MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of May 10, 2011 and is provided to assist readers in understanding Black Diamond Group Limited's ("Black Diamond" or the "Company" and formerly Black Diamond Income Fund) financial performance for the three months ended March 31, 2011 and significant trends that may affect the future performance of Black Diamond. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2010. The accompanying unaudited condensed consolidated interim financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). Black Diamond's common shares trade on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond, for the year ended December 31, 2010, may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

As of January 1, 2011, Black Diamond adopted International Financial Reporting Standards (IFRS), and the following disclosures, as well as associated unaudited condensed consolidated interim financial statements have been reported in accordance with IFRS. Black Diamond's effective transition date is January 1, 2010 to accommodate 2010 IFRS comparative information. A comprehensive summary of all the significant changes including reconciliations of Canadian GAAP financial statements to those prepared under IFRS are included in note 30 of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011.

Certain information set forth in this MD&A contains forward-looking statements including management's assessment of Black Diamond's future operations, performance, business prospects and opportunities. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: the impact of general economic conditions, industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information forms for the year ended December 31, 2010 and other reports on file with the Canadian Securities Regulatory Authorities and may be accessed through the SEDAR website at www.sedar.com. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.

OVERVIEW OF THE COMPANY

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

Black Diamond, whose principal undertakings, through its wholly-owned subsidiaries, Black Diamond Limited Partnership, Nortex Modular Leasing and Construction Company ("Nortex") and through its 50% participation in Black Diamond Dene Limited Partnership and Black Diamond West Moberly Limited Partnership, are to rent modular structures for use as workforce accommodation and temporary workspace, rent various types of oilfield equipment used in the exploration and production of oil and gas and to provide complementary services including operating remote lodging facilities, transportation, installation, dismantling, repair and maintenance of modular structures and oilfield equipment, as well as related services through three operating divisions consisting of Black Diamond Camps and Logistics, BOXX Modular and Black Diamond Energy Services.

Black Diamond has structured its operations in three principal business segments – Workforce Accommodations, Space Rentals and Energy Services.

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

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

Energy Services provides an accommodations fleet for drill camps, geologist/engineer quarters and staff quarters. Energy Services also provides a complement of surface rental assets that would typically support a drilling or completions operation such as solids and liquids containment, rig matting, and support equipment.

FIRST QUARTER 2011 HIGHLIGHTS

Revenue levels for the first quarter of 2011 (hereafter referred to as the 'Period') increased by 80% to $55.7 million compared to the three month period ended March 31, 2010. Rental revenue was 66% higher at $19.4 million compared to the first quarter 2010, while non-rental revenue was 98% higher at $24.8 million and lodging revenue was 71% higher at $11.5 million compared to the first quarter 2010.

One of the primary drivers of Black Diamond's business continues to be the rental income from fleet units. Rental revenue generated in the Period amounted to $19.4 million, $7.7 million higher than the same period in 2010. This is due to the Company's portfolio of rental assets being larger than during the first quarter 2010, but also due to the increase across all divisions in the utilization rates and increases in the rental rates achieved on the equipment. During the period ended March 31, 2011, the fleet of Workforce Accommodation units grew by 15% or 205 units. The majority of this growth was the addition of camp assets in the Horn River area of Northern British Columbia and for a remote mining project. The Space Rentals fleet grew by 3% or 82 units. The Energy Services accommodations fleet increased by 5% during the Period or 10 units, while the number of surface rental pieces of equipment increased by 6% or 79 units.

The utilization of these fleet assets was strong throughout the Period averaging 97% for Workforce Accommodation compared with 86% for the same period in 2010. Space Rental fleet utilization increased to 74% from 69% for the Period. Drilling accommodations and surface rental equipment utilization rates were 78% and 47%, respectively, compared to 62% and 34% in 2010.

The Company's business continues to be driven by the resource sector with revenue generated from oil sands and oil sands related projects amounting to 20% of consolidated revenue, 42% was sourced from conventional oil and gas activity in Western Canada, 6% coming from mining and metal extraction, with the balance of 32% generated from business not related to the resource sector activity.

The Administrative Expenses for the Period was 12% of revenue, which is a decline from the 15% level of SG&A incurred in 2010, as a result of a larger revenue base and the incurrence of some acquisition related costs in Q1 2010. The SG&A cost base is currently scaled to manage the current asset base, the generation of greater total revenue from existing assets, higher revenue generation associated with anticipated levels of non-rental activity and the addition of more fleet assets.

EBITDA (see "Non-GAAP measures") for the period was $21.9 million or 39% of revenue versus $12.4 million or 40% of revenue for 2010.

Black Diamond's net income for the Period was $9.9 million compared to $4.5 million in 2010.

Black Diamond paid dividends of $0.095 per share per month (the equivalent of $1.14 per share annually) resulting in a payout ratio (see "Non-GAAP measures") for the Period of 25%, compared to 30% for the same period in 2010.

Subsequent to the end of the Period, the Company successfully closed a "brought-deal" common share financing by way of a short form prospectus of an aggregate of 1,980,000 common shares at a price of $26.10 per common share for aggregate gross proceeds of approximately $51.7 million.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements of Black Diamond for the three months ended March 31, 2011.

	Three months ended March 31		
(in thousands, except as noted)	2011	2010 (4)	2009
Financial Highlights	$	$	$
Total revenue	55,732	30,971	26,873
Gross Profit	28,049	16,455	15,536
Gross Profit %	50%	53%	58%
Administrative expenses	6,627	4,816	2,716
Selling, general & administrative %	12%	16%	10%
EBITDA (1)	21,862	12,424	12,820
EBITDA %	39%	40%	48%
Net income before taxes	13,971	6,388	8,946
Net income (3)	9,897	4,521	9,168
Per share - Basic	0.60	0.31	0.77
- Diluted	0.59	0.30	0.77
Capital expenditures (2)	27,810	45,606	9,971
Property & equipment (NBV)	266,181	195,104	136,327
Total assets	373,389	268,835	193,696
Long-term debt and capital lease obligations	102,000	30,852	44,044
Dividends/ Distributions declared	4,705	4,101	3,196
Per share/ Unit	0.29	0.27	0.27
Payout ratio	25%	36%	26%
Operational Highlights			
Workforce accommodation units in fleet at end of period	1,548	869	907
Average utilization during the period	97%	86%	91%
Workforce accommodation units in Sunday Creek Lodges at end of period	239	224	-
Utilization rate during the period	100%	100%	-
Space rental units at end of period - combined	2,576	2,350	1,182
Canada	1,336	1,225	1,182
USA	1,240	1,125	-
Average utilization during the period - combined	74%	69%	68%
Canada	80%	70%	68%
USA	68%	69%	-
Drilling accommodation units at end of period	196	228	240
Average utilization during the period	78%	62%	87%
Surface rental equipment at end of period	1,339	1,238	1,016
Average utilization during the period	47%	34%	37%

Notes:

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

(2) Per the Statement of Cash Flows of Black Diamond for the period ended March 31, 2011, the cash expended on the purchase of property and equipment was $26,079. The difference to the capital expenditure number above is due to the netting of sale proceeds of older fleet units in the normal course of business.
(3) Net income for the year 2009 was calculated using a tax structure for a trust, thus making it incomparable with that of subsequent periods.
(4) The 2010 comparatives have been restated from previous Canadian GAAP upon transition to IFRS, as explained later in this document.

OUTLOOK

Over the course of 2010 and through the first quarter of 2011, Black Diamond focused on the strategy of growing the business in a disciplined and measured manner through acquisitions and organic capital spend. Geographic diversification as well as a significant increase in the types of industries and customers being served throughout this growth continues to broaden the Company’s operating platform. Management expects 2011 will see continued growth through additions to the scale of the business as well as diversity in the geography and customers serviced. Management of Black Diamond will continue to pursue long term contracts against the assets under management and deployment of new capital in a generally non-speculative manner. This will continue to build and enhance the stability and visibility of the revenue and cash flows generated. The strength of the current quarter compared to the same period in 2010 is attributable to the strategic initiatives undertaken in the past twelve months and the strengthening economic environment in which the Company operates.

Black Diamond now has meaningful Workforce Accommodations revenue from shale gas, mining, and oil sands activity as well as conventional oil and gas operations. Black Diamond has turnkey and open lodging revenue in addition to pure dedicated facility rentals. Accommodation requirements in the oil sands areas of Alberta appear to have accelerated and Black Diamond anticipates additional capital will be deployed on several projects over the course of the next 12 months. Due to the continued strength seen in commodity prices, mining and metals extraction activity has also increased in Canada and elsewhere. Black Diamond sees opportunities in this sector over the next 12-18 months for further deployment of workforce accommodation equipment. The ongoing installation of new accommodation facilities as well as the commitment of occupancy at Sunday Creek Lodge will cause revenue growth from the workforce accommodations division for the balance of 2011.

The above mentioned increase in economic activity also bodes well for continued increases in the utilization rates and strengthening rental rates being realized in the Space Rentals division especially in Canada. Deployment on several long term U.S. public sector contracts also increases the revenue and cash flows being realized from this Division’s U.S. business. Significant custom sales in both Canada and the U.S. along with contracted fleet expansion are anticipated to result in positive year over year results for the Space Rentals platform throughout 2011.

Strengthened activity in the Bakken oil shales, potash drilling, Horn River and Montney shale gas resource areas are driving higher utilization and rental rates for the surface rentals fleet of the Company’s Energy Services division. The Company’s strategic partnership in the Fort St. John region of British Columbia with the West Moberly First Nations is expected to deliver strong monthly revenues from this large and flourishing activity area.

In Summary all divisions of the Company are extremely healthy with significant growth opportunities being realized. It is expected that the strong strategic positioning of the Company, significant capex, and disciplined execution will continue to generate robust results. It is anticipated the second quarter will compare very favourably to the 2010 period and in-line with the recent period.

RESULTS OF OPERATIONS

Revenue

Consolidated

($ millions, except as noted)	Q1 2011	Q1 2010
	$	$
Revenue	55.73	30.97
Rental Revenue	19.41	11.73
% of consolidated revenue	35%	38%
Lodging Revenue	11.48	6.70
% of consolidated revenue	21%	22%
Non-Rental Revenue	24.84	12.54
% of consolidated revenue	44%	40%

There has been a significant increase in rental revenues from the prior year in the Period, reflecting the increase in the rental fleet which resulted from organic build and the acquisition of modular structures and oilfield service equipment in the past year, as well as marked improvements in utilization and rental rates due to increased economic activity in the markets in which the Company operates. The rental revenue stream generates gross margins generally in excess of 90%, whereas the lodging revenue stream generates gross margins of approximately 35% and the non-rental or ancillary revenue streams generate gross margins of 20-30%.

Workforce Accommodations

($ millions, except as noted)	Q1 2011	2010
	$	$
Revenue	34.77	16.12
% of Consolidated Revenue	62%	52%
Rental Revenue	10.49	4.83
% of Workforce Accommodations Revenue	30%	30%
Lodging Revenue	11.48	6.70
% of Workforce Accommodations Revenue	33%	42%
Non-Rental Revenue	12.80	4.59
% of Workforce Accommodations Revenue	37%	28%
Utilization	97%	86%

Revenue was significantly higher in the Period as compared to the equivalent period in 2010, as the lodging revenue generated at the Sunday Creek Lodges augmented the increase in rental revenue from traditional Workforce Accommodation assets being utilized on new projects gained within the Period.

At March 31, 2011, the Workforce Accommodation rental fleet had 1,548 units. This represents an increase of 679 units (78%) compared to the end of March 2010.

Utilization of the Workforce Accommodation fleet averaged 97% for the Period, which is considerably higher than the respective period in 2010. The continued high levels of utilization are a reflection of the type of equipment Black Diamond deploys as well as the longer term nature of the rental contracts Black Diamond has favoured. The Workforce Accommodation units typically do not experience significant seasonality due to the longer term nature of the contracts on projects requiring larger complements of labour in remote areas, which tend to start and operate without regard to the time of year

Lodging revenue was generated primarily from the operating open camp, Sunday Creek Lodges, which had 239 units at the end of the Period. Revenue associated with room and board in this operated camp was $8.03 million with a utilization rate of 100% for the Period. There may be variability in revenue with respect to services related to daily occupancy levels in the given period. The remaining lodging revenue is generated from two operated camps through the Company's Black Diamond Dene Limited Partnership.

At March 31, 2011, the average remaining rental term outstanding was approximately 17 months with total revenue of approximately $44.4 million. These are augmented by 18 month accommodation services contracts at Sunday Creek Lodges that commenced on April 1, 2011 and have committed revenues of approximately $48 million. The revised contract will utilize seventy percent of the lodge's capacity. Anticipated revenue for 2011 from rental contracts in place at March 31, 2011 is $19.7 million and $23.9 million for lodging contracts.

Space Rentals

Combined Canada and USA Operations

($ millions, except as noted)	**Q1**	
	2011	**2010**
	$	$
Revenue	12.26	8.47
% of Consolidated Revenue	22%	27%
Rental Revenue	4.70	3.92
% of Combined Space Rentals Revenue	38%	46%
Non-Rental Revenue	7.56	4.55
% of Combined Space Rentals Revenue	62%	54%
Utilization	74%	69%

Revenue for the space rentals segment for the Period was higher as a result of the increased utilization and growth in the rental fleet year over year. The space rentals segment had a total of 2,576 units at March 31, 2011 compared to 2, 350 units at March 31, 2010.

Canada

($ millions, except as noted)	Q1	
	2011	**2010**
	$	**$**
Revenue	5.82	3.30
% of Consolidated Revenue	10%	11%
Rental Revenue	3.06	2.32
% of Canadian Space Rentals Revenue	53%	70%
Non-Rental Revenue	2.76	0.98
% of Canadian Space Rentals Revenue	47%	30%
Utilization	80%	70%

In Canada, revenue for the Period was higher due to increased utilization and a 9% or 111 unit increase in fleet size compared to Q1 2010. The recovery in utilization in the Period was indicative of the gradual recovery in the economy in all regions where Black Diamond has space rental operations. Downward pressure on rental pricing in the industry was experienced through the economic downturn and has been slow to recover, which led to a smaller increase in rental revenues than anticipated given the recovery experienced in utilization. In many of the markets the Company operates, there have been modest increases in rental rates, whereas in a few markets these increases have been more pronounced.

At March 31, 2011, the average remaining contract term outstanding is approximately seven months with total revenue of approximately $4.9 million. Anticipated rental revenue for 2011 from contracts in place at March 31, 2011 is $3.6 million. This does not include several month-to-month projects that are expected to contribute to rental revenue in the year.

USA

(millions, except as noted)	Q1 2011	Q1 2010
	$	$
Revenue	6.44	5.17
% of Consolidated Revenue	12%	17%
Rental Revenue	1.65	1.60
% of US Space Rentals Revenue	26%	31%
Non-Rental Revenue	4.79	3.57
% of US Space Rentals Revenue	74%	69%
Utilization	68%	69%

Rental revenue and utilization rates for the Period were trending in line with the results of the prior year, while non-rental revenue in the Period was higher than in previous quarters as a result of the installation phase of several major projects. These ancillary revenue streams employ little of Black Diamond's capital and typically generate lower gross margins as compared to the rental gross margins of approximately 90%.

The U.S. space rentals fleet had 1,240 units at March 31, 2011, an increase of 115 units from prior year. Utilization of the U.S. space rental fleet averaged 68% for the Period, which is consistent with prior year.

At March 31, 2011, the average remaining contract term outstanding is approximately 13 months with total revenue of approximately $5.9 million. Anticipated rental revenue for 2011 from contracts in place at March 31, 2011 is $2.2 million.

Energy Services

($ millions, except as noted)	Q1 2011	2010
	$	**$**
Revenue	8.70	6.38
% of Consolidated Revenue	16%	21%
Rental Revenue	4.22	2.97
% of Energy Services Revenue	49%	47%
Non-Rental Revenue	4.48	3.41
% of Energy Services Revenue	51%	53%
Drilling Accommodation Utilization	78%	62%
Surface Rental Utilization	47%	34%

Revenue increased in the Period, as utilization rates continued to increase due to the economic improvements and increases in installation and logistics.

The drilling accommodations fleet amounted to 196 units at the end of March 2011 versus 228 units at March 2010. This total includes drill camps as well as a complement of wellsite units, free standing sleepers and support units. The decline in these fleet units was due to the sale of some units and the transfer of some units to the Workforce Accommodations fleet. The fleet averaged utilization of 78% for the Period, compared with 62% for the same period in 2010. The increase in the utilization was due to the recovery of the economy starting to stimulate increased drilling and completion activity in western Canada. The surface rental fleet amounted to 1,339 units compared to 1,238 units at March 31, 2010. The utilization of the surface rental fleet was 47% for the Period, which also saw signs of recovery from the levels experienced in 2010.

Rental revenue tends to have a higher degree of seasonality in this division. Drilling accommodations and the surface rental assets typically have a higher degree of utilization during the winter months when drilling activity is greater, and reduces over the summer months.

Direct Costs and Gross Profit

($ millions, except as noted)	Q1 2011	Q1 2010
	$	$
Direct Costs	27.68	14.52
% of Consolidated Revenue	50%	47%
Gross Profit	28.05	16.46
% of Consolidated Revenue	50%	53%

Gross profit increased in the Period compared to 2010 as the size of the rental platform and revenue generation has increased. However, the margin percentage decreased as a larger portion of Black Diamond's revenue was derived from lodging revenue and non rental revenue from the Workforce Accommodation segment. These activities generate lower gross margin percentages than rental revenue associated with the equipment.

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

Administrative Expenses

($ millions, except as noted)	Q1	
	2011	**2010**
	$	**$**
Administrative expenses	6.63	4.82
% of Consolidated Revenue	12%	16%
Personnel	3.51	2.28
% of Administrative expenses	53%	47%
Occupancy & Insurance	0.75	0.63
% of Administrative expenses	11%	13%
Other Administrative Expenses	2.37	1.91
% of Administrative expenses	36%	40%

Administrative expenses increased in the Period predominately as a result of the increased scale of the business including the overhead acquired through the Nortex and Paragon acquisitions.

For the Period, personnel costs are the largest item representing approximately 53% of the administrative expenses. Occupancy and insurance costs remained consistent during the Period. Other administrative expenses consist of items such as audit, legal, travel, meals and entertainment, bank charges and promotional items.

Stock-based compensation charges are reported within administrative expenses and were $0.43 million for the Period compared with $0.52 million in 2010. Stock-based compensation was determined using the Black-Scholes valuation method.

EBITDA

($ millions, except as noted)	Q1	
	2011	**2010**
	$	**$**
EBITDA	21.86	12.42
% of Consolidated Revenue	39%	40%

The EBITDA percentage is consistent with the prior period, due to the increased scale of the business within the Period. This percentage margin may fluctuate from period to period depending on the level and mixture of the revenue generated from the rental of the fleet assets as compared to the ancillary revenue streams such as lodging services, custom manufactured sales, logistics, installation, sublease and services provided.

Depreciation and Amortization

For the Period, the charge for depreciation and amortization was $6.40 million compared to $4.71 million in 2010. This included charges of $6.01 million with respect to depreciation taken on the property and equipment of Black Diamond, and $0.39 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the first quarter of 2010 was $4.32 million and $0.39 million, respectively.

Finance Costs

Finance costs for the Period were $1.05 million compared with $0.54 million in 2010. This represents interest that was charged on the utilization of the credit facilities and on the capital lease in the respective periods. Average interest rates in the Period were 4.6% compared with 4.5% in 2010. Average long-term debt in the Period was $43 million higher than that in the first quarter of 2010.

Income Taxes

For the Period, Black Diamond incurred a current income tax provision of $0.02 million and a future income tax provision of $3.66 million. This future income tax provision arises due to the differences in the book value and the tax value of the net assets held by Black Diamond that is expected to reverse after 2011. It has been calculated at the enacted tax rate of 26.5% in Canada and 40% in the US.

Non-controlling Interest

Earnings attributable to non-controlling interest were $0.39 million during the Period, compared to $0.23 million for the same period in 2010. The non-controlling interest represents earnings attributable to the Fort Nelson First Nation's 50% interest in the Black Diamond Dene Limited Partnership and the West Moberly First Nation's 50% interest in the Black Diamond West Moberly Limited Partnership.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous eight quarters:

(in $000's, except for per share amounts)

	Q1 2011	Q4 2010 [(1)]	Q3 2010 [(1)]	Q2 2010 [(1)]
Revenue	55,732	43,410	34,221	31,160
EBITDA	21,865	15,124	12,446	10,353
Net Income attributable to Black Diamond Group Limited	9,897	6,021	3,924	2,975
Per Share - Basic	0.60	0.37	0.24	0.18
Per Share - Diluted	0.59	0.36	0.23	0.18

	Q1 2010 [(1)]	Q4 2009	Q3 2009	Q2 2009
Revenue	30,971	15,547	14,918	16,669
EBITDA	12,423	5,606	7,776	8,275
Net Income attributable to Black Diamond Group Limited	4,521	4,217	2,275	3,466
Per Share - Basic	0.31	0.34	0.19	0.29
Per Share - Diluted	0.30	0.33	0.19	0.29

[(1)] The 2010 figures have been restated upon transition to IFRS as explained subsequently in this document

LIQUIDITY & CAPITAL RESOURCES

As of March 31, 2011, Black Diamond's principal sources of liquidity include:

- working capital (see "Non-GAAP measures") of $28.4 million,
- a committed revolving operating facility in the amount of $10.0 million of which all $10.0 million is available and $nil is drawn at March 31, 2011,
- a committed revolving capital expenditure facility of $115.0 million, all of which is available, and $102.0 million is drawn at March 31, 2011, and
- a committed operating facility in the U.S. in the amount of US$3 million all of which is available and $2.7 million is drawn at March 31, 2011.

Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through 2011 and beyond, and pursue its planned business objectives. This is due to the longer term nature of the contracts and the credit worthiness of Black Diamond's customers.

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

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

Working Capital

The net working capital position of Black Diamond at March 31, 2011 was $28.4 million after extracting $4.1 million of capital expenditure in accounts payable and debt, an increase from the working capital position of December 31, 2010 by $9.6 million. This increase in working capital was due to higher activity levels during the Period.

Current assets at March 31, 2011 were $61.1 million, an increase of $23.6 million from December 31, 2010. The increase is as a result of an increase in accounts receivable of $22.0 million and an increase in other current assets by $1.6 million.

Current liabilities at March 31, 2011 were $32.7 million, excluding $2.7 million of debt and $4.1 million of capital expenditure, consistent with December 31, 2010.

Indebtedness

Black Diamond has established syndicated credit facilities with two Canadian chartered banks as follows: a committed revolving operating facility of $10.0 million and a committed revolving capital expenditure facility of $115.0 million as well as a treasury management facility of $5.0 million. As at March 31, 2011, Black Diamond had decreased bank indebtedness by $4.1 million from December 31, 2010, and had drawn on the revolving capital expenditure facility in the amount of $102.0 million. Drawings on the operating and capital expenditure facilities are charged interest based on the previous quarter's funded debt to EBITDA ratio as defined in Black Diamond's credit agreement. As at March 31, 2011 the interest rate applied to amounts drawn on the capital expenditure facility was 4.41%.

All facilities are collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries. The revolving operating facility matures on December 31, 2013 and may not exceed 75% of aged accounts receivable less than 90 days. The revolving capital expenditure facility is matures on December 31, 2013 and may not exceed 60% of the net book value of tangible property and equipment. By January 1, 2012, the Company may elect to request a one year extension of the credit facilities. The facility is interest only payable monthly in arrears until December 31, 2011 and, if not extended by one year by January 1, 2012, will be reduced in 2013 by equal quarterly reductions in an amount equal to 1/16th of the commitment on December 31, 2012. .

Black Diamond's financial debt covenants are as follows:

Covenant	**Required**	**Actual**
Current Ratio	>1.25:1	1.63
Total Funded Debt to EBITDA	<2.50:1	1.7
Fixed Charge Coverage	>1.00:1	2.85
Tangible Net Worth	>$140.0M	154.05M

Management includes a reconciliation from the cash flow provided by operations to the EBITDA used in the covenant calculations (see "Non-GAAP measures"). EBITDA is a non-GAAP measure that management uses to assist in evaluation of Black Diamond's liquidity and is used by Black Diamond's bank lenders to calculate compliance with certain financial covenants. EBITDA was $21.86 million for the Period, compared to $12.42 million for the three months ended March 31, 2010.

As at March 31, 2011, Black Diamond was in compliance with all financial debt covenants. Management continues to monitor compliance with debt covenants carefully and believes that the Company will continue to be in compliance with debt covenants.

Black Diamond, through its wholly owned subsidiary, Nortex Modular Leasing and Construction Company, also has a US $3 million committed revolving loan facility to fund working capital requirements in the U.S. The facility bears interest at a rate of U.S. prime plus 1% subject to a 5% minimum rate. At March 31, 2011, the effective rate was 5%. Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date of November 30, 2011. The facility is secured by a letter of credit issued by the Company's Canadian lenders. At March 31, 2011, there was $2.7 million drawn on the facility.

Commitments

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

Share Capital

At March 31, 2011, Black Diamond had 16.49 million common shares outstanding. In addition at March 31, 2011, Black Diamond had 1,606,468 common shares reserved for issuance pursuant to the exercise of options which have been granted pursuant to Black Diamond's share option plan.

The following table summarizes Black Diamond's capitalization as at May 10, 2011:

Common shares	18,534,771
Stock options	1,589,467

The increase in capitalization from that at March 31, 2011 was primarily due to the 1,980,000 common shares issued pursuant its equity offering completed on May 10, 2011. The additional difference was due to options being exercised in the period under review.

Capital Expenditures

For the Period, Black Diamond expended $27.81 million (2010 – $45.61 million) on additions to property and equipment. The additions consisted of:

- $19.16 million (2010 – $9.72 million) on camps and workforce accommodation structures and ancillary equipment;
- $2.38 million (2010 – $3.48 million) on space rental structures with some ancillary equipment in Canada;
- $1.49 million (2010 – $1.57 million) on space rental structures with some ancillary equipment in the U.S.;
- $3.66 million (2010 – $3.08 million) on energy services accommodation structures and surface rental equipment; and
- $1.12 million (2010 – $0.61 million) on land, leasehold improvements, computers, furniture and service related equipment.

At March 31, 2011, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $29.67 million for delivery in 2011. It is management's intention to meet the funding requirements for these commitments through a combination of internally generated cash flow, available funds from credit facilities and net proceeds from the equity financing completed on May 10, 2011.

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

($ millions)	Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1-5 years	After 5 years
Capital Lease Obligations	0.4	0.4	-	-
Operating Leases	7.3	1.4	5.7	0.2
Purchase Obligations	29.7	29.7	-	-
Asset Retirement Obligations	1.8	-	-	1.8
Total Contractual Obligations	39.2	31.5	5.7	2.0

FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at March 31, 2011 relate to standard working capital accounts, credit facility items, a capital lease obligation and an interest rate swap. There are no significant differences between the carrying value of these financial instruments and their estimated fair values.

In addition, Black Diamond is subject to cash flow risk on its credit facilities because they are based on floating rates of interest. The required cash flow to service the credit facilities will fluctuate as a result of changes in market rates. On April 20, 2010, Black Diamond entered into a swap transaction to fix the rate of interest at 3.63% plus the credit spread on a notional $25 million of debt for a five year period expiring on April 10, 2015.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that can have a material impact on the results of operations as reported on a periodic basis. Management believes that the accounting estimates that are critical to the financial statements relate to property and equipment, intangible assets, goodwill, stock based compensation, the determination of depreciation and amortization expense and risk management activities.

The value of property and equipment, intangible assets and goodwill are subject to market conditions in the industry sectors in which Black Diamond operates. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the Cash Generating Unit (CGU) to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value is determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges. An impairment test was performed on goodwill during the fourth quarter 2010 and the results concluded that the fair value was higher than the carrying amount so no impairment charge was required.

Stock-based compensation expense, associated with stock options at the date of grant, is subject to changes in the variables used in the valuation of the options such as changes in the risk free rate, stock price volatility and dividend yields. This estimate may vary due to changes in the actual stock price.

Depreciation and amortization is determined using the estimated useful lives of the assets. These estimates could change due to a number of factors including unusual wear and tear, technology, change in economic circumstances and obsolescence. Such changes could have a material effect on the amount of future operating results. See the notes to the unaudited condensed consolidated interim financial statements for a schedule outlining the depreciation policies of Black Diamond.

The Company uses derivative financial instruments to manage its fixed to floating interest rate exposure on certain long-term debt. These instruments are entered into solely for hedging purposes and are not used for speculative purposes. The estimated fair value of the instruments has been based on appropriate valuation models using assumptions concerning the amount and timing of future cash flows and discount rates.

While management applies judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

Changes in Accounting Policies

International Financial Reporting Standards

Effective January 1, 2011, the Company is required to report its interim and annual consolidated financial statements in accordance with IFRS including information for the comparative 2010 period. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies have been addressed.

The transition progressed according to plan. The differences identified between IFRS and current Canadian GAAP did not have a significant impact on Black Diamond’s reported results and financial position.

IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities adopting IFRS for the first time with a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company has analyzed the various accounting policy choices available and has implemented those determined to be most appropriate in the Company's circumstances.

A summary of IFRS standards that have and are expected to have an impact on Black Diamond's financial reporting are discussed in the following sections. This summary is intended to highlight those areas believed to be most significant, with analysis of changes completed and decisions made where choices of accounting policies are available. The differences described below are those existing based on previous Canadian GAAP and IFRS today. It should be noted that the International Accounting Standards Board (IASB) have significant ongoing projects that could affect the ultimate differences between previous Canadian GAAP and IFRS and the impact on the Company's consolidated financial statements in the future. The Company will continue to monitor changes to existing IFRS standards. Most adjustments required on transition to IFRS have been made, retrospectively, against opening retained earnings on the first comparative balance sheet. Transitional adjustments relating to those standards where comparative figures are not required to be restated and are applied prospectively will only be made as of January 1, 2011.

Property, plant and equipment

IAS 16 - "Property, plant and equipment" contains the same basic principles of accounting as previous Canadian GAAP, however differences in application exist. For example, capitalization of directly attributable costs in accordance with IFRS may include additional costs or exclude certain costs previously recognized under GAAP, such as the mandatory capitalization of directly attributable borrowing costs as required by IAS 23 - "Borrowing costs." Black Diamond does not have any such qualifying assets and will therefore not be required to capitalize borrowing costs under the current operating structure. IFRS also provides specific guidance on capitalizing items such as spare parts, inspection costs and major overhauls. IAS 16 requires an entity to allocate items of property, plant and equipment (PP&E) into significant components and depreciate each component separately. This method of componentizing property, plant and equipment often results in an increase in the number of component parts recorded and a change in the calculation of depreciation expense. However, Black Diamond has generally followed a policy of componentization under Canadian GAAP similar to that required under IFRS so major differences in cost and accumulated depreciation were not required.

A major difference between IFRS and GAAP is an option under IAS 16 to choose either a cost or fair value model to value each class of property, plant and equipment. In addition, IFRS 1 - "First time adoption of IFRS" (IFRS 1) allows an entity to measure an item of property, plant and equipment at fair value on the IFRS transition date and use this value as deemed cost in future periods. Black Diamond has continued with a cost valuation model for all property and equipment on transition to IFRS as management considers cost to be a more consistent measure of value given the nature of its assets.

Asset impairment

Previous Canadian GAAP used a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 -

"Impairment of Assets" uses a one-step approach for both testing for and measurement of impairment, with all assets being assigned to Cash Generating Unit's (CGU's), seen as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other CGU's, and the carrying values compared directly with the recoverable amount, defined as the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write downs where carrying values of assets were previously supported under GAAP on an undiscounted cash flow basis, but may not be supported on a discounted cash flow basis. The extent of any write downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. GAAP prohibited reversal of impairment losses. The Company has concluded that as at the opening balance sheet date and through to March 31, 2011, there are no impairments under IAS 36.

Share Based Compensation

IFRS 2 – "Share based compensation" has three main differences from previous Canadian GAAP that have affected Black Diamond upon adoption and required an adjustment to the opening balance sheet and each quarter throughout 2010. The first being forfeitures requiring estimation at grant date and factoring into the compensation expense to be amortised over the vesting period. Previously Black Diamond accounted for forfeitures on an actual basis, with no estimate at grant date. The effect of this change on previous grants was quantified as immaterial, as the determined rate equated to the actual at date of transition. For prospective grants this change should lead to a smoother expense recognition over the grants vesting life. The second difference relates to the amortisation model used to allocate the compensation expense over the vesting period. IFRS 2 does not permit the use of a straight line model, as Black Diamond previously used, instead requiring the graded vesting model. The change in amortisation model will lead to a higher compensation expense at the beginning of the grants' vesting period and less at the end. The final adjustment which has been the most significant in value is the need to revalue all grants at the date of trust conversion using the parameters applicable at the Conversion date, as the options were technically a new grant. The quantification of these adjustments can be seen in the accompanying table for the adjustment made as at the opening balance sheet date of January 1, 2010.

Asset Retirement Obligation

The introduction of IAS 37 – "Provisions, Contingent liabilities and assets" has lead to a lowering of the threshold for recognition when considering provisions and contingent items. The underlying principle being if the probability that the event will occur is greater than the probability it will not, then a provision should be considered. IAS 37 has also altered the determination of the discount rate that should be used in the present value calculation when assessing the best estimate of future cash flows required settling an obligation. IAS 37 states that the discount rate should be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Whereas GAAP states that a credit-adjusted risk free rate should be used. This is particularly prevalent for Black Diamond in relation to the Asset Retirement Obligation recorded for closure and post-closure costs at the Sunday Creek camp. See the accompanying table below for the adjustment made as at the opening balance sheet date of January 1, 2010.

Income Taxes

IAS 12 - "Income Taxes" (IAS 12) prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of income. The tax consequences of the opening balance sheet adjustments were minimal.

Business Combinations

Significant differences previously existed between IFRS 3 – "Business Combinations" (IFRS 3(R)) and GAAP guidance relating to business combinations. These differences were however negated with the early adoption by Black Diamond of CICA 1582 in 2009, which was fully converged with IFRS 3 (R). CICA 1582 was used to account for all combinations that occurred in Q1 2010 and thus no difference was required upon transition to IFRS. IFRS 1 – "First Time adoption of IFRS" allowed for the Company to choose to carry forward previous GAAP for business combinations prior to the date of transition and Black Diamond has therefore elected to only apply IFRS 3(R) to combinations subsequent to January 1, 2010.

Table detailing opening balance sheet adjustments upon adoption of IFRS

Account heading	ARO	Change in functional currency of US operations	Share based compensation	Total
PP&E	522	(222)	-	300
Total Assets	522	(222)	-	300
ARO	529	-	-	529
Total liabilities	529	-	-	529
Share Capital	-	-	(5,617)	(5,617)
Contributed Surplus	-	-	5,617	5,617
Retained earnings	(7)	(222)	-	(229)
Total Shareholders' Equity	(7)	(222)	-	(229)

IFRS Changeover Plan

Elements of the changeover plan included analyzing the impact on accounting policies, internal control over financial reporting, disclosure controls and procedures, business activities and IT systems. A summary of how Black Diamond's plan addressed each of these elements follows.

1. Accounting policies. Per the discussion above, the Company had identified the key areas of difference for accounting policies under previous Canadian GAAP and IFRS on an on-going basis and with respect to those available upon first time adoption in accordance with IFRS 1. The Company's Board had approved Black Diamond's IFRS compliant accounting policies.

2. Internal Controls over Financial Reporting & Disclosure Controls and Procedures. Following the review and implementation of the accounting policies, appropriate changes to the internal control environment and disclosure controls were implemented to ensure the continued integrity of internal controls and the timeliness and accuracy of financial reporting. Additional controls and review processes were required in respect of the first time adoption of IFRS and the ongoing IFRS disclosure requirements.

3. Business Activities. The adoption of revised accounting policies and amended disclosure under IFRS reporting impacts the calculation of financial covenants for credit facility purposes and the calculation of amounts with respect to compensation arrangements of Black Diamond's management and employees. However, the effects of adopting IFRS reporting did not have a material effect on its financial covenants. Management also created compensation targets for fiscal 2011 that are in line with its new IFRS policies.

4. Investor relations. Given the small magnitude of adjustments required to the opening balance sheet, management believes the information contained in its quarterly MD&A and Consolidated Financial Statements was sufficient to keep stakeholders informed of these changes.

5. IT Systems. Changes to accounting policies for the recognition, measurement and disclosure requirements of IFRS required changes in the IT system. The impact of IFRS on the IT system employed by the Company is not significant and minor changes were implemented as the amendments to the accounting policies were adopted.

NON-GAAP MEASURES

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

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

The following is a reconciliation of consolidated Net Income to EBITDA:

For the three months ended March 31 (in thousands of dollars)	2011	2010	$ Change
Net income	9,897	4,521	5,376
Add:			
Depreciation and amortisation	6,403	4,695	1,708
Finance costs	1,048	541	507
Deferred tax expense	3,663	1,376	2,287
Current income tax expense	17	257	(240)
Acquisition costs	-	289	(289)
Non-controlling interest	394	234	160
Foreign exchange gain - realized	-	-	-
Foreign exchange (gain)/loss - unrealized	8	(11)	19
Stock-based compensation	432	522	(90)
EBITDA	21,862	12,424	9,438

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

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

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

For the three months ended March 31 *(in thousands of dollars)*	2011	2010	$ change
Cash Flow from Operating Activities	(7,688)	5,960	(13,648)
Add:			
Changes in non-cash working capital	29,550	6,190	23,360
Funds available for dividends	21,862	12,150	9,712

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

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

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

RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond's financial condition, results of operations and cash flow, and therefore on cash available for dividends. Risk factors are outlined in the annual information form of Black Diamond for the year ended December 31, 2010 available on SEDAR at www.sedar.com. Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

DISCLOSURE CONTROLS AND PROCEDURES

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Black Diamond is made known to Black Diamond's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by Black Diamond in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Black Diamond's disclosure controls and procedures at March 31, 2011 and have concluded that Black Diamond's disclosure controls and procedures are effective at the period end of Black Diamond for the foregoing purposes.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of Black Diamond's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Black Diamond's internal control over financial reporting at March 31, 2011 and concluded that Black Diamond's internal control over financial reporting is effective, at the period end of Black Diamond, for the foregoing purpose.

Black Diamond is required to disclose herein any change in Black Diamond's internal control over financial reporting that occurred during the period beginning on January 1, 2011 and ended on March 31, 2011 that has materially affected, or is reasonably likely to materially affect, Black Diamond's internal control over financial reporting. Management has evaluated the impact of the conversion to IFRS on its financial reporting systems and has updated the systems to enable the reporting of historical Canadian GAAP information related to the initial adoption of IFRS and future periods to be reported under IFRS

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

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2010 is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.