UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2014 and 2013

BLACK DIAMOND GROUP

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at September 30, 2014 and December 31, 2013

(Expressed in thousands)	2014 $	2013 $
ASSETS		
Current		
Cash and cash equivalents	16,774	31,786
Accounts receivable (note 3)	103,365	99,290
Prepaid expenses and other current assets	8,196	2,911
Total Current Assets	128,335	133,987
Non-Current		
Long-term accounts receivable (note 3)	5,767	3,299
Property and equipment (notes 4 and 11)	509,724	485,684
Deferred tax asset	794	—
Intangible assets (note 11)	11,271	12,363
Goodwill (note 11)	39,876	39,530
Total Non-Current Assets	567,432	540,876
Total Assets	**695,767**	**674,863**
LIABILITIES AND EQUITY		
Current		
Operating facility	620	491
Accounts payable and accrued liabilities (note 5)	55,995	34,750
Deferred revenue (note 5)	6,113	1,603
Risk management liability	347	—
Due to related parties	2,251	2,171
Dividends payable	3,436	3,162
Income taxes payable	2,927	791
Total Current Liabilities	71,689	42,968
Non-Current		
Long-term debt (note 6)	137,917	184,266
Risk management liability	—	799
Asset retirement obligations	7,400	3,143
Deferred revenue (note 5)	1,400	—
Deferred income taxes	58,755	54,253
Total Non-Current Liabilities	205,472	242,461
Total Liabilities	277,161	285,429
Shareholders' Equity		
Share capital (note 7)	335,740	321,533
Contributed surplus	6,435	4,931
Accumulated other comprehensive loss	(551)	(5,297)
Retained earnings	73,628	64,201
Total Shareholders' Equity	415,252	385,368
Non-controlling interests	3,354	4,066
Total Equity	418,606	389,434
Total Liabilities and Equity	**695,767**	**674,863**

See accompanying notes to the unaudited condensed consolidated interim financial statements

Refer to Commitments and Contingencies in Note 13.

UNAUDITED CONSOLIDATED STATEMENT OF NET INCOME

for the three and nine month periods ended September 30,2014 and 2013

(Expressed in thousands, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	$	$	$	$
Revenue (notes 8 and 11)	84,784	78,144	297,753	240,195
Direct costs (note 4)	38,432	33,450	148,445	102,543
Gross Profit	46,352	44,694	149,308	137,652
Expenses				
Administrative expenses (note 9)	13,482	12,600	41,572	38,079
Depreciation of property and equipment (note 11)	13,037	12,636	38,918	35,848
Amortization of intangible assets	574	344	1,304	1,065
Total expenses	27,093	25,580	81,794	74,992
Operating profit	19,259	19,114	67,514	62,660
Finance costs	1,800	2,096	5,594	5,610
Provision for guarantee of debt of an investee (note 12)	—	—	5,202	—
Profit before income taxes	17,459	17,018	56,718	57,050
Income tax				
Current	2,674	1,536	11,318	7,960
Deferred	1,715	2,894	3,182	6,414
Total income taxes	4,389	4,430	14,500	14,374
Profit before non-controlling interest	13,070	12,588	42,218	42,676
Profit attributable to non-controlling interest	1,880	780	3,565	3,114
Profit for the period	**11,190**	**11,808**	**38,653**	**39,562**
Earnings per share (note 10)				
Basic	0.26	0.28	0.91	0.95
Diluted	0.26	0.28	0.89	0.93

See accompanying notes to the unaudited condensed consolidated interim financial statements

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three and nine month periods ended September 30, 2014 and 2013

	Three months ended September 30		Nine months ended September 30	
(Expressed in thousands)	2014	2013	2014	2013
	$	$	$	$
Profit for the period	**11,190**	**11,808**	**38,653**	**39,562**
Other comprehensive income (loss) to be re-classified to profit or loss in subsequent period:				
Realized portion of derivative designated as cash flow hedge (net of tax)	(151)	(114)	(376)	(339)
Unrealized gain portion of derivative designated as cash flow hedge (net of tax)	264	177	716	651
Translation adjustments	1,489	(549)	4,406	(2,712)
Net other comprehensive income (loss) to be re-classified to profit or loss in subsequent period	1,602	(486)	4,746	(2,400)
Total comprehensive income	**12,792**	**11,322**	**43,399**	**37,162**

See accompanying notes to the unaudited condensed consolidated interim financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended September 30, 2014 and September 30, 2013

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive (Loss) / Income	Retained Earnings	Total Shareholders' Equity	Non-Controlling interests	Total Equity
	$	$	$	$	$	$	$
As at January 1, 2013	**309,140**	**4,431**	**(3,285)**	**45,521**	**355,807**	**5,274**	**361,081**
Profit for the period	—	—	—	39,562	39,562	3,114	42,676
Realized loss on derivative instrument (gross)	—	—	(452)	—	(452)	—	(452)
Unrealized gain on derivative instrument (gross)	—	—	867	—	867	—	867
Tax effect of cash flow hedge	—	—	(103)	—	(103)	—	(103)
Translation adjustment	—	—	(2,712)	—	(2,712)	—	(2,712)
Dividends declared	—	—	—	(25,485)	(25,485)	—	(25,485)
Distributions to partners	—	—	—	—	—	(1,957)	(1,957)
Share capital issued on exercise of options (note 7)	9,915	(1,824)	—	—	8,091	—	8,091
Purchase of shares in trust (note 7)	(600)	—	—	—	(600)	—	(600)
Sale of shares in trust	65	(1)	—	—	64	—	64
Vesting of shares in trust (note 7)	395	(395)	—	—	—	—	—
Share based compensation expense (note 7)	—	2,912	—	—	2,912	—	2,912
As at September 30, 2013	**318,915**	**5,123**	**(5,685)**	**59,598**	**377,951**	**6,431**	**384,382**
As at January 1, 2014	**321,533**	**4,931**	**(5,297)**	**64,201**	**385,368**	**4,066**	**389,434**
Profit for the period	—	—	—	38,653	38,653	3,565	42,218
Realized loss on derivative instrument (gross)	—	—	(501)	—	(501)	—	(501)
Unrealized gain on derivative instrument (gross)	—	—	954	—	954	—	954
Tax effect of cash flow hedge	—	—	(113)	—	(113)	—	(113)
Translation adjustments	—	—	4,406	—	4,406	—	4,406
Dividends declared	—	—	—	(29,226)	(29,226)	—	(29,226)
Distributions to partners	—	—	—	—	—	(4,277)	(4,277)
Share capital issued on exercise of options (note 7)	14,282	(1,886)	—	—	12,396	—	12,396
Purchase of shares in trust (note 7)	(584)	—	—	—	(584)	—	(584)
Sale of shares in trust (note 7)	111	—	—	—	111	—	111
Vesting of shares in trust (note 7)	398	(398)	—	—	—	—	—
Share based compensation expense (note 7)	—	3,788	—	—	3,788	—	3,788
As at September 30, 2014	**335,740**	**6,435**	**(551)**	**73,628**	**415,252**	**3,354**	**418,606**

See accompanying notes to the unaudited condensed consolidated interim financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three and nine month periods ended September 30, 2014 and 2013

(Expressed in thousands)	Three months ended September 30 2014 $	2013 $	Nine months ended September 30 2014 $	2013 $
Operating activities				
Profit for the period	11,190	11,808	38,653	39,562
Add (deduct) non-cash / non operating activities:				
Depreciation of property and equipment	13,037	12,636	38,918	35,848
Amortization of intangible assets	574	344	1,304	1,065
Profit attributable to non-controlling interest	1,880	780	3,565	3,114
Finance costs	1,943	2,018	5,736	5,532
Provision for guarantee of debt of an investee (note 12)	—	—	5,202	—
Deferred income taxes	1,715	2,894	3,182	6,414
Share based compensation expense (note 7)	1,372	956	3,788	2,912
Book value of fleet assets sold (note 4)	4,155	6,179	18,866	8,323
	35,866	37,615	119,214	102,770
Change in long-term receivables	1,180	(407)	32	1,685
Change in deferred revenue	—	—	3,410	—
Change in non-cash working capital related to operating activities	(17,877)	(16,589)	(3,767)	(24,171)
Net cash flows from operating activities	19,169	20,619	118,889	80,284
Investing activities				
Purchase of property and equipment (note 4)	(34,917)	(17,708)	(73,495)	(59,158)
Purchase of Australian Portable Buildings Pty. Ltd.	—	—	—	(39,349)
Purchase of minority interest in APB Britco LP	—	—	—	(1,792)
Change in non-cash working capital related to investing activities	9,038	(4,506)	9,051	(2,012)
Net cash flows used in investing activities	(25,879)	(22,214)	(64,444)	(102,311)
Financing activities				
Proceeds from long-term debt (note 6)	11,553	40,000	26,553	95,000
Repayment of long-term debt (note 6)	—	(25,000)	(73,000)	(40,000)
Net draw on operating facility	(1,207)	(1,307)	129	6,724
Interest paid in the period	(2,292)	(2,017)	(5,769)	(5,259)
Dividend declared	(10,130)	(8,818)	(29,226)	(25,014)
Distribution to non-controlling interests	(1,086)	(277)	(4,277)	(1,957)
Purchase of shares in trust (note 7)	—	—	(584)	(600)
Sale of shares in trust (note 7)	60	—	111	64
Share options exercised (note 7)	1,344	632	12,396	8,091
Change in non-cash working capital related to financing activities	5,992	397	4,501	(1,068)
Net cash flows (used in) / from financing activities	4,234	3,610	(69,166)	35,981
Increase (Decrease) in cash and cash equivalents	(2,476)	2,015	(14,721)	13,954
Cash and cash equivalents, beginning of period	19,600	14,757	31,786	2,697
Effect of foreign currency rate changes on cash and cash equivalents	(350)	(156)	(291)	(35)
Cash and cash equivalents, end of the period	**16,774**	**16,616**	**16,774**	**16,616**

See accompanying notes to the unaudited condensed consolidated interim financial statements

Total tax paid in cash during the three and nine month periods ended September 30, 2014 was $2,304 and $9,702 (2013 - $3,485 and $18,243), respectively.

1. GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements ("interim financial statements") of Black Diamond Group Limited for the three and nine month periods ended September 30, 2014 and 2013 were authorized for issuance in accordance with a resolution of the Board of Directors on November 5, 2014. Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships ("Black Diamond" or the "Company") are headquartered in Calgary, Alberta. The address of the Company's registered office is Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta, Canada.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim financial statements for the three and nine month periods ended September 30, 2014 and 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation and Measurement

These interim financial statements have been prepared on a going concern basis using the historical cost basis, except for derivative financial instruments measured at fair value.

The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as for the year ended December 31, 2013. These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual consolidated financial statements as at December 31, 2013. Certain figures in the prior year's interim financial statements have been reclassified to conform to the current year's presentation.

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

Seasonality of operations

The Company believes that its western Canadian operations, which form part or all of its Structures, Energy Services and Logistics business units, are exposed to a variable degree of seasonality. Drilling accommodations and surface rental assets of the Energy Services business unit have higher utilization rates during the fall and winter months when drilling activity is higher than during the spring and summer months. Similarly, operations levels at camps operated by the Logistics business unit are generally higher in the winter season. Although the Structures business unit has some exposure to the seasonality experienced in the western Canadian oil and natural gas drilling industry, the impacts have been reduced through active management and increased exposure to the oil sands and mining sectors which operate year round. In addition, Black Diamond actively pursues long-term rental contracts in all of its business units to reduce the effect of seasonality on revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosure

IFRIC 21 Levies

IFRIC 21 was developed by the IFRS Interpretations Committee and is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 "Income Taxes") and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. Lastly, the interpretation clarifies that a liability should not be recognized before the specified minimum threshold to trigger that levy is reached. The Company adopted this interpretation as of January 1, 2014 and it did not have a material impact on the Company's financial statements.

Standards issued but not yet effective

The nature and impact of any new standard, interpretation or amendment is described below:

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for the classification and measurement of financial assets, financial liabilities, impairment and includes the new general hedge accounting model. IFRS 9 *Financial Instruments* will replace IAS 39 *Financial instruments: Recognition and measurement* and the effective date will be for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of the standard on the Company's financial statements.

IFRS 15 *Revenue from Contracts*

IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. This standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue-related interpretations. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the standards on the Company's financial statements.

Amendments to IFRS 11 - *Accounting for acquisitions of interest in joint operations*

The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the impact of the amendments on the Company's financial statements.

Amendments to IAS - 27 *Separate financial statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the impact of the amendments on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Amendments to IAS - 16 *Property, plant and equipment* and IAS - 38 *Intangible assets*

The amendments establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset.These amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the impact of the amendments on the Company's financial statements.

Sale or contribution of assets between an investor and an associate or joint venture (Amendments to IFRS 10 and IAS 28).

The amendments address a conflict between the requirements of IAS 28 '*Investments in Associates and Joint Ventures*' and IFRS 10 '*Consolidated Financial Statements*' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the impact of the amendments on the Company's financial statements.

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

3. ACCOUNTS RECEIVABLE

	September 30, 2014	December 31, 2013
	$	$
Current		
Trade and accrued receivables	88,513	94,165
Revenue not yet contractually billable	—	3,589
Finance lease receivables where Company is the lessor	3,667	2,475
Receivables from agency arrangements	12,138	—
Provision for doubtful accounts	(953)	(939)
Total current accounts receivable	**103,365**	**99,290**
Non-current		
Finance lease receivables where Company is the lessor	3,267	2,989
Revenue not yet contractually billable	2,500	310
Total long-term accounts receivable	**5,767**	**3,299**

a) Trade and accrued receivables

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

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

	September 30, 2014	December 31, 2013
Trade and accrued receivable	$	$
Amounts not yet due	49,891	71,341
Past due not more than 30 days	24,492	10,397
Past due not more than 60 days	5,600	5,270
Past due not more than 90 days	3,829	4,499
Past due greater than 90 days	4,701	2,658
Total trade and accrued receivables	88,513	94,165

Credit risk arises from the possibility that the entities to 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.

b) Revenue not yet contractually billable

This is comprised of the following:

- 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 customers which are considered to have high creditworthiness, and
- Receivables related to performance obligations yet to be performed.

3. ACCOUNTS RECEIVABLE (continued)

c) Finance lease receivables where Company is the lessor

The Company provides multi-year finance leases for workforce accommodations and space rentals.

d) Receivables from agency arrangements

The Company acts as an agent on behalf of a principal to procure goods and services for them.

4. PROPERTY AND EQUIPMENT

The Company added assets of $34,917 and $73,495 (2013 - $17,708 and $59,158) during the three and nine month periods ended September 30, 2014, respectively, substantially all of which were fleet assets. There were also disposals of fleet assets with a book value of $4,155 and $18,866 (2013 - $6,179 and $8,323) during the three and nine month periods ended September 30, 2014, respectively, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit.

The non-cash additions for asset retirement costs included in property and equipment amounted to $4,500 for the nine month period ended September 30, 2014 (2013 - $1,021).

Included in property and equipment is construction work in progress of assets not in use of $8,945 (2013 - $ nil).

5. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND DEFERRED REVENUE

a) Accounts payable and accrued liabilities

	September 30, 2014 $	December 31, 2013 $
Current		
Trade payables	13,893	7,679
Accruals	19,879	24,210
Provision for guarantee of debt of an investee (note 12)	5,202	—
Other payables	17,021	2,861
Total current accounts payable and accrued liabilities	**55,995**	**34,750**

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.
- Provision for guarantee of debt of an investee is payable on demand (refer to note 12).
- Other payables are non-interest bearing and are normally settled within one year and includes payables of $10,998 (2013 - $ nil) from agency arrangements.

5. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND DEFERRED REVENUE (continued)

b) Deferred revenue

	September 30, 2014 $	December 31, 2013 $
Current portion	6,113	1,603
Non-current portion	1,400	—
Total deferred revenue	**7,513**	**1,603**

Terms and conditions of the above:

- Deferred revenue is non-interest bearing and has an average term of less than a year except for the long term portion which has a term over a year.

6. LONG-TERM DEBT

	September 30, 2014 $	December 31, 2013 $
Committed Extendible Revolving Operating Facility	36,552	83,000
Senior Secured Notes	102,000	102,000
Costs associated with issue of Senior Secured Notes	(1,057)	(1,057)
Amortization of costs associated with issue	422	323
Total long-term debt	**137,917**	**184,266**

Committed extendible revolving operating facility

Effective June 20, 2014, Black Diamond restructured and consolidated its senior secured credit facility into one extendible revolving operating facility of $150,000 (December 31, 2013 - $130,000 revolving capital expenditure facility and $15,000 revolving operating facility) that matures April 30, 2018 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 net total funded debt to EBITDA. The facility is interest only payable monthly in arrears until the April 30, 2018 maturity date and incurs standby fees for any unused portion of the facility at rates that fluctuate based on the ratio of net total funded debt to EBITDA. 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 equity interests owned by Black Diamond in such material subsidiaries. The facility has an accordion feature that allows for the expansion of the facility up to an aggregate of $250 million, upon lender commitment. If all or any portion of the $100 million accordion is not provided by the lenders, the senior secured credit facility authorizes the Company to obtain the remaining amount from any third party subject to certain conditions in the senior secured credit facility.

6. LONG-TERM DEBT (continued)

As at September 30, 2014, the Company's draws under the committed extendible revolving operating facility were comprised of $1,552 (December 31, 2013 - $nil) related to overdraft balance, $10,000 (December 31, 2013 - $58,000) of bankers' acceptances and $25,000 (December 31, 2013 - $25,000) of bankers acceptances for which the interest rate has been fixed through a swap contract.

For the three and nine month periods ended September 30, 2014, the average interest rate applied to amounts drawn on the committed extendible revolving operating facility was 4.72% and 3.71% (2013 - 3.95% and 3.47%), respectively.

Senior Secured Notes

On July 8, 2011, Black Diamond completed a private placement of senior secured notes. These notes, which rank pari passu with the senior secured credit facility, have a principal amount of $62,000, an interest rate of 5.44% per annum and mature on July 8, 2019. The senior secured notes are repaid through annual payments, each in the amount of $12,400 with the first annual payment beginning July 7, 2015. Black Diamond has the discretion to refinance the senior secured notes for at least twelve months through its extendible revolving operating facility and hence classified the obligation as long-term.

On July 3, 2013, Black Diamond completed a private placement of senior secured notes. These notes, which rank pari passu with the senior secured credit facility, have a principal amount of $40,000, an interest rate of 4.58% per annum and mature on July 3, 2022. The scheduled annual repayment of these senior secured notes begins July 3, 2020. On July 3, 2013, Black Diamond also entered into a private shelf facility for senior secured notes which, subject to the sole discretion of the lender, may be drawn in an aggregate amount up to US $21,315, for a term of no more than 11 years after the date of original issuance, to have an average life of no more than 10 years after the date of original issuance, and to bear interest as shall be determined at the date of issuance. These senior secured notes may be issued until the earlier of (i) July 3, 2016, or (ii) the 30th day after notice has been given to terminate the private shelf facility.

Debt Covenants

At September 30, 2014, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the senior secured credit facility or the senior secured notes 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 senior secured credit facility and the senior secured notes to be immediately due and payable without presentment, demand, protest or further notice of any kind.

Offset Banking System

Effective April 1, 2013, the Company entered into an arrangement known as an offset banking system with Bank of Montreal (“BMO”) whereby BMO will calculate its compensation for operation of the accounts and the availability of credit to the Company on a net basis over all its designated Canadian dollar accounts provided each account and the consolidation of all accounts is maintained within credit limits. Accordingly, the cash and cash equivalents for the Canadian dollar denominated accounts is reflected on a net basis in the Unaudited Consolidated Statement of Financial Position.

7. 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 (expressed in thousands)	Number	Amount $
January 1, 2013	**41,154**	**309,140**
Issued on exercise of options (note 7 (b))	957	10,162
Purchase of shares in trust (note 7 (c))	(28)	(600)
Sale of shares in trust (note 7 (c))	12	296
Vesting of shares in trust (note 7 (c))	21	395
Transfer from contributed surplus	—	2,140
December 31, 2013	**42,116**	**321,533**
Issued on exercise of options (note 7 (b))	785	12,396
Purchase of shares in trust (note 7 (c))	(17)	(584)
Sale of shares in trust (note 7 (c))	3	111
Vesting of shares in trust (note 7 (c))	21	398
Transfer from contributed surplus	—	1,886
September 30, 2014	**42,908**	**335,740**

b) Share Option Plan

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

The aggregate number of common shares of the Company that may be issued pursuant to the exercise of options granted under the Option Plan and all other share compensation arrangements of Black Diamond shall not exceed 10% of the outstanding common shares of Black Diamond from time to time. At September 30, 2014, there were 3,423 common shares (December 31, 2013 - 3,068) reserved for issuance upon the exercise of options granted pursuant to the Option 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. Outstanding options granted under the Option Plan generally vest on a straight line basis over three years and the option term is five years from the date of grant.

7. SHARE CAPITAL (continued)

(expressed in thousands except per share amounts)

Grant date	Number of options outstanding	Exercise price per share $	Remaining contractual life (years)	Number exercisable	Fair value at grant date $
April 1, 2010	30	9.81	0.50	30	2.58
March 25, 2011	355	12.97	1.48	355	1.73
March 22, 2012	725	20.61	2.48	417	2.39
April 5, 2012	332	19.94	2.52	192	2.63
June 5, 2012	60	22.60	2.68	35	3.17
March 22, 2013	646	20.98	3.48	177	3.30
May 21, 2013	10	22.60	3.64	10	3.71
November 15, 2013	85	27.43	4.13	—	5.21
March 21, 2014	980	33.27	4.47	—	6.60
August 21,2014	200	28.04	4.89	—	4.61
Balance, September 30, 2014	**3,423**			**1,216**	
Weighted average		**24.00**	**3.31**	**18.14** (1)	

(1) Amount refers to the weighted average exercise price of the exercisable options as at September 30, 2014.

Black Diamond recorded the following share option activity during 2014 and 2013:

(expressed in thousands except per share amounts)	Number of options outstanding	Weighted average exercise price per share $
January 1, 2013	3,389	15.62
Granted	965	21.60
Exercised	(957)	10.62
Cancelled / Forfeitures	(329)	19.54
December 31, 2013	**3,068**	**18.64**
Granted	1,250	32.43
Exercised	(785)	15.78
Cancelled / Forfeitures	(110)	29.10
September 30, 2014	**3,423**	**24.00**

During the three and nine month periods ended September 30, 2014, the Company recorded share-based compensation expense of $1,243 and $3,457 (2013 – $787 and $2,404) related to options granted under the Option Plan. Options granted in the nine month period ended September 30, 2014 have a weighted average exercise price of $32.43 per option (December 31, 2013 - $21.60).

7. SHARE CAPITAL (continued)

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

Date of grant	Dividend yield	Expected average volatility	Average risk-free rate	Expected life
	%	%	%	(years)
April 1, 2010	5.51	30	1.62	3.00
March 25, 2011	4.41	30	1.69	3.00
March 22, 2012	3.34	30	1.24	3.00
April 5, 2012	3.61	34	1.19	3.00
June 5, 2012	3.19	36	1.10	3.00
March 22, 2013	3.95	30	1.02	3.00
May 21, 2013	3.63	29	0.99	3.00
November 15, 2013	2.95	31	1.09	3.00
March 21, 2014	2.60	31	1.02	3.00
August 21, 2014	3.39	29	1.09	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 expected life of the options is indicative of future trends, which may not occur.

c) Long Term Incentive Plan ("LTIP")

During the three and nine month periods ended September 30, 2014, the Company recorded share-based compensation expense of $129 and $331 (2013 – $169 and $508) 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 17 common shares of the Company (2013 - 28) on the open market for $584 (2013 - $600) during the period ended September 30, 2014.

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 3 common shares (2013 - 3) for proceeds of $111 (2013 - 65), as a result of forfeitures.

During the period ended September 30, 2014, 21 shares vested (2013 - 22), and were released to participants. The release of these shares triggered a transfer from contributed surplus to share capital in the amount of $398 (2013 – $395).

8. REVENUE

	Three months ended September 30		Nine months ended September 30	
	2014	2013 (note 14)	2014	2013 (note 14)
	$	$	$	$
Rental revenue				
Workforce accommodation	27,600	27,673	88,508	83,803
Space rentals	7,716	8,071	24,305	23,718
Surface equipment	1,742	2,192	5,668	6,350
Total rental revenue	37,058	37,936	118,482	113,871
Lodging revenue	23,935	14,792	92,391	58,356
Non-rental revenue	23,791	25,416	86,881	67,968
Total revenue	**84,784**	**78,144**	**297,753**	**240,195**

9. ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
	$	$	$	$
Personnel costs	7,236	6,543	22,808	19,064
General administrative expenses	3,402	3,586	10,477	11,335
Occupancy and insurance	1,472	1,515	4,499	4,468
Share based compensation (note 7)	1,372	956	3,788	2,912
Acquisition costs	—	—	—	300
Total administrative expenses	**13,482**	**12,600**	**41,572**	**38,079**

10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on the profit for the period per the Unaudited Consolidated Statement of Net Income.

Reconciliation of weighted average number of shares

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Weighted average common shares outstanding - basic	42,809	41,922	42,564	41,665
Effect of share option plan	791	862	788	698
Weighted average common shares outstanding - diluted	**43,600**	**42,784**	**43,352**	**42,363**

Excluded from diluted weighted average number of shares are the anti-dilutive options of 1,335 (2013 - 925) for the three months ended September 30, 2014 and 1,180 (2013 - 925) for the nine months ended September 30, 2014.

11. SEGMENTED INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2014	2013 (note 14)	2014	2013 (note 14)
	$	$	$	$
Revenue				
Structures	49,104	49,394	167,939	141,347
Energy Services	6,688	6,824	25,232	22,747
Logistics	23,935	17,193	92,390	60,758
International	5,057	4,733	12,192	15,343
Total Revenue	84,784	78,144	297,753	240,195
Depreciation of Property and Equipment				
Structures	8,566	8,303	25,158	23,957
Energy Services	1,495	1,666	4,611	4,948
Logistics	1,240	564	3,653	1,754
International	1,176	1,665	3,941	4,120
Corporate	560	438	1,555	1,069
Total Depreciation	13,037	12,636	38,918	35,848
Profit (Loss)				
Structures	19,855	20,301	68,617	61,195
Energy Services	585	622	2,879	2,941
Logistics	3,369	3,353	13,753	11,197
International	182	362	(964)	1,315
Corporate	(12,801)	(12,830)	(45,632)	(37,086)
Total Profit	11,190	11,808	38,653	39,562
Capital Expenditures (Gross)				
Structures	31,635	16,424	58,273	37,750
Energy Services	299	339	3,828	2,334
Logistics	163	825	2,691	5,042
International	1,119	—	5,532	10,963
Corporate	1,701	120	3,171	3,069
Total Capital Expenditures	34,917	17,708	73,495	59,158

11. SEGMENTED INFORMATION (continued)

	September 30, 2014 $	December 31, 2013 $
Property and Equipment ("PP&E")		
Structures	380,256	359,162
Energy Services	54,577	56,736
Logistics	24,049	20,824
International	32,997	32,736
Corporate	17,845	16,226
Total PP&E	**509,724**	**485,684**
Intangible Assets		
Structures	8,456	9,032
Energy Services	70	70
International	2,741	3,257
Corporate	4	4
Total Intangible Assets	**11,271**	**12,363**
Goodwill		
Structures	33,673	33,472
Energy Services	1,369	1,369
International	4,834	4,689
Total Goodwill	**39,876**	**39,530**
Total Assets		
Structures	483,579	467,418
Energy Services	62,703	67,138
Logistics	58,673	44,216
International	51,068	47,010
Corporate	39,744	49,081
Total Assets	**695,767**	**674,863**

12. PROVISION FOR GUARANTEE OF DEBT OF AN INVESTEE

The Company issued a financial guarantee for $5,202 (AUS $5,168) ("Guarantee") as part of the purchase consideration for the Company's 20% interest in Britco APB's modular building manufacturing business ("Manufacturing Business"). Due to ongoing losses, the Manufacturing Business is being wound down through a voluntary administration process. The Company anticipates that payment under the Guarantee will be required though the timing and amount of such payment is uncertain. Due to this significant change in circumstances the Company has estimated the probability of this Guarantee being called as more likely than not. As at September 30, 2014, Black Diamond has therefore recognized a provision for the full amount of the Guarantee, payable on demand. The Company previously wrote off its original 20% investment in the

12. PROVISION FOR GUARANTEE OF DEBT OF AN INVESTEE (continued)

Manufacturing Business. As at September 30, 2014, Black Diamond also recognized a related deferred tax asset of $878 (2013: nil).

13. COMMITMENTS AND CONTINGENCIES

Capital Commitments

At September 30, 2014, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $80,718 (December 31, 2013 - $18,623) for delivery of modular structures in the next six months.

Contingent Liabilities

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

14. COMPARATIVE FIGURES

Certain figures in the prior period's interim financial statements have been reclassified to conform to the current period's presentation.

In order to better reflect the performance of individual business units and to conform to the current period's presentation, the Company has reclassified comparative revenues for the nine month period ended September 30, 2013 from non-rental revenue to lodging revenue in the amount of $2,401. This revenue reclassification increased the Logistics business units revenue and decreased the Structures business units revenue, with no impact on the total revenue for the three and nine month periods ended September 30, 2013. The Company also reclassified comparative 2013 segment profit, which increased the Structures business unit's profit by $3,221 and $7,531 and decreased the Logistics business unit's profit by $3,221 and $7,531 for the three and nine month periods ended September 30, 2013, respectively, with no impact on the total profit for the three and nine month periods ended September 30, 2013. Refer to Notes 8 and 11.

15. SUBSEQUENT EVENT

In October 2014, the Company received approval from the Toronto Stock Exchange to purchase common shares under a Normal Course Issuer Bid (“NCIB”). The Company has entered into an “automatic securities purchase plan” with an investment dealer for the purpose of making purchases under the NCIB. The Company is entitled to purchase, for cancellation, up to 3,686 common shares, being approximately 10% of the issued and outstanding common shares which were not held by insiders of the Company, at the time of commencement of the NCIB. The NCIB commenced on October 6, 2014 and will terminate on October 5, 2015 or such earlier time as the NCIB is completed or terminated. Since the commencement of the NCIB, the Company has re-purchased for cancellation 1,500 common shares for $31,316 ($20.88 per share including commission).