

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019



BLACK DIAMOND
GROUP

To the Shareholders of Black Diamond Group Limited

Opinion

We have audited the consolidated financial statements of Black Diamond Group Limited and its subsidiaries (collectively, the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and 2019, and the consolidated statement of net income (loss), consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Indicators of impairment of long-lived assets</p> <ul style="list-style-type: none"> For the period ended December 31, 2020, no impairment charge was recorded with respect to the Company's long-lived assets. Refer to note 2, significant accounting policies, of the consolidated financial statements for a description of the Company's impairment of long-lived assets accounting policy. Refer to note 11 of the consolidated financial statements for the Company's impairment disclosures. Cash-generating units ("CGUs") are assessed by management for indicators of impairment or impairment reversal at each reporting date. The Company concluded that no indicators of impairment or impairment reversal were present as at December 31, 2020. Auditing the Company's assessment of indicators of impairment or impairment reversal requires significant judgement due to uncertainties caused by the effects of commodity price volatility. The assessment relied on significant assumptions and estimates concerning comparable market transactions, commodity pricing forecasts, overall financial performance of the entity, macroeconomic conditions, and industry and market considerations. 	<ul style="list-style-type: none"> To test the Company's assessment of impairment indicators or impairment reversal, we performed the following procedures, among others: <ul style="list-style-type: none"> Evaluated the Company's actual earnings results in comparison to historical results. With the assistance of our internal valuations specialist, assessed the Company's carrying amount of long-lived assets in comparison to the appraised orderly liquidation value of assets prepared by an independent third party. Evaluated the competency and objectivity of the external appraiser engaged by the Company. Evaluated management's assessment of indicators of impairment through review of executed contracts, analyst reports, interest rates, and third-party sources. Assessed the market capitalization deficiency against control premiums observed in comparable market transactions and investigated any contrary information. Evaluated the adequacy of the impairment note disclosure included in note 11 of the accompanying financial statements in relation to this matter.

Acquisition of Vanguard Modular Building Systems LLC

- On November 30, 2020, the Company acquired 100% of Vanguard Modular Building Systems LLC for total consideration of US\$61.75 million. Refer to note 2, significant account policies, of the consolidated financial statements for a description of the Company's business acquisitions policy. Refer to note 5 of the consolidated financial statements for the Company's business combinations disclosures. The total consideration included cash, preferred shares of the Company's subsidiary and the issuance of common shares of the Company. The determination of the fair values of the net assets acquired was based on internal specialists best estimate of market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities.
- Auditing this business combination was complex due to the subjective nature of estimating the fair values of the identified assets and liabilities, specifically as it relates to property and equipment, of Vanguard Modular Building Systems LLC as at the date of acquisition. Additionally, the evaluation of these estimates required specialized skills and knowledge.
- To test the Company's estimated fair valuation of the assets and liabilities acquired, we performed the following procedures, among others:
 - Read the purchase agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations.
 - Evaluated the competency, objectivity and qualifications of the Company's internal specialists assigned responsibility for determining the fair values of property and equipment and intangible assets.
 - Involved our internal valuations specialists to assess the valuation methodologies applied for property and equipment, and intangible assets, as well as assess the implied multiples resulting from the transaction in relation to comparable transactions and trading metrics.
 - With the assistance of our internal valuation specialists, assessed the fair value of the property and equipment by comparing the fair value against third party data.
 - Evaluated the adequacy of the business combinations note disclosure included in note 5 of the accompanying financial statements in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

a. Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

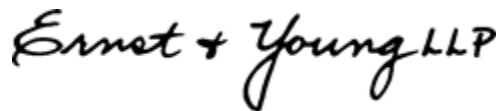
- a. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Troy Jubenvill.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Calgary, Canada

March 4, 2021



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31,

(Expressed in thousands)	2020	2019
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	3,681	4,291
Accounts receivable (note 6)	46,094	45,775
Prepaid expenses and other current assets (notes 7 and 14)	7,703	6,980
Total Current Assets	57,478	57,046
Non-Current		
Other long-term assets (note 7)	3,304	185
Property and equipment (notes 8 and 11)	409,984	327,493
Right-of-use assets (note 9)	18,156	19,736
Goodwill and intangible assets (notes 10 and 11)	22,968	18,103
Total Non-Current Assets	454,412	365,517
Total Assets	511,890	422,563
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (notes 12 and 27)	32,362	35,212
Deferred revenue	13,798	4,021
Current portion of lease liabilities (note 13)	4,599	5,203
Total Current Liabilities	50,759	44,436
Non-Current		
Long-term debt (note 15)	175,735	102,422
Asset retirement obligations (notes 18 and 23)	15,115	17,731
Long-term lease liabilities (note 13)	18,226	18,719
Deferred income taxes (note 14)	25,376	24,058
Total Non-Current Liabilities	234,452	162,930
Total Liabilities	285,211	207,366
Shareholders' Equity		
Share capital (note 19)	381,891	378,823
Contributed surplus	18,637	17,657
Accumulated other comprehensive income	10,157	11,779
Retained deficit	(197,973)	(194,471)
Total Shareholders' Equity	212,712	213,788
Non-controlling interests (note 20)	13,967	1,409
Total Equity	226,679	215,197
Total Liabilities and Equity	511,890	422,563
<i>See accompanying notes to the consolidated financial statements</i>		

Refer to Commitments and Contingencies in Note 28

On behalf of the Board of Directors
 Signed "Robert Herdman"

Signed "Robert Wagemakers"



CONSOLIDATED STATEMENT OF NET INCOME (LOSS)
 for the years ended December 31,

(Expressed in thousands, except per share amounts)	2020	2019 ⁽¹⁾
	\$	\$
Revenue ^(notes 21 and 26)	179,857	185,936
Direct costs ^(note 21)	107,645	115,612
Gross profit	72,212	70,324
Expenses		
Administrative expenses ^(note 22)	31,570	31,026
Depreciation and amortization ^(notes 8, 9, 10 and 26)	33,017	39,301
Share-based compensation ^(note 19)	2,943	3,056
Finance costs ^(note 23)	5,656	7,562
Debt retirement costs ^(note 23)	—	2,359
Acquisition costs ^(note 5)	1,872	177
Loss before income taxes	(2,846)	(13,157)
Income tax expense (recovery) ^(note 14)		
Current	424	49
Deferred	(883)	(6,164)
Total income tax recovery	(459)	(6,115)
Loss before non-controlling interest	(2,387)	(7,042)
Profit attributable to non-controlling interest ^(note 20)	1,115	443
Loss for the year	(3,502)	(7,485)
Loss per share ^(note 24)		
Basic	(0.06)	(0.14)
Diluted	(0.06)	(0.14)

See accompanying notes to the consolidated financial statements

⁽¹⁾ See Note 2. Significant Accounting Policies for further details of the restatement of comparatives

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
 for the years ended December 31,

(Expressed in thousands)	2020	2019
	\$	\$
Loss for the year	(3,502)	(7,485)
Other comprehensive income (loss) to be re-classified to Consolidated Statement of Net Income in subsequent period:		
Translation adjustments	(1,622)	(5,538)
Net other comprehensive income (loss) to be re-classified to Consolidated Statement of Net Income in subsequent period	(1,622)	(5,538)
Total comprehensive loss	(5,124)	(13,023)
<i>See accompanying notes to the consolidated financial statements</i>		



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2020 and 2019

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2019	377,567	16,436	17,317	(187,908)	223,412	1,362	224,774
IFRS 16 transition adjustments ^(note 2)	—	—	—	922	922	—	922
Loss for the year	—	—	—	(7,485)	(7,485)	443	(7,042)
Translation adjustments	—	—	(5,538)	—	(5,538)	—	(5,538)
Distributions declared to partners, net of contributions ^(note 27)	—	—	—	—	—	(396)	(396)
Purchase of shares in trust	(530)	—	—	—	(530)	—	(530)
Vesting of shares in trust ^(note 19)	1,786	(1,786)	—	—	—	—	—
Share-based compensation ^(note 19)	—	3,007	—	—	3,007	—	3,007
As at December 31, 2019	378,823	17,657	11,779	(194,471)	213,788	1,409	215,197
As at January 1, 2020	378,823	17,657	11,779	(194,471)	213,788	1,409	215,197
Loss for the year	—	—	—	(3,502)	(3,502)	1,115	(2,387)
Translation adjustments	—	—	(1,622)	—	(1,622)	—	(1,622)
Distributions declared to partners ^(note 27)	—	—	—	—	—	(1,031)	(1,031)
Partners' contributions ^(note 27)	—	—	—	—	—	1,216	1,216
Issuance of preference shares ^(note 20)	—	—	—	—	—	11,258	11,258
Issuance of common shares ^(note 19)	3,999	—	—	—	3,999	—	3,999
Share options exercised ^(note 19)	98	(26)	—	—	72	—	72
Purchase of shares in trust ^(note 19)	(2,205)	—	—	—	(2,205)	—	(2,205)
Repurchase of shares under NCIB ^(note 19)	(630)	—	—	—	(630)	—	(630)
Vesting of shares in trust ^(note 19)	1,806	(1,806)	—	—	—	—	—
Share-based compensation ^(note 19)	—	2,812	—	—	2,812	—	2,812
As at December 31, 2020	381,891	18,637	10,157	(197,973)	212,712	13,967	226,679

See accompanying notes to the consolidated financial statements



CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31,

(Expressed in thousands)	2020 \$	2019 \$
Operating activities		
Loss for the year	(3,502)	(7,485)
Add (deduct) non-cash / non-operating activities:		
Share-based compensation ^(note 19)	2,812	3,007
Depreciation and amortization ^(notes 8, 9, 10 and 26)	33,017	39,301
Finance costs ^(note 23)	5,656	7,562
Debt retirement costs ^(note 23)	—	2,359
Deferred income taxes ^(note 14)	(883)	(6,164)
Settlement of ARO liability ^(note 18)	(1,198)	(1,501)
Profit attributable to non-controlling interest ^(note 20)	1,115	443
Book value of used fleet sales ^(note 8)	5,509	7,785
	42,526	45,307
Change in long-term accounts receivable	1,288	433
Change in non-cash working capital related to operating activities ^(note 25)	6,217	(9,069)
Net cash flows from operating activities	50,031	36,671
Investing activities		
Purchase of property and equipment ^(notes 8 and 26)	(34,977)	(32,006)
Additions to intangible assets ^(notes 10 and 26)	(991)	(1,518)
Business acquisitions ^(note 5)	(71,516)	—
Change in non-cash working capital related to investing activities ^(note 25)	(2,369)	728
Net cash flows used in investing activities	(109,853)	(32,796)
Financing activities		
Proceeds from long-term debt ^(note 15)	245,435	113,908
Repayment of long-term debt ^(note 15)	(172,382)	(101,762)
Net interest paid, including lease liability interest ^(note 23)	(5,221)	(7,092)
Debt retirement costs ^(notes 15 and 23)	—	(2,359)
Payment of lease liabilities ^(note 13)	(5,216)	(4,560)
Net purchase of shares in trust and NCIB ^(note 19)	(2,835)	(530)
Share options exercised ^(note 19)	72	—
Distributions declared to non-controlling interest ^(note 20)	(1,031)	(396)
Change in non-cash working capital related to financing activities ^(note 25)	221	37
Net cash flows from (used in) financing activities	59,043	(2,754)
(Decrease) increase in cash and cash equivalents	(779)	1,121
Cash and cash equivalents, beginning of the year	4,291	3,175
Effect of foreign currency rate changes on cash and cash equivalents	169	(5)
Cash and cash equivalents, end of the year	3,681	4,291

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

1. GENERAL INFORMATION

The consolidated financial statements of Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships (collectively "Black Diamond" or the "Company") for the years ended December 31, 2020 and 2019 were authorized for issuance in accordance with a resolution of the Board of Directors on March 4, 2021. Black Diamond is headquartered in Calgary, Alberta. The Company was incorporated in Alberta on October 7, 2009. The address of the Company's registered office is Suite 4600, 525 – 8th Avenue S.W., Calgary, Alberta, Canada.

The common shares of the Company are listed on the Toronto Stock Exchange (TSX: BDI).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Except as otherwise disclosed, the same accounting policies and methods of computation were followed in the preparation of these consolidated financial statements as at and for the year ended December 31, 2019.

At the beginning of 2020, the Company reassessed of the application of its accounting policy for directly attributable costs. The effect of this reassessment on the year ended December 31, 2020 is \$8,091 being classified as direct costs as opposed to administration expenses. Prior periods have been restated to conform with the current period presentation resulting in \$6,661 being reclassified from administrative expenses to direct costs in the twelve month period ended December 31, 2019.

The consolidated financial statements are presented in Canadian dollars and all amounts are rounded to the nearest thousand (\$'000), except per share amounts or as otherwise noted.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships as at December 31, 2020. Control is achieved when Black Diamond Group Limited is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When Black Diamond Group Limited has less than a majority of the voting or similar rights of an investee, Black Diamond Group Limited considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- Black Diamond Group Limited's voting rights and potential voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Black Diamond Group Limited re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Black Diamond Group Limited obtains control over the subsidiary and ceases when Black Diamond Group Limited loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Financial Position and the Consolidated Statement of Net Income (Loss) from the date Black Diamond Group Limited gains control until the date Black Diamond Group Limited ceases to control the subsidiary.

Where Black Diamond Group Limited interest is less than 100 percent, the interest attributable to outside shareholders is reflected in non-controlling interest ("NCI"). Where a Black Diamond Group Limited subsidiary has outstanding preference shares that are classified as equity and are held by non-controlling interest, Black Diamond Group Limited computes its share of profit or loss after adjusting for the dividends on preference shares which is shown on the consolidated statements of changes in equity as a deduction in NCI. The NCI is translated using exchange rates prevailing at the end of each reporting period with the foreign exchange translation included in other comprehensive earnings (loss) for the period.

The Consolidated Statement of Net Income (Loss) and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Black Diamond Group Limited loses control over a subsidiary, it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interests;
- De-recognizes the translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes any surplus or deficit in the Consolidated Statement of Net Income (Loss);
- Reclassifies the parent's share of components previously recognized in OCI to the Consolidated Statement of Net Income (Loss) or retained deficit, as appropriate, as would be required if Black Diamond Group Limited had directly disposed of the related assets or liabilities; and
- Recognizes the fair value of the remaining investment.

The consolidated financial statements of Black Diamond Group Limited include the following significant operational entities listed below. The ultimate holding entity of the companies listed below is Black Diamond Group Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Name	Country of formation	Equity Interest	
		2020	2019
Black Diamond Limited Partnership	Canada	100 %	100 %
LodgeLink Inc.	Canada	100 %	100 %
Britco BOXX Limited Partnership	Canada	100 %	100 %
Black Diamond Dene Limited Partnership	Canada	50 %	50 %
Black Diamond West Moberly Limited Partnership	Canada	50 %	50 %
Black Diamond Nehiyawak Limited Partnership	Canada	50 %	50 %
Whitecap Black Diamond Limited Partnership	Canada	49 %	49 %
Black Diamond Energy Services Inc.	United States	100 %	100 %
BOXX Modular Holdings Inc. ⁽¹⁾	United States	100 %	100 %
BOXX Modular, Inc.	United States	100 %	100 %
MPA Systems, LLC	United States	100 %	100 %
Vanguard Modular Building Systems, LLC	United States	100 %	—
Schiavi Leasing Corporation	United States	100 %	—
Black Diamond Modular Buildings Pty Ltd.	Australia	100 %	100 %

(1) Excludes preferred shares issued as part of the Vanguard acquisition (Note 5) and that if these were to be included the equity interest would be 86%.

Business acquisitions

The acquisition method of accounting is used to account for the purchase of subsidiaries by the Company. The cost of the acquisition is the aggregate of the consideration transferred, measured at the acquisition date, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects to measure any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets on a historical cost basis. Acquisition costs incurred are expensed and included in administrative expenses in the Consolidated Statement of Net Income (Loss).

When determining the nature of an acquisition as either a business combination or an asset acquisition, management defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purposes of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The primary focus in management's determination is the presence of processes capable of converting the inputs purchased into outputs, evidencing a business is purchased. If these processes are not present then this suggests an asset purchase and not a business combination.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the combination date. This includes the separation of embedded derivatives in host contracts of the acquiree.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

If the business combination is achieved in stages, the combination date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value at the combination date through the Consolidated Statement of Net Income (Loss). Any contingent consideration to be transferred by the Company is recognized at fair value at the combination date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with IFRS 9, *Financial instruments* ("IFRS 9") either in Consolidated Statement of Net Income (Loss) or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of combination is less than the fair value of the Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in the Consolidated Statement of Net Income (Loss).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, short term investments with maturity at the time of purchase of less than 90 days, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts outside of the committed extendible revolving facility are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position to the extent that there is no right of offset and no practice of net settlement with cash balances.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost is the fair value of the consideration given to acquire the asset at the time of acquisition and includes the direct cost of bringing the asset to the location and condition necessary for operation. Property and equipment are depreciated over their estimated useful lives using the following rates and methods:

Computers, furniture and service equipment	30% declining balance
Space rentals fleet equipment	6% declining balance, residual value of 25%
Workforce accommodation rental	10% declining balance, residual value of 10%
Surface rental equipment	10% - 50% declining balance
Buildings	5% declining balance
Carry-on options	Straight-line over two years
Leasehold improvements	Straight-line over term of lease
Asset retirement obligation	Straight-line over four to ten years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land and deposits on equipment are not subject to depreciation.

The residual values and useful lives of property and equipment are reviewed and adjusted if appropriate at each Consolidated Statement of Financial Position date. Black Diamond uses estimates in determining appropriate useful lives and residual values.

During the first quarter of 2020, the Company conducted a review of its estimates regarding property and equipment, which resulted in changes in the estimated residual values of its space rentals fleet equipment and workforce accommodation rental equipment. It was previously estimated that space rentals fleet equipment and workforce accommodation rental equipment had a residual value of \$nil at the end of their useful lives, whereas it is now estimated that these assets will have residual values of 25% and 10% of cost, respectively.

This change in estimate has been accounted for prospectively from January 1, 2020, and has resulted in a decrease in depreciation expense of \$7,029 in year ended December 31, 2020.

Intangible assets

Separately acquired intangible assets with finite lives are recorded at cost, net of accumulated amortization and accumulated impairment. The cost of intangible assets acquired in business combinations is their fair value on acquisition date. Intangible assets are amortized over their estimated useful lives on a straight-line basis over 1 to 10 years.

Goodwill

Goodwill arises when the acquisition cost of an acquired business exceeds the sum of the amounts allocated to the net assets acquired on a fair value basis. Goodwill is allocated as at the acquisition date to the cash-generating units ("CGUs") of Black Diamond's operations that are expected to benefit from the business combination.

Goodwill is not amortized, but is evaluated on an annual basis for impairment, or when an event occurs that more likely than not reduces the expected recoverable value of a CGU below its carrying value.

Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. Each of those CGUs (or groups of CGUs) represents the lowest level within the Company at which the associated goodwill is monitored for management purposes based on shared infrastructure, geographical proximity, exposure to market risk and product offering and is not larger than the operating segments determined in accordance with IFRS 8, *Operating segments*. Goodwill impairments are not reversed.

Impairment of long-lived assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGUs recoverable amount. The recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). Impairment losses are recognized to the extent that the carrying amount of an asset or CGU exceeds its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining FVLCD, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated five-year after tax discounted cash flow approach, cross-checked to comparable market transactions and public company trading multiples. Where available, these calculations are corroborated by implied valuation multiples for comparable industry participants or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset's or CGUs recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. Financial assets are recognized by the Company under IFRS 9. There are three measurement categories into which the Company classified its financial assets:

- **Amortized Cost:** Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- **Fair Value Through Other Comprehensive Income ("FVOCI"):** Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- **Fair Value Through Profit or Loss ("FVTPL"):** Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired.

Financial Instruments

The following table shows the measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

Financial Instrument	Measurement Category
Cash and cash equivalents	FVTPL
Current accounts receivable	Amortized cost
Other long-term assets	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Lease obligations

The Company assesses whether a contract contains a lease at inception by exercising judgment about whether a contract pertains to a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Certain classes of lease arrangements that contain both lease and non-lease components within the same contract are recognized as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments (discounted at the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate), plus initial direct costs and costs of obligations to retire the asset, less any incentives received. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if indicators of impairment are present.

When a lease contains an extension or purchase option that the Company is reasonably certain to exercise, the extension and/or cost of the option is included in the lease payments.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Company's estimate or the amount expected to be payable under the residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination period.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and finance lease liabilities in the statement of financial position.

The Company has elected not to recognize ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months, or for leases of low value assets (<\$5,000). Payments for these leases are recognized in the Statement of Net Income (Loss) on a straight-line basis over the lease term.

As a lessor, the Company determines at inception whether each lease is a finance lease or an operating lease. The Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incremental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If the contract contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. In establishing such provisions the Company takes into account the relevant facts and circumstances of each matter and considers advice of professional advisors when needed. The ultimate liability may vary from the amounts currently provided and may be dependent upon the discovery of facts that are currently uncertain.

Black Diamond recognizes asset retirement obligations ("ARO") associated with its operations as required. The present value of the ARO is recognized in the period in which the obligations are incurred. The estimated present value of the ARO is the discounted expected future cash flows to settle the ARO at a pre-tax risk free interest rate that reflects current market assessments of the time value of money. The present value of the ARO is sensitive to estimates of the future obligations and interest rate used.

Asset retirement costs are capitalized and depreciated over the asset's estimated remaining useful life. In subsequent periods, the ARO is adjusted for the passage of time through accretion expense, which is recognized as a finance cost and for changes in the amount or timing of the underlying future cash flows. Changes in the estimated future costs or in the discount rate applied are added to, or deducted from, the cost of the asset. Actual expenditures are charged against the provision when incurred with any differences between actual costs and estimated costs recorded in net income.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is determined by estimating the present value of payments in excess of the expected benefits.

Share capital

The Company currently has one class of outstanding voting common shares, which is classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, net of tax, from the proceeds.

Revenue recognition

Black Diamond is in the business of providing rental of specialized equipment, plus the support services for these assets including transportation, installation, catering, utilities, security and sub-contracting third party service providers for other specific requirements of our customers. Revenue is recognized by Black Diamond under both IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") and IFRS 16, *Leases* ("IFRS 16").

IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. A five step model is used to account for revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires management to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Rental*

Rental revenue is associated with the rental of Black Diamond's owned assets to customers and is recognized in the period the equipment is used by the customer on a straight-line basis over the term of the related rental agreement.

(b) *Sales*

Revenue from the sale of new units, custom manufactured equipment and used rental equipment generally include one performance obligation. Revenue from the sale of equipment is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

(c) *Non-Rental*

Non-rental revenue includes delivery, pickup, installation, transportation, maintenance (together, "Operations"), dismantlement of assets, catering services, subleased equipment, stand-by fees on disaster recovery contracts and revenue earned on bookings at third party lodges through LodgeLink. Non-rental revenue services are usually bundled together with sales or rental contracts. Black Diamond reviews and assesses bundled contracts to determine that performance obligations related to various services or goods provided within the same contract are distinct and clearly identifiable. The amount of revenue is based on the prices outlined in the contracts and is recognized at the time when the distinct performance obligation is satisfied and the customer receives and consumes the benefits of the services or goods provided by the Company. When a price or multiple prices outlined within a contract are not reasonably comparable to stand-alone pricing for the various performance obligations, the Company reallocates the total contract consideration based on the relative stand-alone selling prices.

Revenue from catering services, subleased equipment and stand-by fees on disaster recovery are recognized over the time the service is provided to the customer on a straight-line basis.

Revenue from delivery, pickup, installation, transportation, maintenance and dismantlement of assets is recognized on a percentage-of-completion basis proportionate to the costs incurred in performance of the service. At the completion of the contract, any remaining profit on the contract is recognized as revenue. When it is probably that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

(d) *Lodging*

Lodging revenue is generated from provision of full turnkey lodging services provided to customers. Revenue is recognized in the period the service is provided to the customer.

Share-based compensation

Black Diamond maintains share-based compensation plans, consisting of a share option plan and other share-based plans. Options granted pursuant to the share option plan to employees and officers are accounted for using the fair value method. Share-based compensation expense is recorded along with a corresponding increase in contributed surplus, based on the fair values determined through the use of an option pricing model when the options are granted. The calculation of the fair value of option grants is sensitive to the expected forfeiture rate, volatility, dividend yield and expected life of the option. Any consideration paid to Black Diamond on the exercise of the options plus the attributed contributed surplus is recorded to share capital at the time of exercise. The fair value of awards granted under the other share-based plans is equal to the weighted average trading price of the Company's shares for the five trading days immediately preceding the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation cost is recognized on a graded amortization basis over the vesting period. Forfeitures are estimated at the date of grant, with adjustments being made over the vesting period for changes in expectations due to actual forfeitures through failure to satisfy vesting conditions. Costs related to surrendered or canceled options are recognized immediately for the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

The Company has directed an independent trustee to purchase and hold common shares in trust for the participants of the other share-based plans until the applicable vesting date. The cost of the purchase of common shares held in trust is accounted for as a reduction in outstanding common shares and the trust is consolidated as a special purpose entity. Compensation expense for equity-settled share-based plans, based on the fair value of the common shares underlying the rights granted, is recognized on a graded amortization basis over the vesting period with a corresponding increase to contributed surplus. Upon vesting, share capital is increased and contributed surplus is decreased.

The cost of cash-settled share-based payments is measured at fair value and recognized as an expense over the vesting period, with a corresponding liability recognized on the Consolidated Statement of Financial Position. Each subsequent period the liability is remeasured to reflect the passage of time, changes in the Company's share price, and the actual number of units for which the related service and non-market vesting conditions are met. Changes in the fair value of the liability are recognized through profit or loss until the liability is ultimately settled.

Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using enacted or substantively enacted tax rates and laws that are expected to be in effect when the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and investments subject to significant influence, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that future realization of the tax benefit is probable.

Current income taxes are amounts expected to be payable or recoverable as a result of operations in the current year and any adjustments to tax payable in respect of previous years.

Foreign currency translation

The operating results of the Company's United States and Australian operations, which have a functional currency of United States Dollars ("USD") and Australian Dollars ("AUD"), respectively, are translated into Canadian Dollars using the rate of exchange on the date of the transaction. The Company determines the functional currency to be that of the primary economic environment in which the undertaking operates. The Statement of Financial Position of the United States and Australian operations are translated into Canadian Dollars at the rates of exchange at the period end. Exchange differences arising between the translation into Canadian Dollars of the net assets of these operations at rates at the beginning and end of the period are recognized in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In the event that a foreign subsidiary is sold, the gain or loss on disposal recognized in the Consolidated Statement of Net Income (Loss) is determined after taking into account the cumulative currency translation differences that are attributed to the subsidiary concerned.

Foreign currency transactions entered into by the Company during the year through the Canadian operations are translated into Canadian Dollars at the rates of exchange on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the Consolidated Statement of Financial Position date. Non-monetary assets denominated in foreign currencies are translated at historical exchange rates. All foreign currency transaction translation differences relating to the Canadian operations are recorded in the Consolidated Statement of Net Income (Loss).

Per share amounts

Basic net income per share is computed by dividing net income attributable to Black Diamond by the weighted average number of shares outstanding during the period.

The treasury stock method is used to determine the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase shares of Black Diamond at their estimated average market price during the period, and the difference between Black Diamond shares issued upon the exercise of the options and the number of options exercisable under this method, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive options are not considered in computing diluted earnings per share.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, determined to be the Board of Directors and the senior executives, as these are the individuals that make strategic decisions and resource allocations.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are recorded as a reduction to the eligible expenses incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. If the underlying estimates and assumptions upon which the consolidated financial statements are based change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements:

Impairment of non-financial assets

Goodwill is assessed annually for impairment. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of forecasted cash flows, long-term growth rates, anticipated gross margin, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

Determination of a CGU

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its property and equipment, goodwill and definite life intangible assets. The CGUs have been determined considering level of operating activities and independent cash flows generated from groups of assets. Management determined the smallest identifiable group of assets that independently generates cash inflows and whose cash flow is largely independent of the cash inflows from other assets or groups of assets as follows: Modular Space Solutions East ("MSS East"), Modular Space Solutions West ("MSS West"), Modular Space Solutions US ("MSS US"), Camps & Lodging, Energy Services, and Australia.

Operating lease commitments – Company as lessor

The Company has entered into rental contracts for its fleet. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the fleet, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair value measurement of financial instruments

Financial assets and financial liabilities that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The inputs to these valuations are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. See Note 16 for further disclosures.

Determination of control and significant influence

Management has used judgment in assessing whether Black Diamond exerts control and significant influence over its subsidiaries and investments, respectively. In general, significant influence is presumed to exist when Black Diamond has between 20% and 50% of voting power. Significant influence may also be evidenced by other qualitative factors, including but not limited to Black Diamond's representation on the board of directors.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. As a multinational group of legal entities and businesses, the Company has undertaken various cross border transactions. These transactions are subject to the review and audit of various tax authorities. The judgment used when developing and entering into these transactions is based on existing tax policies in each jurisdiction. Future changes in tax policies may necessitate associated adjustments to tax recoveries and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company's legal entities.

Aggregation of interest in subsidiaries

Management has used judgment in determining whether it is appropriate to aggregate the disclosures required by IFRS 12, *Disclosure of interests in other entities* for Black Diamond's interests in subsidiaries. In reaching a determination, management considered such factors as its interests in the subsidiaries' nature of business, their industry classification and their geographical location.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

In March 2020, the Company has seen macro-economic uncertainty as a result of the global COVID-19 pandemic. The outbreak and subsequent measures intended to limit the spread of the virus contributed to significant volatility in financial markets. Furthermore, recent global developments and uncertainty in oil supply have caused further abnormally large volatility in commodity markets. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

Revenue recognition

Revenue from certain types of contracts is recognized over time, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company. In determining the progress towards complete satisfaction, estimates and assumptions are made in relation to costs incurred and the costs to complete the contracts. When the outcome of the transaction cannot be estimated reliably, estimates and assumptions are made on whether the Company will recover the transaction costs incurred.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its FVLCD and its VIU. The FVLCD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated future cash flows. The FVLCD calculation is based on a DCF model. The cash flows are derived from the Company's forecast for the next year and does not include significant future investments that could enhance the performance of the CGU being tested. Estimates for revenue growth and EBITDA margins were based on a review of historical information for each CGU, consideration of achievable rates and utilization during the forecast period, and consideration of future prospects given management's understanding of the operating environment. The discount rates used for each CGU were estimated based on the assumed weighted average cost of capital for a notional purchaser of each CGU. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, margins, and the growth rate used for extrapolation purposes.

The Company is required to make judgments regarding the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Asset Retirement Obligations

The Company has recognized a provision for asset retirement obligations associated with land leases held by the Company. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the camps from the leases and the expected timing of those costs.

Additional estimates

Other estimates that management is required to make to conform with IFRS and prepare timely consolidated financial statements includes accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, and useful lives of intangible assets. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the estimates used in pricing its options and long-term share-based compensation plans and the determination of functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

4. CAPITAL MANAGEMENT

Black Diamond's primary 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; and
- to provide an appropriate return to shareholders relative to the risk of Black Diamond's underlying assets.

Black Diamond manages its capital structure within guidelines approved by the Board of Directors of the Company, and makes adjustments in light of changes in economic conditions, planned requirements, and the requirements of financial covenants. Black Diamond considers its capital structure to include shareholders' equity, short and long term credit facilities, and working capital. Black Diamond has the ability to adjust its capital structure by issuing or repurchasing equity or issuing or repaying debt, selling assets to reduce debt, controlling the amount it returns to shareholders through dividends or share buybacks and making adjustments to its capital expenditure program. The only restriction Black Diamond has on its capital is in respect of certain financial covenants contained in its asset-based revolving credit facility disclosed in Note 15. Breaches in meeting the financial covenant would permit its lenders to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or past periods.

Black Diamond monitors its capital structure by managing the level of available borrowing capacity, which is largely driven by the Net Orderly Liquidation value of eligible rental fleet and qualified receivables and by using the Net Debt to Adjusted EBITDA⁽¹⁾ ratio. The ratio is a key measure of operating performance as it demonstrates the Company's ability to generate the necessary funds for capital investment and to service and repay debt. Black Diamond believes, based on its current level of customer and geographic diversification, that a longer term Net Debt to Adjusted EBITDA⁽¹⁾ ratio of 2.0 to 3.0x provides the Company with strong risk-adjusted returns to shareholders while providing necessary flexibility across the platform.

Net Debt is a non-GAAP measure calculated as long-term debt excluding deferred financing costs minus cash. At December 31, 2020, the Net Debt to Adjusted EBITDA⁽¹⁾ ratio is 4.23 (December 31, 2019 - 2.50). Net Debt to Adjusted EBITDA, including trailing twelve months of Vanguard's EBITDA, is 3.35. Adjusted EBITDA, a non-GAAP measure, is calculated as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Loss for the year	(3,502)	(7,485)
Add (Deduct):		
Share-based compensation ^(note 19)	2,943	3,056
Depreciation and amortization ^(notes 8, 9, 10 and 26)	33,017	39,301
Finance costs ^(note 23)	5,656	7,562
Debt retirement costs ^(note 23)	—	2,359
Current income taxes ^(note 14)	424	49
Deferred income taxes ^(note 14)	(883)	(6,164)
Acquisition costs ^(note 5)	1,872	177
Profit attributable to non-controlling interest	1,115	443
Adjusted EBITDA ⁽¹⁾	40,642	39,298

- (1) Net Debt and Adjusted EBITDA are not recognized measures under IFRS. The Company's method of calculating Net Debt and Adjusted EBITDA may differ from other entities and accordingly, may not be comparable to measures used by other entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

5. BUSINESS COMBINATIONS

Spectrum

In a transaction that closed on January 28, 2020 (effective date of January 1, 2020), Black Diamond acquired 100% of Spectrum Building Systems, Inc. and Spectrum Leasing, LLC (combined "Spectrum") for cash consideration of US\$5,000 (C\$6,591). The acquisition has been accounted for as a business combination in the Modular Space Solutions business unit, in accordance with IFRS 3, *Business combinations*.

The acquisition included 202 space rental assets in Gainesville, Georgia, the Spectrum brand name, customer relationships and working capital.

The final allocation of the purchase consideration has been allocated to the fair value of the net assets acquired and liabilities assumed as follows:

	January 1, 2020
Fair value of net assets acquired:	\$
Cash and cash equivalents	97
Accounts receivable	527
Prepaid expenses and other current assets	12
Property and equipment	5,964
Intangible assets ⁽¹⁾	2,318
Accounts payable and accrued liabilities	(165)
Deferred revenue	(509)
Deferred tax liability	(1,653)
Net assets	6,591

(1) Intangible assets include a brand name, customer relationships, customer contracts and permits.

Since the acquisition date, Black Diamond has recognized revenue and profit contributed by Spectrum of approximately \$5,793 and \$1,225, respectively. Acquisition costs of \$83 were incurred as expenses for the year ended December 31, 2020 (December 31, 2019 - \$177).

Vanguard

In a transaction that closed on November 30, 2020, Black Diamond acquired 100% of Vanguard Modular Building Systems LLC ("Vanguard") for total cash consideration of US\$50,000 (C\$64,927), the issuance of 867 preferred shares of the Company's subsidiary BOXX Modular Holding Inc. for a fair value of US\$8,670 (C\$11,258), and the issuance of 2,230,728 common shares of the Company for a fair value at the acquisition date of \$1.76 per share or US\$3,980 (C\$3,999) for total compensation of US\$61,750 (C\$80,182).

The acquisition expands the diversified Modular Space Solutions ("MSS") segment by adding 2,196 space rental assets in key markets of eastern and southern U.S, with its largest markets being Virginia, North and South Carolina, and Texas. The acquisition doubles the MSS platform and adds critical scale in the attractive education rentals vertical.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

5. BUSINESS COMBINATIONS (continued)

The acquisition has been accounted for using the acquisition method in accordance with IFRS 3, *Business Combinations* on November 30, 2020, whereby the assets acquired and the liabilities assumed were recorded at their fair values. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities.

The preliminary allocation of the fair value of the net assets acquired and aggregate consideration is presented below.

	November 30, 2020
Fair value of net assets acquired:	\$
Cash and cash equivalents	6
Accounts receivable	5,551
Prepaid expenses and other current assets	7,144
Deferred receivable	3,938
Property and equipment	72,269
Right-of-use assets	766
Intangible assets ⁽¹⁾	4,728
Accounts payable and accrued liabilities	(12,357)
Deferred tax liability	(800)
Leases and other liabilities	(1,063)
Net assets	80,182

(1) Intangible assets include customer relationships

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

Since the acquisition date, Black Diamond has recognized revenue and profit contributed by this business of approximately C\$5,849 and C\$1,160, respectively. If the business combination had occurred on January 1, 2020, the Company would have recognized pro forma revenue and profit for the twelve months ended December 31, 2020 of C\$59,860 and C\$6,339, respectively. Acquisition costs of C\$1,789 are included in expenses for the twelve months ended December 31, 2020. The pro forma results are not necessarily indicative of the results from operations had the transaction actually closed on January 1, 2020 nor of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

6. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
	\$	\$
Trade and accrued receivables	46,646	45,999
Provision for doubtful accounts	(552)	(224)
Total accounts receivable	46,094	45,775

a) Trade and accrued receivables

Trade receivables are aged from the date of invoicing, with normal payment terms being 30 - 60 days.

The aging of the trade and accrued receivables is as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Accounts receivable, net of provision for doubtful accounts		
Current	29,979	28,114
Past due not more than 30 days	7,047	6,170
Past due not more than 60 days	2,328	1,406
Past due not more than 90 days	1,568	3,325
Past due greater than 90 days	5,172	6,760
Total accounts receivable, net of provision for doubtful accounts	46,094	45,775

Credit risk is the risk that Black Diamond will experience financial loss if a customer does not fulfill its contractual obligations to the Company. Refer to Note 16 Financial Instruments for further analysis and discussion of credit risk.

b) Provision for doubtful accounts

Management expects full collection on accounts receivable that are not impaired.

	2020	2019
	\$	\$
Movement in provision for doubtful accounts		
As at January 1,	224	135
Amount provided in year	525	147
Written off in period	(197)	(58)
As at December 31,	552	224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

7. OTHER ASSETS

Prepaid expenses and other current assets

Prepaid expenses consists of prepaid expenses for operations and insurance premiums paid but not yet incurred. Other current assets consist of current income tax recovery and inventories.

Other long-term assets

Other long-term assets consists of long-term accounts receivables. Revenue recognized on services rendered will be collected over the term of the contract that ranges from two to five years and bears an interest rate of 12% to 15%.

8. PROPERTY AND EQUIPMENT

	Land and improvements	Building	Leasehold improvements	Computers, furniture and service equipment	Space rentals fleet equipment	Workforce accommodation rental fleet	Surface rental equipment	Carry-on options	Deposits on equipment	ARO	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost											
January 1, 2020	11,296	3,230	30,644	16,542	223,690	429,942	36,342	14,764	505	9,416	776,371
Additions	594	—	535	1,346	25,860	3,008	2,547	2,542	(300)	219	36,351
Additions from business combinations (note 5)	—	10	3	247	77,952	—	—	21	—	—	78,233
Disposals	—	—	(217)	(4,847)	(6,326)	(7,674)	(465)	(8,837)	—	(221)	(28,587)
Transfers	76	1,334	—	(1,412)	978	(2,688)	889	823	—	—	—
Translation and other adjustments	(131)	(19)	(5)	46	(2,483)	627	(32)	18	(2)	—	(1,981)
December 31, 2020	11,835	4,555	30,960	11,922	319,671	423,215	39,281	9,331	203	9,414	860,387
Accumulated Depreciation											
January 1, 2020	429	1,110	24,318	14,610	71,356	285,997	30,416	12,210	—	8,432	448,878
Charge for the year	121	14	1,277	1,197	7,755	10,292	1,014	1,864	—	588	24,122
Disposals	—	—	(217)	(4,842)	(2,793)	(5,922)	(380)	(8,703)	—	(221)	(23,078)
Transfers	75	1,060	—	(1,196)	165	(1,085)	89	892	—	—	—
Translation and other adjustments	(4)	(10)	12	48	(200)	615	(6)	26	—	—	481
December 31, 2020	621	2,174	25,390	9,817	76,283	289,897	31,133	6,289	—	8,799	450,403
Net Book Value											
December 31, 2020	11,214	2,381	5,570	2,105	243,388	133,318	8,148	3,042	203	615	409,984

Transfers include reclassifications between asset categories to reflect the re-purposing of assets and the application of deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

8. PROPERTY AND EQUIPMENT (continued)

	Land and improvements	Building	Leasehold improvements	Computers, furniture and service equipment	Space rentals fleet equipment	Workforce accommodation rental fleet	Surface rental equipment	Carry-on options	Deposits on equipment	ARO	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost											
January 1, 2019	11,402	3,629	29,979	16,207	212,954	443,897	36,710	12,921	369	9,340	777,408
Additions	117	—	657	435	20,939	7,181	513	2,009	146	84	32,081
Disposals	—	(361)	(8)	(257)	(6,283)	(16,608)	(881)	(211)	—	(8)	(24,617)
Transfers	10	—	28	297	(170)	(285)	—	120	—	—	—
Translation and other adjustments	(233)	(38)	(12)	(140)	(3,750)	(4,243)	—	(75)	(10)	—	(8,501)
December 31, 2019	11,296	3,230	30,644	16,542	223,690	429,942	36,342	14,764	505	9,416	776,371
Accumulated Depreciation											
January 1, 2019	351	1,343	22,206	13,931	64,460	286,770	30,371	11,047	—	7,035	437,514
Charge for the year	72	131	2,116	938	9,563	15,651	807	1,299	—	1,397	31,974
Disposals	—	(361)	(8)	(247)	(1,261)	(14,004)	(762)	(189)	—	—	(16,832)
Transfers	9	—	14	131	(90)	(184)	—	120	—	—	—
Translation and other adjustments	(3)	(3)	(10)	(143)	(1,316)	(2,236)	—	(67)	—	—	(3,778)
December 31, 2019	429	1,110	24,318	14,610	71,356	285,997	30,416	12,210	—	8,432	448,878
Net Book Value											
December 31, 2019	10,867	2,120	6,326	1,932	152,334	143,945	5,926	2,554	505	984	327,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

9. RIGHT-OF-USE-ASSETS

	Real Estate	Vehicles & Equipment	Total
	\$	\$	\$
<u>Cost</u>			
December 31, 2019	23,200	1,858	25,058
Additions	4,008	123	4,131
Exchange rate adjustment	64	6	70
December 31, 2020	27,272	1,987	29,259
<u>Accumulated Depreciation</u>			
December 31, 2019	4,880	442	5,322
Charge for the year	5,096	646	5,742
Exchange rate adjustment	35	4	39
December 31, 2020	10,011	1,092	11,103
<u>Net Book Value</u>			
December 31, 2019	18,320	1,416	19,736
December 31, 2020	17,261	895	18,156

	Real Estate	Vehicles & Equipment	Total
	\$	\$	\$
<u>Cost</u>			
January 1, 2019	20,624	966	21,590
Additions	3,400	912	4,312
Disposals	(722)	—	(722)
Exchange rate adjustment	(102)	(20)	(122)
December 31, 2019	23,200	1,858	25,058
<u>Accumulated Depreciation</u>			
January 1, 2019	—	—	—
Charge for the year	4,880	442	5,322
December 31, 2019	4,880	442	5,322
<u>Net Book Value</u>			
January 1, 2019	20,624	966	21,590
December 31, 2019	18,320	1,416	19,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

10. GOODWILL AND INTANGIBLE ASSETS

	2020	2019
	\$	\$
Goodwill		
As at January 1,	9,946	10,172
Translation adjustment	(113)	(226)
As at December 31,	9,833	9,946

Goodwill is allocated to the reportable segments as reflected in the segmented information (Note 26).

	2020	2019
	\$	\$
Intangible Assets		
<u>Cost</u>		
January 1,	28,449	27,211
Additions	991	1,518
Additions from business combinations ^(note 5)	7,046	—
Retirement	(15,347)	—
Translation adjustment	(105)	(280)
December 31,	21,034	28,449
<u>Accumulated amortization</u>		
January 1,	20,292	18,501
Charge for the year	2,904	1,997
Retirement	(15,347)	—
Translation adjustment	50	(206)
December 31,	7,899	20,292
<u>Net Book Value</u>		
December 31,	13,135	8,157

Intangible assets consists mainly of customer relationships, LodgeLink website development costs, non-compete agreements and trademarks. Intangible assets belong to the reportable segments as reflected in the segmented information (Note 26). The retirement of intangible assets consists of the write-off of fully amortized assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

11. IMPAIRMENT

In accordance with the requirements of IAS 36, all CGUs with goodwill were tested for impairment. This included the Modular Space Solutions CGUs of MSS West, MSS East, and MSS US. The Modular Space Solutions CGUs were tested for impairment at the aggregated MSS North America level because together they meet the aggregation criteria, specifically that the group of CGUs are expected to benefit together from the synergies created by the acquisitions on which the goodwill arose.

As at December 31, 2020, the Company applied the exemption criteria of IAS 36.99 allowing them to use the recoverable amount calculations from the preceding year in the current year impairment assessment. As a result, the following information remains relevant for the current period:

As at December 31, 2019, the Company calculated FVLCD using a discounted cash flow method that projects future cash flows over a 5-year period. Revenue and cash flow assumptions were based on a combination of past results and expectations of future growth throughout a business cycle. These cash flows are estimated with reference to assumptions about rates and utilization levels, the Company's cost of capital, capital expenditures, anticipated capital spending by customers, anticipated government infrastructure spending, and industry and local market conditions that might directly impact the individual CGUs' operations in the future. The methodology applied in estimating these cash flows was consistent in 2019 and 2018. These fair value measurements are categorized as Level 3 in the fair value hierarchy as certain significant inputs are not observable. In addition, a terminal value is estimated, using a capitalized cash flow approach with a long-term growth rate of 1.5% to 2%. These cash flows are then discounted using a long-term weighted average cost of capital based on an estimate of investment returns that would be required by a market participant.

This resulted in no impairment charge to the Modular Space Solutions CGUs in 2020 or 2019.

The following table summarizes the key values and assumptions for the impairment test for each CGU:

CGU	Recoverable Amount	Terminal Growth Rate	Discount Rate
MSS West	94,000	2.0 %	11.0 %
MSS East	52,500	2.0 %	11.0 %
MSS US	89,900	1.5 %	11.0 %

The estimation of FVLCD involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in terminal growth rate and discount rates. These key assumptions were tested for sensitivity by applying a reasonably possible change to those assumptions. Future terminal growth rates were reduced by 0.5% and discount rates were increased by 0.5%. The recoverable amounts of the CGUs tested remained greater than the total carrying values of the CGUs after adjusting these assumptions.

At December 31, 2020, the Company evaluated its Camps & Lodging, Energy Services, Modular Space Solutions and International CGUs for indicators of any potential impairment and impairment recovery. As a result of these assessments, no indicators were identified and no impairment was recorded on these CGUs. At December 31, 2019, the assessments resulted in no indicators being identified and no impairment was recorded on these CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	\$	\$
Trade payables	13,744	15,674
Accruals	11,477	15,582
Due to related parties ^(note 27)	637	365
Other payables	6,504	3,591
Total accounts payable and accrued liabilities	32,362	35,212

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled within 30-60 days.
- Accrued liabilities are estimates of amounts due for goods and services that have been received but not yet invoiced.

13. LEASE LIABILITIES

	2020	2019
	\$	\$
Lease liabilities, January 1	23,922	25,006
Additions	4,131	4,312
Disposals	—	(731)
Interest expense	1,136	1,245
Lease payments	(6,352)	(5,805)
Effect of movement in foreign exchange rates	(12)	(105)
Lease liabilities, December 31	22,825	23,922
Less: current portion	4,599	5,203
Long-term lease liabilities, December 31	18,226	18,719

Lease liabilities mature over the next five fiscal years and thereafter as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Due within one year	4,599	5,203
Due later than one year and less than five years	13,827	13,358
Due after five years	4,399	5,361
	22,825	23,922

For the twelve month period ended December 31, 2020, short-term lease payments were \$437 (2019 - \$604) and sub-lease income was \$71 (2019 - \$192). Variable and low value leases are immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

14. INCOME TAXES

Deferred Tax Liabilities and Assets

The following are the major deferred tax liabilities and assets recognized by the Company and movements thereon during the year:

	Property & Equipment	Goodwill and intangible assets	Finance fees	Tax loss carry forward	Lease liability	Other	Total
	\$	\$	\$	\$	\$	\$	\$
January 1, 2019	54,303	2,751	(636)	(24,780)	—	(234)	31,404
Recognized in loss for the year	3,281	(315)	406	(4,282)	(4,542)	(712)	(6,164)
Recognized in equity	—	—	—	—	(922)	—	(922)
Recognized in OCI	193	4	—	(262)	7	(202)	(260)
December 31, 2019	57,777	2,440	(230)	(29,324)	(5,457)	(1,148)	24,058
Recognized in loss for the year	24,114	(1,434)	67	(23,217)	(48)	(366)	(884)
Recognized in equity	2,126	412	—	(36)	—	63	2,565
Recognized in OCI	(415)	(35)	—	319	7	(239)	(363)
December 31, 2020	83,602	1,383	(163)	(52,258)	(5,498)	(1,690)	25,376

No deferred tax liability has been recognized for temporary differences associated with investments in subsidiaries and joint ventures as the Company is in a position to control the entities and it is considered probable that these timing differences will not reverse in the foreseeable future.

Unrecognized Tax Assets

Deferred tax assets were not recognized on the following deductible temporary differences:

	2020	2019
	\$	\$
Canadian net capital losses	—	65
International non-capital losses and property and equipment	23,598	27,922
Total	23,598	27,987

Effective Tax Rate

The following is a reconciliation of income tax recovery calculated at the statutory Canadian income tax rate to the income tax provision included in the Consolidated Statement of Net Income (Loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

14. INCOME TAXES (continued)

	2020	2019
	\$	\$
Loss before income taxes	(2,846)	(13,157)
Provision for income taxes at statutory rate	(708)	(3,497)
Increase (decrease) in income taxes due to:		
Different jurisdiction rate difference	357	(94)
Non-deductible items	565	298
Non-controlling interests	(277)	(118)
Changes in tax rates impacting deferred taxes	—	(3,153)
Impact of differential between deferred tax and current tax rate	—	949
Change in unrecognized tax benefits	(1,297)	(1,108)
Adjustment on adoption of IFRS 16	—	922
Prior year true up	979	(451)
US state tax	103	70
Other	(181)	67
Income tax recovery for the year	(459)	(6,115)

The statutory rate decreased from 26.58% in 2019 to 24.86% in 2020 due to a change in the Alberta corporate income tax rate. The Alberta corporate income tax rate was planned to decrease by one percentage point each year until it reached 8% on January 1, 2022. As part of Alberta's Recovery Plan, the government accelerated the plan, reducing the corporate income tax rate to 8% on July 1, 2020, a year and a half earlier than originally planned.

There is a current income tax receivable balance of \$323 (2019 - \$562) in prepaid expenses and other current assets on the Consolidated Statement of Financial Position. In 2020, Black Diamond received \$535 in federal and Alberta income tax refunds which were related to 2016 non-capital loss carrybacks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

15. LONG-TERM DEBT

	December 31, 2020	December 31, 2019
	\$	\$
Asset-based revolving credit facility	176,380	103,228
Costs associated with issue and restructuring of facilities	(645)	(806)
Total long-term debt	175,735	102,422

The weighted average interest rate on outstanding debt for the year ended December 31, 2020 was 2.6% (2019 – 4.6%).

Asset-based revolving credit facility

Effective November 30, 2020, the Company reached an agreement with its lenders to amend its asset-based revolving credit facility ("ABL Facility") increasing the maximum revolving line to \$300.0 million and the uncommitted accordion to \$50,000. Amounts drawn on the credit facility incur interest at Bank Prime rate plus 0.25% to 0.75%, or Bankers Acceptance rate plus 1.5% to 2.0%. The ABL Facility has a standby fee of 0.25% of the utilized capacity. Amounts borrowed under the ABL Facility become due on October 31, 2023, the maturity date of the ABL Facility.

The borrowing base, or available amount at any given time under the ABL Facility is based on 85 - 90% of the Net Orderly Liquidation Value of eligible rental fleet and qualified receivables, up to \$300,000 (December 31, 2019 - \$200,000). The Company will be required to maintain a Fixed Charge Coverage Ratio ("FCCR") of 1.1 to 1; however, this covenant is only tested in certain instances, principally when draws under the ABL Facility exceed 90% of the borrowing base. As at December 31, 2020, the Company's draws under the ABL Facility amounted to 69% of a borrowing base of \$257,079. As at December 31, 2019, the Company's draws under the ABL Facility amounted to 57% of a borrowing base of \$179,624. Therefore the FCCR covenant was not applicable in both periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

16. FINANCIAL INSTRUMENTS

Analysis of financial assets and liabilities

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost
	\$	\$	\$
Cash and cash equivalents	3,681	—	—
Current accounts receivable	—	46,094	—
Other long-term assets	—	3,304	—
Accounts payable and accrued liabilities	—	—	32,362
Long-term debt ⁽¹⁾	—	—	176,380
December 31, 2020	3,681	49,398	208,742
Cash and cash equivalents	4,291	—	—
Current accounts receivable	—	45,775	—
Other long-term assets	—	185	—
Accounts payable and accrued liabilities	—	—	35,212
Long-term debt ⁽¹⁾	—	—	103,228
December 31, 2019	4,291	45,960	138,440

(1) The amounts in the table above exclude deferred financing costs (Note 15) as they are not considered financial assets.

Fair value of financial instruments

There are no material differences in the carrying amounts of those instruments classified as financial assets at fair value through profit or loss, financial assets measured at amortized cost or financial liabilities measured at amortized cost and their estimated fair values.

Financial risk management objectives and policies

The Company's principal financial liabilities are comprised of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables and cash that derive directly from its operations.

The Company is exposed to interest rate risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk and treasury department that advises on financial risks and the appropriate financial risk governance and cash management strategies for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

16. FINANCIAL INSTRUMENTS (continued)

a) 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 interest rate risk on its long-term debt. The required cash flow to service certain credit facilities will fluctuate as a result of changes in market rates.

A 1% increase in interest rates in the year, assuming debt patterns consistent with those that actually occurred in 2020, when annualized, would have resulted in a 2020 net income sensitivity of approximately \$1,239 (2019 - \$625).

b) 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, working capital, and capital expenditures.

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

	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	32,362	—	—	—	32,362
Long-term debt	—	—	176,380	—	176,380
Lease liabilities	1,405	4,214	15,991	4,698	26,308
Commitments (note 28)	328	982	5,903	1,352	8,565
December 31, 2020	34,095	5,196	198,274	6,050	243,615
Accounts payable and accrued liabilities	35,212	—	—	—	35,212
Long-term debt	—	—	103,228	—	103,228
Lease liabilities	1,048	5,238	15,662	5,629	27,577
Commitments (note 28)	266	1,334	5,900	2,827	10,327
December 31, 2019	36,526	6,572	124,790	8,456	176,344

Black Diamond maintains sufficient unused capacity in its ABL Facility 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.

On a regular basis, management monitors its ability to meet its obligations as well as the commitments as disclosed in Note 28. Management believes the Company has adequate liquidity to meet these obligations, due to the future cash flows from operations, unused capacity of the ABL Facility, and the Company's incremental borrowing capacity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

16. FINANCIAL INSTRUMENTS (continued)

c) Credit risk

Credit risk arises from the possibility that the counterparties for which Black Diamond provides rentals and/or services are unable to meet their payment obligations, leading to financial loss. Black Diamond manages customer credit risk by assessing the creditworthiness of its customers on an ongoing basis subject to the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on credit review and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are monitored by management on a weekly basis. The Company recognizes loss allowances for ECLs on its accounts receivable and other long-term assets, which are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Cash and cash equivalents do not carry credit risk as they are held with major Canadian banking institutions.

The maximum exposure to credit risk at the reporting date relating to the counterparties to which Black Diamond provides rentals and/or services, is the carrying value of the Company's accounts receivables as disclosed in Note 6. Management assesses impairment after taking into consideration the customer's payment history, their credit worthiness, the current economic environment in which the customer operates and their establishment within their respective industries. To date, Black Diamond's bad debts have not been significant and have been limited to specific customer circumstances.

The Company had concentration of credit risk as at December 31, 2020 as one individual customer represented 14% of total trade accounts receivable (December 31, 2019 - one individual customer represented 14% of total trade accounts receivable).

d) Foreign currency sensitivity

The impact on the Company's profit before tax due to changes in the fair value of the monetary assets and liabilities denominated in U.S. dollars ("USD") and Australian dollars ("AUD") as a result of fluctuations in exchange rates is not material. The impact on the Company's other comprehensive income of a 10% change in the USD and AUD exchange rates at the reporting date for the year ended December 31, 2020 is \$12,974 (December 31, 2019 - \$12,185).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

17. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of assets and liabilities measured at fair value:

	Fair value measurement using			
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Total	(Level 1)	(Level 2)	(Level 3)
	\$	\$	\$	\$
December 31, 2020				
Assets measured at fair value:				
Cash and cash equivalents	3,681	3,681	—	—
December 31, 2019				
Assets measured at fair value:				
Cash and cash equivalents	4,291	4,291	—	—

18. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations relate to closure and post-closure costs related to camps where the Company has assumed the land lease obligations. Black Diamond estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at December 31, 2020 to be \$15,807 (December 31, 2020 - \$18,620). Management has estimated the present value of this obligation at December 31, 2020 to be \$15,115 (December 31, 2019 - \$17,731) using an inflation rate of 1.7% (December 31, 2019 - 2.0%) and pre-tax weighted average risk-free interest rate of 0.7% (December 31, 2019 - 1.9%) that reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2021 to 2026.

These estimates are based upon current and proposed reclamation and closure techniques in view of current contractual obligations, 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 asset retirement obligation activity during the year:

	2020	2019
	\$	\$
As at January 1,	17,731	18,878
Accretion in year ^(note 23)	177	279
Discount rate change	151	—
Revisions	(1,746)	75
Settlements	(1,198)	(1,501)
As at December 31,	15,115	17,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

19. SHARE CAPITAL

a) Share capital

Authorized: An unlimited number of voting common shares with no par value and an unlimited number of preferred shares, issuable in series.

	2020		2019	
	Number	Amount	Number	Amount
Issued - Common shares		\$		\$
As at January 1,	55,211	378,823	54,956	377,567
Issued on exercise of options	38	98	—	—
Net purchase of shares in trust (note 19 (b))	(1,301)	(2,205)	(299)	(530)
Net purchase of shares in NCIB	(329)	(630)	—	—
Vesting of shares from trust (note 19 (b))	844	1,806	554	1,786
Issuance of common shares (note 5)	2,231	3,999	—	—
As at December 31,	56,694	381,891	55,211	378,823

On January 15, 2020, the Company commenced an normal course issuer bid ("NCIB"), under which the Company may purchase for cancellation up to a maximum of 4,180,249 common shares of the Company. The NCIB will terminate on January 14, 2021 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the Company's election. For the year ended December 31, 2020, a total of 328,600 common shares at a cost of \$630 were purchased, cancelled and removed from share capital under the terms of the NCIB, representing an average purchase price of \$1.26 per common share. Subsequent to December 31, 2020, the Company applied and received the approval to purchase up to an additional 4,208,716 shares under the new NCIB program by January 14, 2022.

b) Share-Based Compensation Plans

(i) Share option plan

Black Diamond has a share option plan (the "Option Plan") pursuant to which options to purchase common shares 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

19. SHARE CAPITAL (continued)

The aggregate number of common shares of the Company that may be issued pursuant to the exercise of options granted under the Option Plan and all other share compensation arrangements of Black Diamond shall not exceed 10% of the outstanding common shares of Black Diamond from time to time. At December 31, 2020, there were 4,302 common shares (December 31, 2019 - 3,911) reserved for issuance upon the exercise of options granted pursuant to the Option Plan, and 1,025 common shares (December 31, 2019 - 1,097) reserved for issuance under the Share Award Plan. The aggregate number of common shares of the Company reserved for issuance under the Option Plan and the Share Award Plan represents 9.1% of the outstanding common shares of Black Diamond at December 31, 2020 (December 31, 2019 - 9.1%). 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. Outstanding options granted under the Option Plan generally vest on a straight line basis over three years and the option term is five years from the date of grant.

(expressed in thousands except per share amounts and years)

Grant date	Number of options outstanding	Exercise price per share	Remaining contractual life (years)	Number exercisable	Fair value at grant date
		\$			\$
March 11, 2016	339	4.72	0.19	339	1.03
March 21, 2017	638	3.60	1.22	638	0.81
August 14, 2017	411	1.74	1.62	411	0.74
September 12, 2017	120	1.91	1.70	120	0.83
September 22, 2017	41	1.86	1.72	41	1.00
March 15, 2018	699	2.53	2.20	466	0.86
March 14, 2019	1,061	1.96	3.20	539	0.86
October 1, 2019	120	1.77	3.75	40	0.89
March 16, 2020	783	1.29	4.21	—	0.62
June 1, 2020	36	1.40	4.42	—	0.68
December 9, 2020	54	1.98	4.94	—	0.95
Balance December 31, 2020	4,302			2,594	
Weighted average		2.36	2.53	2.78 ⁽¹⁾	

(1) Amount refers to the weighted average exercise price of the exercisable options as at December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

19. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity during 2020 and 2019:

	2020		2019	
	Number of options outstanding	Weighted average exercise price per share	Number of options outstanding	Weighted average exercise price per share
		\$		\$
As at January 1,	3,911	3.72	2,722	4.53
Granted	874	1.34	1,199	1.96
Exercised	(38)	1.91	—	—
Expired	(445)	12.35	—	—
Forfeited	—	—	(10)	(12.35)
As at December 31,	4,302	2.36	3,911	3.72

The Black-Scholes option pricing model was used in determining the fair values of these options using a forfeiture rate of 5%, based on historical experience and future expectations, and the following assumptions:

Date of grant	Dividend yield	Expected average volatility	Average risk-free rate
	%	%	%
March 14, 2019	—	60	1.65
October 1, 2019	—	60	1.38
March 16, 2020	—	59	0.59
June 1, 2020	—	61	0.37
December 9, 2020	—	59	0.44

The expected life of the options is three years and is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may not occur.

Included in share-based compensation expense for the year ended December 31, 2020 was \$781 (2019 – \$739) for the costs related to the Share Option Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

19. SHARE CAPITAL (continued)

(ii) Other share-based plans

Restricted and Performance Award Incentive Plan ("Share Award Plan")

The Company has a Share Award Plan which provides for the grant of restricted awards and performance awards (collectively, the "SAs"). The outstanding SAs generally entitle the holders to a sum (the "Award Value") to be paid on each of the first, second and third anniversaries of the date of grant (the "Payment Date"). The Award Value is calculated at the Payment Date by multiplying the number of SAs vesting by the fair market value of the common shares of the Company plus accrued dividends. On the Payment Date, the Company has the option of settling the Award Value to which a holder of SAs is entitled in the form of either cash or in common shares which may either be acquired by the Company on the stock exchange or issued from the treasury of the Company, or some combination thereof. The Company's intention is to settle the Award Value in common shares and it has therefore accounted for the SAs as equity-settled. Provided the Company maintains this intention and settles the Award Value through the issuance or purchase of common shares, it will continue to account for the SAs as equity-settled throughout their vesting period.

Deferred Share Unit Plan ("DSU Plan")

The Company has a DSU Plan pursuant to which it may make an annual grant of Deferred Share Units ("DSUs") to non-employee directors and non-employee directors may make an election to receive all or part of, in increments of 25%, their total annual retainer in the form of DSUs. Pursuant to the DSU Plan, DSUs awarded as part of an annual grant typically vest on the first anniversary of the date of grant and DSUs granted in lieu of total annual remuneration vest on the date of grant; however, in each instance, such DSUs will not be released until the non-employee director has ceased to be a member of the board of directors of the Company. The Award Value is calculated at the Payment Date by multiplying the number of DSUs by the fair market value of the common shares of the Company plus accrued dividends. DSUs are settled at the Company's option in cash and/or common shares acquired by the Company on the stock exchange. The Company's intention is to settle the DSU Plan in common shares and it has therefore accounted for the DSU awards as equity-settled.

Incentive Award Plan ("IA Plan")

The Company has an IA Plan which provides for the grant of incentive awards ("IAs"). Subject to the terms and conditions of the IA Plan, the outstanding IAs either entitle the holder to a sum (the "IA Value") to be paid in equal tranches on the first, second and third anniversaries of the date of grant. The IA Value is calculated at the payment date(s) by multiplying the number of IAs by the fair market value of the common shares of the Company plus accrued dividends. On the applicable payment date, the Company has the option of settling the IA Value to which a holder of IAs is entitled in the form of either cash or in common shares which are acquired by the Company on the stock exchange or some combination thereof. The awards granted to employees outside Canada are settled in cash and are accounted for as a liability and the awards granted to employees in Canada are settled in common shares and are accounted for as equity-settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

19. SHARE CAPITAL (continued)

Changes in the number of units, with their weighted average fair value, are summarized below:

	Share Award Plan		DSU Plan		IA Plan	
	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit
		\$		\$		\$
January 1, 2019	879	2.87	173	3.30	386	3.18
Granted	642	1.95	60	1.95	902	2.00
Forfeited	(60)	2.53	(15)	2.24	(105)	2.33
Vested	(364)	3.36	(22)	4.18	(190)	3.81
December 31, 2019	1,097	2.19	196	2.87	993	2.08
Granted	519	1.31	54	1.31	1,445	1.29
Forfeited	(118)	2.25	—	—	(239)	1.53
Vested	(472)	2.29	(18)	3.50	(380)	2.32
December 31, 2020	1,026	1.69	232	2.46	1,819	1.47

The fair value of awards granted under these share-based plans is equal to the weighted average trading price of the Company's shares for the five trading days immediately preceding the date of grant.

As at December 31, 2020, these share-based plans include 112 units (December 31, 2019 - 59) that will be settled in cash. A liability is included in accounts payable and accrued liabilities in the amount of \$173 (December 31, 2019 - \$71).

Included in share-based compensation expense for the year ended December 31, 2020 was \$2,031 related to the IA Plan, Share Award Plan and DSU Plan (December 31, 2019 - \$2,267). There was a \$131 expense on cash-settled awards.

The Company established the Incentive Award Plan Trust and the Deferred Share Unit Plan Trust (collectively the "Trusts") for the purpose of meeting future obligations under the IA and DSU Plans, which are consolidated in the Company's financial statements. Any shares held in the Trusts are accounted for as a reduction of share capital. As at December 31, 2020 there are 1,589 shares held in the Trusts (December 31, 2019 - 697).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

20. NON-CONTROLLING INTERESTS

The non-controlling interests represent earnings attributable to the Fort Nelson First Nation's interest in the Black Diamond Dene Limited Partnership ("BDDL"), the West Moberly First Nation's interest in the Black Diamond West Moberly Limited Partnership ("BDWMLP"), the Beaver Lake Cree Nation's interest in the Black Diamond Nehiyawak Limited Partnership ("BDNLP"), the Whitecap Dakota First Nation's interest in Whitecap Black Diamond Limited Partnership ("WCBDL"), and the preference shares issued by the Company's subsidiary BOXX Modular Holdings Inc. Management determines that the Company has control of all of these limited partnerships as it controls the general partner in all cases.

Equity Partnerships

On September 28, 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 1, 2010, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and West Moberly First Nations, as limited partners, formed Black Diamond West Moberly Limited Partnership through which Black Diamond and the West Moberly First Nations work together to provide services to resource development companies as well as other commercial and industrial activity in the West Moberly First Nations territory in northeastern British Columbia.

On June 14, 2012, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Beaver Lake Cree Nation, as limited partners, formed Black Diamond Nehiyawak Limited Partnership through which Black Diamond and the Beaver Lake Cree Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Beaver Lake Cree Nation territory in northeastern Alberta.

On December 2, 2014, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Whitecap Dakota First Nation, as limited partners, formed Whitecap Black Diamond Limited Partnership through which Black Diamond and Whitecap Dakota First Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Whitecap Dakota Nation territory in central Saskatchewan.

The summarized aggregate financial information of these subsidiaries is provided below. Aggregate financial information is provided as the Company's subsidiaries are involved in a similar course of business in the same industry, as well as operating in western Canada. The information below is based on amounts before inter-company eliminations.

	2020	2019
Extract of Statement of Net Income:	\$	\$
Revenue	31,022	28,335
Direct costs	28,493	26,669
Gross profit	2,529	1,666
Profit for the year	2,066	885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

20. NON-CONTROLLING INTERESTS (continued)

	December 31, 2020	December 31, 2019
Summarized Statement of Financial Position:	\$	\$
Total current assets	14,019	10,614
Property and equipment and other non-current assets	3,782	1,671
Trade and other payables	(12,064)	(8,971)
Asset retirement obligation	(711)	(751)
Other long-term liabilities	—	(80)
Total net assets	5,026	2,483

Preferred Shares of a Subsidiary

In connection with the Vanguard acquisition (Note 5), the Company issued 867 Preferred Shares (the "Preferred Shares") of its wholly owned subsidiary BOXX Modular Holdings Inc. (the "Issuer") for gross proceeds of US\$8,670 (C\$11,258). The Preferred Shares have been accounted for as non-controlling interest within these consolidated financial statements.

The Preferred Shares entitle the holders to a cumulative dividend of 7.0% per annum through to the end of the second year, increasing by 1% per annum thereafter. If the dividend is not paid in cash at least quarterly, the cumulative dividend will increase to 9.0% per annum through to the end of the third year and increasing by 1.0% per annum thereafter. The declaration and payment of dividends is at the sole discretion of the Issuer and are required to be settled in cash. The amount payable per share will equal the Original Issue price, plus any accrued but unpaid dividends.

The Company does not guarantee the payment of dividends and has the option, at any time, to purchase all or part of the Preferred Shares outstanding for cash consideration. The Company is restricted with its ability to declare dividends on its own preferred shares and common shares, to the extent the cumulative dividends on the Preferred Shares have not been declared and paid. The Preferred Shares do not have voting rights.

Upon any liquidation or dissolution of the Issuer, the holders of the Preferred Shares are entitled to a preference on liquidation over the common shareholders of the Issuer only with no further obligation to the Company. If the assets, of the Issuer, available for distribution are insufficient, the holders of the Preferred Shares will share ratably in the available distributions. The Preferred Shares do not participate in the distributions on liquidation after receiving the Series A Liquidation Amount.

The Issuer has classified the Preferred Shares as an equity instrument in accordance with the substance of the contractual arrangements that include the discretionary dividend feature, the Issuer's option to redeem the Preferred Shares and the preference on liquidation over the common shares.

Dividends to preferred shareholders for the year ended December 31, 2020 were \$nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

21. REVENUE AND DIRECT COSTS

	2020	2019
	\$	\$
Modular Space Solutions		
Rental revenue	39,253	33,270
Sales revenue	20,494	20,683
Non-rental revenue	33,987	32,754
Total revenue	93,734	86,707

	\$	\$
Workforce Solutions		
Rental revenue	26,281	32,251
Lodging revenue	17,829	23,924
Sales revenue	6,472	6,829
Non-rental revenue	35,541	36,225
Total revenue	86,123	99,229

During the year ended December 31, 2020, the Company had one significant customer (December 31, 2019 - two customers) that contributed greater than 5% of the Company's consolidated revenue (December 31, 2019 - 14%).

Customer deposits relating to non-rental revenue are included in deferred revenue in the Consolidated Statement of Financial Position. These amounts are expected to be recognized within the next twelve months.

	2020	2019 ⁽¹⁾
	\$	\$
Direct Costs		
Construction and transportation services	39,802	44,298
Catering, utilities and other consumable costs	16,988	18,209
New sales	15,411	13,452
Repairs and maintenance	10,176	10,875
Labour costs	8,531	9,754
Subleased equipment	5,903	5,693
Used fleet sales	5,509	7,785
Other direct costs	1,938	2,704
Fleet insurance	1,853	1,336
Rent expense - subleased properties	1,534	1,506
Total direct costs	107,645	115,612

⁽¹⁾ See Note 2. Significant Accounting Policies for further details of the restatement of comparatives

Total subsidies received under the Canadian Emergency Wage Subsidy program ("CEWS" program) in the year totaled \$2,919, of which \$1,168 was a reduction to direct costs. There are no unfulfilled conditions or other contingencies attached to the government assistance that have been recognized in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

21. REVENUE AND DIRECT COSTS (continued)

Operating lease commitments as lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Due within one year	33,732	17,376
Due later than one year and less than five	26,585	7,819
Due after five years	955	—
	61,272	25,195

22. ADMINISTRATIVE EXPENSES

	2020	2019 ⁽¹⁾
	\$	\$
Personnel costs	21,130	20,478
General administrative expenses	7,379	7,844
Occupancy and insurance	3,061	2,704
Total administrative expenses	31,570	31,026

⁽¹⁾ See Note 2. Significant Accounting Policies for further details of the restatement of comparatives

Total CEWS subsidies received in the year totaled were \$2,919, of which \$1,751 was a reduction to administrative expenses. There are no unfulfilled conditions or other contingencies attached to the government assistance that have been recognized in the financial statements.

23. FINANCE COSTS

	2020	2019
	\$	\$
Interest expense	3,166	5,162
Lease interest	1,136	1,245
Debt renewal and other lending fees	919	685
Accretion of asset retirement obligation ^(note 18)	177	279
Amortization of long-term debt set-up costs	258	191
Total finance costs	5,656	7,562

On October 31, 2019, Black Diamond entered into a four-year secured asset-based revolving credit facility. In the fourth quarter of 2019, the Company expensed costs in the amount of \$2,359 associated with the early termination of its former debt facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

24. LOSS PER SHARE

Basic and diluted earnings (loss) per share are calculated on the profit attributable to Black Diamond per the Consolidated Statement of Net Income (Loss) for the period.

	2020	2019
Weighted average common shares outstanding - basic and diluted	55,177	55,349

Excluded from diluted weighted average number of shares are 4,302 anti-dilutive options for the year ended December 31, 2020 (2019 - 3,911). Also excluded from diluted weighted average number of shares are 1,026 anti-dilutive Share Award Plan units for the year ended December 31, 2020 (2019 - 1,097).

25. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2020	December 31, 2019
	\$	\$
Decrease in accounts receivable	(319)	(11,311)
Decrease in prepaid expenses and other current assets	(723)	(939)
Increase in accounts payable and accrued liabilities and other current liabilities	5,109	3,946
Increase in non-cash working capital acquired in business combinations	2	—
Change in non-cash working capital	4,069	(8,304)
Attributable to operating activities	6,217	(9,069)
Attributable to investing activities	(2,369)	728
Attributable to financing activities	221	37

The amounts disclosed above differ from the changes in balances per the Consolidated Statement of Financial Position due to foreign currency translation adjustments.

As at December 31, 2020, no taxes were received in cash for the year (2019 - \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

26. SEGMENTED INFORMATION

Black Diamond has two operating segments: Modular Space Solutions and Workforce Solutions.

The Modular Space Solutions business unit provides high quality, cost effective, modular space rentals to customers throughout North America. These customers operate in the construction, real estate development, education, manufacturing, health care, financial, government and defense industries. Products include mobile office units, large multi-unit office complexes, classroom facilities, lavatories, storage units, health care facilities, high security modular buildings, custom manufactured modular facilities and blast resistant structures. Modular Space Solutions sells both new and used space rentals units which helps the Company replenish its fleet with newer assets to maintain a relatively newer average age of the fleet. Modular Space Solutions also provides delivery, installation, project management and ancillary products and services.

The Workforce Solutions business unit provides complete workforce housing solutions including rental of accommodations and surface equipment, provision of full turnkey lodging and provision of travel management logistics through the Company's online digital marketplace, LodgeLink. Workforce Solutions operates in Canada, the United States and Australia. The primary service offerings in Workforce Solutions are asset rental, lodging and travel management logistics. To support the core rental business, Workforce Solutions also offers associated services such as installation, transportation and dismantlement and at times, management will sell used fleet to maintain a relatively newer average age of the fleet.

The Corporate and Other business unit includes costs related to administrative activities that support all segments. Included in Corporate and Other are revenues generated from subleasing of real estate properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

26. SEGMENTED INFORMATION (continued)

	2020	2019
	\$	\$
Revenue		
Modular Space Solutions	93,734	86,707
Workforce Solutions	86,123	99,229
Total Revenue	179,857	185,936
Depreciation and Amortization		
Modular Space Solutions	14,187	14,349
Workforce Solutions	16,172	22,829
Corporate and Other	2,658	2,123
Total Depreciation and Amortization	33,017	39,301
Profit (Loss)		
Modular Space Solutions	12,878	10,078
Workforce Solutions	4,452	1,819
Corporate and Other	(20,832)	(19,382)
Total Profit (Loss)	(3,502)	(7,485)
Capital Expenditures (Additions)		
Modular Space Solutions	26,633	21,273
Workforce Solutions ⁽¹⁾	7,566	11,774
Corporate and Other	1,769	477
Total Capital Expenditures	35,968	33,524

(1) Amount includes intangible asset additions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

26. SEGMENTED INFORMATION (continued)

	December 31, 2020	December 31, 2019
	\$	\$
Property and Equipment		
Modular Space Solutions	238,338	148,527
Workforce Solutions	155,086	163,060
Corporate and Other	16,560	15,906
Total Property and Equipment	409,984	327,493
Intangible Assets		
Modular Space Solutions	10,513	5,271
Workforce Solutions	2,622	2,886
Total Intangible Assets	13,135	8,157
Goodwill		
Modular Space Solutions	9,833	9,946
Total Goodwill	9,833	9,946
Total Assets		
Modular Space Solutions	299,664	196,541
Workforce Solutions	183,301	199,125
Corporate and Other	28,925	26,897
Total Assets	511,890	422,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

26. SEGMENTED INFORMATION (continued)

Geographic information

	2020	2019
	\$	\$
Revenue		
Canada	108,648	107,080
United States	57,610	65,534
Australia	13,599	13,322
Total Revenue	179,857	185,936

The allocation of sales to the geographic segments is based upon the customer location where the product is utilized or service is delivered.

	December 31, 2020	December 31, 2019
	\$	\$
Property and Equipment, Intangibles and Goodwill		
Canada	232,607	230,674
United States	185,230	101,603
Australia	15,115	13,319
Total Property and Equipment, Intangibles and Goodwill	432,952	345,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

27. RELATED PARTY TRANSACTIONS

The amounts due to limited partners include distributions and royalties payable to the non-controlling interests. They are non-interest bearing and due on demand. The amounts due to other related parties are unsecured and are payable in cash.

The following table provides the total amount of transactions that have been entered into with related parties during the year, as well as balances with related parties as at December 31, 2020 and 2019.

	For the years ended December 31,		Due to related party as at December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Non-controlling interests				
Limited partners				
Royalties and distributions declared	1,641	911	(637)	(365)
Sale of fleet assets	1,216	—	—	—
Capital contribution	1,216	—	—	—
Other related parties				
Entity controlled by a member of the board of directors				
Purchases of goods and services	—	536	—	—

During the first quarter of 2020, a limited partner purchased surface rental units from the Company and contributed these units as a capital contribution to a partnership controlled by Black Diamond.

Services purchased from the entity controlled by a member of the board of directors include water handling and wastewater treatment services. The entity ceased to be controlled by a Black Diamond board member on August 26, 2019, and is no longer a related party.

Key Management Personnel Compensation

The Company has defined key management personnel as senior executive officers and all members of the board of directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company. The amounts disclosed in the table below are the amounts recognized as an expense during the reporting period related to key management personnel.

	2020	2019
	\$	\$
Salaries, bonuses, fees and other short-term employee benefits	2,540	2,318
Share-based compensation	778	1,500
Total Compensation	3,318	3,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

28. COMMITMENTS AND CONTINGENCIES

As Lessee

Black Diamond rents office and storage space, with associated maintenance and operating expenses, 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:

	December 31, 2020	December 31, 2019
	\$	\$
Due within one year	1,310	1,600
Due later than one year and less than five	5,903	5,900
Due after five years	1,352	2,827
	8,565	10,327

Capital Commitments

At December 31, 2020, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of \$2,116 (December 31, 2019 - \$10,664).

Contingent Liabilities

The Company indemnifies its directors and officers from all personal liability and loss that may arise in service to the Company.