/30/2011**
Computers, furniture and service equipment	2,589	713	(3)	38	64	3,401
Space rentals fleet equipment	7,789	3,762	(469)	(46)	158	11,194
Camps and workforce housing fleet equipment	28,838	11,276	(2,109)	(224)	5	37,786
Surface rental equipment	3,740	1,831	(213)	232	-	5,590
Carry-on options	2,037	1,099	(1,268)	-	-	1,868
Leasehold improvements	960	886	-	-	10	1,856
	45,953	19,567	(4,062)	-	237	61,695

Net book value	**As at 9/30/2011**	**As at 12/31/2010**
Computers, furniture and service equipment	3,665	3,207
Space rentals fleet equipment	76,527	72,899
Camps and workforce housing fleet equipment	160,028	140,872
Surface rental equipment	24,559	14,893
Carry-on options	1,697	2,065
Land	6,482	2,278
Leasehold improvements	8,521	8,647
Deposits on equipment	2,387	2,299
	283,866	247,160

Land and deposit on equipment are not subject to depreciation.

The cost of property and equipment under finance lease at September 30, 2011 is $2,954 (December 31, 2010- $2,954) with accumulated depreciation of $924 (December 31, 2010- $739).

For the three and nine month periods ended September 30, 2011 and 2010
(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)
At 12/31/2010	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)
At 12/31/2010	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	121	-	-	-	121
At 9/30/2011	14,478	2,002	450	11	16,941
Accumulated amortization					
At 1/1/2011	2,825	1,702	225	4	4,756
Charge for the period	668	300	169	1	1,138
Disposals	-	-	-	-	-
Exchange differences	26	-	-	-	26
At 9/30/2011	3,519	2,002	394	5	5,920
Net book value at 9/30/2011	**10,959**	**-**	**56**	**6**	**11,021**

For the three and nine month periods ended September 30, 2011 and 2010
(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	143
As at 9/30/2011	**34,734**

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 September 30, 2011, the maximum of $10,000 was available under the facility and the Company had drawn $nil (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 September 30, 2011, the rate charged on this facility is bank prime plus 1.875% (December 31, 2010 - 1.625%) for an effective rate of 4.875% (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 September 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 September 30, 2011 there was $nil (December 31, 2010 - $1,200) drawn on the Nortex facility.

At September 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

	September 30, 2011 $	December 31, 2010 $
Committed Revolving Capex facility bearing interest at an effective variable rate of 3.44%. 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.	25,000	66,000
Private placement of Senior Secured notes, ranked pari passu with the senior credit facilities with the same collateral, at an interest rate of 5.44% per annum and maturing in 2019	62,000	-
Costs associated with issue of Senior Secured note	(949)	-
Amortization of costs associated with issue	20	-
	86,071	66,000
Amounts payable within one year	—	—
	86,071	**66,000**

At September 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.

(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		Nine month period ended	
	September 30, 2011 $	September 30, 2010 $	September 30, 2011 $	September 30, 2010 $
Net income	11,011	3,844	30,291	11,393
Add:				
Depreciation, amortization	7,287	5,378	20,705	15,088
Finance costs	1,466	622	3,507	1,713
Foreign exchange gain-(unrealised)	(9)	47	(13)	20
Deferred income taxes	3,724	1,870	10,517	4,346
Current income taxes	12	242	48	827
Non-controlling interest	1,186	(31)	2,131	43
Acquisition costs	-	-	-	289
Share-based compensation	488	474	1,390	1,517
EBITDA	25,165	12,446	68,576	35,236

The Company targets to maintain this ratio at a level below 2.0. At September 30, 2011, the ratio is 1.03 (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 September 30, 2011 the ratio is 0.22 for the three month period and 0.23 for the nine month period (September 30, 2010 - 0.38 and 0.40 respectively).

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at 9/30/2011	As at 12/31/2010
Current	$	$
Trade payables	2,663	14,316
Accruals	24,513	13,844
Customer deposits	1,176	3,005
Deferred revenue	77	701
Royalties payable	524	448
Other payables	1,703	261
	30,656	32,575
Non-current		
Customer deposits	347	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 September 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 September 30, 2011 to be $1,834, (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	54
Disposals	-
As at 9/30/2011	**1,834**

(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 9/30/2011 $	As at 12/31/2010 $
Due within one year	58	576
Total minimum lease payments	58	576
Less amounts representing interest at 5.86%	(1)	(15)
Present value of finance lease obligations	57	561

A first charge on specific equipment 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	48,772
Issued on exercise of options *(note 14 (b))*	175,431	1,528
Tax savings from share issuance costs	-	698
Purchase of shares in Trust *(note 14 (c))*	(880)	(74)
Effect of share split	18,583,990	
Balance after share split	**37,167,980**	
Issued on exercise of options *(note 14 (b))*	10,000	27
Transfer from contributed surplus *(note 16)*	-	1,259
Balance September 30, 2011	**37,177,980**	**240,135**

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

14. SHARE CAPITAL (continued)

On August 25, 2011 the Company completed a split of all of the issued and outstanding common shares on a basis of two common shares for every one existing common share held.

As at September 30, 2011, there are 40,000 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.

Due to the share split mentioned previously, the number of options outstanding, their fair value and their exercise price were also adjusted on a basis of two options for every one existing option held.

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 September 30, 2011, there were 2,988,740 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	17,000	$3.05	0.40	17,000	$0.05
May 2, 2007	100,000	$3.40	0.59	100,000	$0.35
October 1, 2007	80,000	$4.74	1.00	80,000	$0.39
March 20, 2008	145,136	$5.87	1.47	145,136	$0.87
March 9, 2009	499,604	$2.81	2.44	259,604	$0.75
April 1, 2010	1,125,000	$9.81	3.50	375,000	$3.76
March 25, 2011	1,022,000	$12.97	4.49	-	-
	2,988,740	$9.14	3.38	976,740	$6.17

(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	(175,431)	$8.71
Effect of share split	1,499,370	$0.00
Balance after share split	**2,998,740**	
Exercised	(10,000)	$2.81
Balance, September 30, 2011	**2,988,740**	**$9.14**

During the three and nine month periods ended September 30, 2011, the Company recorded share-based compensation expense of $426 and $1,241, respectively (2010 – $494 and $1,026) related to options granted under the Plan. Options granted in the nine month period ended September 30, 2011 have an estimated fair value of $1.73 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 nine month periods ended September 30, 2011, the Company recorded share-based compensation expense of $62 and $149, respectively (2010 – $53 and $53) related to shares subject to rights granted under the LTIP.

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

14. SHARE CAPITAL (continued)

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 nine month period ended September 30, 2011.

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		Nine month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Weighted average common shares outstanding- basic	37,159,541	32,571,238	36,149,779	31,024,198
Effect of share option plan	941,138	721,968	858,950	721,220
Weighted average common shares outstanding- diluted	38,100,679	33,293,206	37,008,729	31,745,418

All amounts have been adjusted for the two for one stock split that occurred during the period, including prior year balances for comparative purposes.

Excluded from diluted weighted average number of shares are anti-dilutive options of 1,022,000 for the nine month period ended September 30, 2011 (2010- nil).

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

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	1,241
Vesting of LTIP *(note 14 (c))*	149
Options exercised in the period	(1,259)
Balance, September 30, 2011	**4,377**

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 nine month periods ended September 30, 2011, a distribution of $510 and $1,329, respectively (2010- $nil) was declared to Fort Nelson First Nation, as per the limited partnership agreement. For the three and nine month period ended September 30, 2011, a distribution of $43 and $154, 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	2,131
Distribution to partners	(1,483)
Balance September 30, 2011	**996**

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

18. OTHER RESERVES

Accumulated other comprehensive loss

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	(831)
Tax effect of cash flow hedge	208
Net movement in cash flow hedge	**(623)**
Exchange differences on translation of US operations	(5)
As at 9/30/2011	**(3,779)**

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 nine month period ended September 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	0.0475	1,567	0.045	1,301
February 28	0.0475	1,567	0.045	1,333
March 31	0.0475	1,571	0.045	1,467
April 30	0.0475	1,573	0.045	1,474
May 31	0.0475	1,765	0.045	1,474
June 30	0.0475	1,767	0.045	1,480
July 31	0.0475	1,768	0.045	1,480
August 31	0.0475	1,769	0.045	1,481
September 30	0.0475	1,770	0.045	1,481
Total dividends declared		15,117		12,971

For the three and nine month periods ended September 30, 2011 and 2010
(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		**Nine month period ended**	
	September 30, 2011	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
	$	**$**	**$**	**$**
Trade and other receivables	(6,343)	(2,266)	(29,265)	(8,749)
Prepaid expenses and other current assets	(1,918)	(199)	(9,923)	(922)
Accounts payable and accrued liabilities	(1,815)	8,798	(1,654)	6,583
	(10,076)	6,333	(40,842)	(3,088)
Working capital acquired	-	-	-	91
Attributable to operating activities	(14,091)	16,120	(51,143)	6,608
Attributable to investing activities	4,015	(9,787)	10,301	(9,787)

(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 September 30, 2011 or December 31, 2010.

As at September 30, 2011	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	86,071	-
Accounts receivable	62,656	-	-
Accounts payable and accrued liabilities	-	30,656	-
Dividends payable	-	1,770	-
Finance lease payable	-	57	-
Long -term customer deposits	-	347	-
Risk management liability	-	-	2,235
	62,656	118,901	2,235

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 accrued liabilities	-	32,575	-
Dividends payable	-	1,482	-
Finance lease payable	-	561	-
Bank indebtedness	-	6,776	-
Long -term customer deposits	-	543	-
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 both cash flow interest rate risk on its Capex 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. 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 September 30, 2011, Black Diamond had the following interest rate swap contract outstanding:

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

All interest rate related derivative financial instruments designated as hedges at September 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 $623.

+

(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 September 30, 2011	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**Greater than 5 years**	**Total**
Bank indebtedness	-	-	-	-	-	-
Trade and other payables	-	30,656	-	347	-	31,003
Finance leases	-	57	-	-	-	57
Long term debt	-	-	-	49,800	36,271	86,071
Asset retirement obligation	-	-	-	-	1,834	1,834
Risk management liability	-	-	-	2,235	-	2,235
	-	30,713	-	52,382	38,105	121,200

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
Asset retirement obligation	-	-	-	-	1,780	1,780
Risk management liability	-	-	-	1,402	-	1,402
	-	39,351	561	67,945	1,780	109,637

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.

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

22. REVENUE

	Three month period ended		Nine month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Rental revenue	20,359	10,881	57,897	32,425
Lodging revenue	13,935	10,204	37,702	25,617
Non-rental revenue	28,776	13,136	80,003	38,311
	63,070	34,221	175,602	96,353

23. AMOUNTS CHARGED IN ARRIVING AT OPERATING PROFIT

	Three month period ended		Nine month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Direct costs of operations	31,582	16,536	87,607	46,922
Administrative expenses				
Personnel costs	3,831	2,898	11,425	7,924
Office and other expenses	1,712	1,547	5,592	5,075
Occupancy and insurance	780	794	2,402	2,015
Share based compensation	488	474	1,390	1,517
Acquisition costs	-	-	-	289
Realised foreign exchange gain	-	-	-	(820)
Unrealised foreign exchange (gain)/loss	(9)	47	(13)	20
Total Administrative expenses	6,802	5,760	20,796	16,020
Depreciation of property and equipment	6,912	4,932	19,567	13,873
Amortization of intangibles	375	446	1,138	1,215
	45,671	**27,674**	**129,108**	**78,030**

24. FINANCE COSTS

	Three month period ended		Nine month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest payable on				
- Operating facility	3	38	79	82
- Long term debt	1,442	554	3,359	1,536
- Capital lease	2	12	15	43
Accretion of asset retirement obligation	19	18	54	52
	1,466	622	3,507	1,713

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.

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

25. SEGMENTED INFORMATION (continued)

For the three month period ended	**September 30, 2011**			**September 30, 2010**		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
Camps	37,824	-	37,824	21,526	-	21,526
Space Rentals	12,188	5,893	18,081	4,334	5,441	9,775
Energy Services	9,152	84	9,236	3,715	-	3,715
Intersegment eliminations [1]	(2,071)	-	(2,071)	(795)	-	(795)
	57,093	5,977	63,070	28,780	5,441	34,221

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

Depreciation of Property and Equipment						
Camps	4,294	-	4,294	2,542	-	2,542
Space Rentals	740	733	1,473	679	736	1,415
Energy Services	910	-	910	864	-	864
Corporate	235	-	235	111	-	111
	6,179	733	6,912	4,196	736	4,932
Finance costs						
Camps	841	-	841	366	-	366
Space Rentals	216	203	419	75	84	159
Energy Services	206	-	206	97	-	97
	1,263	203	1,466	538	84	622
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps	10,188	-	10,188	4,885	-	4,885
Space Rentals	3,160	(364)	2,796	1,220	494	1,714
Energy Services	1,731	-	1,731	219	-	219
Corporate	(3,704)	-	(3,704)	(2,974)	-	(2,974)
	11,375	(364)	11,011	3,350	494	3,844
Capital Expenditures						
Camps	7,132	-	7,132	17,115	-	17,115
Space Rentals	(447)	850	403	1,008	1,005	2,013
Energy Services	1,868	-	1,868	315	-	315
Corporate	421	-	421	356	-	356
	8,974	850	9,824	18,794	1,005	19,799

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

25. SEGMENTED INFORMATION (continued)

For the nine month period ended	September 30, 2011			September 30, 2010		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Revenue						
Camps	108,645	-	108,645	57,397	-	57,397
Space Rentals	28,321	17,761	46,082	11,938	16,158	28,096
Energy Services	23,756	166	23,922	12,731	-	12,731
Intersegment eliminations [1]	(3,047)	-	(3,047)	(1,872)	-	(1,872)
	157,675	17,927	175,602	80,194	16,158	96,352

[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	12,200	-	12,200	6,932	-	6,932
Space Rentals	2,147	2,130	4,277	1,948	2,100	4,048
Energy Services	2,537	-	2,537	2,591	-	2,591
Corporate	553	-	553	302	-	302
	17,437	2,130	19,567	11,773	2,100	13,873
Finance costs						
Camps	2,024	-	2,024	895	-	895
Space Rentals	546	463	1,009	306	269	575
Energy Services	474	-	474	243	-	243
	3,044	463	3,507	1,444	269	1,713
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps	29,029	-	29,029	12,410	-	12,410
Space Rentals	7,092	(38)	7,054	2,920	580	3,500
Energy Services	4,187	-	4,187	655	-	655
Corporate	(9,979)	-	(9,979)	(5,172)	-	(5,172)
	30,329	(38)	30,291	10,813	580	11,393
Capital Expenditures						
Camps	33,317	-	33,317	35,280	-	35,280
Space Rentals	2,759	2,663	5,422	7,701	1,414	9,115
Energy Services	9,899	-	9,899	157	-	157
Corporate	6,321	-	6,321	1,194	-	1,194
	52,296	2,663	54,959	44,332	1,414	45,746

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

25. SEGMENTED INFORMATION (continued)

As at	September 30, 2011			December 31, 2010		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Property and Equipment						
Camps	156,166	-	156,166	135,726	-	135,726
Space Rentals	42,877	36,696	79,573	42,466	34,882	77,348
Energy Services	37,582	-	37,582	29,491	-	29,491
Corporate	10,545	-	10,545	4,595	-	4,595
	247,170	36,696	283,866	212,278	34,882	247,160
Intangible Assets						
Camps	8,059	-	8,059	8,727	-	8,727
Space Rentals	-	2,807	2,807	22	2,983	3,005
Energy Services	149	-	149	325	-	325
Corporate	6	-	6	7	-	7
	8,214	2,807	11,021	9,081	2,983	12,064
Goodwill						
Camps	24,471	-	24,471	24,471	-	24,471
Space Rentals	4,845	4,049	8,894	4,845	3,906	8,751
Energy Services	1,369	-	1,369	1,369	-	1,369
	30,685	4,049	34,734	30,685	3,906	34,591
Total Assets						
Camps	231,077	-	231,077	179,334	-	179,334
Space Rentals	61,060	49,647	110,707	53,542	50,620	104,162
Energy Services	48,934	-	48,934	34,277	-	34,277
Corporate	29,959	-	29,959	13,613	-	13,613
	371,030	49,647	420,677	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	September 30, 2011 $	December 31, 2010 $
Due within one year	1,822	1,876
Due later than one year and less than five	4,814	4,713
Due after five years	348	1,120
	6,984	7,709

Black Diamond has committed to purchase $23,090 of fleet equipment for delivery in the subsequent six months. These purchases will be financed through a combination of operating cash flow and draws on Black Diamond's credit facilities.

27. EXPLANATION OF TRANSITION TO IFRS

These interim consolidated financial statements for the period ended September 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 September 30, 2010
iii. Reconciliation of comprehensive income for the three and nine month periods ended September 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.

27. 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 asset retirement obligation 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 September 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	25,419	-	(36)	-	(36)	25,383
Prepaid expenses and other current assets	1,845	-	-	-	-	1,845
	27,264	-	(36)	-	(36)	27,228
Non- current						
Property and equipment	220,397	486	(799)	-	(313)	220,084
Intangible assets	12,531	-	(57)	-	(57)	12,474
Goodwill	35,154	-	(72)	-	(72)	35,082
	295,346	486	(964)	-	(478)	294,868
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank indebtedness	5,619	-	-	-	-	5,619
Accounts payable and accrued liabilities	21,092	-	40	-	40	21,132
Dividends payable	1,481	-	-	-	-	1,481
Current income taxes payable	467	-	-	-	-	467
Current portion of finance lease obligation	667	-	-	-	-	667
	29,326	-	40	-	40	29,366
Non- current						
Capital lease obligation	57	-	-	-	-	57
Long-term debt	45,000	-	-	-	-	45,000
Risk management liability	1,961	-	-	-	-	1,961
Asset retirement obligations	1,250	513	-	-	513	1,763
Deferred tax liability	23,727	-	(41)	-	(41)	23,686
	101,321	513	(1)	-	512	101,833
Shareholders' equity						
Share capital	189,400	-	-	(1,682)	(1,682)	187,718
Contributed surplus	1,370	-	-	2,525	2,525	3,895
Non-controlling interest	(112)	-	-	-	-	(112)
Foreign currency translation reserve	-	-	(650)	-	(650)	(650)
Other comprehensive income	(1,471)	-	-	-	-	(1,471)
Retained earnings	4,838	(27)	(313)	(843)	(1,183)	3,655
	194,025	(27)	(963)	-	(990)	193,035
	295,346	486	(964)	-	(478)	294,868

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

(Expressed in thousands)	CGAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
Revenue	34,221	-	-	-	-	34,221
Direct costs	16,536	-	-	-	-	16,536
Gross Profit	17,685	-	-	-	-	17,685
Expenses						
Selling, general and administrative costs	5,239	-	-	-	-	5,239
Depreciation of property and equipment	4,919	13	-	-	13	4,932
Amortization of intangibles	446	-	-	-	-	446
Acquisition costs	-	-	-	-	-	-
Foreign exchange gain	(111)	-	158	-	158	47
Stock-based compensation	286	-	-	188	188	474
	10,779	13	158	188	359	11,138
Operating profit	**6,906**	**(13)**	**(158)**	**(188)**	**(359)**	**6,547**
Finance costs	629	(7)	-	-	(7)	622
Income before income taxes	6,277	(6)	(158)	(188)	(352)	5,925
Income tax expense						
Current	242	-	-	-	-	242
Deferred	1,870	-	-	-	-	1,870
	2,112	-	-	-	-	2,112
Income after income taxes	**4,165**	**(6)**	**(158)**	**(188)**	**(352)**	**3,813**
Net income attributable to non-controlling interest	(31)	-	-	-	-	(31)
Net income attributable to Black Diamond Group Limited	4,196	(6)	(158)	(188)	(352)	3,844
Net change in derivative financial instruments designated as cash flow hedges	(410)	-	-	-	-	(410)
Exchange difference on translation of US operations	-	-	(708)	-	(708)	(708)
Comprehensive income	3,786	(6)	(866)	(188)	(1,060)	2,726

Black Diamond Group Limited
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For the three and nine month periods ended September 30, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

Reconciliation of comprehensive income for the nine months ended September 30, 2010

(Expressed in thousands)	CGAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
Revenue	96,352	-	-	-	-	96,352
Direct costs	46,922	-	-	-	-	46,922
Gross Profit	49,430	-	-	-	-	49,430
Expenses						
Selling, general and administrative costs	15,014	-	-	-	-	15,014
Depreciation of property and equipment	13,833	40	-	-	40	13,873
Amortization of intangibles	1,215	-	-	-	-	1,215
Acquisition costs	289	-	-	-	-	289
Foreign exchange gain	(891)	-	91	-	91	(800)
Stock-based compensation	674	-	-	843	843	1,517
	30,134	40	91	843	974	31,108
Operating profit	**19,296**	**(40)**	**(91)**	**(843)**	**(974)**	**18,322**
Finance costs	1,733	(20)	-	-	(20)	1,713
Income before income taxes	17,563	(20)	(91)	(843)	(954)	16,609
Income tax expense						
Current	827	-	-	-	-	827
Deferred	4,346	-	-	-	-	4,346
	5,173	-	-	-	-	5,173
Income after income taxes	**12,390**	**(20)**	**(91)**	**(843)**	**(954)**	**11,436**
Net income attributable to non-controlling interest	43	-	-	-	-	43
Net income attributable to Black Diamond Group Limited	12,347	(20)	(91)	(843)	(954)	11,393
Net change in derivative financial instruments designated as cash flow hedges	(1,471)	-	-	-	-	(1,471)
Exchange difference on translation of US operations	-	-	(872)	-	(872)	(872)
Comprehensive income	10,876	(20)	(963)	(843)	(1,826)	9,050

27. 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 unaudited condensed consolidated 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 presented with 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, whereby all assets and liabilities are translated at the closing rate, and the results of operations at the average foreign exchange rate for the period, with changes recorded to other comprehensive income 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. Under previous CGAAP, cash flows relating to interest were classified as operating.