UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2015 and 2014

BLACK DIAMOND
GROUP

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30, 2015 and December 31, 2014

(Expressed in thousands)	2015 $	2014 $
ASSETS		
Current		
Cash and cash equivalents	**6,571**	20,500
Accounts receivable (note 3)	**74,291**	90,445
Prepaid expenses and other current assets	**5,281**	5,401
Total Current Assets	**86,143**	116,346
Non-Current		
Long-term accounts receivable (note 3)	**2,422**	1,975
Property and equipment (note 4)	**551,676**	540,622
Intangible assets	**8,024**	8,372
Goodwill	**35,525**	35,219
Total Non-Current Assets	**597,647**	586,188
Total Assets	**683,790**	702,534
LIABILITIES AND EQUITY		
Current		
Operating facility (note 6)	**1,017**	—
Accounts payable and accrued liabilities (note 5)	**36,219**	49,598
Deferred revenue	**6,209**	10,211
Risk management liability	**—**	194
Due to related parties	**2,233**	667
Dividends payable	**3,288**	3,287
Income taxes payable	**483**	1,324
Total Current Liabilities	**49,449**	65,281
Non-Current		
Long-term debt (note 6)	**191,254**	196,397
Asset retirement obligations	**7,482**	7,440
Deferred income taxes	**67,840**	61,605
Total Non-Current Liabilities	**266,576**	265,442
Total Liabilities	**316,025**	330,723
Shareholders' Equity		
Share capital (note 7)	**321,031**	321,444
Contributed surplus	**9,628**	7,789
Accumulated other comprehensive income	**8,446**	1,391
Retained earnings	**24,502**	36,039
Total Shareholders' Equity	**363,607**	366,663
Non-controlling interests	**4,158**	5,148
Total Equity	**367,765**	371,811
Total Liabilities and Equity	**683,790**	702,534

See accompanying notes to the unaudited interim condensed consolidated financial statements

Refer to Commitments and Contingencies in Note 13.

UNAUDITED CONSOLIDATED STATEMENT OF NET INCOME
for the three and six month periods ended June 30,

(Expressed in thousands, except per share amounts)	Three months ended June 30, 2015 $	Three months ended June 30, 2014 $	Six months ended June 30, 2015 $	Six months ended June 30, 2014 $
Revenue (notes 8 and 12)	**71,140**	88,393	**170,835**	212,969
Direct costs	**36,145**	40,780	**92,204**	**110,013**
Gross profit	**34,995**	47,613	**78,631**	102,956
Operating expenses				
Administrative expenses (note 9)	**12,579**	14,235	**26,883**	28,090
Depreciation of property and equipment (note 12)	**14,093**	12,221	**27,191**	25,881
Amortization of intangible assets	**240**	306	**481**	730
Total operating expenses	**26,912**	26,762	**54,555**	54,701
Operating profit	**8,083**	20,851	**24,076**	48,255
Finance costs	**2,141**	1,776	**4,379**	3,793
Provision for guarantee of debt of an investee (note 5)	**—**	5,202	**—**	5,202
Profit before income taxes	**5,942**	13,873	**19,697**	39,260
Income taxes				
Current	**969**	3,404	**4,097**	8,644
Deferred (note 10)	**4,633**	256	**5,253**	1,467
Total income taxes	**5,602**	3,660	**9,350**	10,111
Profit before non-controlling interest	**340**	10,213	**10,347**	29,149
Profit attributable to non-controlling interest	**1,183**	652	**2,161**	1,685
Profit (loss) for the period	**(843)**	9,561	**8,186**	27,464
Earnings (loss) per share				
Basic (note 11)	**(0.02)**	0.23	**0.20**	0.65
Diluted	**(0.02)**	0.22	**0.20**	0.63

See accompanying notes to the unaudited interim condensed consolidated financial statements

BLACK DIAMOND GROUP

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three and six month periods ended June 30,

	Three months ended June 30		Six months ended June 30	
(Expressed in thousands)	**2015**	2014	**2015**	2014
	$	$	**$**	$
Profit (loss) for the period	**(843)**	9,561	**8,186**	**27,464**
Other comprehensive income (loss) to be re-classified to Consolidated Statement of Net Income in subsequent period:				
Realized portion of derivative designated as cash flow hedge (net of tax)	**(42)**	(115)	**(155)**	(226)
Unrealized gain portion of derivative designated as cash flow hedge (net of tax)	**84**	232	**299**	452
Translation adjustments	**(2,255)**	(2,998)	**6,911**	2,917
Net other comprehensive income (loss) to be re-classified to Consolidated Statement of Net Income in subsequent period	**(2,213)**	(2,881)	**7,055**	3,143
Total comprehensive income (loss)	**(3,056)**	6,680	**15,241**	30,607

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six month periods ended June 30, 2015 and 2014

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity	Non-Controlling interest	Total Equity
	$	$	$	$	$	$	$
As at January 1, 2014	321,533	4,931	(5,297)	64,201	385,368	4,066	389,434
Profit for the period	—	—	—	27,464	27,464	1,685	29,149
Realized loss on derivative instrument (gross)	—	—	(300)	—	(300)	—	(300)
Unrealized gain on derivative instrument (gross)	—	—	603	—	603	—	603
Tax effect of cash flow hedge	—	—	(77)	—	(77)	—	(77)
Translation adjustment	—	—	2,917	—	2,917	—	2,917
Dividends declared	—	—	—	(19,147)	(19,147)	—	(19,147)
Distributions declared to partners	—	—	—	—	—	(3,191)	(3,191)
Share capital issued on exercise of options	12,708	(1,656)	—	—	11,052	—	11,052
Purchase of shares in trust (note 7)	(584)	—	—	—	(584)	—	(584)
Sale of shares in trust	51	—	—	—	51	—	51
Vesting of shares in trust (note 7)	398	(398)	—	—	—	—	—
Share based compensation expense (note 9)	—	2,417	—	—	2,417	—	2,417
As at June 30, 2014	**334,106**	**5,294**	**(2,154)**	**72,518**	**409,764**	**2,560**	**412,324**
As at January 1, 2015	321,444	7,789	1,391	36,039	366,663	5,148	371,811
Profit for the period	—	—	—	**8,186**	**8,186**	**2,161**	**10,347**
Realized loss on derivative instrument (gross)	—	—	**(207)**	—	**(207)**	—	**(207)**
Unrealized gain on derivative instrument (gross)	—	—	**399**	—	**399**	—	**399**
Tax effect of cash flow hedge	—	—	**(48)**	—	**(48)**	—	**(48)**
Translation adjustments	—	—	**6,911**	—	**6,911**	—	**6,911**
Dividends declared	—	—	—	**(19,723)**	**(19,723)**	—	**(19,723)**
Distributions declared to partners	—	—	—	—	—	**(3,151)**	**(3,151)**
Share capital issued on exercise of options (note 7)	**222**	**(26)**	—	—	**196**	—	**196**
Purchase of shares in trust (note 7)	**(929)**	—	—	—	**(929)**	—	**(929)**
Sale of shares in trust (note 7)	**25**	—	—	—	**25**	—	**25**
Vesting of shares in trust (note 7)	**269**	**(269)**	—	—	—	—	—
Share based compensation expense (note 9)	—	**2,134**	—	—	**2,134**	—	**2,134**
As at June 30, 2015	**321,031**	**9,628**	**8,446**	**24,502**	**363,607**	**4,158**	**367,765**

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the three and six month periods ended June 30,

	Three months ended June 30		Six months ended June 30	
(Expressed in thousands)	**2015**	2014	**2015**	2014
	$	$	**$**	$
Operating activities				
Profit (loss) for the period	**(843)**	9,561	**8,186**	27,464
Add (deduct) non-cash / non-operating activities:				
Share based compensation expense (note 9)	**838**	1,522	**2,134**	2,417
Depreciation of property and equipment (note 12)	**14,093**	12,221	**27,191**	25,881
Amortization of intangible assets	**240**	306	**481**	730
Provision for guarantee of debt of an investee	**—**	5,202	**—**	5,202
Finance costs	**2,141**	1,776	**4,379**	3,793
Deferred income taxes	**4,633**	256	**5,253**	1,467
Profit attributable to non-controlling interest	**1,183**	652	**2,161**	1,685
Book value of used fleet sales (note 4)	**846**	3,624	**3,394**	14,711
	23,131	35,120	**53,179**	83,350
Change in long-term accounts receivable	**189**	(1,699)	**(376)**	(1,148)
Change in deferred revenue - non current	**—**	5,000	**—**	5,000
Change in non-cash working capital related to operating activities	**17,142**	34,791	**11,724**	12,520
Net cash flows from operating activities	**40,462**	73,212	**64,527**	99,722
Investing activities				
Purchase of property and equipment (notes 4 and 12)	**(18,184)**	(19,404)	**(36,122)**	(38,578)
Change in non-cash working capital related to investing activities	**(10,647)**	(7,108)	**(14,940)**	13
Net cash flows used in investing activities	**(28,831)**	(26,512)	**(51,062)**	(38,565)
Financing activities				
Proceeds from long-term debt	**16,211**	—	**44,790**	15,000
Repayment of long-term debt	**(22,500)**	(40,000)	**(50,000)**	(73,000)
Net draws (repayments) on operating facility	**3,171**	1,827	**3,566**	1,336
Net interest paid	**(2,080)**	(1,422)	**(4,271)**	(3,477)
Dividends declared	**(9,862)**	(9,616)	**(19,723)**	(19,147)
Distributions declared to non-controlling interest	**(2,047)**	(831)	**(3,151)**	(3,191)
Purchase of shares in trust (note 7)	**(929)**	—	**(929)**	(584)
Sale of shares in trust (note 7)	**9**	37	**25**	51
Share options exercised	**196**	7,271	**196**	11,052
Change in non-cash working capital related to financing activities	**514**	(1,649)	**1,627**	(1,440)
Net cash flows used in financing activities	**(17,317)**	(44,383)	**(27,870)**	(73,400)
(Decrease) increase in cash and cash equivalents	**(5,686)**	2,317	**(14,405)**	(12,243)
Cash and cash equivalents, beginning of the period	**12,393**	17,645	**20,500**	31,786
Effect of foreign currency rate changes on cash and cash equivalents	**(136)**	(362)	**476**	57
Cash and cash equivalents, end of the period	**6,571**	19,600	**6,571**	19,600

See accompanying notes to the unaudited interim condensed consolidated financial statements

Total tax paid in cash for the three and six month periods ended June 30, 2015 was $2,833 and $5,295 (2014 - $2,627 and $7,398), respectively.

1. GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements ("interim financial statements") of Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships ("Black Diamond" or the "Company") for the three and six months ended June 30, 2015 and 2014 were authorized for issuance in accordance with a resolution of the Board of Directors on August 12, 2015. Black Diamond is headquartered in Calgary, Alberta. The Company was incorporated in Alberta on October 7, 2009. 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

The interim financial statements for the three and six month period ended June 30, 2015 and 2014 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, 2014. 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, 2014. Certain figures in the prior period's financial statements have been reclassified to conform to the current period'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. Though the Structures business unit has some exposure to the seasonality experienced in the western Canadian oil and natural gas drilling industry, seasonality has been actively managed and reduced due to 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 neutralize the effect of seasonality on revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosure

Several new standards and amendments apply for the first time in 2015. The nature and the impact of each new standard/amendment is described below:

IFRS 2 Share-Based Payments - Amendments to IFRS 2

The standard amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'. The amendment did not have an impact on the Company as it reflects the current accounting policy of the Company.

IAS 8 Operating Segments - Amendments to IAS 8.

The amended standard requires (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segmented assets to the Company's assets when segment assets are reported. The amendment did not have an impact on the disclosure and the financial results of the Company.

IFRS 13 Fair Value Measurement - Amendments to IFRS 13

The amended standard clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts if the effect of discounting is immaterial. It also clarifies that the portfolio exception can be applied not only to financial assets and liabilities, but also to other contracts within scope of IFRS 39 and IFRS 9. The amendment did not have an impact on the Company as it reflects the current accounting policy of the Company.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective on or after January 1, 2016.

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued narrow-focus amendments to IAS 1 Presentation of Financial Statements to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amended standard is not expected to have a material impact on the Company's disclosure.

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 (July 2014)* replaces earlier versions of IFRS 9 and supersedes IAS 39 *Financial instruments: Recognition and measurement* and the effective date of the new standard 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

In September 2014, the IASB issued amendments to address an inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and those in International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures regarding the sale or contribution of assets between an investor and its associate or joint venture. The amendment clarified that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amendment could impact the Company in the event that it has transactions with associates or joint ventures.

IFRS 11 Joint Arrangements

In May 2014, the IASB issued amendments to IFRS 11 Joint Arrangements to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3 Business Combinations. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amendment could impact the Company in the event it increases or decreases its ownership share in an existing joint operation or invests in a new joint operation.

IFRS 15 Revenue

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, 2018. 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.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to these standards provide clarification of acceptable methods of depreciation and amortization. It prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual periods commencing January 1, 2016. The amendment is not expected to have a material impact to the disclosure or financial results of the Company.

Annual Improvements Project for 2012-2014 (Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34)

Relatively minor amendments on these four standards were issued by the IASB under its Annual Improvements Project for 2012-2014. 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

	June 30, 2015 $	December 31, 2014 $
Current		
Trade and accrued receivables	**70,000**	86,680
Finance lease receivables where Company is the lessor	**2,991**	3,822
Receivables from agency arrangements	**2,006**	1,130
Provision for doubtful accounts	**(706)**	(1,187)
Total current accounts receivable	**74,291**	90,445
Non-current		
Finance lease receivables where Company is the lessor	**1,519**	1,489
Other long-term receivables	**903**	486
Total long-term accounts receivable	**2,422**	1,975

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:

	June 30, 2015 $	December 31, 2014 $
Amounts not yet due	**53,331**	50,229
Past due not more than 30 days	**5,350**	26,049
Past due not more than 60 days	**4,839**	3,106
Past due not more than 90 days	**3,346**	1,240
Past due greater than 90 days	**3,134**	6,056
Total trade and accrued receivables	**70,000**	86,680

3. ACCOUNTS RECEIVABLE (continued)

a) Trade and accrued receivables (continued)

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) Finance lease receivables where Company is the lessor

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

c) Receivables from agency arrangements

The Company acts as a procurement agent on behalf of a principal customer.

d) Provision for doubtful accounts

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

4. PROPERTY AND EQUIPMENT

The Company added assets of $18,184 and $36,122 (2014 - $19,404 and $38,578) during the three and six months ended June 30, 2015, respectively, substantially all of which were fleet assets. There were also disposals of fleet assets with a book value of $846 and $3,394 (2014 - $3,624 and $14,711) during the three and six months ended June 30, 2015, respectively, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

During 2013, the Company issued a financial guarantee for $5,202 (AUD $5,168) as part of the purchase consideration for the Company's indirect 20% interest in APB Britco's manufacturing business, which serves to guarantee a portion of its debt and it is repayable on demand. The Company accrued a provision for the full amount of the financial guarantee in the second quarter of 2014.

6. LONG-TERM DEBT

	June 30, 2015 **$**	December 31, 2014 $
Committed extendible revolving operating facility	**89,968**	95,000
Senior secured notes	**102,000**	102,000
Costs associated with issue and restructuring of facilities	**(2,119)**	(1,942)
Amortization of costs associated with issue	**1,405**	1,339
Total long-term debt	**191,254**	196,397

6. LONG-TERM DEBT (continued)

Committed Extendible Revolving Operating Facility

Effective June 18, 2015, Black Diamond increased the maximum principal amount of its committed extendible revolving operating facility to $168,000 (December 31, 2014 - $150,000) and extended its maturity to April 30, 2019 (December 31, 2014 - April 30, 2018). The facility is collateralized by a general security agreement from Black Diamond and a guarantee and general security agreement from each of its material subsidiaries. The facility also has an accordion feature that allows for the expansion of the facility up to an aggregate of $268 million (December 31, 2014 - $250,000), upon lender commitment. If all or any portion of the $100 million accordion is not provided by the lenders, the committed extendible revolving operating facility authorizes the Company to obtain the remaining amount from any third party subject to certain conditions in the committed extendible revolving operating facility.

As at June 30, 2015, the Company's draws under the committed extendible revolving operating facility were comprised of $4,968 related to an overdraft balance (December 31, 2014 - $nil), $85,000 of bankers' acceptance (December 31, 2014 - $70,000) and $nil of bankers' acceptance for which interest rate has been fixed through a swap contract which expired on April 10, 2015 (December 31, 2014 - $25,000).

For the three and six months ended June 30, 2015, the average interest rate applied to amounts drawn on the committed extendible revolving operating facility was 2.57% and 2.79% (2014 - 4.16% and 3.72%), respectively.

In addition, the Company has a corporate credit card facility with a limit of $1,000 which bears interest at 18.4%. As at June 30, 2015, the Company's draws under the corporate credit card facility were $nil (December 31, 2014 - $nil).

US Demand Operating Facility

Effective May 15, 2015, Black Diamond, through its indirect wholly owned US subsidiaries, has increased its demand revolving loan to US $10,000 (December 31, 2014 - US $3,000) to fund working capital requirements in the US. The facility bears interest at a rate of US prime plus 0.50% and is payable monthly with any principal outstanding to be repaid upon maturity on May 30, 2016. The facility is secured by a corporate guarantee issued by Black Diamond Limited Partnership.

At June 30, 2015, the effective interest rate was 3.75% (December 31, 2014 - 4.0%). As at June 30, 2015, the Company's draws under the US demand operating facility were $nil (December 31, 2014 - $nil).

Australian Demand Operating Facility

Black Diamond, through its indirect wholly owned Australian subsidiaries, has an AUD$5,000 operating facility to fund working capital requirements in Australia. The facility bears interest rate of Australian Bank Bill Overdraft Rate plus 1.0% and incurs standby fees for any unused portion of the facility at 0.50%. At June 30, 2015, the effective interest rate was 3.09% (December 31, 2014 - 3.69%). The facility is secured by a corporate guarantee issued by Black Diamond Limited Partnership. As at June 30, 2015, the Company's draws under the Australian demand operating facility were $nil (December 31, 2014 - $nil).

6. LONG-TERM DEBT (continued)

Demand Operating Facility

Black Diamond, through one of its partnerships, has a $5,000 operating facility to fund working capital requirements of the partnership. The facility bears interest at a rate of prime plus 1.15% and incurs standby fees of 0.25% for any unused portion of the authorized amount whereby the authorized limit is 75% of good accounts receivable calculated at the end of each month. The facility is secured by assets of the partnership, with no recourse to Black Diamond. As at June 30, 2015, the Company's draws under the demand operating facility were $1,017 (December 31, 2014 - $nil). At June 30, 2015, the effective interest rate was 4.0% (December 31, 2014 - 4.15%).

Senior Secured Notes

On July 7, 2011, Black Diamond Limited Partnership completed a private placement of senior secured notes. These notes, which rank pari passu with the committed extendible revolving operating 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 made on July 7, 2015. Black Diamond has the discretion to refinance the senior secured notes for at least twelve months through its committed revolving operating facility and hence classified the obligation as long-term.

On July 3, 2013, Black Diamond Limited Partnership completed a private placement of senior secured notes. These notes, which rank pari passu with the committed extendible revolving operating facility, have a principal amount of $40,000, an interest rate of 4.58% per annum and mature on July 3, 2022. The senior secured notes are repaid through annual repayments, each in the amount of $13,333 with the first annual payment beginning July 3, 2020.

On July 3, 2013, Black Diamond Limited Partnership 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

Effective June 18, 2015 the committed extendible revolving operating facility debt covenants and restrictions on dividends were amended. Corresponding financial covenant and restriction on dividend amendments were also granted under Black Diamond's senior secured notes.

At June 30, 2015, Black Diamond was in compliance with all of its debt covenants.

Risk Management Liability

The Company had entered into an interest rate swap contract to fix $25,000 of its floating rate interest on long-term debt. The interest rate swap contract required the periodic exchange of payments without the exchange of the notional principal amounts on which the payment is based. The contract expired on April 10, 2015. As at June 30, 2015, the Company's risk management liability was $nil (December 31, 2014 - $194).

6. LONG-TERM DEBT (continued)

Offset Banking System

Effective April 1, 2013, Black Diamond entered into 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 and US dollar accounts provided each account and the consolidation of all accounts is maintained within credit limits. The cash and cash equivalents of 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	**Number of shares**	**$**
January 1, 2014	42,116	321,533
Issued on exercise of options (note 7b))	831	12,906
Purchase of shares in trust	(17)	(584)
Sale of shares in trust	5	128
Vesting of shares in trust	21	398
Transfer from contributed surplus	—	1,993
Shares repurchased and cancelled	(1,908)	(14,930)
December 31, 2014	**41,048**	**321,444**
Issued on exercise of options (note 7b))	**15**	**196**
Purchase of shares in trust	**(62)**	**(929)**
Sale of shares in trust	**3**	**25**
Vesting of shares in trust	**21**	**269**
Transfer from contributed surplus	**—**	**26**
June 30, 2015	**41,025**	**321,031**

b) Share Option Plan

As at June 30, 2015, there were 3,921 common shares (December 31, 2014 - 3,311) 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 and years)

Grant date	Number of options outstanding	Exercise price per share	Remaining contractual life (years)	Number exercisable	Fair value at grant date
		$			$
March 25, 2011	323	12.97	0.73	323	1.73
March 25, 2012	725	20.61	1.73	725	2.39
April 5, 2012	332	19.94	1.76	332	2.63
March 22, 2013	566	20.98	2.73	358	3.30
November 15, 2013	85	27.43	3.38	57	5.21
March 21, 2014	895	33.27	3.73	298	6.60
August 21, 2014	200	28.04	4.15	—	4.61
November 13, 2014	20	18.95	4.38	—	2.59
January 9, 2015	765	12.35	4.53	—	1.46
March 20, 2015	10	13.67	4.73	—	1.78
Balance June 30, 2015	3,921			2,093	
Weighted average		21.76	2.98	21.38 [(1)]	

(1) Amount refers to the weighted average exercise price of the exercisable options as at June 30, 2015.

Black Diamond recorded the following share option activity during 2015 and 2014:

	Number of options outstanding	Weighted average exercise price per share
		$
January 1, 2014	**3,068**	**18.64**
Granted	**1,270**	**32.27**
Exercised	**(831)**	**15.51**
Cancelled	**(196)**	**27.95**
December 31, 2014	**3,311**	**24.09**
Granted	**775**	**11.75**
Exercised	**(15)**	**12.97**
Forfeited	**(150)**	**25.59**
June 30, 2015	**3,921**	**21.76**

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
	%	%	%
March 25, 2011	4.41	30	1.69
March 25, 2012	3.34	30	1.24
April 5, 2012	3.61	34	1.19
March 22, 2013	3.95	30	1.02
November 15, 2013	2.95	31	1.09
March 21, 2014	2.60	31	1.02
August 21, 2014	3.39	29	1.09
November 13, 2014	5.11	30	1.05
January 9, 2015	8.00	34	1.00
March 20, 2015	7.31	37	0.46

The expected life of the options is three years and 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.

8. REVENUE

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Rental revenue				
Workforce accommodation	**21,118**	28,121	**48,224**	60,908
Space rentals	**6,956**	8,568	**14,580**	16,589
Surface equipment	**1,070**	1,655	**2,564**	3,926
Total rental revenue	**29,144**	**38,344**	**65,368**	**81,423**
Lodging revenue	**22,036**	28,034	**55,308**	68,456
Non-rental revenue	**19,960**	22,015	**50,159**	63,090
Total revenue	**71,140**	**88,393**	**170,835**	**212,969**

9. ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Personnel costs	**7,204**	7,731	**15,714**	15,572
General administrative expenses	**2,869**	3,492	**5,892**	7,075
Occupancy and insurance	**1,668**	1,490	**3,143**	3,026
Share based compensation (note 7)	**838**	1,522	**2,134**	2,417
Total administrative expenses	**12,579**	**14,235**	**26,883**	**28,090**

10. INCOME TAXES

In the second quarter of 2015, the Company revised its estimated annual effective tax rate to reflect a 20% increase in the Alberta provincial statutory rate from 10% to 12%, resulting from legislation that was enacted on June 29, 2015. As a result, deferred income tax expense reported for the three and six months ended June 30, 2015 was increased by $3,476 and the deferred tax liability increased by $3,476.

11. EARNINGS PER SHARE

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

	Three months ended June 30		Six months ended June 30	
Reconciliation of weighted average number of shares	**2015**	2014	**2015**	2014
Weighted average common shares outstanding - basic	**41,091**	42,631	**41,089**	42,456
Effect of share option plan	**—**	993	**58**	910
Weighted average common shares outstanding - diluted	**41,091**	**43,624**	**41,147**	**43,366**

Excluded from diluted weighted average number of shares are nil anti-dilutive options for the three month period ended June 30, 2015 (2014 - 1,050) and 2,833 anti-dilutive options for the six month period ended June 30, 2015 (2014 - 1,050).

12. SEGMENTED INFORMATION

Transactions between operating segments are priced on an arm's length basis in a manner similar to transactions with third parties.

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Revenue				
Structures	**43,557**	50,847	**101,186**	118,835
Energy Services	**3,521**	6,792	**10,786**	18,543
Logistics	**22,036**	28,034	**55,308**	68,456
International	**2,026**	2,720	**3,555**	7,135
Total Revenue	**71,140**	**88,393**	**170,835**	**212,969**
Depreciation of Property and Equipment				
Structures	**9,725**	7,995	**18,789**	16,592
Energy Services	**1,607**	1,593	**3,093**	3,116
Logistics	**1,044**	793	**2,068**	2,414
International	**1,153**	1,322	**2,185**	2,764
Corporate	**564**	518	**1,056**	995
Total Depreciation	**14,093**	**12,221**	**27,191**	**25,881**
Profit (Loss)				
Structures	**12,040**	23,573	**27,964**	48,762
Energy Services	**(1,022)**	51	**(598)**	2,294
Logistics	**2,726**	4,992	**9,243**	10,384
International	**(1,418)**	(1,232)	**(2,446)**	(1,147)
Corporate	**(13,169)**	(17,823)	**(25,977)**	(32,829)
Total Profit	**(843)**	**9,561**	**8,186**	**27,464**
Capital Expenditures (Additions)				
Structures	**16,972**	16,163	**30,159**	26,638
Energy Services	**339**	240	**1,182**	3,529
Logistics	**484**	1,437	**631**	2,528
International	**221**	770	**3,952**	4,413
Corporate	**168**	794	**198**	1,470
Total Capital Expenditures	**18,184**	**19,404**	**36,122**	**38,578**

12. SEGMENTED INFORMATION (continued)

	June 30, 2015 $	December 31, 2014 $
Property and Equipment		
Structures	**418,363**	404,222
Energy Services	**56,364**	58,303
Logistics	**21,433**	23,274
International	**37,558**	35,644
Corporate	**17,958**	19,179
Total Property and Equipment	**551,676**	540,622
Intangible Assets		
Structures	**7,967**	8,308
Energy Services	**55**	60
Corporate	**2**	4
Total Intangible Assets	**8,024**	8,372
Goodwill		
Structures	**34,156**	33,850
Energy Services	**1,369**	1,369
Total Goodwill	**35,525**	35,219
Assets		
Structures	**500,115**	496,549
Energy Services	**61,241**	66,749
Logistics	**57,893**	58,092
International	**41,555**	37,401
Corporate	**22,986**	43,743
Total Assets	**683,790**	702,534

12. SEGMENTED INFORMATION (continued)

Geographic and customer information

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
	$	$		
Revenue				
Canada	**61,117**	79,546	**150,945**	196,020
United States	**7,997**	6,127	**16,335**	9,814
Australia	**2,026**	2,720	**3,555**	7,135
Total Revenue	**71,140**	88,393	**170,835**	212,969

The allocation of sales to the geographic segments is based upon the customer location where the product is utilized.

	June 30, 2015	December 31, 2014
	$	$
Property and Equipment, Intangibles and Goodwill		
Canada	**457,349**	463,698
United States	**100,319**	84,871
Australia	**37,557**	35,644
Total Property and Equipment, Intangibles and Goodwill	**595,225**	584,213

13. COMMITMENTS AND CONTINGENCIES

Capital Commitments

At June 30, 2015, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $3,890 (December 31, 2014 - $29,354) for delivery of modular structures in the next six months.

14. SUBSEQUENT EVENTS

Subsequent to the Quarter, on July 15, 2015 the Company entered into an agreement to sell its construction services operation to Northern Frontier Corp. (“Northern Frontier”) for base consideration of approximately $9.8 million consisting of 4.5 million shares of Northern Frontier valued at approximately $2.4 million, representing approximately 19.5% of the current issued and outstanding shares in the capital of Northern Frontier and a promissory note of $7.4 million due October 31, 2018 bearing interest at 10% per annum. The agreement allows for $1.3 million of the promissory note to be replaced by a 5 year lease of Northern Frontier land to Black Diamond at zero rent once conditions are in place for such a lease to be executed. The agreement also included a potential earn out of $11.6 million which could increase base consideration to $21.4 million. The construction services operation, based out of Edmonton, AB, installed and dismantled remote workforce lodging and modular offices in Western Canada, contributing to the non-rental revenue stream in the Company's Structures operating segment. The Company will continue to offer construction and project management services to its customers but will now subcontract these services. The sale closed on July 31, 2015 and the gain on sale, which will be approximately equal to the base consideration, will be reflected in

14. SUBSEQUENT EVENTS (continued)

the Company's third quarter results. Trevor Haynes is the Chairman of the Board for both the Company and Northern Frontier, and the President and Chief Executive Officer of Black Diamond.