CONSOLIDATED FINANCIAL STATEMENTS

For the years ending December 31, 2012 and December 31, 2011

BLACK DIAMOND GROUP

Independent Auditors’ Report

To the Shareholders of Black Diamond Group Limited:

We have audited the accompanying consolidated financial statements of Black Diamond Group Limited, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of net income, comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Black Diamond Group Limited as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountant

Calgary, Canada

March 12, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31,

(Expressed in thousands)	2012	2011
	$	$
ASSETS		
Current		
Cash and cash equivalents	2,697	22,990
Trade and accrued receivables (note 3)	76,578	47,641
Due from related parties (note 27)	121	1,313
Prepaid expenses and other current assets	7,477	8,066
	86,873	80,010
Non-Current		
Long-term receivables (note 3)	2,708	—
Property and equipment (note 4)	423,281	301,073
Intangible assets (note 5)	9,757	10,690
Goodwill (note 6)	34,577	34,657
	557,196	426,430
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 11)	39,486	24,788
Due to related parties (note 27)	1,174	1,415
Dividends payable (note 18)	2,472	1,771
Income taxes payable	8,524	44
	51,656	28,018
Non-Current		
Long-term debt (notes 9 and 24)	96,359	86,130
Risk management liability (note 21)	1,324	2,074
Asset retirement obligations (note 12)	1,955	1,907
Deferred income taxes (note 20)	44,821	38,892
	196,115	157,021
Shareholders' equity		
Share capital (note 13)	309,140	240,350
Contributed surplus (note 15)	4,431	4,778
Non-controlling interest (note 16)	5,274	1,359
Accumulated other comprehensive loss (note 17)	(3,285)	(2,889)
Retained earnings	45,521	25,811
	361,081	269,409
	557,196	426,430

See accompanying notes to the consolidated financial statements

On behalf of the Board of Directors
Signed “Minaz Kassam”

Signed “Robert G. Brawn”

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

(Expressed in thousands, except per share amounts)

	2012	2011
	$	$
Revenue (notes 22 and 27)	264,274	241,808
Direct costs	118,386	119,485
Gross Profit	145,888	122,323
Expenses		
Administrative expenses (notes 23 and 27)	37,861	30,102
Depreciation of property and equipment (note 4)	34,665	27,285
Amortization of intangibles (note 5)	879	1,415
	73,405	58,802
Operating profit	72,483	63,521
Finance costs (note 24)	5,747	4,884
Income before income taxes	66,736	58,637
Income tax (note 20)		
Current	8,520	60
Deferred	7,061	13,996
	15,581	14,056
Net income	51,155	44,581
Net income attributable to non-controlling interest (note 16)	3,761	3,602
Net income attributable to Black Diamond Group Limited	47,394	40,979
Net income per share (note 14)		
Basic	1.21	1.15
Diluted	1.18	1.12

See accompanying notes to the consolidated financial statements

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

(Expressed in thousands)	2012	2011
	$	$
Net income attributable to Black Diamond Group Limited	47,394	40,979
Realized portion of derivative designated as cash flow hedge (net of tax) (note 17)	(452)	497
Unrealized gain/(loss) on derivative financial instrument designated as cash flow hedge (net of tax) (note 17)	1,015	(999)
Cumulative translation adjustment (note 17)	(959)	764
Other Comprehensive Loss	(396)	262
Comprehensive income attributable to Black Diamond Group Limited	46,998	41,241

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2012 and 2011

(Expressed in thousands)

	Share Capital	Contributed Surplus	Non-Controlling interest	Accumulated Other Comprehensive loss	Retained earnings	Total
	$	$	$	$	$	$
January 1, 2011	**187,925**	**4,246**	**348**	**(3,151)**	**5,260**	**194,628**
Net income for the year	—	—	3,602	—	40,979	44,581
Realized derivative gain/(loss) (net) (note 17)	—	—	—	497	—	497
Unrealized gain/(loss) on derivative instrument (net) (note 17)	—	—	—	(999)	—	(999)
Cumulative translation adjustment (note 17)	—	—	—	764	—	764
Dividends declared (note 18)	—	—	—	—	(20,428)	(20,428)
Capital transactions with partners (note 16)	—	—	(2,591)	—	—	(2,591)
Share capital issued (note 13)	48,772	—	—	—	—	48,772
Tax savings from share issuance costs (note 13)	698	—	—	—	—	698
Share capital issued on exercise of options (note 13)	2,948	(1,293)	—	—	—	1,655
Purchase of shares in trust (note 13)	(220)	—	—	—	—	(220)
Sale of shares in trust	74	135	—	—	—	209
Vesting of shares in trust	153	(153)	—	—	—	—
Share based compensation expense (note 13)	—	1,843	—	—	—	1,843
December 31, 2011	**240,350**	**4,778**	**1,359**	**(2,889)**	**25,811**	**269,409**
Net income for the year	—	—	3,761	—	47,394	51,155
Realized derivative gain/(loss) (net) (note 17)	—	—	—	(452)	—	(452)
Unrealized gain on derivative instrument (net) (note 17)	—	—	—	1,015	—	1,015
Cumulative translation adjustment (note 17)	—	—	—	(959)	—	(959)
Dividends declared (note 18)	—	—	—	—	(27,684)	(27,684)
Capital transactions with partners (note 16)	—	—	154	—	—	154
Share capital issued (note 13)	57,465	—	—	—	—	57,465
Tax savings from share issuance costs (note 13)	857	—	—	—	—	857
Share capital issued on exercise of options (note 13)	11,122	(3,535)	—	—	—	7,587
Purchase of shares in trust (note 13)	(993)	—	—	—	—	(993)
Sale of shares in trust	203	3	—	—	—	206
Vesting of shares in trust	136	(136)	—	—	—	—
Share based compensation expense (note 13)	—	3,321	—	—	—	3,321
December 31, 2012	**309,140**	**4,431**	**5,274**	**(3,285)**	**45,521**	**361,081**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended December 31,

(Expressed in thousands)

	2012	2011
	$	$
Operating activities		
Net Income attributable to Black Diamond Group Limited	47,394	40,979
Add (deduct) non-cash items:		
Depreciation of property and equipment (note 4)	34,665	27,285
Amortization of intangible assets (note 5)	879	1,415
Net income attributable to non-controlling interest	3,761	3,602
Unrealized foreign exchange loss (note 23)	36	7
Finance costs	5,747	4,884
Deferred income taxes	7,061	13,996
Share-based compensation expense (note 23)	3,321	1,843
	102,864	94,011
Book value of used fleet sales in operating activities	6,817	14,171
Change in long-term receivables	(2,708)	—
Change in non-cash working capital related to operating activities (note 19)	(3,458)	(39,378)
Net cash from operating activities	**103,515**	68,804
Investing activities		
Purchase of property and equipment (note 4)	(163,628)	(94,656)
Change in non-cash working capital related to investing activities (note 19)	(404)	9,506
Net cash used in investing activities	**(164,032)**	(85,150)
Financing activities		
Proceeds from long-term debt (note 9)	10,000	62,000
Repayment of long-term debt (note 9)	—	(41,000)
Costs of long-term debt issuance and refinancing (note 9)	(97)	(949)
Repayment of finance lease	—	(561)
Interest in the year (note 24)	(5,470)	(4,765)
Net proceeds from issuance of shares (note 13)	57,465	48,772
Dividend payments (note 18)	(26,983)	(20,138)
Distribution to non-controlling interest	(1,218)	(1,451)
Purchase of shares in trust (note 13)	(993)	(220)
Sale of shares in trust	206	206
Bank indebtedness	—	(6,776)
Share options exercised (note 13)	7,587	1,655
Change in non-cash working capital related to financing activities (note 19)	(241)	2,573
Net cash from financing activities	**40,256**	39,346
Increase (decrease) in cash and cash equivalents	(20,261)	23,000
Cash and cash equivalents, beginning of year	22,990	—
Effect of foreign currency rate changes on cash and cash equivalents	(32)	(10)
Cash and cash equivalents, end of year	**2,697**	**22,990**

See accompanying notes to the consolidated financial statements

1. GENERAL INFORMATION

The consolidated financial statements of Black Diamond Group Limited for the year ended December 31, 2012 were authorized for issuance in accordance with a resolution of the Board of Directors on March 12, 2013. Black Diamond Group Limited and its controlled limited partnerships ("Black Diamond" or the "Company") is headquartered in Calgary, Alberta. The address of the Company's head office is Suite 2000, 715 – 5th Ave S.W., Calgary, Alberta, Canada. The business of Black Diamond, through its indirect subsidiaries, Black Diamond Limited Partnership, BOXX Modular Holdings Inc., Nortex Modular Leasing and Construction Company, Black Diamond Energy Services Inc., and its approximate 50% equity participation in Black Diamond Dene Limited Partnership, Black Diamond West Moberly Limited Partnership and Black Diamond Nehiyawak Limited Partnership is to rent modular structures for use as workforce accommodation and temporary workspace, rent various types of oilfield equipment used in the exploration and production of oil and gas and to provide complementary services including transportation, installation, dismantling, repair and maintenance of modular structures and oilfield rental equipment. As at December 31, 2012, the business of Black Diamond was conducted through three reportable segments: Camps and Logistics, Space Rentals and Energy Services.

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

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

2. SIGNIFICANT ACCOUNTING POLICES

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments measured at fair value, and have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The same accounting policies and methods of computation were followed in the preparation of these consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2011. Certain figures in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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

Significant accounting judgments, estimates and assumptions

The nature of the business and timely preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to the accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, useful lives of intangible assets, percentage complete for certain types of revenue recognition, the fair value of share-based compensation awards and the future cash flows used to estimate the fair value of cash-generating units for goodwill impairment purposes, as disclosed in note 7. Accordingly, actual results may differ from estimated amounts. Management has also used judgment

2. SIGNIFICANT ACCOUNTING POLICES (continued)

in the determination of control, definition of a business, determination of cash generating units ("CGU's"), effectiveness of hedging relationships and 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.

Basis of consolidation

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

Management determines control to exist where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Company has control but the Company's interest is less than one hundred percent, the interest attributable to partners is reflected in non-controlling interests.

Changes in accounting policy and disclosure

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

IFRS 9 - Financial instruments – first phase issued in October 2010, with phases two and three to follow. The part of the standard so far issued is the first phase in a comprehensive revision of and ultimate replacement of IAS 39 - Financial instruments: recognition and measurement. IFRS 9 requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial asset; to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs; and to be subsequently measured at amortized cost or fair value. The standard has an effective date of January 1, 2015. IFRS 9 is consistent with Black Diamond's current treatment under IAS 39 for financial assets and financial liabilities, and will not have a material effect on Black Diamond's consolidated financial statements when it is adopted in fiscal 2015.

IFRS 10 – Consolidated Financial Statements. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard has an effective date of January 1, 2013. IFRS 10 establishes a clear set of principles for this process, but will not materially impact the current consolidation process employed by the Company when it is adopted in fiscal 2013.

IFRS 11 – Joint Arrangements. The new standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly and clearly defines the difference between joint operations and joint ventures and the accounting requirements for each. The standard has an effective date of January 1, 2013. The Company has reviewed the standard and highlighted examples of joint operations within its current operations. The application of IFRS 11 will not have a material effect of the operations of

2. SIGNIFICANT ACCOUNTING POLICES (continued)

the Company when it is adopted in fiscal 2013 and will aid the assessment of future joint arrangements and their required accounting.

IFRS 12 – Disclosure of interests in other entities. The new standard requires an entity to disclose information that enables users of the financial statements to evaluate the nature, and risks associated with, its interests in other entities and the effects of those interests on its financial position, performance and cash flows. The standard has an effective date of January 1, 2013. The Company has reviewed the standard and believes the application of IFRS 12 will not have a material impact when it is adopted in fiscal 2013.

IFRS 13 – Fair Value Measurement. The new standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard has an effective date of January 1, 2013. The Company has reviewed the requirements of IFRS 13 and has determined that the standard will not have a significant impact on existing fair value measurements, and will update its financial statement disclosures as required in fiscal 2013.

Business combinations

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

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

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

If the business combination is achieved in stages, the combination date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the combination date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the combination date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with *IAS 39 - Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are recognized initially at fair value and measured subsequently at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognized in the Statement of Net Income. Determining the recoverability of a balance involves estimation as to the likely financial condition of the customer and their ability to make payment.

Trade receivables are written off against the provision when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are added back to the provision in the period received.

Property and equipment

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

Computers, furniture and service equipment	30% declining balance
Space rentals fleet equipment	6% declining balance
Camps and workforce housing fleet equipment	10% declining balance
Surface rental equipment	10% declining balance
Buildings	5% declining balance
Carry-on options	Straight line over 2 years
Leasehold improvements	Straight line over term of lease

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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

Intangible assets

Separately acquired intangible assets with finite lives are recorded at cost. The cost of intangible assets acquired in business combinations is their fair value on acquisition date. Intangible assets are amortized over their estimated useful lives using the following rates and methods:

Customer relationships	Straight line over 4-20 years
Non compete agreements	Straight line over 2 years
Supplier commitments	Straight line over 3-5 years
Trademarks	Straight line over 10 years

Goodwill

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

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

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

Impairment of long-lived assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell (FVLCTS) and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The determination of value in use is highly sensitive to management's assessment of the growth rate and discount rate.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. A five-year discounted cash flow approach, cross-checked by comparable market transactions and public company trading multiples is also performed.These calculations are corroborated by implied valuation multiples for comparable industry participants or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years, assuming corporate growth targets. For longer periods, a long term growth rate is calculated and applied, to project future cash flows after the fifth year.

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

Lease obligations

Leases are classified as finance or operating. A lease which transfers substantially all the risks and rewards of ownership of the asset is classified as a finance lease. Factors reviewed in this determination include, but not limited to, the term of the lease, whether ownership is transferred at the end of the term, bargain purchase arrangements and a comparison of the present value of the minimum lease payments versus the fair value of the asset.

At the inception of the finance lease, an asset is capitalized in the Statement of Financial Position and depreciated over the shorter of the lease term or the asset's useful life. The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The capital elements of future obligations under finance leases are included in liabilities in the Statement of Financial Position and analyzed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the Statement of Net Income over the periods of the lease and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

All other leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and are not recognized on the Company's Statement of Financial Position. The cost of operating leases is charged to the Statement of Net Income on a straight line basis over the periods of the leases.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments

The Company classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, financial liabilities measured at amortized cost and derivatives used for hedging.

(a) Financial assets at fair value through profit or loss
Financial assets designated at fair value through profit and loss are subsequently measured at fair value with changes in those fair values charged immediately to earnings. Cash and cash equivalents are classified as fair value through profit and loss.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are initially measured at fair value and then subsequently at amortized cost. Impairment tests are conducted when factors suggest impairment is required.

(c) Assets held to maturity
Held to maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. They are included in non-current assets unless the investment is due to mature within 12 months of the Statement of Financial Position date, in which case they are classified as current assets. Held to maturity investments are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method, less any impairment. Black Diamond has no held to maturity investments at this time.

(d) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and with no intention of being traded. They are included in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current liabilities. Financial liabilities include trade payables, dividends payable and all borrowings, and are initially recognized at fair value of the consideration received net of transaction costs and subsequent measurements are recorded at amortized cost using the effective interest rate method.

(e) Derivatives used for hedging
Derivatives used for cash flow hedging are derivative financial instruments measured at fair value and included in non-current assets or liabilities unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date, in which case they are classified as current. The instrument is remeasured to fair value at each reporting date. Fair value is determined using the discounted cash flow method and is highly sensitive to the yield curve assumed.

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognized in equity in accumulated other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Statement of Net Income.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

The Company assesses the effectiveness of the hedging instrument by using the hypothetical derivative method. This compares the fair value of the hedging instrument, including the deal contingent option, with the fair value of the hedging instrument excluding the deal contingent option.

For financial derivative contracts settling in future periods, a financial asset or liability is recognized in the Consolidated Statement of Financial Position and measured at fair value, with changes in fair value recognized in other comprehensive income.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the Consolidated Statement of Net Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income is transferred to the Consolidated Statement of Net Income at the same time the forecast transaction or firm commitment affects profit or loss.

Provisions

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

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

The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then depreciated over its estimated remaining useful life.

In subsequent periods, the asset retirement obligations are adjusted for the passage of time through accretion expense, which is recognized as a finance cost and for changes in the amount or timing of the underlying future cash flows. Changes in the estimated future costs or in the discount rate applied are added to, or deducted from, the cost of the asset. Actual expenditures are charged against the provision when incurred.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Share capital

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

Where the Company purchases its own shares and holds them in trust, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Share-based compensation

Black Diamond maintains a share-based compensation plan, incorporating a share option plan and a long-term incentive plan (LTIP), which are described in Note 13. Options granted to employees, officers and directors are accounted for using the fair value method whereby the compensation expense is recorded and a corresponding increase in contributed surplus, based on the fair values determined through the use of an option pricing model when the options are granted. The calculation of the fair value of option grants is sensitive to the forfeiture rate, volatility, expected dividend yield and expected life. Any consideration paid to Black Diamond on the exercise of the options plus the attributed contributed surplus is recorded to share capital at the time of exercise.

Compensation cost is recognized on a graded amortization basis over the vesting period. Forfeitures are estimated at the date of grant, with adjustments being made over the vesting period for changes in expectations due to actual forfeitures through failure to satisfy vesting conditions.

The Company purchases and holds common shares in trust for the participants of the LTIP until the vesting date. The cost of the purchase of common shares held in trust is accounted for as a reduction in outstanding common shares and the trust is consolidated as a special purpose entity. Compensation expense, based on the fair value of the common shares underlying the rights granted, is recognized on a graded amortization basis over the vesting period with a corresponding increase to contributed surplus. Upon vesting, share capital is increased and contributed surplus is decreased.

Revenue Classification

Revenue is classified in three categories:

Rental - Relates to arrangements where the customer pays a rental rate related to the amount of time the equipment is used. Rental revenue is recognized under the criteria described by sections (a) and (e) below.

Non-Rental - Primarily relates to the installation and transportation of the Company's fleet units at and to customer sites, servicing of fleet, catering, sale of new and used equipment and the revenue generated from subleased equipment. Non-rental revenue is recognized under the criteria described by sections (b), (c) and (d) below.

Lodging - Relates to the income generated by providing operated and open camps charged on an occupancy, or per man-day utilized, basis. Lodging revenue is recognized under the criteria described by sections (a) and (d) below.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Where the Company acts as an agent, only the Company's interest in the transaction is recorded. In some instances, a single contract may contain multiple revenue sources that are recognized under different revenue recognition criterion. The specific recognition criteria described below must be met before revenue is recognized.

(a) Rental
Rental revenue is recognized in the period the equipment is used by the customer based on a straight-line basis over the term of the related rental agreement.

(b) Sale of Units
Revenue from the sale of new units, custom manufactured equipment and used rental equipment is recognized at the time the units are delivered to the customer, or at such time as the risks and rewards of ownership have transferred.

(c) *Installation, Transportation, Maintenance Revenue*
The provision of installation, transportation, maintenance and dismantlement services is recognized on the percentage-of-completion basis over the term of the service delivery period. Under this method, revenue for services is recognized proportionately with its percentage of completion at any given time. The percentage of completion is estimated by dividing the cumulative costs incurred as at the Consolidated Statement of Financial Position date by the sum of the incurred costs and anticipated costs for completing the contract. Where the stage of completion is not clearly defined by contract, management will estimate the stage by reference to the costs incurred, foreman's reports and job files.

(d) Other Sub-contracted Services
Revenue from sub-contracted services such as sublease or catering is recognized when the services are provided.

(e) Finance Leases
Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without, ultimate legal title are classified as finance leases and presented within trade and accrued receivables in the Consolidated Statement of Financial Position. When assets held are subject to a finance lease, the leased assets are derecognized and a receivable is recognized which is equal to the present value of minimum lease payments discounted at the interest rate implicit in the lease. Finance lease income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and

2. SIGNIFICANT ACCOUNTING POLICES (continued)

liabilities measured using substantively enacted tax rates and laws that are expected to be in effect when the deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

Foreign currency translation

The consolidated financial statements are presented in Canadian Dollars, which is the Company's functional and reporting currency.

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

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

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

Per share amounts

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

The treasury stock method is used to determine the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase shares of Black Diamond at their estimated average market price during the period, and the difference between Black Diamond shares issued upon the exercise

2. SIGNIFICANT ACCOUNTING POLICES (continued)

of the options and the number of options obtainable under this method, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive options are not considered in computing diluted earnings per share.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, determined to be the Board of Directors and executive management team, as these are the individuals that make strategic decisions that will affect the direction of the Company. The business of Black Diamond is conducted through three reportable segments: Camps and Logistics, Space Rentals and Energy Services.

3. ACCOUNTS RECEIVABLE

	December 31, 2012 $	December 31, 2011 $
Trade and accrued receivables	77,197	47,879
Provision for doubtful accounts	(619)	(238)
Net trade and accrued receivables	**76,578**	**47,641**

Movement in provision for doubtful accounts	December 31, 2012 $	December 31, 2011 $
Balance at beginning of period	238	72
Amount provided in period	695	269
Collected in period	—	32
Written off in period	(314)	(135)
Balance at end of period	**619**	**238**

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

Provisions for doubtful debts are made and have two components:

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

3. ACCOUNTS RECEIVABLE (continued)

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

As at December 31, 2012, 21% of Black Diamond's consolidated accounts receivable is due from one customer, compared to two customers equating to 26% of Black Diamond's consolidated accounts receivable as at December 31, 2011, each with an outstanding balance greater than 10% of the consolidated total. These customers are significant in the oil and gas industry and are considered to have high creditworthiness, with the revenue recognized in both the Space Rentals and Camps and Logistics segments.

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

Revenue recognized for multiple services delivered within certain contracts are billable over the term of the contract. The amount of receivables recorded as long term consists of amounts to be invoiced in more than one year, with the services having been completed and the revenue recognized during current or previous periods, pursuant to agreements with significant customers which are considered to have high credit worthiness. The aging of the trade and accrued receivables is as follows:

Trade and accrued Accounts Receivable As at	**December 31, 2012**	**December 31, 2011**
	$	**$**
Amounts not yet due	64,563	42,781
Past due not more than 30 days	5,716	2,521
Past due not more than 60 days	2,489	207
Past due not more than 90 days	1,973	925
Past due greater than 90 days	2,456	1,445
	77,197	47,879

Long Term Receivable As at	**December 31, 2012**	**December 31, 2011**
	$	**$**
Amounts not yet due	2,708	—
	2,708	—

4. PROPERTY AND EQUIPMENT

	Computers, furniture and service equipment	Space rentals fleet equipment	Camps and workforce housing fleet equipment	Surface rental equipment	Carry-on options	Land	Building	Leasehold improvements	Deposits on equipment	Asset retirement obligation	Total
Cost	$	$	$	$	$	$	$	$	$	$	$
January 1, 2012	7,419	90,593	200,088	39,118	4,266	6,805	—	10,377	7,985	1,780	368,431
Additions	1,504	25,735	125,770	4,464	1,893	1,512	342	2,393	15	—	163,628
Disposals	(134)	(4,013)	(5,056)	(741)	(157)	—	—	—	—	—	(10,101)
Transfers	(266)	(2,072)	4,461	(2,210)	(50)	—	1,300	650	(1,813)	—	—
Exchange rate adjustment	(38)	(728)	—	—	(4)	(22)	—	(8)	4	—	(796)
December 31, 2012	8,485	109,515	325,263	40,631	5,948	8,295	1,642	13,412	6,191	1,780	521,162
Accumulated Depreciation											
January 1, 2012	3,479	12,190	40,574	6,106	2,432	—	—	2,197	—	380	67,358
Charge for the period	1,048	5,766	18,579	5,844	1,777	—	46	1,454	—	151	34,665
Disposals	(98)	(1,066)	(2,174)	(548)	(146)	—	—	—	—	—	(4,032)
Transfers	(85)	83	2,558	(2,511)	(45)	—	—	—	—	—	—
Exchange rate adjustment	(27)	(75)	—	—	(2)	—	—	(6)	—	—	(110)
December 31, 2012	4,317	16,898	59,537	8,891	4,016	—	46	3,645	—	531	97,881
NET BOOK VALUE											
December 31, 2012	**4,168**	**92,617**	**265,726**	**31,740**	**1,932**	**8,295**	**1,596**	**9,767**	**6,191**	**1,249**	**423,281**

4. PROPERTY AND EQUIPMENT (continued)

	Computers furniture and service equipment	Space rentals fleet equipment	Camps and workforce housing fleet equipment	Surface rental equipment	Carry-on options	Land	Leasehold improvements	Deposits on equipment	Asset retirement obligation	Total
Cost	$	$	$	$	$	$	$	$	$	$
January 1, 2011	5,796	80,687	168,018	18,634	4,102	2,278	9,607	2,299	1,692	293,113
Additions	1,411	14,062	45,347	21,116	1,279	4,509	1,236	5,689	88	94,737
Disposals	(248)	(4,761)	(10,897)	(3,069)	(1,217)	—	—	—	—	(20,192)
Transfers	409	(1)	(2,482)	2,437	100	—	(463)	—	—	—
Exchange rate adjustment	51	606	102	0	2	18	(3)	(3)	—	773
December 31, 2011	7,419	90,593	200,088	39,118	4,266	6,805	10,377	7,985	1,780	368,431
Accumulated Depreciation										
January 1, 2011	2,589	7,789	28,682	3,740	2,037	—	960	—	156	45,953
Charge for the period	861	5,101	15,396	2,916	1,556	—	1,231	—	224	27,285
Disposals	(71)	(699)	(2,843)	(1,207)	(1,201)	—	—	—	—	(6,021)
Transfers	67	(102)	(661)	657	39	—	—	—	—	—
Exchange rate adjustment	33	101	—	—	1	—	6	—	—	141
December 31, 2011	3,479	12,190	40,574	6,106	2,432	—	2,197	—	380	67,358
NET BOOK VALUE										
December 31, 2011	**3,940**	**78,403**	**159,514**	**33,012**	**1,834**	**6,805**	**8,180**	**7,985**	**1,400**	**301,073**

Included in disposals in 2012 is a non-cash disposal of $746 relating to written off assets.

The amount added to property and equipment related to the asset retirement obligation is classified within camps and workforce housing fleet equipment for depreciation purposes.

Land and deposits on equipment are not subject to depreciation.

5. INTANGIBLE ASSETS

	Customer relationships	Trademarks	Total
Cost	$	$	$
January 1, 2012	14,413	11	14,424
Exchange differences	(69)	—	(69)
	14,344	11	14,355
Accumulated amortization			
January 1, 2012	3,729	5	3,734
Charge for the period	878	1	879
Exchange differences	(15)	—	(15)
	4,592	6	4,598
December 31, 2012	**9,752**	**5**	**9,757**

	Customer relationships	Supplier commitments	Non-compete agreements	Trademarks	Total
Cost	$	$	$	$	$
January 1, 2011	14,357	2,002	450	11	16,820
Exchange differences	56	—	—	—	56
	14,413	2,002	450	11	16,876
Accumulated amortization					
January 1, 2011	2,825	1,702	225	4	4,756
Charge for the period	889	300	225	1	1,415
Exchange differences	15	—	—	—	15
	3,729	2,002	450	5	6,186
December 31, 2011	**10,684**	**—**	**—**	**6**	**10,690**

There were no additions or disposals of intangible assets in 2012 or 2011.

6. GOODWILL

	$
January 1, 2011	34,591
Exchange differences	66
December 31, 2011	**34,657**
Exchange differences	(80)
December 31, 2012	**34,577**

7. GOODWILL IMPAIRMENT

The recoverable amounts of all CGU's at December 31, 2012 were determined in connection with the goodwill impairment test and were based on Fair Value Less Costs To Sell ("FVLCTS") calculations. The specific approach used to determine FVLCTS for each CGU was a five-year discounted cash flow approach, cross-checked by comparable market transactions and public company trading multiples. A comparison of the consolidated recoverable amount of the CGUs to the Company's market capitalization was also performed to support the FVLCTS calculations. The key assumptions used in the FVLCTS calculations for each CGU were based on: a review of historical performance; a review of historical performance of guideline companies; the 2013 budget approved by the Board; and consideration of the cyclicality and expected future macro-economic changes impacting each CGU. Estimated growth for 2013 is higher than industry average, but in line with the Company’s historical growth. Growth rates assumed for the following four years are in line with industry averages. The terminal growth rate is in line with inflation for the industry.

	Traditional Camps	BOXX West	BOXX East	BOXX US	Energy Services	Consolidated
	$	$	$	$	$	$
Goodwill	24,471	3,873	972	3,892	1,369	34,577
After tax discount rate	13.8%	13.8%	13.8%	14%	16%	
Terminal growth rate	3%	3.5%	3%	2%	3.5%	

With regard to the assessment of FVLCTS, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU’s to materially exceed their recoverable amount.

8. OPERATING FACILITY

Black Diamond has a committed revolving operating loan facility of $15,000 (December 31, 2011 - $10,000) that matures December 31, 2015 and is available by way of overdraft, prime rate advances, LIBOR advances, bankers acceptances and letters of credit using interest rates that fluctuate based on the ratio of funded debt to EBITDA. The facility may not exceed 75% of Canadian trade accounts receivable and 60% of US trade accounts receivable, in each case, less than 90 days old. As at December 31, 2012, $15,000 was available under the facility and the Company had drawn $nil (December 31, 2011 - $10,000 available and $nil drawn). The facility is collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries. The revolving operating loan facility incurs standby fees for any unused portion of the facility at rates that fluctuate based on the ratio of funded debt to EBITDA.

Black Diamond also has a hedging credit facility authorizing it to enter into a non-speculative interest rate hedge and/or a foreign currency hedge with its lenders, and providing credit against losses on the hedge instrument up to a maximum of $7,500. The hedge subject to this arrangement is collateralized by the same security and guarantees as the operating and committed revolving capital expenditure facilities (note 9).

Black Diamond, through an indirect wholly owned US subsidiary, also has a US $3,000 revolving loan facility to fund working capital requirements of such subsidiary. The facility bears interest at a rate of US prime plus 1% subject to a 5% minimum rate. At December 31, 2012, the effective rate was 5% (December 31, 2011 – 5%). Interest on drawings is to be paid monthly with any principal outstanding to be repaid by November 30, 2013. The facility is collateralized by a letter of credit issued by the Company's Canadian lenders under the committed revolving capital expenditure facility. At December 31, 2012 there was $nil (December 31, 2011 - $nil) drawn on the US $3,000 committed revolving loan facility.

9. LONG-TERM DEBT

	December 31, 2012	December 31, 2011
	$	$
Committed Revolving Capital Expenditure Facility	35,000	25,000
Senior Secured Notes	62,000	62,000
Costs associated with issue of Senior Secured notes	(949)	(949)
Amortization of costs associated with issue	308	79
	96,359	86,130
Amounts payable within one year	—	—
	96,359	**86,130**

Committed revolving capital expenditure facility

Black Diamond has a committed revolving capital expenditure facility of $130,000 (December 31, 2011 - $115,000) that matures December 31, 2015 and is available by way of prime rate advances, U.S. base rate advances, LIBOR advances,bankers acceptances and letters of credit using interest rates that fluctuate based on the ratio of funded debt to EBITDA. The facility may not exceed 60% of the net book value of tangible capital property and equipment less the principal and any accrued and unpaid interest on the Senior Secured Notes of the Company. As at December 31, 2012 $130,000 (December 31, 2011 - $115,000) was available prior to any drawdowns on the facility. The facility is interest only payable monthly in arrears until December 31, 2013 and if not extended the facility, in aggregate, will be reduced beginning March 31, 2014 by equal quarterly reductions in an amount equal to 1/16th of the commitment on December 31, 2013. The facility is collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares of equity interests of such material subsidiaries. As at December 31, 2012 the Corporation's draws under the capital expenditure facility were comprised of $10,000 (December 31, 2011 - $nil) at prime rate, $25,000 (December 31, 2011 - $25,000) by way of a fixed interest rate swap (refer to Note 21) and US $3,000 (December 31, 2011 - U.S $3,000) by way of letters of credit. As at December 31, 2012 the average interest rate applied to amounts drawn on the capital expenditure facility was 4.34%. The revolving capital expenditure facility incurs standby fees for any unused portion of the facility at rates that fluctuate based on the ratio of funded debt to EBITDA.

Senior Secured Notes

The $62,000 principal amount of the senior secured notes rank pari passu with the senior credit facilities with the same collateral, at an interest rate of 5.44% per annum and mature on July 8, 2019. The scheduled annual repayment of the Notes begins July 7, 2015.

At December 31, 2012, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the facilities described above and in Note 8 would result in an event of default in which case Black Diamond may have available specific cure periods to remedy such default. If the default is not remedied or waived, the lenders have the option to declare the obligations of Black Diamond under the credit facilities to be immediately due and payable without presentment, demand, protest or further notice of any kind.

10. CAPITAL DISCLOSURE

Black Diamond's objectives when managing capital are:

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

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

Black Diamond monitors capital using the Funded Debt/EBITDA(1) ratio, and the Dividends/annualized (EBITDA – interest expense) ratio. The first ratio is calculated using interest bearing debt net of cash and cash equivalents per the Consolidated Statement of Financial Position and EBITDA(1), which is defined as follows:

	December 31, 2012 $	December 31, 2011 $
Net income	47,394	40,979
Add:		
Depreciation and amortization	35,544	28,700
Finance costs	5,747	4,884
Unrealized foreign exchange loss	36	7
Deferred income taxes	7,061	13,996
Current income taxes	8,520	60
Non-controlling interest	3,761	3,602
Acquisition costs (Note 28)	707	—
Share-based compensation	3,321	1,843
EBITDA	**112,091**	**94,071**

The Company targets to maintain the first ratio at a level below 2.00. At December 31, 2012, the ratio is 0.86 (December 31, 2011 - 0.67). The second ratio uses dividends per Note18, EBITDA (1) as defined above, and interest on long-term debt per Note 24. Black Diamond targets to maintain this ratio below a level of 0.60. For the year ended December 31, 2012 the ratio is 0.25 (December 31, 2011 - 0.27).

(1) EBITDA is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of the Company's ability to generate cash flow in order to fund working capital, service debt and fund capital programs, and it is regularly provided to the chief operating decision makers. The Company's method of calculating EBITDA may differ from other entities and accordingly, may not be comparable to measures used by other entities.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
Current	$	$
Trade payables	5,758	8,624
Accruals	25,397	12,330
Deferred revenue	4,587	2,072
Other payables	3,744	1,762
	39,486	24,788

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Accrued liabilities are estimates of amounts due for goods and services that have been received but not yet invoiced.
- Deferred revenue is non-interest bearing and has an average term of six months.
- Other payables are non-interest bearing and are normally settled within six months.

12. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations relate to closure and post-closure costs concerning the Sunday Creek Lodge. Black Diamond estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at December 31, 2012 to be $2,060. Management has estimated the value of this obligation at December 31, 2012 to be $1,955 (December 31, 2011 - $1,907) using an inflation rate of 2% (December 31, 2011 - 2%) and pre-tax risk-free interest rate of 3% (December 31, 2011 - 3%) that reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2019 to 2020.

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

	$
January 1, 2011	**1,780**
Additions	87
Accretion in year	40
December 31, 2011	**1,907**
Accretion in year	48
December 31, 2012	**1,955**

13. SHARE CAPITAL

a) Share capital

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

Issued - Common shares	Number	Amount
		$
January 1, 2011	**16,429**	**187,925**
Issued on public offering, net of costs	1,980	48,772
Tax savings from share issuance costs	—	698
Issued on exercise of options (note 13 (b))	175	1,528
Purchase of shares in Trust (note 13 (c))	(8)	(220)
Sale of shares in trust	8	74
Vesting of shares in trust	22	153
Transfer from contributed surplus (note 15)	—	1,218
Effect of share split	18,607	—
After share split	**37,213**	**240,148**
Issued on exercise of options (note 13 (b))	27	127
Transfer from contributed surplus (note 15)	—	75
December 31, 2011	**37,240**	**240,350**
Issued on public offering, net of costs	2,750	57,465
Tax savings from share issuance costs	—	857
Issued on exercise of options (note 13 (b))	1,178	7,587
Purchase of shares in Trust (note 13 (c))	(47)	(993)
Sale of shares in trust	10	203
Vesting of shares in trust	23	136
Transfer from contributed surplus (note 15)	—	3,535
December 31, 2012	**41,154**	**309,140**

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

b) Share Option Plan

Black Diamond has established a share option plan (the “Plan”) pursuant to which options may be granted to directors, officers, employees and consultants of Black Diamond in order to provide an opportunity for these individuals to obtain a proprietary interest in Black Diamond’s long-term success.

13. SHARE CAPITAL (continued)

Due to the share split mentioned previously, the number of common shares issuable upon exercise of options outstanding at the time of the split, their fair value and their exercise price were also adjusted on a basis of each option was now exercisable to purchase two common shares at an exercise price per share equal to one-half of the prior exercise price per share. This adjustment is reflected in the table below.

The aggregate number of common shares that may be issued pursuant to the exercise of options granted under the Plan and all other share compensation arrangements of Black Diamond shall not exceed 10% of the outstanding common shares from time to time. At December 31, 2012, there were 3,388,713 common shares reserved for issuance upon the exercise of options granted pursuant to the Plan. The exercise price of each option equals the weighted average trading price of the common shares for the five trading days preceding the date of the grant. This exercise price is not substantially different than the market value on the date of the grant. Options granted under the Plan vest on a straight line model over three years and the option term is five years from the date of grant.

(expressed in thousands except per share amounts)

Grant date	Number of options outstanding	Exercise price	Remaining contractual life (years)	Number exercisable	Weighted average exercise price for exercisable options
		$			$
March 20, 2008	50	5.87	0.22	50	0.41
March 9, 2009	106	2.81	1.19	106	0.41
April 1, 2010	682	9.81	2.25	323	4.38
March 25, 2011	877	12.97	3.24	245	4.38
March 25, 2012	1,050	20.61	4.22	—	—
April 5, 2012	519	19.94	4.26	—	—
May 15, 2012	30	19.68	4.37	—	—
June 5, 2012	75	22.60	4.43	—	—
December 31, 2012	3,389			724	
Weighted average 2012		15.62	3.43		9.58

13. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity:

	Number of options outstanding	Weighted average exercise price
		$
January 1, 2011	1,164	13.42
Granted	511	25.94
Exercised	(175)	8.71
Effect of share split	1,499	—
After share split	2,999	
Exercised	(27)	4.73
December 31, 2011	**2,972**	**9.16**
Granted	1,674	20.47
Exercised	(1,178)	6.48
Canceled	(79)	11.77
December 31, 2012	**3,389**	**15.62**

During the year ended December 31, 2012, the Company recorded share-based compensation expense of $2,790 (2011 – $1,668) related to options granted under the Plan. Options granted in the year ended December 31, 2012 have a weighted average fair value of $2.77 per option (2011 - $1.73).

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

Date of grant	Dividend yield	Expected average volatility	Average risk-free rate	Expected life
	%	%	%	(years)
March 25, 2011	4.41	30	1.69	3.00
March 25, 2012	3.34	30	1.24	3.00
April 5, 2012	3.61	34	1.19	3.00
May 15, 2012	3.66	34	1.42	3.00
June 6, 2012	3.19	36	1.10	3.00

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

13. SHARE CAPITAL (continued)

c) Long Term Incentive Plan ("LTIP")

Black Diamond has implemented an LTIP pursuant to which common shares are purchased in trust for participants. One-third of the shares that are the subject of a right granted under the LTIP will vest on each anniversary of the grant over a three year period. During the year ended December 31, 2012, the Company recorded share-based compensation expense of $531 (2011 – $175) related to the graded vesting of shares granted under the LTIP, with a corresponding increase to contributed surplus.

To satisfy the Company's obligation to deliver shares pursuant to the LTIP, the Company purchased 47,300 common shares (2011 - 7,718) on the open market for $993 (2011 - $220) during the year ended December 31, 2012.

These common shares are held in trust until the common shares vest to the participants. The Company is not exposed to fluctuations in the stock price in respect of the common shares held by the trustee, except when shares are forfeited by the employee pursuant to the LTIP and sold in the open market. The Company sold 10,000 common shares for $206, with $203 (2011 – $74) being recorded to share capital and $3 (2011 – $135) to contributed surplus, as a result of these forfeitures. During the year ended December 31, 2012, 23,000 shares vested, and were released to participants. The release of these shares triggered a transfer from contributed surplus to share capital in the amount of $136 (2011 – $153).

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

14. EARNINGS PER SHARE

Basic and diluted earnings per share from continuing operations are calculated on the net income attributable to Black Diamond Group Limited per the Consolidated Statement of Net Income for the period.

Reconciliation of weighted average number of shares

	December 31, 2012	December 31, 2011
Weighted average common shares outstanding - basic	39,205	35,650
Effect of share option plan	800	916
Weighted average common shares outstanding - diluted	40,005	36,566

Excluded from diluted weighted average number of shares are 1,647 anti-dilutive options for the year ended December 31, 2012 (2011 - 1,022).

15. CONTRIBUTED SURPLUS

	$
January 1, 2011	**4,246**
Share-based compensation	1,668
LTIP expense	175
Transfer of LTIP shares held in trust	(153)
LTIP resale	135
Options exercised in the period	(1,293)
December 31, 2011	**4,778**
Share-based compensation	2,790
LTIP expense	531
Transfer of LTIP shares held in trust	(136)
Gain on sale of LTIP	3
Options exercised in the period	(3,535)
December 31, 2012	**4,431**

16. NON-CONTROLLING INTERESTS

The non-controlling interests represent earnings attributable to the Fort Nelson First Nation's approximate 50% interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation's approximate 50% interest in the Black Diamond West Moberly Limited Partnership, and the Beaver Lake Cree Nation's approximate 50% interest in the Black Diamond Nehiyawak Limited Partnership. Management determines that the Company has control of all of the Partnerships as it controls the General Partner in all cases.

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

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

In June 14, 2012, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Beaver Lake Cree Nation, as limited partners, entered into a limited partnership agreement to form Black Diamond Nehiyawak Limited Partnership through which Black Diamond and the Beaver Lake Cree Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Beaver Lake Cree Nation territory in Northeastern Alberta.

16. NON-CONTROLLING INTERESTS (continued)

For the year ended December 31, 2012, a distribution of $1,218 (2011 - $2,374) was declared to Fort Nelson First Nation, as per the limited partnership agreement. For the year ended December 31, 2012, a distribution of $0 (2011 - $217) was declared to West Moberly First Nation, as per the limited partnership agreement.

	$
January 1, 2011	**348**
Net income attributable to non-controlling interest	3,602
Distribution to partners	(2,591)
December 31, 2011	**1,359**
Net income attributable to non-controlling interest	3,761
Capital transactions with partners	154
December 31, 2012	**5,274**

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss	**$**
January 1, 2011	**(3,151)**
Unrealized loss on cash flow hedge	(1,333)
Realized portion of cash flow hedge	663
Tax effect of cash flow hedge	168
Net movement in cash flow hedge	**(502)**
Exchange gain on translation of US operations	764
December 31, 2011	**(2,889)**
Unrealized gain on cash flow hedge	1,353
Realized portion of cash flow hedge	(603)
Tax effect of cash flow hedge	(187)
Net movement in cash flow hedge	**563**
Exchange loss on translation of US operations	(959)
December 31, 2012	**(3,285)**

Accumulated other comprehensive loss represents gains/losses recognized on the effective portion of the cash flow hedge, as well as differences arising on the translation of the Company's United States operations into Canadian dollars due to the functional currency of these operations differing from the Company's reporting currency.

18. DIVIDENDS

At the Board of Directors discretion, cash dividends are declared and paid by Black Diamond on the common shares on a monthly basis to shareholders of record on the last business day of each month. Dividends are payable on or about the 15th day of the month following the record date. All per share amounts have been adjusted for the share split that occurred on August 25, 2011. During the year ended December 31, 2012 and 2011, Black Diamond's dividends on common shares of record were as follows:

(expressed in thousands except per share amounts)	2012		2011	
Record date	Dividend per share	Dividends	Dividends per share	Dividends
	$	$	$	$
January 31	0.055	2,052	0.0475	1,567
February 28	0.055	2,052	0.0475	1,567
March 31	0.055	2,083	0.0475	1,571
April 30	0.055	2,093	0.0475	1,573
May 31	0.06	2,296	0.0475	1,765
June 30	0.06	2,296	0.0475	1,767
July 31	0.06	2,464	0.0475	1,768
August 31	0.06	2,469	0.0475	1,769
September 30	0.06	2,469	0.0475	1,770
October 31	0.06	2,469	0.0475	1,770
November 30	0.06	2,469	0.0475	1,770
December 31	0.06	2,472	0.0475	1,771
Total dividends declared		**27,684**		**20,428**

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were as follows:

	December 31, 2012 $	December 31, 2011 $
Trade and accrued receivables	(28,932)	(13,124)
Due from related parties	1,192	(1,312)
Prepaid expenses and other current assets	672	(5,449)
Accounts payable and accrued liabilities	14,726	(8,405)
Due to related parties	(241)	967
Income taxes payable	8,480	24
	(4,103)	(27,299)
Attributable to operating activities	(3,458)	(39,378)
Attributable to investing activities	(404)	9,506
Attributable to financing activities	(241)	2,573

20. INCOME TAXES

Deferred Tax Liabilities and Assets

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

	PP&E	Partnership	Goodwill and intangible assets	Finance fees	Cash flow hedge	ARO	Tax loss carry forward	Total
	$	$	$	$	$	$	$	$
January 1, 2011	25,328	—	3,861	(859)	(386)	(65)	(2,308)	25,571
Recognized in net income	9,927	7,129	(286)	(185)	118	(62)	(2,645)	13,996
Recognized in OCI	—	—	—	—	(167)	—	—	(167)
Exchange differences	(424)	—	—	—	(84)	—	—	(508)
December 31, 2011	34,831	7,129	3,575	(1,044)	(519)	(127)	(4,953)	38,892
Recognized in net income	8,732	(1,419)	(348)	564	—	(50)	(418)	7,061
Recognized in equity	—	—	—	(899)	—	—	—	(899)
Recognized in OCI	—	—	—	—	187	—	—	187
Exchange differences	(505)	—	(23)	—	—	—	108	(420)
December 31, 2012	**43,058**	**5,710**	**3,204**	**(1,379)**	**(332)**	**(177)**	**(5,263)**	**44,821**

Tax losses have been recognized on the basis that the Company is forecasted to have sufficient taxable profits in the future to enable these to be utilized. Tax losses recognized expire in 2029 and beyond.

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

20. INCOME TAXES (continued)

Effective Tax Rate

The following is a reconciliation of income tax expense calculated at the statutory Canadian income tax rate to the income tax provision included in the consolidated statement of net income.

		December 31, 2012 $	December 31, 2011 $
Income before income taxes and non- controlling interests		66,736	58,637
Provision for income taxes at statutory rate of 25% (2011 - 26.5%)		16,684	15,539
Increase/(Decrease) in income taxes due to:			
	Non-deductible items	800	536
	Non-controlling interests	(1,223)	(735)
	Changes in tax rates impacting deferred taxes	—	(873)
	Foreign jurisdiction rate difference	(208)	5
	Valuation allowance	—	(62)
	Other	(472)	(354)
Income tax expense		**15,581**	**14,056**

21. FINANCIAL INSTRUMENTS

a) Analysis of financial assets and liabilities

Financial assets designated as fair value through profit and loss are subsequently measured at fair value with changes in those fair values charged immediately to earnings. Financial instruments classified as loans and receivables, and other financial liabilities are measured at amortized cost. Derivatives held for hedging are recorded on the Consolidated Statement of Financial Position at fair value, with changes in the fair values recognized in other comprehensive income. Black Diamond had no held to maturity investments, available for sale financial assets, or liabilities at fair value through profit or loss at December 31, 2012 or December 31, 2011.

December 31, 2012	Financial assets at fair value through profit or loss $	Loans and receivables $	Financial liabilities at amortized cost $	Derivatives used for hedging $
Cash and cash equivalents	2,697	—	—	—
Long term debt	—	—	96,359	—
Accounts receivable	—	76,578	—	—
Due from related parties	—	121	—	—
Accounts payable	—	—	34,899	—
Long term receivable	—	2,708	—	—
Due to related parties	—	—	1,174	—
Dividends payable	—	—	2,472	—
Risk management liability	—	—	—	1,324
	2,697	79,407	134,904	1,324

December 31, 2011	Financial assets at fair value through profit or loss $	Loans and receivables $	Financial liabilities at amortized cost $	Derivatives used for hedging $
Cash and cash equivalents	22,990	—	—	—
Long term debt	—	—	86,130	—
Accounts receivable	—	47,641	—	—
Due from related parties	—	1,313	—	—
Accounts payable	—	—	22,716	—
Due to related parties	—	—	1,415	—
Dividends payable	—	—	1,771	—
Risk management liability	—	—	—	2,074
	22,990	48,954	112,032	2,074

21. FINANCIAL INSTRUMENTS (continued)

b) Fair value of financial instruments

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

The Financial instrument classified as a derivative used for hedging is measured in the Statement of Financial Position at fair value and by using the following fair value measurement hierarchy:

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

As at each reporting date, the financial instrument classified as a derivative used for hedging was level 2 on the hierarchy. Those assets classified as loans and receivables and financial liabilities measured at amortized cost do not require input into the hierarchy analysis.

c) Interest rate risk

Interest rate risk arises from the possibility of the future cash flows of a financial instrument fluctuating as a result of changes in the market rates of interest. Black Diamond is subject to both cash flow interest rate risk on its committed revolving capital expenditure facility and fair value risk on the senior secured notes based on their fixed rate of interest.

The required cash flow to service certain credit facilities will fluctuate as a result of changes in market rates. Black Diamond has entered into an interest rate swap contract to fix a portion of its floating rate interest on long-term debt. The interest rate swap contract requires the periodic exchange of payments without the exchange of the notional principal amounts on which the payment is based. At December 31, 2012, Black Diamond had the following interest rate swap contract outstanding:

	Remaining term	Notional amount	Fixed rate	Floating rate
Swap - Floating to fixed	January 2013 - April 2015	$ 25,000	3.63%	30 day CDOR

The interest rate related derivative financial instrument designated as a hedge at December 31, 2012 was classified as a cash flow hedge.

A 1% increase in interest rates assuming debt patterns consistent with those that actually occurred, when annualized, would result in 2012 net income sensitivity of approximately $75.

d) Liquidity risk

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

21. FINANCIAL INSTRUMENTS (continued)

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

December 31, 2012	Less than 3 months $	3-12 months $	1-5 years $	Greater than 5 years $	Total $
Trade and other payables	34,899	—	—	—	34,899
Due to related parties	1,174	—	—	—	1,174
Long term debt	—	—	73,750	23,250	97,000
Risk management liability	—	—	1,324	—	1,324
	36,073	—	75,074	23,250	134,397

December 31, 2011	Less than 3 months $	3-12 months $	1-5 years $	Greater than 5 years $	Total $
Trade and other payables	22,716	—	—	—	22,716
Due to related parties	1,415	—	—	—	1,415
Long term debt	—	—	48,250	38,750	87,000
Risk management liability	—	—	2,074	—	2,074
	24,131	—	50,324	38,750	113,205

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

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

22. REVENUE

	December 31, 2012 $	December 31, 2011 $
Rental revenue	110,461	83,342
Lodging revenue	52,333	49,016
Non-rental revenue	101,480	109,450
	264,274	241,808

23. AMOUNTS CHARGED IN ARRIVING AT OPERATING PROFIT

	December 31, 2012 $	December 31, 2011 $
Direct costs of operations	118,386	119,485
Administrative expenses		
Personnel costs	20,282	17,227
Administrative expenses	9,097	7,558
Occupancy and insurance	4,418	3,467
Share based compensation (note 13)	3,321	1,843
Acquisition costs (note 28)	707	—
Unrealized foreign exchange loss	36	7
Total Administrative expenses	37,861	30,102
Depreciation of property and equipment	34,665	27,285
Amortization of intangibles	879	1,415
Total Costs before Operating Profit	191,791	178,287

24. FINANCE COSTS

	December 31, 2012 $	December 31, 2011 $
Interest relating to:		
- Operating facility	2	79
- Long term debt	5,468	4,660
- Capital lease	—	26
Total interest expense	5,470	4,765
Amortization of senior secured note set-up costs	229	79
Accretion of asset retirement obligation	48	40
Total finance costs	5,747	4,884

25. SEGMENTED INFORMATION

Black Diamond determines its reportable segments based on the structure of its operations in a manner consistent with the internal reporting provided to the chief operating decision makers. Operations are primarily focused in three business segments – Camps and Logistics, Space Rentals and Energy Services. This determination is based primarily on product offering.

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

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

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

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

25. SEGMENTED INFORMATION (continued)

For the year ended	December 31, 2012			December 31, 2011		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Revenue						
Camps and Logistics	169,937	—	169,937	143,219	—	143,219
Space Rentals	42,224	14,318	56,542	39,680	21,871	61,551
Energy Services	37,801	—	37,801	37,062	—	37,062
Intersegment eliminations(1)	(6)	—	(6)	(24)	—	(24)
	249,956	14,318	264,274	219,937	21,871	241,808

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

	Canada	USA	Total	Canada	USA	Total
Depreciation of Property and Equipment						
Camps and Logistics	20,789	—	20,789	16,738	—	16,738
Space Rentals	3,973	2,883	6,856	2,906	2,941	5,847
Energy Services	5,861	—	5,861	3,896	—	3,896
Corporate	1,159	—	1,159	804	—	804
	31,782	2,883	34,665	24,344	2,941	27,285
Finance costs						
Camps and Logistics	3,683	—	3,683	2,744	—	2,744
Space Rentals	853	454	1,307	774	583	1,357
Energy Services	757	—	757	783	—	783
	5,293	454	5,747	4,301	583	4,884
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps and Logistics	58,030	—	58,030	38,523	—	38,523
Space Rentals	14,714	(884)	13,830	8,828	(731)	8,097
Energy Services	6,895	—	6,895	7,233	—	7,233
Corporate	(31,361)	—	(31,361)	(12,874)	—	(12,874)
	48,278	(884)	47,394	41,710	(731)	40,979
Capital Expenditures (gross)						
Camps and Logistics	112,291	—	112,291	50,428	—	50,428
Space Rentals	19,914	3,713	23,627	10,293	4,460	14,753
Energy Services	20,868	—	20,868	22,138	—	22,138
Corporate	6,842	—	6,842	7,337	—	7,337
	159,915	3,713	163,628	90,196	4,460	94,656

25. SEGMENTED INFORMATION (continued)

As at	December 31, 2012			December 31, 2011		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Property and Equipment						
Camps and Logistics	249,292	—	249,292	159,677	—	159,677
Space Rentals	62,155	33,702	95,857	47,087	35,448	82,535
Energy Services	61,553	—	61,553	47,661	—	47,661
Corporate	16,579	—	16,579	11,200	—	11,200
	389,579	**33,702**	**423,281**	**265,625**	**35,448**	**301,073**
Intangible Assets						
Camps and Logistics	7,387	—	7,387	7,924	—	7,924
Space Rentals	—	2,282	2,282	—	2,670	2,670
Energy Services	83	—	83	90	—	90
Corporate	5	—	5	6	—	6
	7,475	**2,282**	**9,757**	**8,020**	**2,670**	**10,690**
Goodwill						
Camps and Logistics	24,471	—	24,471	24,471	—	24,471
Space Rentals	4,845	3,892	8,737	4,845	3,972	8,817
Energy Services	1,369	—	1,369	1,369	—	1,369
	30,685	**3,892**	**34,577**	**30,685**	**3,972**	**34,657**
Total Assets						
Camps and Logistics	343,418	—	343,418	221,860	—	221,860
Space Rentals	79,508	42,319	121,827	60,647	45,112	105,759
Energy Services	70,597	—	70,597	62,201	—	62,201
Corporate	21,354	—	21,354	36,610	—	36,610
	514,877	**42,319**	**557,196**	**381,318**	**45,112**	**426,430**

26. COMMITMENTS

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

	December 31, 2012	December 31, 2011
	$	$
Due within one year	3,272	2,009
Due later than one year and less than five	3,533	5,163
Due after five years	232	232
	7,037	7,404

Black Diamond has committed to purchase $7,599 of fleet equipment for delivery in 2013. These purchases will be financed through a combination of operating cash flow and draws on Black Diamond's credit facilities.

27. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

	December 31, 2012	December 31, 2011
	$	$
Sales of goods and services	296	1,763
Purchases of goods and services (A)	300	409
Trade amounts owing from related parties	121	1,313
Due to related parties (B)	1,174	1,415

All amounts above are deemed transactions with related parties due to common directorship by the Company's key management personnel.

(A) Excludes amounts remitted as reimbursement for directors' activities within the period.

(B) The amount due to related parties relates to the distribution and royalties payable to the non-controlling interests.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those made in an arm's length transaction at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There are no guarantees provided or received for any related party receivables or payables.

No provision for doubtful accounts has been recognized in relation to any outstanding balances and no expense has been recognized in respect of bad or doubtful debts due from related parties.

27. RELATED PARTY TRANSACTIONS (continued)

The following table details transactions with related parties:

		Sales of goods and services	Purchase of goods and services	Trade amounts owing from related parties
		$	$	$
TriOil Resources	2012	296	—	121
Athabasca Oilsands	2011	1,744	—	1,311
CF Construction Services Ltd	2011	5	—	—
NC Services Group Ltd	2011	14	—	2
Burnet, Duckworth & Palmer	2012	—	285	—
	2011	—	380	—
Claryn Equities Inc	2011	—	20	—
Petroleum Services Association of Canada	2012	—	15	—
	2011	—	9	—
Total	2012	296	300	121
	2011	1,763	409	1,313

The above transactions disclosed are for the period during which they were related.

Key management personnel compensation

	December 31, 2012	December 31, 2011
	$	$
Salaries, bonuses and other short-term employee benefits	2,096	2,169
Share-based compensation	2,285	1,284
	4,381	3,453

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel.

27. RELATED PARTY TRANSACTIONS (continued)

Key management personnel's interest in the Share Option Plan

Share options held by key management personnel have the following grant dates and exercise prices:

Grant date	Exercise price $	Number outstanding December 31, 2012	Number outstanding December 31, 2011
May 2, 2007	3.40	—	100
October 1, 2007	4.74	—	80
March 20, 2008	5.87	50	128
March 9, 2009	2.81	106	333
April 1, 2010	9.81	562	845
March 25, 2011	12.97	690	742
March 22, 2012	20.61	630	—
April 5, 2012	19.94	386	—
		2,424	2,228

28. SUBSEQUENT EVENTS

In January 2013, Black Diamond purchased 90% of the modular rental business of Australian Portable Buildings Pty. Ltd. ("APB") along with 20% of APB's portable building manufacturing business for approximately $43,000. The remaining 10% of the modular rental business and 80% of the modular building manufacturing business was purchased by a Canadian modular building manufacturer that is a current supplier to Black Diamond. Subsequent to the initial purchase, Black Diamond acquired the remaining 10% of the modular rental business. Black Diamond assumed the working capital of APB, however, Black Diamond did not assume any of APB's debt. The allocation of the purchase price to the net identifiable assets has not yet been finalized.

Acquisition costs of $707 incurred in 2012 were expensed in relation to the APB acquisition.

Also in January 2013, Black Diamond purchased a fleet of modular rental building assets from Nomad Building Solutions Limited ("Nomad"), an Australian company, for approximately $6,370. Black Diamond purchased additional fleet assets from Nomad in February 2013 for approximately $3,900. The transaction provides Black Diamond with assets to provide services to the Australian resource industries.