MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six month periods ended June 30, 2018 and 2017

BLACK DIAMOND GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") compares the financial performance of Black Diamond Group Limited ("Black Diamond", the "Company", "our" and "we") for the three months ended June 30, 2018 (the "Quarter") with the three months ended June 30, 2017 (the "Comparative Quarter") and the six months ended June 30, 2018 (the "YTD") with the six months ended June 30, 2017 (the "Prior YTD"). This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six month periods ended June 30, 2018 and 2017 and the audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016. The accompanying unaudited interim condensed consolidated financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A was prepared as of August 8, 2018 and, unless otherwise indicated, all amounts are stated in Canadian dollars. Black Diamond's common shares are listed on the Toronto Stock Exchange under the symbol "BDI".

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

Certain information set forth in this MD&A contains forward-looking statements including, but not limited to, the amount of funds that will be expended on the 2018 capital plan, how such capital will be expended, management's assessment of Black Diamond's future operations and what may have an impact on them, financial performance, business prospects and opportunities, changing operating environment including increased activity levels, amount of revenue anticipated to be derived from current contracts, anticipated debt levels, economic life of the Company's assets, future growth and profitability of the Company and realization of the anticipated benefits of acquisitions and sales, and expected savings from the restructure. With respect to the forward-looking statements in the MD&A, Black Diamond has made assumptions regarding, among other things: future commodity prices, that Black Diamond will continue to raise sufficient capital to fund its business plans in a manner consistent with past operations, that counter-parties to contracts will perform the contracts as written and that there will be no unforeseen material delays in contracted projects. Although Black Diamond believes that the expectations reflected in the forward-looking statements contained in this MD&A, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurances that such expectations or assumptions will prove to be correct. 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, the Company's ability to attract new customers, failure of counterparties to perform on contracts, industry competition, availability of qualified personnel and management, timely and cost effective access to sufficient capital from internal and external sources, political conditions, dependence on suppliers and stock market volatility. 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, 2017 and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed on SEDAR. 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.

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EXECUTIVE SUMMARY

The Company significantly improved its leverage position and increased operating cash flow during the first half of 2018. Meaningful progress has been made towards the strengthening of the business on several fronts.

- During and subsequent to the Quarter, the Company signed new large contracts worth roughly $68.5 million in revenues.
    - The Workforce Solutions ("WFS") business unit was awarded $58.6 million of which, $42.5 million came from the conditional award of the Coastal GasLink contract, $7.8 million related to two contracts in the Company's Australian operations, and roughly $8.3 million which includes rentals in the large format camps segment.
    - The Modular Space Solutions ("MSS") business unit was awarded roughly $9.9 million for two permanent modular construction contracts, both of which originated in the US.
- The Company generated $42.7 million in Revenues and $9.5 million of Adjusted EBITDA (see "Non-GAAP Measures") in the Quarter, an increase of 15% and 76% respectively over the Comparative Quarter.
- The Company generated meaningful cash flow from operations of $12.3 million, up from $3.2 million in Q1 2018.
- Net debt (see "Non-GAAP Measures") was reduced to $84.8 million, a reduction of 25% from Q4 2017 and 18% from Q1 2018. This reduced the Company's Funded Debt:EBITDA ratio to 2.30.

The improving cash flow from operations and recent contract awards are expected to contribute significantly to strengthening overall business performance in the fourth quarter of 2018 and into 2019. A positive final investment decision on the LNG Canada project would significantly amplify this improvement. Given this outlook as well as the recent significant debt reduction, the Company is in a position to begin allocating a higher proportion of its cash flows to growth capital investment. Management continues to focus on using a wealth of historical data to influence capital investment decisions targeted at opportunities that will generate strong risk adjusted financial return while maintaining a diversified business model. With a much improved leverage position, the Company has added financial flexibility and capacity to assess a number of capital allocation options which should result in a more stabilized business model today and in the future.

The MSS business unit's Adjusted EBITDA was $5.3 million in the Quarter, which was relatively flat from the Comparative Quarter. The rental business has moderately improved since experiencing what Management believes to be the trough in the Alberta market in Q1 2018. Although utilization and rates in Alberta are lower year-over-year, they are gradually recovering month-over-month while regions outside of Alberta continue to improve. The first half of the year experienced relatively light new manufactured sales, but the business is expected to continue to benefit from improvement in the core run rate and recent large contract awards. Used fleet sales also contributed to a 7% year-over-year increase in MSS revenue as the business focused on monetizing underutilized assets in Alberta. In addition to used fleet sales, asset relocations since the Britco acquisition have contributed to the right-sizing of the Alberta fleet as the business has moved $6.7 million in book value of MSS assets into the British Columbia market.

The WFS business unit displayed strong results during the first half of 2018 as general activity in resource related end markets continues to improve. WFS Adjusted EBITDA for the Quarter was up 108% from the Comparative Quarter, primarily due to increased occupancy at existing open lodges and the margin earned on the future dismantle of Sunset Prairie Lodge, which was triggered by the transaction to convert this camp from a rental camp to an open camp. The recent contract awards for large format camps in western Canada follow on an increasing level of bidding activity that the Company has been pursuing over the past several quarters, which is supportive of the improving outlook in this market. The Company's Energy Services US business continues to grow its rental revenue through sustained high levels of activity in the Permian and improving market conditions in Colorado and North Dakota. Operations in Australia also continue to improve on the back of increased demand from the natural resource sector, evidenced by two large contract awards recently signed, as well as strong demand for space rentals assets from the education and infrastructure development markets.

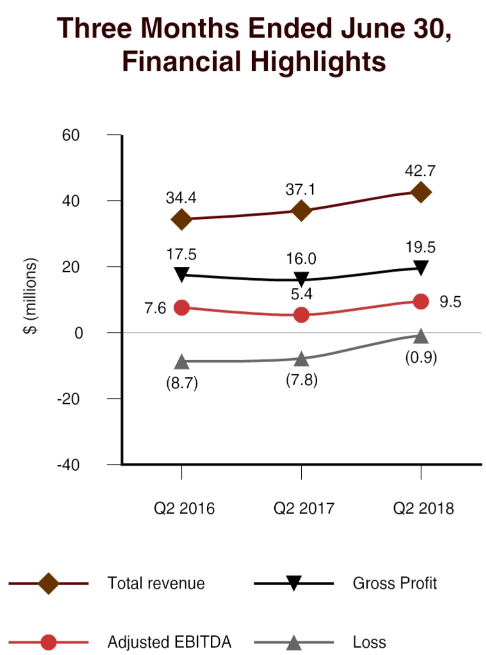
Net capital expenditures through the first half of the year have been close to zero as the focus has remained on selling underutilized assets and reducing the Company's leverage position. Management anticipates that capital additions will increase through the balance of the year as significant progress has been made on our near-term target for reducing debt leverage. Moreover, the Company is generating significant Funds From Operations which can be deployed to expand its large diversified asset base. The business continues to provide ample opportunities to deploy capital at attractive returns, most notably in its US Operations.

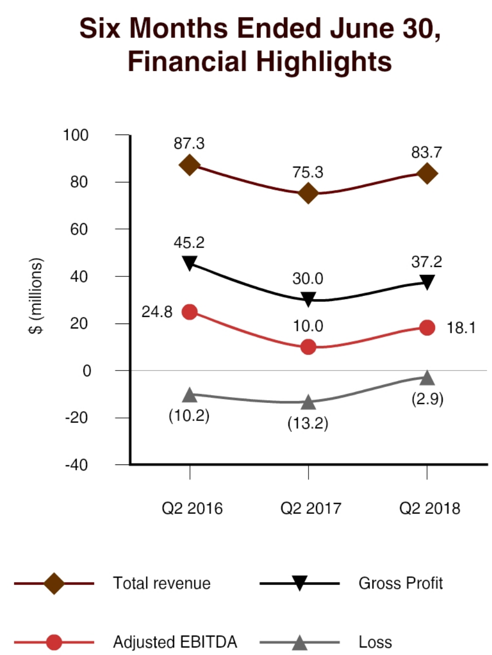
FINANCIAL REVIEW

- Revenue for the Quarter was $42.7 million, up 15% or $5.6 million from the Comparative Quarter due to increased used fleet sales in MSS and an increase in lodging occupancy in WFS.

- Administrative expenses for the Quarter were $10.0 million, down 7% or $0.7 million from the Comparative Quarter primarily due to savings generated by the previously announced restructuring in 2017.

- Adjusted EBITDA (see "Non-GAAP Measures") for the Quarter was $9.5 million, up 76% or $4.1 million from the Comparative Quarter primarily due to increased revenue and the future dismantle associated with the conversion of Sunset Prairie Lodge to an open camp from a rental only camp.





Geographic Revenue Segmentation

($ millions)	Three months ended June 30,			Six months ended June 30,		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Revenue						
Canada	**32.0**	24.9	29 %	**63.6**	55.9	14 %
United States	**8.4**	10.2	(18)%	**15.6**	15.9	(2)%
Australia	**2.3**	2.0	15 %	**4.5**	3.5	29 %
Total	**42.7**	37.1	15 %	**83.7**	75.3	11 %

Percentage of total revenue	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
	$	$	%	$	$	%
Revenue						
Canada	**75%**	67%	8	**76%**	74%	2
United States	**20%**	28%	(8)	**19%**	21%	(2)
Australia	**5%**	5%	—	**5%**	5%	—
Total	**100%**	100%	—	**100%**	100%	—

Outlook

- In the Quarter, the MSS business experienced rental revenue growth in all of its markets, including Alberta. In the third quarter, the core run rate is expected to remain steady, but overall performance should be somewhat weaker given a lighter backlog of sales opportunities. Improvement is expected in the fourth quarter and into 2019 driven by increased rental revenue and a larger backlog of custom sales projects.

- Rental and Lodging revenue in Q3 from the large format camps business in western Canada is expected to be generally in line with that of Q2, but improving based on contract visibility in the fourth quarter and further strengthening into 2019.

- Wellsite revenue is expected to continue to strengthen in the US as west Texas remains busy while activity in Colorado and North Dakota modestly improves as well.

- Market conditions in Australia continue to improve driving increased rental revenue in both the camps and space rentals business. Mining customers are increasingly assessing opportunities for new mines or the expansion of existing ones, which is having a positive effect on the performance and outlook of our Australian operations.

- Significant debt reduction was achieved during the Quarter bringing the Company's leverage closer to the target of 2:1 debt to Adjusted EBITDA. The current leverage position provides the Company with added financial flexibility and capacity to deploy more substantial amounts of growth capital investment while creating immediate shareholder value.

2018 Capital Plan

The Company is generating increasing cash flows from operations, which management anticipates will lead to ongoing growth capital expenditures. The disciplined capital plan will support management's overarching strategy of diversifying the Company's asset base and cash flows.

Capital expenditures for the Quarter were $3.6 million and capital commitments were $2.4 million as at June 30, 2018. This included leasehold improvements of $1.6 million on the transaction to convert Sunset Prairie Lodge to an open camp from a rental only camp. This is compared with capital expenditures of $1.8 million and capital commitments of $6.1 million in the Comparative Quarter. Capital expenditures for the Quarter included maintenance capital of $0.1 million, compared to $0.3 million in the Comparative Quarter.

Proceeds from used fleet asset sales in the Quarter were $4.9 million compared with $2.2 million in the Comparative Quarter.

WHO WE ARE

Black Diamond rents and sells space rental and modular workforce accommodations to customers in the US, Canada, and Australia. In addition to providing space rentals and turnkey lodging and other support services related to remote workforce accommodation, we also provide specialized field rentals to the oil and gas industries in US and Canada. From more than twenty key geographic locations, we serve multiple sectors including construction, technology, oil and gas, mining, power, financial services, engineering, military, government and education.

Black Diamond has two operating business units: MSS and WFS. The Company was restructured effective January 1, 2018 from the previous four business units: BOXX Modular, Black Diamond Camps & Lodging, Black Diamond Energy Services and Black Diamond International. Certain prior period financial information has been reclassified to reflect the new structure of the business.

Black Diamond was founded in 2003, went public on the Toronto Stock Exchange in 2006 as Black Diamond Income Fund (an income trust), and converted to an Alberta corporation at the end of 2009. The common shares of Black Diamond are listed on the Toronto Stock Exchange under the symbol “BDI”. Our head office is located at Suite 1000, 440 - 2nd Avenue S.W., Calgary, Alberta, Canada.

BLACK DIAMOND'S STRATEGY

At its core, Black Diamond is a business-to-business renter of specialized equipment. Our team's extensive experience within the rental categories in which we operate, and our expertise in managing the logistics and supply chain for these assets, enable us to deliver higher returns on capital while also helping our clients meet their project objectives.

The members of our commercial management team, averaging more than 20 years of industry experience, have built a business platform designed to weather downturns through a prudent approach to capital allocation, risk management, business diversification and asset management.

Asset Management

Since 2003, we have built a large rental fleet that consists of remote workforce accommodation, space rental and surface rental assets. These assets generally maintain their value over their relatively long lives and require very little maintenance capital. To ensure we are managing our assets (and capital) efficiently, we set return targets for our assets based on their original cost. This creates discipline around the aging of our rental fleet, encouraging managers to regularly sell older, less economic rental assets on the secondary market. Through all parts of the market cycle, we have been able to sell our used assets for more than their book value and this is recorded as "non-rental" revenue, with the book value of the asset recorded as a non-cash item in our consolidated statement of cash flows.

We continually adjust our commercial strategy to changes in market conditions. Our asset management strategy in the current economic environment can be divided into four categories:

1. For any new dollar of capital, we continue to require the Company's historical rate of return, term of contract and pay back period. This means we do not engage in large speculative investments in new assets;
2. On contract renewals, where our assets are already on location, the costs to demobilize and replace those assets are significant, and to a certain extent help mitigate the pricing pressure seen in some asset classes;
3. Existing assets that are not currently being utilized face pricing pressure. With respect to existing assets, we are being more aggressive in our rental rates and, in some cases, strategically and opportunistically positioning assets in geographies that are more likely to generate new revenue; and
4. The Company uses the proceeds from the sale of assets with low demand to fund the acquisition of new assets in high growth areas.

Integrated Revenue Model

In addition to owning specialty rental assets, Black Diamond provides the support services for these assets including transportation, installation, catering, power, water, waste management, security, and housekeeping through sub-contracted third party service providers. In doing so, we maximize the return on our assets while mitigating the overhead risks associated with performing these services ourselves.

This model also provides our clients with increased optionality and flexibility, and creates constructive pricing tension among our subcontractors that ensures we achieve competitive pricing for our customers.

Business Diversification

We have actively worked to diversify Black Diamond's business with respect to geographies, the types of assets and services offered, and variety of customers and industries served. Our entries into Australia and the US in previous years, as well as our North American MSS expansions were predicated on the fundamental belief that this diversification strategy can help mitigate volatility during a downturn in any one geography, commodity or asset class. Management is focused on selling underutilized assets to fund growth in diversified businesses.

Capital Allocation

We are focused on achieving industry leading returns on the capital we deploy. Our approach is to own quality rental assets and, through aggressive sales and disciplined management, realize a target return on capital invested in these rental assets through rental revenue, and the sale of associated services (lodging and non-rental revenue).

Achieving this is only possible through focus, efficiency and effective third party contracting. This means that we outsource functions that are not core to Black Diamond's expertise or where the capital risk is deemed too high such as manufacturing, construction, catering, camp services, and any other functions that, while lucrative in a strong economy, might represent significant downside risk through the troughs of a commodity cycle.

Health and Safety

The objective of our health and safety program is to achieve zero incidents and injuries and to adhere to global best practices for workplace health and safety.

By working closely with stakeholders across all aspects of the health and safety program we ensure the safety of our employees and our clients' operations, reducing the burden of injuries and incidents and enhancing the financial performance of Black Diamond.

Risk Management

Through careful selection and contracting with Black Diamond's counter-parties, our management team strives to share risk appropriately, and promote mutually beneficial outcomes with both vendors and customers. Where capital is being deployed, our preference is to tie that capital to a long-term customer commitment. Doing so allows us to offer our customers lower rates in return for the certainty of increased asset utilization. This helps us attain our targeted return on capital, and our customers achieve price certainty relative to spot rates for rental assets.

ECONOMIC DEVELOPMENTS AND OUTLOOK

The macro-economic information provided below is general in nature and should not be construed as guidance. All relevant sources are hyperlinked in the PDF version of this MD&A which is available for download at www.sedar.com or www.blackdiamondgroup.com. We provide this information purely in the context of portraying the macro economic factors that influence our end markets. While Black Diamond provides third party links for the benefit of the reader, readers are cautioned not to place undue reliance on the information provided by third parties and Black Diamond provides no guarantee that information from third parties is current or accurate.

US Economy

The US economy has displayed impressive growth so far in 2018 thanks in large part to stimulus measures, both tax cuts and increased government spending, which the US Conference Board expects to contribute to roughly 3.1% real GDP growth this year and next. Business investment surged 9.2% (annualized) during the first quarter of 2018 as a result of accommodative monetary policy and new tax cuts, which are expected to support ongoing growth in investment. Higher oil prices also contributed to a 38% increase in spending on energy related exploration and extraction. A strong labour market is encouraging increased consumer spending which is also fueling economic growth. There is however, potential that current global trade disputes could disrupt some of this growth.

The construction forecast completed by the American Institute of Architects ("AIA") predicts healthy levels of growth in nonresidential building spending in 2018 and 2019. Strongest growth is expected to come from the commercial sectors, with spending on office, retail and other commercials, and lodging facilities all expected to see gains in excess of 4%. In 2019, some of the major commercial sectors will likely experience slower growth rates, while industrial, healthcare, and education facilities are projected to see spending gains of 4% or more.

The AIA also reports the Architecture Billings Index ("ABI"), a leading economic indicator of nonresidential construction activity which tracks the growth rate of design billings. Business conditions at architecture firms remained strong in May 2018, with and ABI score of 52.8, marking the 8^{th} consecutive month of billings growth.

Source: US Conference Board

Source: AIA Data

Source: IMF Forecast

Source: White House Budget

Canadian Economy

Despite getting off to a relatively slow start in 2018, TD Bank expected the Canadian economy to rebound through the Quarter supporting roughly 3% real GDP growth annualized. Much of this growth was expected to be driven by commodity exposed provinces and markets which have received an income boost from higher crude oil prices that have exceeded expectations. Strong economic conditions in the US would typically provide a lift to Canadian export growth but contentious trade negotiations have diminished this effect and instead provide added risks and uncertainty.

British Columbia's economy is expected to post 2.3% real GDP growth in 2018, according to an RBC economic forecast. Residential investment spending has powered major growth in years past, and despite this activity still being strong in 2018, new mortgage rules and taxes have muted investment slightly. High population growth and tight supply is expected to continue throughout 2018 supporting a robust housing market. RBC believes the outlook for non-residential investment will also be subdued in 2018 due to trade concerns and an onerous regulatory environment for resource related projects. Despite these effects, major projects such as LNG Canada and the Trans Mountain pipeline could provide significant economic stimulus for the province.

The economy in Alberta continues to progress towards a full recovery as workers migrate back to the province, oil production grows, the manufacturing sector rebounds, and unemployment falls. Unfortunately a lack of investment in the oil sands and slack in the housing market proves the province still has much room for improvement. RBC expects real GDP growth to reach 2.4% this year and next. Resource sector investment has been slow to recover as concerns remain over pipeline constraints and other takeaway capacity. There are a few multi-billion dollar pipeline projects planned which should alleviate supply constraints over time but will take a number of years for new capacity to come online. Alberta is expected to lead the country in job growth in 2018 and this should contribute to income growth and additional consumer spending to fuel the economy.

RBC forecasts the Ontario economy to grow at roughly 1.9% in real GDP terms through 2018. Highly-indebted households and softer housing activity will mute the high growth experienced in the province during the past few years. Non-residential investment is expected to increase and most of this spending is originating in the public sector, specifically infrastructure related projects. The recently passed 2018 provincial budget includes billions in new investment. Despite this, the economic outlook is still unclear as uncertainty around NAFTA negotiations and auto tariffs is scaring away near-term investment. In contrast, the recent victory in the provincial election for the Progressive Conservative party, which campaigned on a platform of tax cuts and smaller government, could offset near term weakness and provide a boost to the local economy.

Source: RBC Economic Forecast

Source: OECD Outlook

Australian Economy

The Organization for Economic Cooperation and Development (OECD) expects Australia's economy to continue to grow at a robust pace, reaching 3% real GDP growth in 2018. Business investment will likely continue to strengthen throughout the balance of 2018 on the back of stronger commodity prices. Exports will receive a boost as new resource sector capacity comes online while strong global commodity markets remain an important source of income gains and growth for the country. Growth is expected to slow somewhat towards the end of 2019 as LNG production will have reached a steady state. The recent rise in non-mining business investment is expected to continue, supported by an increase in infrastructure development and accommodative monetary policy.

Source: Australia Budget

Source: Reserve Board of Australia Forecast

Commodities

Oil Prices

The average spot price for West Texas Intermediate crude oil for the three months ended June 30, 2018 was $68.03 US dollars ("USD") per barrel ("bbl"), up 41% from the Comparative Quarter. For the trailing six months, the average spot price was $58.61 USD/bbl, up 21% from the comparative period trailing six months.

	Three months ended June 30,			Six months ended June 30,		
(USD/bbl)	2018	2017	Change	2018	2017	Change
Cushing, OK West Texas Intermediate ("WTI")	$	$	%	$	$	%
Average WTI Spot Price	68.03	48.24	41%	58.61	48.5	21%

Source: US Energy Information Administration

Natural Gas Prices

For the three months ended June 30, 2018, the average NGX Alberta Market Price for Natural Gas was $1.11/Gigajoule ("GJ"), down 58% from the Comparative Quarter. For the trailing six months, the average NGX Alberta Market Price for Natural Gas was $1.65/GJ, down 36% from the comparative period trailing six months.

	Three months ended June 30,			Six months ended June 30,		
($/GJ)	2018	2017	Change	2018	2017	Change
NGX Alberta Market Price for Natural Gas	$	$	%	$	$	%
Average NGX Alberta Market Price	1.11	2.64	(58)%	1.65	2.57	(36)%

Source: NGX Alberta Market Price

Iron Ore Prices

For the Quarter, the price of iron ore was USD 65.34, up 3% from the Comparative Quarter. For the trailing six months, the price of iron ore was USD 68.76, down 1% from the comparative period trailing six months.

	Three months ended June 30,			Six months ended June 30,		
USD/metric tonne	2018	2017	Change	2018	2017	Change
Iron Ore (FE Spot Price USD)	$	$	%	$	$	%
Iron Ore (FE Spot Price USD)	65.34	63.30	3%	68.76	69.18	(1)%

Source: Iron Ore Historical Prices

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Black Diamond for the three and six month periods ended June 30, 2018 and 2017.

	Three months ended June 30,			Six months ended June 30,		
(in millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Financial Highlights	**$**	**$**		**$**	**$**	
Total revenue	42.7	37.1	15%	83.7	75.3	11%
Gross profit	19.5	16.0	22%	37.2	30.0	24%
Administrative expenses	10.0	10.7	(7)%	19.1	20.6	(7)%
Adjusted EBITDA (1)	9.5	5.4	76%	18.1	10.0	81%
Funds from Operations (1)	12.3	6.9	78%	23.2	21.0	10%
Per share ($)	0.22	0.13	69%	0.42	0.41	2%
Loss before taxes	(1.4)	(11.5)	88%	(4.0)	(19.5)	79%
Loss	(0.9)	(7.8)	88%	(2.9)	(13.2)	78%
Loss per share - Basic and diluted	(0.02)	(0.14)	(86)%	(0.05)	(0.26)	(81)%
Capital expenditures	3.6	1.8	100%	5.0	6.8	(26)%
Business acquisitions	—	—	n/a	—	42.0	(100)%
Property & equipment (NBV)	352.1	451.1	(22)%	352.1	451.1	(22)%
Total assets	402.4	537.7	(25)%	402.4	537.7	(25)%
Long-term debt	86.5	118.4	(27)%	86.5	118.4	(27)%
Dividends declared	—	4.1	(100)%	—	7.8	(100)%

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

Margin Summary	Three months ended June 30,			Six months ended June 30,		
(Percent of revenue)	**2018**	**2017**	**Change (1)**	**2018**	**2017**	**Change (1)**
Gross profit	46%	43%	3	44%	40%	4
Administrative expenses	23%	29%	(6)	23%	27%	(4)
Adjusted EBITDA	22%	15%	7	22%	13%	9

(1) Percentage point basis.

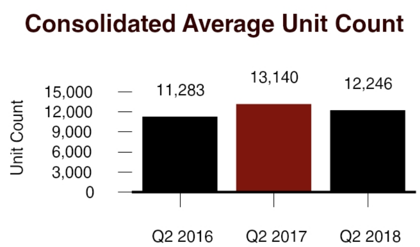
Seasonality of Operations

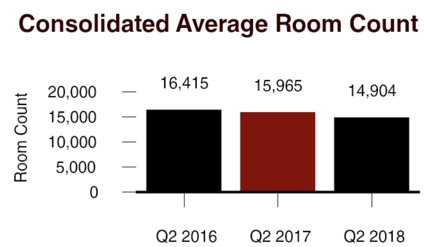
The Company's western Canadian operations, which form part of its MSS and WFS business units, are exposed to a variable degree of seasonality. Drilling accommodations and surface rental assets of the WFS business unit have higher utilization rates during the fall and winter months when drilling activity is higher than during the spring and summer months. Similarly, operations levels at camps operated by the WFS business unit are generally higher in the winter. This seasonality is offset by MSS operations outside of the energy sector, which experience the highest customer demand in the summer months when construction is most active and relatively lower demand in the winter months.

CONSOLIDATED FINANCIAL AND OPERATIONAL REVIEW

Consolidated Fleet

The consolidated number of rental units in Black Diamond's global fleet decreased to 12,246 units at the end of the Quarter compared with 13,140 in the Comparative Quarter primarily due to used fleet sales, partially offset by organic growth of the space rentals fleet. The reduction in units is part of the Company's strategy to reallocate invested capital from underutilized assets to asset types that are in higher demand in the current environment. Consolidated unit count includes accommodation units, modular space rental units and surface rental units. Consolidated room count in Black Diamond's global fleet decreased to 14,904 rooms in the Quarter compared with 15,965 rooms in the Comparative Quarter primarily due to used fleet sales in WFS.





Fleet Utilization Rates

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change (1)	2018	2017	Change (1)
Modular Space Solutions	69%	71%	(2)	68%	68%	—
Workforce Solutions:						
Workforce Housing Accommodations: Rental Fleet	25%	38%	(13)	26%	38%	(12)
Wellsite Accommodations	68%	50%	18	67%	41%	26
Surface Equipment	16%	16%	—	20%	18%	2
Consolidated	52%	51%	1	50%	49%	1

(1) Percentage point basis.

Black Diamond measures utilization on the basis of the net book value of assets on rent and assets deployed for lodging services, divided by the net book value of the business unit's total fleet assets.

Q2 2018 vs Q2 2017

The decrease in utilization in MSS is primarily due to decreased activity in Alberta. The increases in wellsite accommodations utilization in WFS are due to an increase in drilling and completion activity in the US and western Canada. The decrease in workforce housing accommodations rental fleet utilization is due to conversion of Sunset Prairie Lodge from a rental only camp to an open camp in the Quarter. The utilization of surface equipment remains consistent.

Year to Date 2018 vs 2017

The utilization in MSS remains consistent. The increases in wellsite accommodations and surface equipment utilization in WFS are due to an increase in drilling and completion activity in the US and western Canada. The decrease in workforce housing accommodations rental fleet utilization is due to lower business activity resulting from a decrease in major capital project spending in western Canada and conversion of Sunset Prairie Lodge from a rental only camp to an open camp.

Revenue

Black Diamond's revenues are broken out into four categories: rental, sales, lodging, and non-rental:

Rental Revenues are associated with the rental of Black Diamond's owned assets to customers. Rental revenue is the highest margin of the Company's revenues.

Lodging Revenues are generated from provision of full turnkey lodging services provided to customers. The rooms in our lodging fleet are marketed to individual customers at man day rates through LodgeLink or are contracted with customers for specific rates and/or number of man days. A man day is defined as one overnight stay in one room at a lodge and is used in calculating occupancy.

Sales Revenues are derived from the sale of both new and used assets, including modular space, workforce accommodations, wellsite accommodations and surface equipment assets.

Non-Rental Revenues are derived from a number of services that are typically associated with the rental or sale of the Company's modular space or workforce assets, including the delivery, installation, pickup, dismantling of assets, sublease equipment, maintenance and catering services. The services offered are often required to support the deployment and remobilization of these assets. Also included in non-rental revenue is the revenue earned on bookings at third party lodges through LodgeLink.

	Three months ended June 30,			Six months ended June 30,		
($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Rental Revenue	12.2	15.8	(23)%	26.4	30.2	(13)%
Lodging Revenue	8.8	3.6	144%	18.5	7.7	140%
Sales Revenue	7.3	5.7	28%	11.7	16.6	(30)%
Non-Rental Revenue	14.4	12.0	20%	27.1	20.8	30%
Revenue	42.7	37.1	15%	83.7	75.3	11%

	Three months ended June 30,			Six months ended June 30,		
Percentage of consolidated revenue	**2018**	**2017**	**Change** (1)	**2018**	**2017**	**Change** (1)
Rental Revenue	29%	43%	(14)	32%	40%	(8)
Lodging Revenue	21%	10%	11	22%	10%	12
Sales Revenue	17%	16%	1	14%	22%	(8)
Non-Rental Revenue	34%	31%	3	32%	28%	4

(1) Percentage point basis.

Q2 2018 vs Q2 2017

Rental revenue for the Quarter was $12.2 million, down 23% or $3.6 million from the Comparative Quarter primarily due to a $2.9 million decrease in WFS rental revenue attributed to the conversion of Sunset Prairie Lodge from a rental only camp to an open camp in the Quarter. and a $0.7 million decrease in MSS rental revenue due to lower utilization in Alberta.

Lodging revenue for the Quarter was $8.8 million, up 144% or $5.2 million from the Comparative Quarter due to a increase in occupancy at Sunday Creek Lodge as well as the opening of Little Prairie Lodge in Q4 2017 and the acquisition of Sunset Prairie Lodge in the Quarter. Rates increased overall primarily as lodges where we charge higher rates experienced proportionately higher occupancy.

Sales revenue for the Quarter was $7.3 million, up 28% or $1.6 million from the Comparative Quarter primarily driven by $2.3 million increase in MSS sales revenue due to increased used fleet sales in the Quarter. This was partially offset by a $0.7 million decrease in WFS attributed to large fleet sale in the Comparative Quarter.

Non-rental revenue for the Quarter was $14.4 million, up 20% or $2.4 million from the Comparative Quarter primarily due to a $2.6 million increase in non-rental revenue in WFS due to recording revenue for the future dismantle of Sunset Prairie in the Quarter, an increase of activity in LodgeLink and an increase of catering activity at third party lodges.

Year to Date 2018 vs 2017

Rental revenue for the YTD was $26.4 million, down 13% or $3.8 million from the Prior YTD primarily due to a $3.9 million decrease in WFS rental revenue attributed to reduced utilization.

Lodging revenue for the YTD was $18.5 million, up 140% or $10.9 million from the Prior YTD due to a 218% increase in lodging occupancy in open camps. The majority of the increase in revenue came from increased activity at Sunday Creek Lodge, Sunset Prairie Lodge, Smoky River Lodge and Little Prairie Lodge.

Sales revenue for the YTD was $11.7 million down 30% or $4.9 million from the Prior YTD primarily due to an $8.0 million decrease in WFS attributed to a large fleet sale in the Comparative Quarter. This was partially offset by a $4.2 million increase in MSS sales revenue due to increased used and new fleet sales.

Non-rental revenue for the YTD was $27.1 million, up 30% or $6.3 million from the Prior YTD primarily due to a $4.6 million increase in non-rental revenue in WFS which was driven by revenue associated with the Sunset Prairie Lodge conversion, an increase of catering activity in Canadian workforce housing accommodations and an increase of activity in LodgeLink. This was partially offset by a $1.3 million decrease in non-rental revenue in MSS.

Direct Costs and Gross Profit

	Three months ended June 30,			Six months ended June 30,		
($ millions, except as noted)	2018	2017	Change	2018	2017	Change
Direct costs	23.2	21.1	10%	46.5	45.4	2%
Gross profit	19.5	16.0	22%	37.2	30.0	24%

	Three months ended June 30,			Six months ended June 30,		
Percentage of Consolidated Revenue.	2018	2017	Change (1)	2018	2017	Change (1)
Direct costs	54%	57%	(3)	56%	60%	(4)
Gross profit	46%	43%	3	44%	40%	4

(1) Percentage point basis.

Gross profit margins fluctuate depending on the mix between rental, lodging, sales and non-rental revenue streams. Revenue streams ancillary to rental revenue generally realize lower gross margins than fleet rental margins.

Direct costs related to rental revenue include labour, fuel, materials, freight, maintenance and servicing of rental units. Direct costs related to lodging revenue include catering services, utilities costs, consumable materials and other services required to provide turn key lodging services. From time to time, Black Diamond will sell used units from its fleet, rent equipment from third parties and re-rent the equipment, provide installation and render other services to customers. These activities are captured in sales and non-rental revenues. Direct costs related to non-rental and sales revenues include the net book value of used units that have been sold, the cost of units sub-leased from others, and the cost of third parties in delivering some of these services.

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	**Change**	**2018**	**2017**	**Change**
Direct Costs	**$**	$		**$**	$	
Used fleet sales	**3.1**	2.2	41%	**5.5**	10.0	(45)%
Construction and transportation services	**5.8**	8.3	(30)%	**10.6**	13.2	(20)%
Repairs and maintenance	**2.4**	2.3	4%	**5.0**	6.8	(26)%
Catering, utilities and other consumable costs	**5.8**	2.8	107%	**12.8**	5.8	121%
Subleased equipment	**1.9**	1.7	12%	**5.7**	3.5	63%
Personnel costs	**1.4**	1.2	17%	**3.0**	2.5	20%
Other direct costs	**2.7**	2.5	8%	**4.0**	3.5	14%
Total direct costs	**23.2**	21.1	10%	**46.6**	45.4	3%

Q2 2018 vs Q2 2017

Direct costs for the Quarter were $23.2 million, up 10% or $2.1 million from the Comparative Quarter due to an increase in rental costs and costs related to catering, utilities and other consumable costs and used fleet sales. The increase was partially offset by reduced construction and transportation costs.

Gross profit for the Quarter was $19.5 million, up 22% or $3.5 million from the Comparative Quarter primarily due to an increase in gross profit related to rental revenue in MSS and lodging revenue in WFS, and by an increase in gross margin on sales of used fleet in MSS and WFS.

Year to Date 2018 vs 2017

Direct costs for the YTD were $46.5 million, up 2% or $1.2 million from the Prior YTD due to an increase in catering, utilities and other consumable costs. This increase was partially offset by reduction in costs related to used fleet sales and construction and transportation services.

Gross profit for the YTD was $37.2 million, up 24% or $7.2 million from the Prior YTD primarily due to an increase in gross profit related to rental revenue in MSS and lodging revenue in WFS, and by an increase in gross margin on sales of used fleet in MSS and WFS.

Administrative Expenses

($ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
Personnel costs	5.0	5.3	(6)%	9.9	10.4	(5)%
Other Administrative expenses	2.5	2.5	—%	4.5	4.2	7%
Occupancy and insurance	2.5	2.8	(11)%	4.7	5.3	(11)%
Acquisition costs	—	0.1	n/a	—	0.7	n/a
Total Administrative expenses	**10.0**	**10.7**	**(7)%**	**19.1**	**20.6**	**(7)%**
% of Consolidated Revenue	23%	29%		23%	27%	

Other administrative expenses include costs related to professional services, office administration and communication, bad debts, travel and accommodation.

Q2 2018 vs Q2 2017

Total administrative expenses for the Quarter were $10.0 million, down 7% or $0.7 million from the Comparative Quarter primarily due to a decrease in insurance and personnel costs, partially offset by an increase in other administrative expenses. On a percentage of revenue basis, administrative costs for the Quarter were 23%, down 6 percentage points from the Comparative Quarter.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the Quarter were $5.0 million, down 6% or $0.2 million from the Comparative Quarter primarily due to reductions in personnel headcount.
- Other administrative expenses for the Quarter were $2.5 million, unchanged from the Comparative Quarter.
- Occupancy and insurance costs were $2.5 million, down 11% or $0.3 million from the Comparative Quarter primarily due to decreased insurance rates.

Year to Date 2018 vs 2017

Total administrative expenses for the YTD were $19.1 million, down 7% or $1.5 million from the Prior YTD primarily due to a decrease in insurance and personnel costs, offset by an increase in other administrative expenses. On a percentage of revenue basis, administrative costs for the Quarter were 23%, down 4 percentage points from the Comparative Quarter.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the YTD were $9.9 million, down 5% or $0.5 million from the Prior YTD primarily due to reductions in personnel headcount.
- Other administrative expenses for the YTD were $4.5 million, up 7% or $0.3 million from the Prior YTD mainly due to increased travel and consulting and legal costs.
- Occupancy and insurance costs for the YTD were $4.7 million, down 11% or $0.6 million from the Prior YTD primarily due to decreased insurance rates.
- Acquisition costs incurred for the Prior YTD relate to the business acquisitions completed in MSS.

Adjusted EBITDA

($ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Adjusted EBITDA [(1)]	9.5	5.4	76%	18.1	10.0	81%
% of Consolidated Revenue	22%	14%		22%	13%	

(1) Adjusted EBITDA is a supplemental non-GAAP measurement and does not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for further details.

Adjusted EBITDA as a percentage of consolidated revenue will fluctuate from period to period depending on the proportion of rental revenue compared to ancillary revenue streams such as lodging services, used and custom manufactured fleet sales, installation, subleases and other services which generally yield a lower Adjusted EBITDA margin.

Q2 2018 vs Q2 2017

Adjusted EBITDA for the Quarter was $9.5 million, up 76% or $4.1 million from the Comparative Quarter primarily due to a $0.1 million increase in MSS resulting from larger size of fleet and higher utilization, a $3.8 million increase in WFS due to higher occupancy at Sunday Creek Lodge and the Sunset Prairie Lodge future dismantlement and a $0.4 million improvement in the Corporate and other business units due to lower administrative costs. Adjusted EBITDA as a percentage of revenue for the Quarter was 8% higher than the Comparative Quarter due to the increase in gross margin, decreased SG&A as a percentage of revenue and the result of changes in the mix of the various revenue streams.

Year to Date 2018 vs 2017

Adjusted EBITDA for the YTD was $18.1 million, up 81% or $8.1 million from the Prior YTD primarily due to a $1.5 million increase in MSS resulting from larger size of fleet and higher utilization, a $5.3 million increase in WFS due to higher occupancy at open lodges, increased utilization for US wellsite accommodations and a $1.3 million improvement in the Corporate and other business units due to lower personnel and insurance costs. Adjusted EBITDA as a percentage of revenue for the YTD was 9% higher than the Prior YTD due to the increase in gross margin, and the result of changes in the mix of the various revenue streams.

Depreciation and Amortization

($ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Depreciation and amortization	8.9	11.7	(24)%	18.1	23.6	(23)%
% of Property and equipment	3%	3%		5%	5%	

Q2 2018 vs Q2 2017

Depreciation and amortization for the Quarter was $8.9 million, down 24% or $2.8 million from the Comparative Quarter primarily due to lower net book value of equipment for the Quarter.

Year to Date 2018 vs 2017

Depreciation and amortization for the YTD was $18.1 million, down 23% or $5.5 million from the Prior YTD primarily due to lower net book value of equipment for the six-month period.

Finance Costs

($ millions, except as noted)	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Finance costs	1.7	1.7	—%	3.2	4.0	(20)%
Long-term debt	86.5	118.4	(27)%	86.5	118.4	(27)%
Average interest rate	4.78%	4.91%	(3)%	4.72%	4.70%	—%

Q2 2018 vs Q2 2017

Finance costs for the Quarter were $1.7 million, unchanged from the Comparative Quarter. While debt levels were down from the Comparative Quarter, finance costs remained consistent due to the impact of foreign exchange fluctuations on US dollar denominated debt.

Year to Date 2018 vs 2017

Finance costs for the YTD were $3.2 million, down 20% or $0.8 million from the Prior YTD primarily due to lower level of debt.

Income Tax

($ millions, except as noted)	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Current tax	0.2	(2.2)	(109)%	0.2	(4.5)	(104)%
Deferred tax	(0.5)	(1.2)	(58)%	(1.3)	(1.2)	8%
Total tax	(0.3)	(3.4)	(91)%	(1.1)	(5.7)	(81)%

Q2 2018 vs Q2 2017

For the Quarter, Black Diamond recognized a current income tax payable of $0.2 million, a change of $2.4 million from the Comparative Quarter current tax recovery. The current income tax recovery in 2017 was a result of 2017 loss carry backs to prior years. The Company also recognized a deferred income tax recovery of $0.5 million, a change of $0.7 million from the Comparative Quarter. The tax provision has been calculated at the enacted tax rate of 27% in Canada, 27% in the US, and 30% in Australia. The US reduced its federal corporate tax rate to 21% from 35% effective January 1, 2018. When combined with anticipated state tax rates of 6%, the enacted 2018 US tax rate has been reduced to 27%.

Year to Date 2018 vs 2017

For the YTD, Black Diamond recognized a current income tax payable of $0.2 million, a change of $4.7 million from the Prior YTD current tax recovery. The current income tax recovery in 2017 was a result of 2017 loss carry backs to prior years. The Company also recognized a deferred income tax recovery of $1.3 million, a change of $0.1 million from the Prior YTD. The tax provision has been calculated at the enacted tax rate of 27% in Canada, 27% in the US, and 30% in Australia. The US reduced its federal corporate tax rate to 21% from 35% effective January 1, 2018. When combined with anticipated state tax rates of 6%, the enacted US tax rate has been reduced to 27%.

Non-Controlling Interest

The non-controlling interest ("NCI") represents earnings attributable to the Fort Nelson First Nation's interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation’s interest in the Black Diamond West Moberly Limited Partnership, the Beaver Lake Cree Nation's interest in the Black Diamond Nehiyawak Limited Partnership and the Whitecap Dakota First Nation's interest in the Whitecap Black Diamond Limited Partnership.

	Three months ended June 30,			Six months ended June 30,		
($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Non-controlling interest	(0.1)	(0.3)	(67)%	(0.1)	(0.6)	(83)%

Q2 2018 vs Q2 2017

The NCI for the Quarter was $(0.1) million, up 67% from $(0.3) million from the Comparative Quarter due to increased rental and ancillary revenues earned through the limited partnerships. This is driven by higher utilization as a result of increased activity in the areas where the partnerships are located.

Year to Date 2018 vs 2017

The NCI for the YTD was $(0.1) million, up 83% from $(0.6) million from the Prior YTD due to increased rental and ancillary revenues earned through the limited partnerships. This is driven by higher utilization as a result of increased activity in the areas where the partnerships are located.

Net Loss

	Three months ended June 30,			Six months ended June 30,		
($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Net loss	(0.9)	(7.8)	(88)%	(2.9)	(13.2)	(78)%

Q2 2018 vs Q2 2017

Net loss for the Quarter was $0.9 million, down 88% or $6.9 million from the Comparative Quarter primarily due to higher operating income described in the sections above.

Year to Date 2018 vs 2017

Net loss for the YTD was $2.9 million, down 78% or $5.5 million from the Prior YTD primarily due to higher operating income described in the sections above. Depreciation and amortization is a significant component of the decrease ($5.5 million) primarily due to lower net book value as a result of an impairment loss recorded in Q4 2017.

SEGMENTED REVIEW OF FINANCIAL PERFORMANCE

The Company's senior management evaluates segment performance based on a variety of financial measures including revenue, profit, operating expenses and Adjusted EBITDA.

The following is a summary of the Company's segmented results for the three and six month periods ended June 30, 2018 and 2017, detailing revenues and Adjusted EBITDA by each of the Company's business units.

Segmented Revenue

Revenues presented by segment in the tables below exclude inter-segment revenue.

	Three months ended June 30,			Six months ended June 30,		
(in millions, except where noted)	2018	2017	Change	2018	2017	Change
	$	$	%	$	$	%
Revenue						
Modular Space Solutions	20.1	18.7	7%	34.3	28.8	19 %
Workforce Solutions	22.6	18.4	23%	49.4	46.5	6 %
Corporate and Other	—	—	—%	—	—	— %
Total Revenue	42.7	37.1	15%	83.7	75.3	11 %

Segmented Adjusted EBITDA

Adjusted EBITDA by segment excludes finance costs, tax expense, depreciation, amortization, accretion, foreign exchange gains or losses, stock-based compensation, acquisition costs, non-controlling interests, write-down of property and equipment, impairment of goodwill, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

	Three months ended June 30,			Six months ended June 30,		
(in millions, except where noted)	2018	2017	Change	2018	2017	Change
	$	$	%	$	$	%
Adjusted EBITDA (1)						
Modular Space Solutions	5.3	5.5	(4)%	9.1	7.6	20%
Workforce Solutions	7.5	3.6	108 %	14.6	9.3	57%
Corporate and Other	(3.3)	(3.7)	11 %	(5.6)	(6.9)	19%
Total Adjusted EBITDA	9.5	5.4	76 %	18.1	10.0	81%

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

MODULAR SPACE SOLUTIONS BUSINESS UNIT

MSS has been building a network of branches in key geographic areas where we can provide modular buildings, either for rent, or as a permanent solution through custom sales or used fleet sales. Products include mobile office units, lavatories, storage units, large multi-unit office complexes, classroom facilities, high security modular buildings, custom manufactured modular facilities and blast resistant structures. We provide delivery, installation, and dismantlement of these modules as support to the primary rental or sales equipment.

MSS provides a number of products and services that are complementary to the modular building and gives the customer a packaged solution that enhances their productivity and allows for immediate use. These value added products and services (VAPS) include furniture rental, steps and landings, wireless connectivity, maintenance programs, utility services, disaster recovery program, subleased equipment and more.

Our customers operate in the construction, real estate development, manufacturing, education, financial and resource industries, as well as government agencies. As a result of this diversity in the customer base and geographic end markets, the MSS business unit generates steady cash flows from its recurring rental revenue.

Revenue

There are three revenue streams to which these assets contribute.

1. **Rental**: Black Diamond's MSS segment provides assets to customers on a rental basis. Rental durations typically exceed the initial contract terms and are renewable on a month to month basis. Rental often includes VAPS when the non-fleet equipment is owned by Black Diamond.

2. **Sales**: The MSS segment complements its core, recurring rental revenue business with product sales. This sales activity is an extension of the asset rental business as many customers have long term or permanent projects where it may be more cost-effective to purchase rather than rent.

   There are two categories of assets sales:
   - Custom sales which involves the purchase of new units to customer specifications from our broad network of third-party manufacturers. Black Diamond will provide project management services including design work, procurement, installation, delivery, and other associated services. We do not purchase new custom units for resale unless we have already obtained a commitment from the customer.

   - Used fleet sales have typically been both a profitable and cost-effective method to finance the replenishment or upgrade of the lease fleet while generating free cash flow during periods of lower rental demand and utilization.

3. **Non-Rental**: Non-Rental revenue is derived from a number of services that are typically associated with the rental or sale of the Company's modular space assets, including the delivery, installation, return transportation, dismantling of assets, and sublease equipment. The Company provides these services to customers for an additional fee beyond the rental and sales revenue. Also included are VAPS that are provided to our customers where we are performing a service or supplying equipment that is not owned by Black Diamond.

Financial Highlights

Rental revenue for MSS is directly proportional to the number of rental fleet units, the utilization rate of the fleet and the realized rental rate. Rental rates will vary between projects and periods due to the complexity of the fleet unit types available, asset configuration, quantity, project location and contract duration.

Due to the diversity of our locations and customers we contract with, the rental revenue in MSS is predictable and experiences consistent margins. Non-rental and sales revenue, on the other hand, can fluctuate with less consistent margins. The realized margins on non-rental and sales revenues are lower than margins for rental revenues due to the operating costs associated with non-rental revenue. As a result, changes in the mix between rental, non-rental and sales revenue, and the general variability in non-rental and sales revenue margins, can lead to fluctuations in Adjusted EBITDA margin between periods.

	Three months ended June 30,			Six months ended June 30,		
Revenue by Stream ($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Rental Revenue	7.3	8.0	(9)%	14.4	14.3	1%
Sales Revenue	6.9	4.6	50%	9.3	5.1	82%
Non-rental Revenue	5.9	6.1	(3)%	10.6	9.3	14%
Total revenue	20.1	18.7	7%	34.3	28.7	20%
Adjusted EBITDA	5.3	5.5	-4%	9.1	7.6	20%
Adjusted EBITDA as a % of revenue	26%	29%	-3	27%	26%	1
Return on Assets (1)	13%	13%	—	11%	10%	1

(1) Calculated as annualized Adjusted EBITDA divided by average net book value. See "Non-GAAP measures".

	Three months ended June 30,			Six months ended June 30,		
Value Added Products & Services	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
VAPS as a % of Total Rental Revenue	13%	11%	2	12%	11%	1

	Three months ended June 30,			Six months ended June 30,		
Revenue by Geography ($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Canada	14.9	11.1	34%	24.2	16.9	43%
United States	5.2	7.6	(32)%	10.1	11.9	(15)%
Total revenue	20.1	18.7	7%	34.3	28.8	19%

Q2 2018 vs Q2 2017

MSS business unit's total revenue for the Quarter was $20.1 million, up 7% or $1.4 million from the Comparative Quarter.

- **Rental revenue** during the Quarter was $7.3 million, down 9% or $0.7 million from the Comparative Quarter due to a decline in activity, lower rates and utilization within Alberta, offset by growth in all regions outside of Alberta. Rental revenue outside of Alberta was 85% of total revenue, an increase from 75% in the Comparative Quarter.
- **Sales revenue** during the Quarter was $6.9 million, up 50% or $2.3 million from the Comparative Quarter due to increased sales of used fleet, the majority of which was underutilized Alberta fleet. This was partially offset by a decline in custom sales in the US.
- **Non-rental** revenue during the Quarter was $5.9 million down 3% or $0.2 million from the Comparative Quarter due to a decrease in installation and dismantle activity partially offset by an increase in transportation activity.

Adjusted EBITDA for the Quarter was $5.3 million, down 4% or $0.1 million from the Comparative Quarter primarily due to a decrease in rental revenue. Adjusted EBITDA as a percentage of revenue was down 3% to 26% as compared to the Comparative Quarter due to revenue mix.

Year to Date 2018 vs 2017

MSS business unit's total revenue for the YTD was $34.3 million, up 20% or $5.5 million from the Prior YTD.

- **Rental revenue** for the YTD was $14.4 million, consistent with Prior YTD due to a full quarter effect of the acquisition of Britco and growth in all regions outside of Alberta, offset by decline in activity, lower rates and utilization within Alberta. Rental revenue outside of Alberta was 86% of total rental revenue; an increase from 71% in the Comparative Quarter.
- **Sales revenue** for the YTD was $9.3 million, up 82% or $4.2 million from the Prior YTD due to increased sales of used fleet and custom sales.
- **Non-rental** revenue for the YTD was $10.6 million, up 14% or $1.3 million from the Prior YTD due to increased transportation, installation and dismantle activity.

Adjusted EBITDA for the YTD was $9.1 million up 20% or $1.5 million from the Prior YTD primarily due to a 20% increase in total revenue during the Quarter. Adjusted EBITDA as a percentage of revenue was up 1% to 26% as compared to the Prior YTD due to improved rental, non-rental and sales margins.

Rental Term

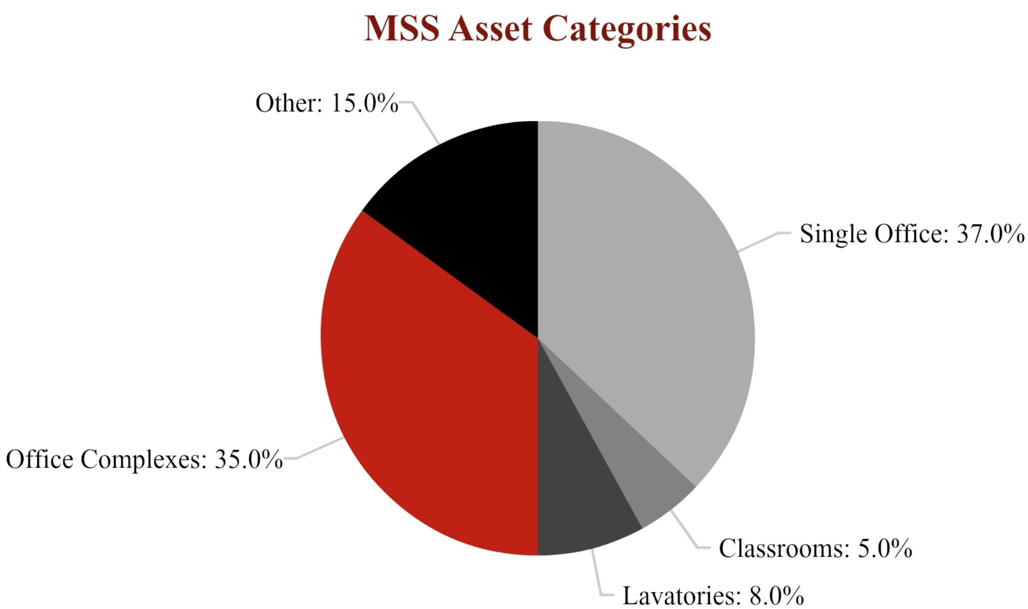
Rental durations typically exceed the initial contract terms and are renewable on a month to month basis. The average duration of the MSS lease portfolio as at June 30, 2018 was 26.5 months down 1.9 months from 28.4 months as at June 30, 2017, which is down due to the completion of large oil and gas sector contracts in Alberta, mostly offset by new long term contracts in other markets.

Space Rental Assets and Average Utilization

The MSS fleet consisted of 5,816 units as at June 30, 2018, which remained consistent with 5,830 units from June 30, 2017.

Fleet Composition

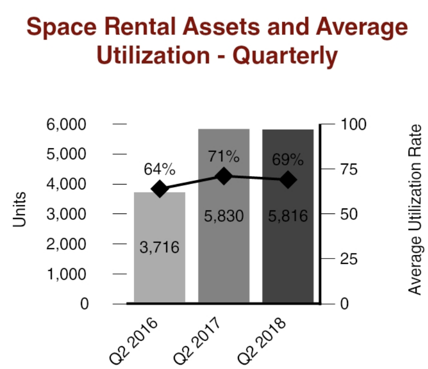
As at June 30, 2018, the MSS Property, Plant and Equipment Net Book Value was comprised of the following asset categories:



MSS Consolidated

MSS Assets, Utilizations, and Rates	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Property and Equipment Net Book Value ($ millions)	146.4	150.7	(3)%	146.4	150.7	(3)%
Modular Space Assets	5,816	5,830	—%	5,816	5,830	—%
Average Utilization [(1)]	69%	71%	(2)%	68%	68%	—%
Average Rental Rate	$567	$646	(12)%	$575	$697	(18)%

(1) Calculated as the net book value of fleet assets on rent, divided by the net book value of total fleet assets.



Q2 2018 vs Q2 2017

Utilization for the Quarter was 69%, a 2% decrease from 71% in the Comparative Quarter mainly due to decreased activity in Alberta, offset by an increase in all other regions.

The average rental rate has declined as compared to June 30, 2017 by 12% primarily due to higher rental rate contracts in Alberta that came to an end in Q4 2017 and Q1 2018.

Year to Date 2018 vs 2017

Utilization for the YTD remains consistent at 68%.

The average YTD rental rate has declined as compared to the prior YTD by 18% primarily due to higher rental rate contracts in Alberta coming to an end, as well as the inclusion of Britco assets which are over 34% of the fleet. These assets are primarily comprised of single office and other smaller scale modules. These modules attract a lower average rental rate however they have a consistent market demand and higher utilization.

WORKFORCE SOLUTIONS BUSINESS UNIT

The WFS 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 LodgeLink. WFS operates in Canada, the US and Australia.

The primary service offerings in WFS are asset rental, lodging and travel management logistics. To support the core rental business, WFS also offers associated services such as installation, transportation and dismantle, and the sale of used fleet assets.

The assets included in the rental business are:

> **Workforce housing accommodations:** the rental fleet includes modular accommodation structures that are assembled into large scale camps in a variety of dormitory configurations with kitchen/diner complexes and recreation facilities. These assets are often necessary for operations related to oil and gas, mining, infrastructure and large scale construction projects, government, and other industries. These accommodations typically house workforces in remote locations where local accommodation infrastructure is either insufficient or non-existent.
>
> **Wellsite accommodations:** modular accommodation structures which consist of single unit or multi-unit complexes, rented to customers, typically in the oil and gas industry throughout western Canada and the US.
>
> **Surface equipment:** various types of equipment that support drilling, completion and production activities, rented to customers, typically, in the oil and gas industry.

The lodging business provides workforce housing accommodations assets installed as lodges in strategic locations on land leases held by Black Diamond earning lodging revenue. These lodges or open camps are available for booking through LodgeLink and often are contracted by customers to house workforces in remote locations. WFS currently operates three lodges in British Columbia (Sunset Prairie Lodge, Little Prairie Lodge and Horn River Lodge) and two in Alberta (Sunday Creek Lodge and Smoky River Lodge).

LodgeLink aggregates available remote accommodations rooms in a transparent online marketplace and allows customers to easily find the closest lodge to a remote work site. Customers can then use LodgeLink to select and book their preferred accommodations after assessing availability, proximity and price.

Revenue

There are four revenue streams to which these assets contribute.

1. **Rental:** WFS provides assets to customers on a rental basis. Rental contracts may be month to month or a term longer than a month for accommodation fleet assets and based on day rates for surface rental fleet assets. The rates quoted for a rental of workforce housing accommodation assets are typically monthly and wellsite accommodations and surface equipment are typically quoted as a day rate.

2. **Lodging:** workforce housing accommodations assets, categorized as lodging fleet, typically generate revenue from the provision of full turnkey lodging services to our customers. Lodging revenue is earned on a day rate or days occupied basis.

3. **Sales:** WFS sells new and used workforce accommodations, wellsite accommodations and surface equipment assets.

4. **Non-Rental:** WFS provides complete installation, delivery and maintenance services and catering services or subleased equipment. Installation and delivery of assets is typically associated with rental contracts or sales of new and used fleet, contracted on a lump sum basis. Catering contracts or sublease contracts are typically

associated with a rental contract of workforce accommodations assets or wellsite accommodations assets. Also included in non-rental revenue is the revenue earned on bookings at third party lodges through LodgeLink.

Financial Highlights

The following is a summary of the key metrics used by management to assess performance. Revenue, adjusted EBITDA and return on assets are key financial measures which fluctuate in direct proportion to utilization, occupancy and rates.

	Three months ended June 30,			Six months ended June 30,		
Revenue by Stream ($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Lodging Revenue	8.8	3.6	144%	18.5	7.7	140%
Rental Revenue	4.9	7.8	(37)%	12.0	15.9	(25)%
Sales Revenue	0.4	1.1	(64)%	2.4	11.1	(78)%
Non-rental Revenue	8.5	5.9	44%	16.5	11.9	39%
	22.6	18.4	23%	49.4	46.6	6%

Revenue by Geography ($ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
Canada	18.0	14.6	23%	40.5	39.9	2%
United States	2.3	1.8	28%	4.4	3.1	42%
Australia	2.3	2.0	15%	4.5	3.5	29%
	22.6	18.4	23%	49.4	46.5	6%

Adjusted EBITDA	7.5	3.6	108%	14.6	9.3	57%
Adjusted EBITDA as a % of revenue	26%	20%	6	29%	20%	9
Return on Assets (1)	16%	5%	11	15%	6%	9

(1) Calculated as annualized Adjusted EBITDA divided by average net book value. See "Non-GAAP measures".

Q2 2018 vs Q2 2017

Adjusted EBITDA as a percentage of revenue increased in the Quarter to 26% compared with 20% in the Comparative Quarter due to improved margins on non-rental and lodging revenue, partially offset by revenue mix. The improvement in non-rental margins was principally driven by the future dismantle associated with the conversion of Sunset Prairie Lodge to an open camp from a rental only camp. This resulted in revenue recognized for the future dismantlement of the camp with minimal associated costs.

Return on assets increased significantly from the Comparative Quarter, due to an increase in Adjusted EBITDA and a lower book value of assets as a result of the impairment in Q4 2017.

Year to Date 2018 vs 2017

Adjusted EBITDA as a percentage of revenue increased for the YTD to 29% compared with 20% in the Prior YTD due to improved non-rental and lodging margins, partially offset by revenue mix.

Return on assets increased significantly from the Prior YTD, primarily due to an increase in Adjusted EBITDA and a lower book value of assets as a result of the impairment in Q4 2017.

Lodging

The following are key metrics used to measure and report on performance of lodging revenue. Average lodging occupancy is calculated for the Quarter by dividing the total man days occupied by total available for occupancy man days in the period. Average rooms under management are the total rooms available for occupancy in a Black Diamond lodge, averaged for the period. Average lodging rates per day are calculated as lodging revenue divided by the total man days paid for in the period.

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Average Lodging Occupancy	35%	11%	218%	34%	11%	209%
Average Rooms Under Management	1,809	1,876	(4)%	1,781	1,971	(10)%
Average Lodging Rates per Day	150	128	17%	160	146	10%

Q2 2018 vs Q2 2017

Lodging revenue during the Quarter was $8.8 million, up 144% or $5.2 million from the Comparative Quarter due to an increase in occupancy at Sunday Creek Lodge and the conversion of Sunset Prairie Lodge from a rental only camp to an open camp in Q2 2018. Rates increased overall primarily as lodges where we charge higher rates experienced proportionately higher occupancy.

Year to Date 2018 vs 2017

Lodging revenue for the YTD was $18.5 million, up 140% or $10.9 million from the Prior YTD due to an increase in occupancy at Sunday Creek Lodge, opening of Little Prairie Lodge in Q4 2017 and the conversion of Sunset Prairie Lodge from a rental only camp to an open camp in Q2 2018. Rates increased overall primarily as lodges where we charge higher rates experienced proportionately higher occupancy.

Rental

The following are key metrics used to measure and report on performance of rental revenue. Average asset utilization for the Quarter is calculated by dividing the total net book value by the net book value of assets on rent.

	Three months ended June 30,			Six months ended June 30,		
Average Asset Utilization	2018	2017	Change	2018	2017	Change
Workforce Housing Accommodations: Rental Fleet	25%	38%	(13)	26%	38%	(12)
Wellsite Accommodations	68%	50%	18	67%	41%	26
Surface Equipment	16%	16%	—	20%	18%	2
Fleet Count (Units)						
Workforce Housing Accommodations: Rental Fleet	3,629	3,769	(4)%	3,635	3,798	(4)%
Wellsite Accommodations	677	712	(5)%	680	708	(4)%
Surface Equipment	2,124	2,269	(6)%	2,176	2,279	(5)%

Room Count by Geography						
Canada	12,718	13,382	(5)%	12,863	13,554	(5)%
United States	876	876	—%	876	855	2%
Australia	1,310	1,720	(24)%	1,325	1,747	(24)%
	14,904	15,978	(7)%	15,064	16,156	(7)%

Net Book Value by Geography ($ millions)						
Canada	137.2	225.5	(39)%	137.2	225.5	(39)%
United States	38.7	42.6	(9)%	38.7	42.6	(9)%
Australia	12.6	14.2	(11)%	12.6	14.2	(11)%
	188.5	282.3	(33)%	188.5	282.3	(33)%

Q2 2018 vs Q2 2017

Rental revenue during the Quarter was $4.9 million, down 37% or $2.9 million from the Comparative Quarter due to a decrease in utilization and rates in workforce housing accommodation rental fleet in Canada resulting from the conversion of Sunset Prairie Lodge from a rental only camp to an open camp in the Quarter. This was partially offset by a significant increase in utilization and rates of wellsite accommodations in the Permian Basin and Colorado, a result of increased rig activity, and a more modest increase in utilization in the Australian rental fleet and wellsite accommodations in Canada. Australia and the US have experienced modest rate increases, whereas rates in Canada for both wellsite accommodations and workforce housing accommodations are down slightly.

Year to Date 2018 vs 2017

Rental revenue for the YTD was $12.0 million, down 25% or $3.9 million from the Prior YTD due to to a decrease in utilization and rates in workforce housing accommodation rental fleet in Canada resulting from ongoing commodity pressure in the oil and gas industry. This was partially offset by a significant increase in utilization and rates of wellsite accommodations in the Permian Basin and Colorado, a result of increased rig activity, and a more modest increase in utilization in the Australian rental fleet and wellsite accommodations in Canada. Australia and the US have experienced modest rate increases, whereas rates in Canada for both wellsite accommodations and workforce housing accommodations are down slightly.

Sales and Non-Rental

Sales revenue and non-rental revenue are generally not driven by market indicators and are unpredictable in terms of timing and margins.

LodgeLink revenue generated from bookings is typically based on a fee per room booked. When the room is booked in a third party lodge the revenue is categorized as non-rental revenue.

	Three months ended June 30,			Six months ended June 30,		
LodgeLink	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Total gross bookings ($ millions)	1.6	0.2	700%	7.9	0.4	1,875%
Total room nights booked	7,963	1,172	579%	33,641	2,398	1,303%

Q2 2018 vs Q2 2017

Sales revenue during the Quarter was $0.4 million, down 64% or $0.7 million from the Comparative Quarter due to a large fleet sale in the Comparative Quarter.

Non-rental revenue during the Quarter was $8.5 million, up 44% or $2.6 million from the Comparative Quarter due to recording revenue for the future dismantle of Sunset Prairie in the Quarter, an increase of activity in LodgeLink and an increase of catering activity at third party lodges, partially offset by a decrease in installation and transportation revenue in the Comparative Quarter.

Year to Date 2018 vs 2017

Sales revenue for the YTD was $2.4 million, down 78% or $8.7 million from the Prior YTD due to a large fleet sale in the Comparative Quarter.

Non-rental revenue for the YTD was $16.5 million, up 39% or $4.6 million from the Prior YTD due to the future dismantlement of Sunset Prairie Lodge associated with the conversion from a rental only camp to an open camp in the Quarter and an increase of activity in LodgeLink. Operations activity was higher in the Prior YTD partially offsetting the increases to non-rental revenue. The changes resulting in operations and catering activity in Canadian workforce housing accommodations is due to a large contract which was signed in Q4 2016 and commenced in May 2017.

CORPORATE AND OTHER BUSINESS UNIT

The Corporate and Other business unit includes costs related to administrative activities that support all business units. The administrative support functions include activities of the executive office, finance, human resources, health and safety, legal and information technology. Included in the Corporate and Other business unit are non-material revenues that are not significant enough to report on their own.

	Three months ended June 30,			Six months ended June 30,		
($ millions, except as noted)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Property and Equipment Net Book Value	17.2	18.1	(5)%	17.2	18.1	(5)%
Adjusted EBITDA	(3.3)	(3.7)	11%	(5.6)	(6.9)	19%

Q2 2018 vs Q2 2017

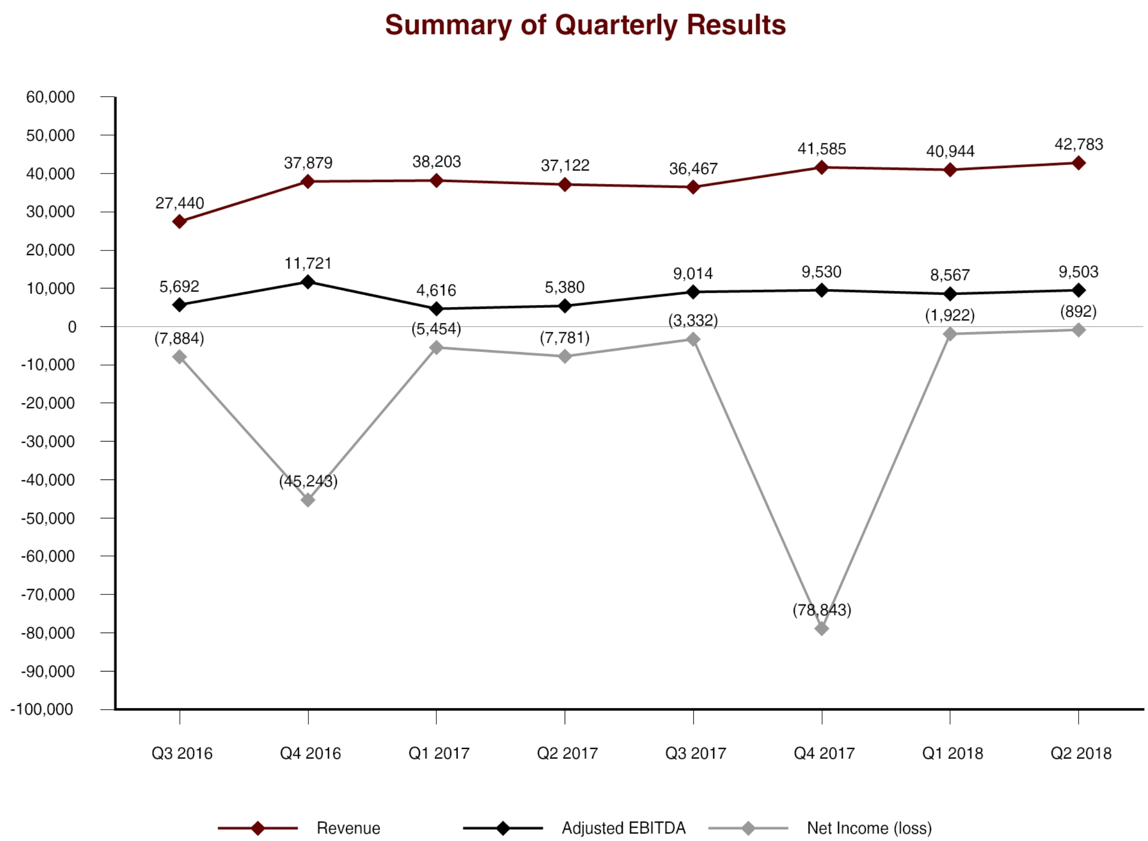
Adjusted EBITDA for the Quarter was $(3.3) million, up 11% or $0.4 million from $(3.7) million in the Comparative Quarter primarily due to a decrease in personnel costs. The loss for the Quarter attributable to the Corporate and Other business unit was $(5.1) million as compared to $(5.8) million in the Comparative Quarter due to a reduction in personnel and insurance costs.

Year to Date 2018 vs 2017

Adjusted EBITDA for the YTD was $(5.6) million, up 19% or $1.3 million from $(6.9) million in the Prior YTD primarily due to a decrease in personnel costs. The loss for the YTD attributable to the Corporate and Other business unit was $(8.8) million as compared to $(7.7) million in the Prior YTD due to increased income tax expense, partially offset by a decrease in depreciation and finance costs.

SUMMARY OF QUARTERLY RESULTS

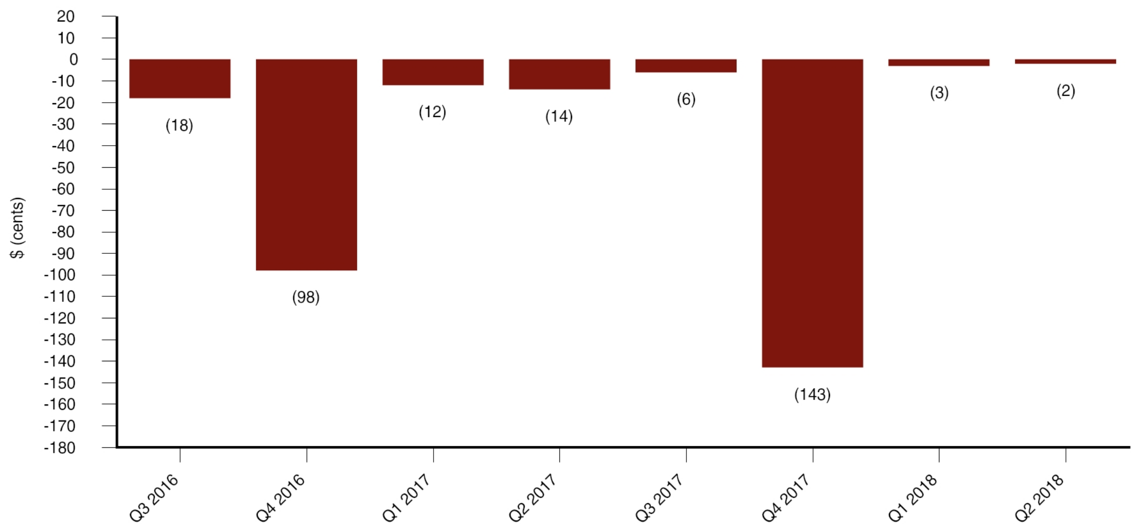
The following is a summary of the previous eight quarters:



The more significant variations in individual quarterly results are explained below.

1. In Q3 2016 lower revenue was primarily driven by lower business activity as a result of continued weakness in commodity prices across several commodity classes, which negatively impacted asset utilization and revenue. A provision for onerous contracts of $3.3 million was recognized in Q3 2016.
2. In Q4 2016, revenue and Adjusted EBITDA were positively impacted by non-rental revenue related to contract termination fees. The loss in Q4 2016 was due to the impairment charges.
3. A gain of $2.5 million on the sale of real estate was realized in net income in Q1 2017.
4. Restructuring costs of $2.9 million were recognized in net income in Q2 2017.
5. In Q3 2017, the increase in Adjusted EBITDA was primarily due to the increased gross profit margins on higher rental revenue and used fleet sales combined with savings in administrative expenses due to restructure announced in Q2 2017.
6. In Q4 2017, revenue and Adjusted EBITDA were positively impacted by higher utilization and increased used fleet sales. The loss in Q4 2017 was primarily due to impairment charges.
7. In Q1 2018 revenue and Adjusted EBITDA were relatively consistent with the previous quarter. Net income increased significantly from Q4 2017 due to lower depreciation and amortization as a result of a significant impairment in assets in Q4 2017.
8. In the Quarter revenue, Adjusted EBITDA and net income increased moderately from the Comparative Quarter due to higher MSS and WFS earnings and reduced Corporate costs.

Basic and Diluted Earnings (Loss) Per Share



LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

Contractual Obligations and Other Commitments

At June 30, 2018, Black Diamond had capital expenditure commitments in the amount of $2.4 million. Additionally, Black Diamond has a commitment of $43.8 million related to the Company's office and yard leases, which have varying terms over the next 10 years. It is management’s intention to meet the funding requirements for these commitments through internally generated cash flow.

Capital Expenditures

Black Diamond's capital expenditures relate primarily to:

- MSS - space rental structures and ancillary equipment;
- WFS - workforce accommodation structures, ancillary equipment, surface rental equipment and space rental structures in Australia, and LodgeLink development costs; and
- Corporate and Other - land, leasehold improvements, computers, furniture and service related equipment.

For the Quarter, Black Diamond expended $3.6 million (Comparative Quarter – $1.8 million) on additions to property and equipment. The additions are set out in the table below.

($ millions, except as noted)	Three months ended June 30, 2018	2017	Change %	Six months ended June 30, 2018	2017	Change %
Modular Space Solutions	1.4	2.1	(33)%	2.5	5.0	(50)%
Workforce Solutions	2.1	0.3	600%	2.2	1.8	22%
Corporate	0.1	(0.6)	(117)%	0.2	—	n/a
	3.6	1.8	100%	5.0	6.8	(26)%

Sources and Uses of Cash

Cash flows from operating, investing and financing activities, as reflected in the Unaudited Consolidated Statement of Cash Flows, are summarized in the following table:

($ millions, except as noted)	Three months ended June 30, 2018	2017	Change %	Six months ended June 30, 2018	2017	Change %
Cash from operating activities	7.5	2.3	226%	23.5	8.3	183%
Cash from (used in) investing activities	2.3	(3.7)	n/a	(1.5)	(36.8)	(96)%
Cash from (used in) financing activities	(12.2)	(0.3)	n/a	(22.4)	26.7	(184)%
Total cash (decrease) increase	(2.3)	(1.7)	35%	(0.4)	(1.8)	(78)%

Liquidity needs can be met through a variety of sources, depending on specific circumstances, including: available cash, cash generated from operations, draw downs under the Company's revolving credit facility, issuances of common shares and short-term borrowings under the Company's operating facilities. Black Diamond's primary use of funds are operational expenses, sustaining and opportunity capital spending, and interest, taxes and principal debt repayments.

Cash provided by operating activities was $5.2 million higher in the Quarter than in the Comparative Quarter primarily due to a decrease in non-cash working capital and a decrease in net loss and higher fleet sales.

Cash provided by investing activities was $6.0 million higher in the Quarter than in the Comparative Quarter primarily due to proceeds received from the sale of real estate assets, partially offset by higher capital expenditures and an increase in non-cash working capital.

Cash used in financing activities was $11.9 million higher in the Quarter than in the Comparative Quarter primarily due to net repayments of long-term debt in the Quarter, partially offset by consideration received on assumption of ARO liability.

Working Capital

The following table presents summarized working capital information:

($ millions, except as noted)	June 30, 2018	December 31, 2017	Change %
Current assets	31.8	41.7	(24)%
Current liabilities	29.5	39.1	(25)%
Working capital	2.3	2.6	(12)%

The decrease in current assets of $9.9 million from December 31, 2017 was due to a decrease in accounts receivable of $3.5 million and the $7.3 million current tax recovery, partially offset by a $0.8 million increase in cash.

The decrease in current liabilities of $9.6 million from December 31, 2017 was largely due to a decrease in accounts payable of $11.9 million, partially offset by an increase in deferred and contract liabilities of $2.3 million.

Principal Debt Instruments:

As at June 30, 2018, Black Diamond's principal sources of debt included:

- a committed extendible revolving operating facility in the amount of $100.0 million, all of which is available and $29.0 million is drawn;
- $17.7 million principal amount of senior secured notes due on July 8, 2019, which rank pari passu with the senior credit facilities of the Company; and
- $40.0 million principal amount of senior secured notes due on July 3, 2022, which rank pari passu with the senior credit facilities of the Company.

Effective March 31, 2017, the committed extendible revolving operating facility was amended to reduce the maximum principal amount to $100.0 million with an accordion feature that allows for the expansion of the facility up to an aggregate of $150.0 million, upon lender commitment. The accordion feature may not be drawn while the ratio of Funded Debt to Bank EBITDA exceeds 3.00:1.

As at June 30, 2018, the Company's draws under the committed extendible revolving operating facility were comprised of $10.1 million related to an overdraft balance (December 31, 2017 - $7.3 million), and $18.9 million of Canadian dollar and US dollar advances (December 31, 2017 - $42.1 million).

For the six months ended June 30, 2018, the average interest rate applied to amounts drawn on the committed extendible revolving operating facility was 4.75% (2017 - 3.79%).

The Company uses a combination of short-term and long-term debt to finance its business activities. Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through the foreseeable future, and pursue its planned business objectives.

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 factors beyond Black Diamond's control. Management also believes that, dependent on capital market conditions, Black Diamond has room under its existing credit facilities and believes it has the ability to raise equity if required.

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

Debt Covenants

Black Diamond's financial debt covenants are as follows:

Covenant as at June 30, 2018	Required	Actual
Funded Debt to Bank EBITDA Ratio	≤ 4.50:1	2.30
Interest Coverage Ratio	≥ 3.00:1	6.39

The Black Diamond controlled limited partnership's non-recourse financial debt covenants are as follows:

Covenant as at June 30, 2018	Required	Actual
Current Ratio	≥ 1.25:1	4.45
Interest Coverage Ratio	≥ 3.00:1	23.33

Effective December 29, 2017, the Company reached an agreement with its lenders to extend the committed extendible revolving operating facility term by one year to April 2020 and to amend debt covenants. The committed extendible revolving operating facility Funded Debt to Bank EBITDA covenant was amended to a maximum ratio of:

a. 4.50:1 for fiscal quarters ending March 31, 2017 through December 31, 2018;
b. 4.25:1 for the fiscal quarter ending March 31, 2019;
c. 4.00:1 for the fiscal quarter ending June 30, 2019;
d. 3.75:1 for the fiscal quarter ending September 30, 2019;
e. 3.50:1 for the fiscal quarter ending December 31, 2019; and
f. 3.00:1 for all fiscal quarters thereafter.

For the purposes of the covenant calculations, Bank EBITDA is determined on a 12 month trailing basis. Bank 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. See "Non-GAAP Measures" for further details.

Lender agreements also contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates.

As at June 30, 2018, Black Diamond was in compliance with all debt covenants.

Share Capital

At June 30, 2018, Black Diamond had 55.2 million (December 31, 2017 - 55.0 million) common shares outstanding. In addition, at June 30, 2018 Black Diamond had 3.8 million (December 31, 2017 - 3.0 million) common shares reserved for issuance pursuant to the exercise of options and restricted share units which have been granted pursuant to Black Diamond's share option plan and restricted and performance incentive award plan.

The following table summarizes Black Diamond's equity capitalization as at August 8, 2018 (in thousands):

Common shares	55,194
Stock options	2,817
Restricted share units	945

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are likely to have, a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity or capital expenses.

Contingent Liabilities

The Company has entered into indemnity agreements with its directors and officers whereby the Company indemnifies the directors and officers from all personal liability and loss that may arise in service to the Company.

FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at June 30, 2018 relate to standard working capital accounts and credit facility items.

Black Diamond is subject to both cash flow and interest rate risk on its extendible revolving operating 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 operating facility will fluctuate as a result of changes in market rates.

NON-GAAP MEASURES

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

Adjusted EBITDA is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. Adjusted EBITDA refers to consolidated earnings before finance costs, tax expense, depreciation, amortization, accretion, foreign exchange, stock-based compensation, acquisition costs, non-controlling interests, share of gains or losses of an associate, write-down of property and equipment, impairment of goodwill, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

Black Diamond uses Adjusted EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by Adjusted EBITDA, is meaningful because it presents the performance of the Company's operations on a basis which excludes the impact of certain non-cash items as well as how the operations have been financed. In addition, management presents Adjusted EBITDA because it considers it to be an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

Adjusted EBITDA has limitations as an analytical tool, and readers should not consider this item in isolation, or as a substitute for an analysis of the Company's results as reported under IFRS. Some of the limitations of Adjusted EBITDA are:

- Adjusted EBITDA excludes certain income tax payments that may represent a reduction in cash available to the Company;
- Adjusted EBITDA does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt;
- depreciation and amortization are non-cash charges, thus the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in the industry may calculate Adjusted EBITDA differently from how the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results and using Adjusted EBITDA only on a supplementary basis.

Reconciliation of Consolidated Profit to Adjusted EBITDA:

($ millions, except as noted)	Three months ended June 30, 2018	2017	Change %	Six months ended June 30, 2018	2017	Change %
Loss	**(0.9)**	(7.8)	(88)%	**(2.9)**	(13.2)	(78)%
Add (deduct):						
Share-based compensation	**0.7**	0.4	75 %	**1.2**	0.9	33 %
Depreciation and amortization	**8.9**	11.7	(24)%	**18.1**	23.6	(23)%
Finance costs	**1.7**	1.7	— %	**3.2**	4.0	(20)%
Current income taxes	**0.2**	(2.2)	n/a	**0.2**	(4.5)	n/a
Deferred income taxes	**(0.5)**	(1.2)	(58)%	**(1.3)**	(1.2)	8 %
Gain on sale of real estate	**(0.4)**	—	n/a	**(0.4)**	(2.5)	(84)%
Acquisition Costs	**—**	0.1	n/a	**—**	0.6	n/a
Restructuring costs	**—**	2.9	n/a	**—**	2.9	n/a
Non-controlling interest	**(0.1)**	(0.3)	(67)%	**(0.1)**	(0.6)	(83)%
Adjusted EBITDA	**9.5**	5.4	76 %	**18.1**	10.0	81 %

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

Bank EBITDA is used for the purposes of the financial debt covenant calculations. It is determined on a 12 month trailing basis and is calculated in the same way as Adjusted EBITDA, except that it does not add back non-controlling interest, is adjusted for the trailing twelve months Adjusted EBITDA associated with acquisitions or disposals of businesses, and adds back non-operating cash costs and income. Bank 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 and is derived from Adjusted EBITDA.

Funds from Operations is calculated as the cash flow from operating activities excluding the changes in non-cash working capital. Management believes that Funds from Operations 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 facilities.

Reconciliation of Cash Flow from Operating Activities to Funds from Operations:

($ millions, except as noted)	Three months ended June 30, 2018	2017	Change %	Six months ended June 30, 2018	2017	Change %
Cash Flow from Operating Activities	**7.5**	2.3	226%	**23.5**	8.3	183%
Add/(Deduct):						
Change in long-term accounts receivable	**(0.5)**	0.1	n/a	**(0.8)**	—	n/a
Change in non-current deferred revenue	**0.3**	(0.1)	n/a	**0.8**	(0.7)	n/a
Changes in non-cash working capital	**5.0**	4.6	9%	**(0.3)**	13.5	n/a
Funds from Operations	**12.3**	6.9	78%	**23.2**	21.1	10%

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

Working Capital is calculated as current assets minus current liabilities.

Funded Debt is calculated as long-term debt plus financial guarantees minus cash.

Funded Debt to Bank EBITDA is calculated as Funded Debt divided by Bank EBITDA.

Return on assets is calculated as annualized adjusted EBITDA divided by average net book value cost.

Readers are cautioned that the non-GAAP measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of Black Diamond's performance or cash flows, a measure of liquidity or as a measure of actual return on the shares of Black Diamond. These non-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 flows. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2017 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 & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at June 30, 2018, 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 CEO and CFO 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.

Black Diamond's CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") for the Company 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's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission to design Black Diamond's ICFR.

Black Diamond is required to disclose herein any change in Black Diamond's ICFR that occurred during the period beginning on January 1, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, Black Diamond's ICFR. No material changes in Black Diamond's ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's ICFR.

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, 2017 is available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

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.

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 reviewed 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 Cash Generating Unit ("CGU")

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its indefinite-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: WFS Camps & Lodging, MSS BOXX Modular East, MSS BOXX Modular West, MSS BOXX Modular US, WFS Energy Services, and WFS International.

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.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models and trading multiples. The inputs to these models 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. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Determination of control and significant influence

Management has used judgment in assessing whether the Company exerts control and significant influence over its subsidiaries and investments, respectively. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by other qualitative factors, including but not limited to the Company'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. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense 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.

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.

Revenue recognition

IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in 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. Incremental costs of obtaining a contract are paid over the life of the contract.

The standard 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.

Black Diamond has applied a full retrospective transition method in adopting IFRS 15. The adoption of IFRS 15 has not had a material impact on the Company's financial statements. As such, prior year opening and/or comparative amounts were not adjusted with the exception of contract liabilities as noted below.

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 and under IAS 17 Leases.

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 fair value less costs to sell ("FVLCTS") and its value in use. The FVLCTS 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 FVLCTS calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the Company's forecast for the next year and does not include significant future investments that will enhance the asset's performance of the CGU being tested. Estimates for revenue growth and EBITDA margins are based on a review of historical information for each CGU, consideration of achievable rates and utilizations during the forecast period, and consideration of future prospects given management's understanding of the operating environment. The discount rates used for each CGU are 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.

Asset Retirement Obligations

The Company has recognized a provision for asset retirement obligations associated with three 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.

Onerous Contracts

The Company has recognized a provision relating to an onerous contract for a portion of a head office lease held by the Company. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates and the economic benefits expected to be received under the contract.

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, assessing the effectiveness of hedging relationships and the determination of functional currency.

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.

Changes in Accounting Policies and Disclosure

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective on or after January 1, 2019.

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. Lessees will be required to recognize right-of-use (ROU) assets and lease liabilities while lessors will continue to classify each lease as either an operating lease or a finance lease. Lease and non-lease components must be separated and accounted for separately using the appropriate standards unless a policy election is made to account for the lease and non-lease components as lease components. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 has already been applied or will be applied at the same date as IFRS 16. The Company is currently in the contract assessment phase of implementation, and is working towards identifying all contracts that contain leases as defined by IFRS 16. It is anticipated that the adoption of IFRS 16 will have a material impact on the Company's Consolidated Statement of Financial Position due to material operating lease commitments.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.