MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of November 5, 2012 and is provided to assist readers in understanding Black Diamond Group Limited's ("Black Diamond" or the "Company" and formerly Black Diamond Income Fund) financial performance for the three and nine months ended September 30, 2012 and significant trends that may affect the future performance of Black Diamond. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2011. The accompanying unaudited condensed consolidated interim financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain figures in the prior year's financial statements have been reclassified to conform to the current year's presentation. Black Diamond's common shares trade on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond, filed with Canadian securities regulatory authorities, may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

All current and comparative share capital and earnings per share amounts have been adjusted for the two for one share split that occurred August 25, 2011.

Certain information set forth in this MD&A contains forward-looking statements including management's assessment of Black Diamond's future operations, performance, business prospects and opportunities. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: the impact of general economic conditions, industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information form for the year ended December 31, 2011 and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed through the SEDAR website at www.sedar.com. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.

EBITDA is not a recognized measure under GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the Company's ability to generate cash flow in order to fund working capital, service debt and fund capital *programs. The Company's method of calculating EBITDA may differ from other entities and accordingly, may not be comparable to measures used by other entities. See "Non-GAAP Measures".*

OVERVIEW OF THE COMPANY

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

Black Diamond, whose principal undertakings, through its wholly-owned subsidiaries, Black Diamond Limited Partnership, BOXX Modular Holdings Inc., Nortex Modular Leasing and Construction Company ("Nortex") and through its 50% participation in Black Diamond Dene Limited Partnership, Black Diamond West Moberly Limited Partnership, and Black Diamond Nehiyawak Limited Partnership, are to rent modular structures for use as workforce accommodation and temporary workspace, rent various types of oilfield equipment used in the exploration and production of oil and gas and to provide complementary services including the operation of remote lodging facilities, transportation, installation, dismantling, repair and maintenance of modular structures and oilfield equipment, as well as related services. Black Diamond operates through four operating divisions consisting of Black Diamond Camps, Black Diamond Logistics, BOXX Modular and Black Diamond Energy Services. In the unaudited condensed consolidated interim financial statements, Camps and Logistics are combined and disclosed as a single reportable segment.

Camps provide workforce accommodation designed for remote site accommodation. The structures, when assembled together, form large dormitories, kitchen/dining facilities and recreation complexes. The majority of the business activity within this segment occurs in Western Canada. The primary revenue sources are rental charges for accommodations and non-rental revenue, which consists of new manufactured and used fleet sales as well as ancillary third-party camp services when the camps are not operated directly by Black Diamond..

Logistics operates remote lodging facilities for third parties, and includes the Sunday Creek Lodge where the Company also owns the lodging facility. Logistics also provides the services of transportation, installation, dismantling, repair and maintenance of modular structures, as well as related services. The primary revenue sources consists of lodging fees for camps operated by Black Diamond and non-rental revenue which consists of installation and other initial set-up services to commence operations at these remote locations.

BOXX Modular provides high quality, cost effective modular space solutions to a diverse customer base in Canada and the United States ("USA"). The structures provided include office units, storage units, office complexes, training facilities, lavatories and custom manufactured structures. The primary revenue sources consist of rental revenue for this equipment and non-rental revenue consisting primarily of sales of modular units.

Energy Services provides a complement of surface rental assets that would typically support a drilling or completions operation such as tanks for storage of liquids, equipment for handling liquids and containing solids, rig matting, and support equipment. Energy Services also provides drill site accommodation units such as geologist/engineer quarters and staff quarters. The primary revenue sources consist of rental revenue for this equipment and non-rental revenue for equipment transportation and installation.

THIRD QUARTER 2012 HIGHLIGHTS

Revenue levels for the three months ended September 30, 2012 (hereafter referred to as the "Period") increased by 19% to $74.9 million compared to the three month period ended September 30, 2011 (hereafter referred to as the "Comparative Period"). Rental revenue was 44% higher at $29.3 million compared to the Comparative Period, while non-rental revenue was 6% higher at $30.5 million and lodging revenue was 8% higher at $15.1 million compared to the Comparative Period.

Revenue levels for the nine month period ended September 30, 2012 (hereafter referred to as the "YTD Period") increased by 12% to $195.8 million compared to the nine month period ended September 30, 2011 (hereafter referred to as the "Comparative YTD Period"). Rental revenue was 34% higher at $77.8 million compared to the Comparative YTD Period, while non-rental revenue was 7% lower at $74.8 million and lodging revenue was 15% higher at $43.2 million.

One of the primary drivers of Black Diamond's business continues to be the rental revenue from fleet units. The 44% or $8.9 million increase in rental revenue generated in the Period compared to the Comparative Period is primarily due to the Company's portfolio of rental assets being 36% larger on a book value basis. For the YTD Period there was 34% or $19.9 million increase in rental revenue compared with the Comparative YTD Period, primarily as a result of an increase in the rental fleet. The fleet of Camps units grew by 41% or 772 units between the Period and the Comparative Period. Camps units includes 467 units that were previously disclosed as belonging to Logistics. The new disclosure more accurately reflects the facts that camps owns and rents the units, while Logistics earns lodging revenue on these same units. The Space Rentals fleet grew by 14% or 361 units, the Energy Services accommodations fleet increased by 28% during the Period or 59 units, and the number of surface rental pieces of equipment increased by 42% or 683 units.

The utilization of these fleet assets was strong throughout the Period averaging 92% for Camps equipment compared with 91% for the Comparative Period. Space Rental fleet utilization decreased slightly to 75% for the Period as compared to 76% for the Comparative Period. Drilling accommodations and surface rental equipment utilization rates were 67% and 46%, respectively, compared to 39% and 49% in the Comparative Period.

The utilization of these fleet assets was strong throughout the YTD Period averaging 92% for Camps equipment compared with 93% for the Comparative YTD Period. Space Rental fleet utilization increased slightly to 75% for the YTD Period as compared to 74% for the Comparative YTD Period. Drilling accommodations and surface rental equipment utilization rates were 68% and 44%, respectively, for the YTD Period compared to 44% and 44% in the Comparative YTD Period.

The Company's business continues to be driven by the resource sector with revenue generated from oil sands related projects amounting to 48% of consolidated revenue, 37% was sourced from conventional oil and gas activity in Western Canada, 2% from mining and metal extraction, with the balance of 14% generated from business not directly related to the resource sector activity.

Administrative Expenses for the Period were 12% of revenue, which is an increase from the 11% incurred in the Comparative Period. For the YTD Period Administrative Expenses were 13% of revenue, which is an increase from the 12% incurred in the Comparative YTD Period.

EBITDA (see "Non-GAAP measures") for the Period was $31.2 million or 42% of revenue versus $25.2 million or 40% of revenue for the Comparative Period.

EBITDA for the YTD Period was $84.1 million or 43% of revenue versus $68.6 million or 39% for the Comparative YTD Period.

Net income for the Period was $13.0 million compared to $11.0 million for the Comparative Period.

Net income for the YTD Period was $37.0 compared to $30.3 million for the Comparative YTD Period.

Black Diamond paid dividends of $0.06 per share per month in July through September (the equivalent of $0.72 per share annually) resulting in a payout ratio (see "Non-GAAP measures") for the Period of 24%, compared to 21% for the Comparative Period. The payout ratio for the YTD Period was 26% compared to 22% for the YTD Comparative Period.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following is a summary of selected financial and operating information that has been primarily derived from, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements of Black Diamond for the three and nine months ended September 30, 2012 and 2011.

(in thousands, except as noted)	Three months ended September 30 2012	2011	2010 [(2)]	Nine months ended September 30 2012	2011	2010 [(2)]
Financial Highlights	$	$	$	$	$	$
Total revenue	74,901	63,070	34,221	195,832	175,602	96,352
Gross Profit	39,404	31,488	17,685	107,302	87,995	49,430
Gross Profit %	53%	50%	52%	55%	50%	51%
Administrative expenses	9,176	6,802	5,760	25,550	20,796	16,020
Administrative expense %	12%	11%	17%	13%	12%	17%
EBITDA [(1)]	31,210	25,166	12,446	84,148	68,576	35,236
EBITDA %	42%	40%	36%	43%	39%	37%
Net income before taxes & NCI	19,171	15,933	5,925	52,301	42,987	16,609
Net income	12,982	11,011	3,844	37,201	30,291	11,393
Per share - Basic	0.32	0.30	0.12	0.96	0.84	0.37
- Diluted	0.32	0.29	0.12	0.94	0.82	0.36
Capital expenditures	49,407	17,551	21,415	117,012	66,084	50,538
Property & equipment (NBV)	387,197	283,866	220,397	387,197	283,866	220,397
Total assets	537,349	420,677	295,346	537,349	420,677	295,346
Long-term debt and capital lease obligations	86,300	86,071	45,057	86,300	86,071	45,057
Dividends declared	7,402	5,307	4,442	20,274	15,117	12,971
Per share	0.184	0.143	0.135	0.520	0.428	0.405
Payout ratio [(1)]	24%	21%	36%	26%	22%	37%
Operational Highlights						
Camps Division						
Workforce accommodation units in fleet at end of period	2,652	1,880	1,310	2,652	1,880	1,310
Average utilization during the period	93%	93%	92%	93%	94%	89%
Workforce accomodation and operated camp bedcount	10,815	7,809	5,729	10,815	7,809	5,729
Logisitcs Division						
Worforce accomodation bedcount [(3)]	2,641	1,577	1,352	2,641	1,577	1,352
BOXX Modular Division						
Space rental units in fleet	3,024	2,663	2,434	3,024	2,663	2,434
Average utilization	75%	76%	73%	75%	74%	69%
Energy Services Division						
Drilling accomodation units	269	210	224	269	210	224
Average utilization during the period	67%	39%	44%	68%	52%	45%
Drilling accomodation bedcount	954	963	544	954	963	544
Surface rental equipment	2,328	1,645	1,258	2,328	1,645	1,258
Average utilization	46%	49%	34%	44%	44%	29%

Notes:

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

(2) The 2010 comparatives have been restated from previous Canadian GAAP upon transition to IFRS, as explained later in this document.

(3) Bedcount are also included in the Camps Division bedcount and the units are owned by Camps Division

OUTLOOK

The third quarter of 2012 has delivered both record revenue and EBITDA generation. The strong results are related to the Company's continued capital program coupled with strong utilization. Field level operations related to the installation of new facilities were also very strong in the quarter. Management expects similar strength in Q4 and anticipates results to be generally in line with the current quarter.

The resource industry continues to have very strong demand for workforce lodging and temporary workspace. This demand is being generated from oilsands development projects, unconventional oil and gas development, resource related infrastructure projects and mining developments. Black Diamond is also experiencing steady demand for drilling and completions support equipment and wellsite accommodation assets. The ongoing demand from all three of our asset-based operating divisions has lead to the approval of an initial 2013 capital expenditure budget of $90 million. This compares to $135 million of capital expenditures approved and committed in 2012. Management anticipates that the 2013 capex will be allocated in the typical non-speculative manner followed in previous years with roughly the same weighting between business units. It is expected that this capital program will translate into revenue and EBITDA growth as corresponding operations and rental revenues build.

Continued high utilization, fleet growth and strong pricing will characterize both our Camps and Logistics divisions over the next several quarters. The operated lodges' revenue will be similar or slightly lower in Q4 as the Sunday Creek Lodge is being retrofitted with two-storey dormitory complexes. Lodging revenue is expected to rise in 2013 after the retrofit of Sunday Creek is completed and additional facilities have been brought on stream. The space rentals business is expected to continue to grow in western Canada with continued strong demand. Eastern Canada and the US are expected to generate similar revenue as the current quarter through to 2013. And, the Energy Services division will experience strengthened rental and operations revenue as we enter the higher activity winter drilling months and continue to assets to the fleet.

Our balance sheet continues to have significant capacity to meet current and anticipated market demand for fleet additions as well as potential strategic opportunities.

RESULTS OF OPERATIONS

Revenue

Consolidated

($ millions, except as noted)	Q3		YTD	
	2012	2011	2012	2011
	$	$	$	$
Revenue	74.90	63.07	195.83	175.60
Rental Revenue	29.30	20.36	77.84	57.90
% of consolidated revenue	39%	32%	40%	33%
Lodging Revenue	15.09	13.94	43.19	37.70
% of consolidated revenue	20%	22%	22%	21%
Non-Rental Revenue	30.51	28.77	74.80	80.00
% of consolidated revenue	41%	46%	38%	46%

There has been a significant increase in rental revenues in the Period and YTD Period, respectively, from the Comparative Period and Comparative YTD Period reflecting the increase in the rental fleet which resulted from the growth of modular structures and oilfield service equipment in the past twelve months. The rental revenue stream generates gross profit margins generally in excess of 90%, whereas the lodging revenue stream generates gross profit margins of approximately 40 to 50% and the non-rental or ancillary revenue streams generate gross profit margins of 15 to 20%.

Camps Division

($ millions, except as noted)	Q3		YTD	
	2012	2011	2012	2011
	$	$	$	$
Revenue	25.47	19.25	60.68	53.42
% of Consolidated Revenue	34%	30%	31%	30%
Rental Revenue	17.32	10.86	43.06	31.86
% of Camps Revenue	68%	56%	71%	60%
Non-Rental Revenue	8.15	8.39	17.62	21.56
% of Camps Revenue	32%	44%	29%	40%
EBITDA	16.18	12.22	43.60	35.00
% of Camps Revenue	64%	63%	72%	66%
Utilization	92%	91%	92%	93%

Revenue increased in the Period relative to the Comparative Period primarily due to a 68% increase in rental revenue. The 68% increase in rental revenue in the Period is predominantly derived from the 41% increase in the fleet size, consisting of 772 units, since September 30, 2011, and a 1% increase in utilization from the Comparative Period in 2011. There was also an increase in average rental rates.

There was an increase in overall revenues of 16% for the YTD Period compared to the Comparative YTD Period. The 38% increase in rental revenue in the YTD Period is derived from an increase in fleet size with a small decrease in utilization. There was also an increase in average rental rates.

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

The decrease in non-rental revenue for the YTD Period compared with the Comparative YTD Period is due to the Comparative YTD Period having more used fleet sales than the YTD Period.

The increase in EBITDA margin in the Period and YTD Period over prior year is a direct result of the relative increase of rental revenue versus other revenue streams compared to the Comparative Period and the Comparative YTD Period.

At September 30, 2012, the weighted average remaining rental term outstanding was approximately 16 months with total contracted rental revenue of approximately $100.8 million. Anticipated rental revenue for the balance of 2012 from contracts in place at September 30, 2012 is $18.4 million

Logistic Division

($ millions, except as noted)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
	$	$	$	$
Revenue	27.00	16.49	65.55	52.18
% of Consolidated Revenue	36%	26%	33%	30%
Lodging Revenue	15.09	13.94	43.19	37.70
% of Logistics Revenue	56%	85%	66%	72%
Non-Rental Revenue	11.91	2.55	22.36	14.48
% of Logistics Revenue	44%	15%	34%	28%
EBITDA	7.81	6.00	20.62	15.69
% of Logistics Revenue	29%	36%	31%	30%

Revenue increased in the Period and YTD Period as a result of increases in both Lodging and Non-Rental Revenues due to higher bedcounts at operated camps over the Comparative Period and Comparative YTD Period.

Lodging revenue is generated from several full service camps including the Sunday Creek Lodge. There may be variability in revenue with respect to services related to daily occupancy levels in a given period.

The increase in non-rental revenue reflects the increase in operational activity associated with the deployment of several substantial projects requiring transportation and installation.

The decrease in EBITDA margin in the Period over the Comparative Period is a direct result of non-rental revenues making up a larger portion of total revenue. The increase in EBITDA margin in the YTD Period over the Comparative YTD Period is a result of a higher margin on both lodging and non-rental revenues.

At September 30, 2012 Logistics has contracts in place to provide a minimum of $47.5 million of lodging service revenue for the camps it operates. This excludes the rental of equipment, which is reported in the Camps division.

BOXX Division

Combined Canada and USA Operations

($ millions, except as noted)	Q3		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Revenue	13.21	18.09	40.72	46.08
% of Consolidated Revenue	18%	29%	21%	26%
Rental Revenue	6.84	5.03	18.25	14.63
% of BOXX Revenue	52%	28%	45%	32%
Non-Rental Revenue	6.37	13.06	22.47	31.45
% of BOXX Revenue	48%	72%	55%	68%
EBITDA	5.65	5.58	15.91	15.29
% of BOXX Revenue	43%	31%	39%	33%
Utilization	75%	76%	75%	74%

Revenue for the BOXX division for the Period was lower as a result of a 51% decrease in non-rental activity in the Period with a 1% decrease in utilization offset by a 14% growth in the rental fleet year over year. The increase in rental revenue as a percentage of the total revenue had a direct effect on the EBITDA margin, as rental gross margins are significantly higher than non-rental gross margins.

Revenue for the BOXX division for the YTD Period decreased 12% compared with the Comparative YTD Period. Increased rental revenue for the YTD Period due to increased fleet size was offset by a decrease in Non-Rental revenue.

The decrease in non-rental revenue during both the Period and YTD Period resulted from fewer sales of manufactured units.

At September 30, 2012, the weighted average remaining contract term outstanding is approximately 7 months with total contracted revenue of approximately $13.2 million. Anticipated rental revenue for the balance of 2012 from contracts in place at September 30, 2012 is $7.1million. This does not include several month-to-month projects that are expected to continue to contribute to rental revenue throughout 2012 and into future periods.

Energy Services Division

($ millions, except as noted)	Q3		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Revenue	9.22	9.24	28.88	23.92
% of Consolidated Revenue	12%	15%	15%	14%
Rental Revenue	5.14	4.46	16.53	11.41
% of Energy Services Revenue	56%	48%	57%	48%
Non-Rental Revenue	4.08	4.78	12.35	12.47
% of Energy Services Revenue	44%	52%	43%	52%
EBITDA	3.57	3.43	11.51	8.82
% of Energy Services Revenue	39%	37%	40%	37%
Drilling Accommodation Utilization	67%	39%	68%	52%
Surface Rental Utilization	46%	49%	44%	44%

Revenue remained flat in the Period compared with the Comparative Period. Rental revenue has increased by 15% due to fleet additions.

The surface rental fleet amounted to 2,328 units compared to 1,645 units at September 30, 2011. Lower surface rental utilization in the Period relative to the Comparative Period was due to new assets not yet being fully utilized during the Period. The drilling accommodations fleet amounted to 269 units at the end of September, 2012 versus 210 units at September, 2011. This total includes drill camps as well as a complement of wellsite units, free standing sleepers and support units.

Revenue increased in the YTD Period compared to the Comparative YTD Period due to fleet size increases and the receipt of several guaranteed revenue contracts in prior quarters.

The 42% increase in the size of the rental fleet in concert with the increase in utilization and rental rates for this equipment explains the 45% increase of rental revenue for the YTD Period compared with the Comparative YTD Period. Rental revenue tends to have a higher degree of seasonality in this division. Drilling accommodations and the surface rental assets typically have higher utilization rates during the winter months when drilling activity is greater, and reduced utilization rates during the spring and summer months when drilling activity slows. In recent years the effect of the seasonality has somewhat mitigated due to the contracting of asset packages on year round paid monthly guaranteed contracts.

At September 30, 2012, the weighted average remaining rental term outstanding was approximately 5 months with total contracted revenue of approximately $4.7 million. Anticipated revenue for the balance of 2012 from rental contracts in place at September 30, 2012 is $1.5 million.

Direct Costs and Gross Profit

($ millions, except as noted)	Q3		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Direct Costs	35.50	31.58	88.53	87.61
% of Consolidated Revenue	47%	50%	45%	50%
Gross Profit	39.40	31.49	107.30	88.00
% of Consolidated Revenue	53%	50%	55%	50%

Gross profit margin increased in both the Period and YTD Period from the Comparative Period and the Comparative YTD Period due to increased revenue and gross margin. The margin percentage increased as a larger portion of Black Diamond's revenue was derived from rental revenue in both the Period and the YTD Period as compared to the Comparative Period and Comparative YTD Period.

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

Administrative Expenses

($ millions, except as noted)	Q3		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Administrative expenses	9.18	6.80	25.55	20.80
% of Consolidated Revenue	12%	11%	13%	12%
Personnel	4.30	3.73	13.10	11.43
% of Administrative expenses	47%	55%	51%	55%
Occupancy & Insurance	1.15	0.78	3.33	2.40
% of Administrative expenses	12%	11%	13%	12%
Other Administrative Expenses	3.73	2.29	9.12	6.97
% of Administrative expenses	41%	34%	36%	33%

Administrative expenses increased in the Period and YTD Period, both in dollar value and as a percentage of revenue. The increase as percentage of revenue is largely due to increased share based compensation charges recorded during the Period compared with the Comparative Period.

For the Period, personnel costs are the largest item representing approximately 47% of the administrative expenses. Occupancy and insurance costs increased during the Period as further corporate space was leased and several locations expanded in size. Other administrative expenses consist of items such as audit, legal, travel, meals and entertainment, and promotional items.

Share based compensation charges are reported within other administrative expenses and were $0.97 million for the Period compared with $0.49 million in the Comparative Period. Share based compensation was determined using the Black-Scholes valuation method. The increase in share based compensation year over year is a result of the additional options granted during the year. For the YTD Period share based compensation was $2.42 million compared with $1.39 million for the Comparative YTD Period.

EBITDA

($ millions, except as noted)	Q3		YTD	
	2012	2011	2012	2011
	$	$	$	$
EBITDA	31.21	25.17	84.15	68.58
% of Consolidated Revenue	42%	40%	43%	39%

The EBITDA percentage for the Period is higher than the Comparative Period, due to a higher proportion of revenue coming from rental activity. This proportion may fluctuate from period to period depending on the level and mixture of the revenue generated from the rental of the fleet assets as compared to the ancillary revenue streams such as lodging services, custom manufactured sales, logistics, installation, sublease and services provided.

Included in the Period EBITDA is $2.00 million of administrative expenses and $2.06 million for the Comparative Period in 2011, which relate to non-divisional corporate expenses. Included in EBITDA for the YTD Period is $7.49 million of administrative expenses for the Period and $6.22 million for the Comparative YTD Period in 2011, which relate to non-divisional corporate expenses.

Depreciation and Amortization

For the Period, the charge for depreciation and amortization was $9.63 million compared to $7.29 million in 2011. This included charges of $9.41 million with respect to depreciation taken on the property and equipment of Black Diamond, and $0.22 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the Comparative Period of 2011 was $6.91 million and $0.38 million, respectively. The increase in depreciation for the Period compared with the Comparative Period is due to an increase in fleet assets.

For the YTD Period, the charge to depreciation and amortization was $25.28 million compared to $20.71 million for Comparative YTD Period. This included charges of $24.62 million with respect to depreciation taken on property and equipment of Black Diamond, and $0.66 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the same periods of 2011 was $19.57 million and $1.14 million, respectively. The increase in depreciation for the YTD Period compared with the Comparative YTD Period is due to an increase in fleet assets.

Finance Costs

Finance costs for the Period were $1.43 million compared with $1.47 million in 2011. For the YTD Period, finance costs were $4.17 million compared to $3.51 million for the Comparative YTD Period. This increase represents interest that was charged on the utilization of the credit facilities and the interest charged on the outstanding Senior Secured notes of the Company. Average effective interest rates in the Period and the YTD Period were 6.61% and 6.45%, respectively, compared with 5.82% and 5.03% in the comparative Period and the Comparative YTD Period. Average long-term debt in the Period was $11.8 million higher than that in the Comparative Period.

Income Taxes
For the Period, Black Diamond incurred a current income tax provision of $2.38 million and incurred a future income tax provision of $2.23 million, compared with current income tax provision of $0.01 million and a future income tax provision of $3.72 million for the Comparative Period. The deferred income tax provision arises because certain items can be deducted for income tax purposes faster than the comparable deduction for accounting purposes the period. It has been calculated at the enacted tax rate of 25% in Canada and 40% in the US.

For the YTD Period, Black Diamond incurred a current income tax provision of $7.11 million and a future income tax provision of $5.62 million, compared with current income tax provision of $0.05 million and a future income tax provision of $10.52 million for the Comparative YTD Period.

Non-controlling Interest
Earnings attributable to non-controlling interest were $1.58 million during the Period and $2.56 million for the YTD Period, compared to $1.19 million and $2.13 million for the same periods in 2011. The non-controlling interest represents earnings attributable to the Fort Nelson First Nation's 50% interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation's 50% interest in the Black Diamond West Moberly Limited Partnership, and the Beaver Creek Cree Nation's 50% interest in the Black Diamond Nehiyawak Limited Partnership.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous eight quarters:

	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenue	74,901	61,974	58,957	66,206
EBITDA	31,210	26,462	26,478	25,495
Net Income attributable to Black Diamond Group Limited	12,982	10,976	13,043	10,688
Per Share - Basic (2)	0.32	0.29	0.35	0.31
Per Share - Diluted (2)	0.32	0.28	0.34	0.30

	Q3 2011	Q2 2011	Q1 2011	Q4 2010 (1)
Revenue	63,070	56,801	55,732	43,410
EBITDA	25,165	21,548	21,862	15,127
Net Income attributable to Black Diamond Group Limited	11,011	9,385	9,897	6,048
Per Share - Basic (2)	0.30	0.27	0.29	0.22
Per Share - Diluted (2)	0.29	0.26	0.29	0.22

(1) The 2010 figures have been restated upon transition to IFRS
(2) All per share amounts have been adjusted for the two for one split that occurred on August 25, 2011.

LIQUIDITY & CAPITAL RESOURCES

As of September 30, 2012, Black Diamond's principal sources of liquidity include:

- working capital of $61.2 million (see "Non-GAAP measures") excluding CAPEX in accounts payable of $9.1 million,
- a committed revolving operating facility in the amount of $10.0 million of which all $10.0 million is available and $nil is drawn at September 30, 2012,
- a committed revolving capital expenditure facility of $115.0 million, all of which is available, and $25.0 million is drawn at September 30, 2012, and
- a committed operating facility in the U.S. in the amount of US$3.0 million all of which is available and $nil is drawn at September 30, 2012.

Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through 2012 and beyond, and pursue its planned business objectives. This is due to the longer term nature of the contracts and the credit worthiness of Black Diamond's customers.

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

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

Working Capital

The working capital position of Black Diamond at September 30, 2012 was $61.2 million after extracting $9.1 million of capital expenditure in accounts payable and debt, an increase from the working capital position of December 31, 2011 by $6.0 million, after extracting $3.2 million of capital expenditure in accounts payable and debt.

Current assets at September 30, 2012 were $101.2 million, an increase of $21.3 million from December 31, 2011. The increase is as a result of an increase in accounts receivable of $22.6 million and an increase in other current assets by $3.9 million, with an offsetting decrease in cash and cash equivalents of $4.0 million. The increased accounts receivable balance is due to a continued growth in Black Diamond's revenues as well as increases in arrangements made with high creditworthy customers to defer the invoicing of certain revenue over the term of the project.

Current liabilities at September 30, 2012 were $40.0 million, excluding $9.1 million of accounts payable in respect of capital expenditures (December 31, 2011 - $3.2 million), an increase of $15.3 million from December 31, 2011.

Indebtedness

Black Diamond has established syndicated credit facilities with two Canadian chartered banks as follows: a committed revolving operating facility of $10.0 million, a committed revolving capital expenditure facility of $115.0 million as well as a hedging credit facility of $5.0 million. Draws on the operating and capital expenditure facilities are charged interest based on the previous quarter's funded debt to EBITDA ratio as defined in Black Diamond's credit agreement. As at September 30, 2012, the interest rate applied to amounts drawn on the operating facility and capital expenditure facility was 4.00%.

All facilities are collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries. The revolving operating facility matures on December 31, 2013; it is interest only until maturity and drawdown's may not exceed the sum of 75% of Canadian accounts receivable and 60% of US accounts receivable, in each case aged, less than 90 days. The revolving capital expenditure facility is interest only payable monthly in arrears until December 31, 2013 and drawdowns may not exceed 60% of the net book value of tangible capital property and equipment less the principal and any accrued and unpaid interest on the senior secured notes. If not extended by one year by December 31, 2012, the facility will be reduced in 2014 by equal quarterly reductions in an amount equal to 1/16th of the committed capital expenditure facility on December 31, 2012.

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

Black Diamond's financial debt covenants are as follows:

Covenant	**Required**	**Actual**
Current Ratio	>1.25:1	2.25
Total Funded Debt to EBITDA	<2.50:1	0.79
Fixed Charge Coverage	>1.00:1	3.55
Tangible Net Worth	>$140.0M	310.73

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

As at September 30, 2012, Black Diamond was in compliance with all financial debt covenants. Management continues to monitor compliance with debt covenants and believes that the Company will continue to be in compliance with debt covenants.

Black Diamond, through its wholly owned US subsidiary also has a U.S. $3 million committed revolving loan facility to fund working capital requirements in the U.S. The facility bears interest at a rate of U.S. prime plus 1% subject to a 5% minimum rate. At September 30, 2012, the effective rate was 5%. Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date. The facility is secured by a letter of credit issued by the Company's Canadian lenders. At September 30, 2012, there was U.S. $nil drawn on the facility.

Commitments

Black Diamond has entered into operating leases outlined within the table presented in the Capital Expenditures section below. These operating leases pertain to rental of office and yard space for branch locations as well as vehicle leases.

Share Capital

At September 30, 2012, Black Diamond had 41.10 million common shares outstanding. In addition at September 30, 2012, Black Diamond had 3.44 million common shares reserved for issuance pursuant to the exercise of options which have been granted pursuant to Black Diamond's share option plan.

The following table summarizes Black Diamond's capitalization as at November 5, 2012:

Common shares	41.10 million
Stock options	3.44 million

Capital Expenditures
For the Period, Black Diamond expended $49.40 million (2011 – $17.55 million) on additions to property and equipment. The additions consisted of:

- $39.27 million (2011 – $11.67 million) on workforce accommodation structures and ancillary equipment in the Camps division;
- $3.85 million (2011 – $2.51 million) on space rental structures and ancillary equipment in the BOXX Modular division;
- $3.94 million (2011 – $2.42 million) on Energy Services accommodation structures and surface rental equipment; and
- $2.34 million (2011 – $0.55 million) on land, leasehold improvements, computers, furniture and service related equipment.

For the nine months ended September 30, 2012, Black Diamond expended $117.01 million (2011 – $66.08 million) on additions to property and equipment. The additions consisted of:

- $79.72 million (2011 – $40.29 million) on workforce accommodation structures and ancillary equipment in the Camps division;
- $17.36 million (2011 – $8.98 million) on space rental structures and ancillary equipment in the BOXX Modular division;
- $15.72 million (2011 – $10.36 million) on Energy Services accommodation structures and surface rental equipment; and
- $4.21 million (2011 – $6.45 million) on land, leasehold improvements, computers, furniture and service related equipment.

At September 30, 2012, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $30.7 million for delivery in 2012. It is management's intention to meet the funding requirements for these commitments through a combination of internally generated cash flow, the net funds received from the bought deal equity financing recently completed, and available funds from credit facilities.

The table below outlines the timing of payments for Black Diamond's contractual obligations.

	Payments Due by Period			
($ millions)	Total	Less than 1 year	1-5 years	After 5 years
Operating Leases	5.9	1.8	3.9	0.2
Asset Retirement Obligations	1.9	-	-	1.9
Total Contractual Obligations	**7.8**	**1.8**	**3.9**	**2.1**

FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at September 30, 2012 relate to standard working capital accounts, credit facility items, an interest rate swap and an asset retirement obligation. There are no significant differences between the carrying value of these financial instruments and their estimated fair values.

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

NON-GAAP MEASURES

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

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

The following is a reconciliation of consolidated Net Income to EBITDA

For the three months ended September 30 (in thousands of dollars)	2012	2011	$ Change
Net income	12,982	11,011	1,971
Add:			
Depreciation and amortization	9,631	7,287	2,344
Finance costs	1,426	1,466	(40)
Foreign exchange (gain)/loss	15	(9)	24
Deferred income taxes	2,230	3,724	(1,494)
Current income taxes	2,377	12	2,365
Non-controlling interest	1,582	1,186	396
Share-based compensation	967	489	478
EBITDA	31,210	25,166	6,044

For the nine months ended September 30 (in thousands of dollars)	2012	2011	$ Change
Net income	37,001	30,291	6,710
Add:			
Depreciation and amortization	25,280	20,705	4,575
Finance costs	4,171	3,507	664
Foreign exchange (gain)/loss	(27)	(13)	(14)
Deferred income taxes	5,622	10,517	(4,895)
Current income taxes	7,114	48	7,066
Non-controlling interest	2,564	2,131	433
Share-based compensation	2,423	1,390	1,033
EBITDA	84,148	68,576	15,572

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

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

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

For the three months ended September 30 *(in thousands of dollars)*	2012	2011	$ Change
Cash Flow from Operating Activities	25,251	18,801	6,450
Add:			
Book value of used fleet sales to operating activities	(1,968)	(7,727)	5,759
Reclassification of trade receivables to long term	4,504	-	4,504
Changes in non-cash working capital	1,046	14,080	(13,034)
Funds available for dividends	28,833	25,154	3,679

For the nine months ended September 30 *(in thousands of dollars)*	2012	2011	$ change
Cash Flow from Operating Activities	68,491	28,558	39,933
Add:			
Book value of used fleet sales to operating activities	(5,426)	(11,125)	5,699
Reclassification of trade receivables to long term	4,504	-	4,504
Changes in non-cash working capital	9,465	51,095	(41,630)
Funds available for dividends	77,034	68,528	8,506

Gross Profit Margin is the percentage calculated by dividing gross profit by the revenue for the period.

Payout Ratio is calculated as the dividends declared for the period divided by Funds available for dividends.

Working Capital is calculated as current assets minus current liabilities (excluding debt and amounts recorded in respect of capital expenditures).

Funded Debt is calculated as all interest bearing debt.

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

RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond's financial condition, results of operations and cash flow, and therefore on cash available for dividends. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2011 available on SEDAR at www.sedar.com. Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Black Diamond is required to disclose herein any change in Black Diamond's internal controls over financial reporting that occurred during the period beginning on July 1, 2012 and ended on September 30, 2012 that has materially affected, or is reasonably likely to materially affect, Black Diamond's internal controls over financial reporting. No material changes in Black Diamond's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's internal controls over financial reporting.

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

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2011 is available on SEDAR at www.sedar.com.