UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2016 and 2015

BLACK DIAMOND GROUP

BLACK DIAMOND GROUP

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30, 2016 and December 31, 2015

(Expressed in thousands)	2016	2015
	$	$
ASSETS		
Current		
Cash and cash equivalents	**6,711**	5,889
Accounts receivable (note 3)	**22,010**	39,037
Prepaid expenses and other current assets	**5,599**	6,032
Total Current Assets	**34,320**	50,958
Non-Current		
Other long-term assets (note 4)	**1,237**	362
Note receivable and investment in associate (notes 4 and 13)	**—**	7,113
Property and equipment (note 5)	**511,869**	546,571
Intangible assets	**7,370**	7,744
Goodwill	**34,384**	34,740
Total Non-Current Assets	**554,860**	596,530
Total Assets	**589,180**	647,488
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**22,108**	33,734
Deferred revenue	**4,343**	5,184
Dividends payable	**1,028**	2,055
Total Current Liabilities	**27,479**	40,973
Non-Current		
Long-term debt (note 6)	**145,261**	159,163
Asset retirement obligations	**7,664**	7,337
Deferred revenue	**2,362**	2,020
Deferred income taxes	**70,700**	71,806
Total Non-Current Liabilities	**225,987**	240,326
Total Liabilities	**253,466**	281,299
Shareholders' Equity		
Share capital (note 7)	**319,704**	321,050
Contributed surplus	**12,182**	12,139
Accumulated other comprehensive income	**12,449**	21,221
Retained earnings/(deficit)	**(11,790)**	7,453
Total Shareholders' Equity	**332,545**	361,863
Non-controlling interests	**3,169**	4,326
Total Equity	**335,714**	366,189
Total Liabilities and Equity	**589,180**	647,488

See accompanying notes to the unaudited interim condensed consolidated financial statements

Refer to Commitments in Note 12.

UNAUDITED CONSOLIDATED STATEMENT OF NET INCOME (LOSS)

for the three and six month periods ended June 30,

(Expressed in thousands, except per share amounts)	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Revenue (notes 8 and 11)	**34,393**	71,140	**87,274**	170,835
Direct costs (note 8)	**16,921**	36,145	**42,111**	92,204
Gross profit	**17,472**	34,995	**45,163**	78,631
Expenses				
Administrative expenses (note 9)	**9,881**	11,741	**20,338**	24,508
Depreciation and amortization (note 11)	**13,114**	14,333	**26,267**	27,672
Share based compensation (note 7)	**(63)**	838	**272**	2,134
Finance costs	**1,635**	2,141	**3,493**	4,406
Share of loss in associate (note 4)	**2,422**	—	**5,813**	—
Profit (loss) before income taxes	**(9,517)**	5,942	**(11,020)**	19,911
Income taxes				
Current	**(840)**	969	**(519)**	4,311
Deferred	**(6)**	4,633	**(273)**	5,253
Total income taxes	**(846)**	5,602	**(792)**	9,564
Profit (loss) before non-controlling interest	**(8,671)**	340	**(10,228)**	10,347
Profit (loss) attributable to non-controlling interest	**(69)**	1,183	**795**	2,161
Profit (loss) for the period	**(8,602)**	(843)	**(11,023)**	8,186
Earnings (loss) per share				
Basic (note 10)	**(0.21)**	(0.02)	**(0.27)**	0.20
Diluted (note 10)	**(0.21)**	(0.02)	**(0.27)**	0.20

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

for the three and six month periods ended June 30,

(Expressed in thousands)	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Profit (loss) for the period	**(8,602)**	(843)	**(11,023)**	**8,186**
Other comprehensive income (loss) to be reclassified to Consolidated Statement of Net Income in subsequent period:				
Realized portion of derivative designated as cash flow hedge (net of tax)	**—**	(42)	**—**	(155)
Unrealized gain portion of derivative designated as cash flow hedge (net of tax)	**—**	84	**—**	299
Translation adjustments	**(973)**	(2,255)	**(8,772)**	6,911
Net other comprehensive income (loss) to be reclassified to Consolidated Statement of Net Income in subsequent period	**(973)**	(2,213)	**(8,772)**	7,055
Total comprehensive income (loss)	**(9,575)**	(3,056)	**(19,795)**	15,241

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three and six month periods ended June 30, 2016 and 2015

(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, 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	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 7)	—	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**
As at January 1, 2016	321,050	12,139	21,221	7,453	361,863	4,326	366,189
Profit (loss) for the period	**—**	**—**	**—**	**(11,023)**	**(11,023)**	**795**	**(10,228)**
Translation adjustments	**—**	**—**	**(8,772)**	**—**	**(8,772)**	**—**	**(8,772)**
Dividends declared	**—**	**—**	**—**	**(8,220)**	**(8,220)**	**—**	**(8,220)**
Distributions declared to partners	**—**	**—**	**—**	**—**	**—**	**(1,952)**	**(1,952)**
Purchase of shares in trust (note 7)	**(1,549)**	**—**	**—**	**—**	**(1,549)**	**—**	**(1,549)**
Sale of shares in trust (note 7)	**7**	**—**	**—**	**—**	**7**	**—**	**7**
Vesting of shares in trust (note 7)	**196**	**(206)**	**—**	**—**	**(10)**	**—**	**(10)**
Share based compensation expense (note 7)	**—**	**249**	**—**	**—**	**249**	**—**	**249**
As at June 30, 2016	**319,704**	**12,182**	**12,449**	**(11,790)**	**332,545**	**3,169**	**335,714**

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)	**2016** **$**	2015 $	**2016** **$**	2015 $
Operating activities				
Profit (loss) for the period	**(8,602)**	(843)	**(11,023)**	8,186
Add (deduct) non-cash / non-operating activities:				
Share based compensation expense (note 7)	**(63)**	838	**272**	2,134
Depreciation and amortization	**13,114**	14,333	**26,267**	27,672
Share of loss in associate (note 4)	**2,422**	—	**5,813**	—
Finance costs	**1,635**	2,141	**3,493**	4,406
Deferred income taxes	**(6)**	4,633	**(273)**	5,253
Profit attributable to non-controlling interest	**(69)**	1,183	**795**	2,161
Book value of used fleet sales (note 5)	**2,905**	846	**4,952**	3,394
	11,336	23,131	**30,296**	53,206
Change in long-term accounts receivable	**(948)**	189	**(875)**	(376)
Change in non-current deferred revenue	**171**	—	**342**	—
Change in non-cash working capital related to operating activities	**10,895**	17,142	**6,483**	11,697
Net cash flows from operating activities	**21,454**	40,462	**36,246**	64,527
Investing activities				
Purchase of property and equipment (note 5)	**(1,688)**	(18,184)	**(4,714)**	(36,122)
Change in non-cash working capital related to investing activities	**(689)**	(10,647)	**(534)**	(14,940)
Net cash flows used in investing activities	**(2,377)**	(28,831)	**(5,248)**	(51,062)
Financing activities				
Proceeds from long-term debt	**14,523**	16,211	**33,032**	44,790
Repayment of long-term debt	**(27,000)**	(22,500)	**(47,000)**	(50,000)
Net draws (repayments) on operating facility	**199**	3,171	**199**	3,566
Net interest paid	**(1,611)**	(2,080)	**(3,363)**	(4,271)
Dividends declared	**(3,082)**	(9,862)	**(8,220)**	(19,723)
Distributions declared to non-controlling interest	**(334)**	(2,047)	**(1,952)**	(3,151)
Net purchase of shares in trust (note 7)	**(29)**	(920)	**(1,542)**	(904)
Share options exercised	**—**	196	**—**	196
Change in non-cash working capital related to financing activities	**(1,960)**	514	**(1,304)**	1,627
Net cash flows used in financing activities	**(19,294)**	(17,317)	**(30,150)**	(27,870)
Increase/(decrease) in cash and cash equivalents	**(217)**	(5,686)	**848**	(14,405)
Cash and cash equivalents, beginning of the period	**6,933**	12,393	**5,889**	20,500
Effect of foreign currency rate changes on cash and cash equivalents	**(5)**	(136)	**(26)**	476
Cash and cash equivalents, end of the period	**6,711**	6,571	**6,711**	6,571

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, 2016 was $nil and $175 (2015 - $2,833 and $5,295), respectively.

1. GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements ("interim financial statements") of Black Diamond Group Limited, its subsidiaries, associate and its controlled limited partnerships ("Black Diamond" or the "Company") for the three and six month periods ended June 30, 2016 and 2015 were authorized for issuance in accordance with a resolution of the Board of Directors on August 11, 2016. 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 525 – 8th Avenue S.W., 46th Floor, 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 periods ended June 30, 2016 and 2015 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 as otherwise disclosed, the same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2015 ("2015 Financial Statements"). 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 2015 Financial Statements. Certain figures in the comparative 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's western Canadian operations, which form part or all of its Camps & Lodging, BOXX Modular and Energy Services 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 Camps & Lodging business unit are generally higher in the winter. Though the Camps & Lodging business unit has some exposure to the seasonality experienced in the western Canadian oil and natural gas drilling industry, seasonality is managed 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

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 was effective for fiscal years beginning on or after January 1, 2016. The adoption of this amended standard did not have a material impact on the Company's disclosure.

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, 2017.

Disclosure Initiative (Amendments to IAS 7)

In January 2016, the IASB issued Disclosure Initiative - Amendments to IAS 7 Statement of Cash Flows, which require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard is effective for annual periods beginning on or after January 1, 2017. Early adoption of the standard is permitted and entities are not required to provide comparative information for preceding periods. The Company has not yet determined the impact of the standard on the Company's financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes, clarifying the accounting for deferred tax assets for unrealised losses. Entities must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Guidance is also provided on how to determine future taxable profits and explains the circumstances whereby taxable profit may include the recovery of some assets for more than their carrying amount. This standard is effective for annual periods beginning on or after January 1, 2017. Early adoption of the standard is permitted. The Company has reviewed the issued amendments to IAS 12 and determined that there is no impact of such amendments on the Company's financial statements.

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 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 standard on the Company's financial statements.

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. Lessees will be required to recognize right-of-use (ROU) assets and lease liabilities while lessors will continue to classify each lease as either an operating lease or a finance lease. Lease and non-lease components must be separated and accounted for separately using the appropriate standards unless a policy election is made to account for the lease and non-lease components as lease components. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 has already been applied or will be applied at the same date as IFRS 16. The Company has not yet determined the impact of the standard 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, 2016	December 31, 2015
	$	$
Current		
Trade and accrued receivables [(a)]	**22,961**	39,426
Finance lease receivables where Company is the lessor [(b)]	**261**	324
Due from related parties [(note 13)]	**—**	123
Provision for doubtful accounts [(c)]	**(1,212)**	(836)
Total current accounts receivable	**22,010**	39,037

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:

3. ACCOUNTS RECEIVABLE (continued)

	June 30, 2016	December 31, 2015
	$	$
Amounts not yet due	**16,050**	28,208
Past due not more than 30 days	**2,816**	4,829
Past due not more than 60 days	**172**	3,307
Past due not more than 90 days	**287**	927
Past due greater than 90 days	**3,636**	2,155
Total trade and accrued receivables	**22,961**	39,426

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 before providing goods or services and then 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) 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. NOTE RECEIVABLE AND INVESTMENT IN ASSOCIATE

On July 31, 2015, the Company sold its construction services operation to Northern Frontier Corp. ("Northern Frontier") for base consideration of $9,800 consisting of 4.5 million shares of Northern Frontier and a promissory note receivable of $7,400 due October 31, 2018 bearing interest at 10% per annum payable quarterly. The consideration also included an option to convert a portion of the $7,400 note receivable into a prepaid lease expense upon execution of a land lease.

During the prior two quarters, Northern Frontier announced waivers of certain financial covenants under its senior secured lending facility and the Company extended a waiver on the interest payable on the promissory note to the Company. As a result, the investment and the note receivable were written-down as at December 31, 2015 by $2,687 and by $3,391 as at March 31, 2016. The land lease was signed in the quarter.

On July 14, 2016, Northern Frontier announced that their senior secured lenders demanded repayment under their credit facilities. As a result, at June 30, 2016, Black Diamond reduced the note receivable from Northern Frontier to zero and recorded a share of loss in associate of $2,422 for the quarter and $5,813 for the year to date. The Company expects to continue to lease yard space for fleet storage under the five year land lease signed during the quarter with Northern Frontier. As such, the Company reclassified $1,300 of the remaining note receivable to a prepaid lease expense in other long-term assets and prepaid and other current assets. Effective July 12, 2016, Trevor Haynes resigned as a director of Northern Frontier resulting in the Company no longer having significant influence over Northern Frontier subsequent to that date.

5. PROPERTY AND EQUIPMENT

The Company added assets of $1,688 and $4,714 (2015 - $18,184 and $36,122) during the three and six month periods ended June 30, 2016, substantially all of which were fleet assets. There were also disposals of fleet assets with a net book value of $2,905 and $4,952 (2015 - $846 and $3,394) during the three and six month periods ended June 30, 2016, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit.

6. LONG-TERM DEBT

	June 30, 2016	December 31, 2015
	$	$
Committed extendible revolving operating facility	**56,066**	70,034
Senior secured notes	**89,600**	89,600
Costs associated with issue and restructuring of facilities	**(1,942)**	(1,942)
Amortization of costs associated with issue	**1,537**	1,471
Total long-term debt	**145,261**	159,163

Committed Extendible Revolving Operating Facility

The maximum principal amount of the committed extendible revolving operating facility is $168,000 with a maturity on April 30, 2019. The facility also has an accordion feature that allows for the expansion of the facility up to an aggregate of $268,000, upon lender commitment.

As at June 30, 2016, the Company's draws under the committed extendible revolving operating facility were comprised of $6,066 related to an overdraft balance (December 31, 2015 - $1,034), and $50,000 of bankers' acceptance (December 31, 2015 - $69,000).

For the three and six month periods ended June 30, 2016, the average interest rate applied to amounts drawn on the committed extendible revolving operating facility was 2.57% and 2.60% (2015 - 2.57% and 2.79%), respectively.

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. At June 30, 2016, the effective interest rate was 3.85% (December 31, 2015 - 3.85%). The facility is secured by assets of the partnership, with no recourse to Black Diamond. As at June 30, 2016, the Company's draws under the demand operating facility were $nil (December 31, 2015 - $nil).

US Operating Facility

Effective May 30, 2016, a US $10,000 demand revolving loan that was held indirectly by a wholly owned subsidiary of Black Diamond was not renewed.

6. LONG-TERM DEBT (continued)

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 $49,600 (December 31, 2015 - $49,600), an interest rate of 5.44% per annum and mature on July 8, 2019. The senior secured notes are repaid through annual payments in July, each in the amount of $12,400. The annual principal repayment was made on July 7, 2016. Because Black Diamond has the discretion to refinance the senior secured notes for at least twelve months through its committed extendible revolving operating facility we have classified the current portion of 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 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 senior secured notes are repaid through annual repayments, each in the amount of $13,333 with the first annual payment on 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. This private shelf facility was not renewed subsequent to July 3, 2016.

Debt Covenants

At June 30, 2016, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the committed extendible revolving operating 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 extendible revolving operating facility and the senior secured notes to be immediately due and payable without presentment, demand, protest or further notice of any kind.

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, 2015	41,048	321,444
Issued on exercise of options (note 7b)	15	195
Purchase of shares in trust	(64)	(941)
Sale of shares in trust	4	57
Vesting of shares in trust	21	269
Transfer from contributed surplus	—	26
December 31, 2015	**41,024**	**321,050**
Purchase of shares in trust	**(325)**	**(1,549)**
Sale of shares in trust	**1**	**7**
Vesting of shares in trust	**21**	**196**
June 30, 2016	**40,721**	**319,704**

7. SHARE CAPITAL (continued)

b) Share Based Compensation Plans

(i) Share option plan

As at June 30, 2016, there were 2,917 common shares (December 31, 2015 - 2,988) reserved for issuance from treasury upon the exercise of share options granted pursuant to the Company's Share 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 Share Option Plan generally vest on a straight line basis over three years and the option term is five years from the date of grant.

(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, 2012	693	20.61	0.73	693	2.47
April 5, 2012	313	19.94	0.76	313	2.71
March 22, 2013	532	20.98	1.73	532	3.30
November 15, 2013	85	27.43	2.38	85	5.21
March 21, 2014	15	33.27	2.72	10	6.60
August 21, 2014	67	28.04	3.14	67	4.61
November 13, 2014	20	18.95	3.37	7	2.59
January 9, 2015	690	12.35	3.53	227	1.46
March 20, 2015	10	13.67	3.72	3	1.78
March 11, 2016	492	4.72	4.70	—	1.03
Balance June 30, 2016	2,917			1,937	
Weighted average		16.37	2.39	20.24 (1)	

(1) Amount refers to the weighted average exercise price of the exercisable options as at June 30, 2016.

7. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity during 2016 and 2015:

	Number of options outstanding	Weighted average exercise price per share
		$
January 1, 2015	**3,311**	**24.09**
Granted	**775**	**12.37**
Exercised	**(15)**	**12.97**
Cancelled	**(1,083)**	**31.52**
December 31, 2015	**2,988**	**18.41**
Granted	**492**	**4.72**
Expired	**(563)**	**17.01**
June 30, 2016	**2,917**	**16.37**

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, 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
March 11, 2016	11.61	52	0.49

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.

7. SHARE CAPITAL (continued)

(ii) Other share-based plans

Restricted and Performance Award Incentive Plan ("Share Award Plan")

The Company has a Share Award Plan which provides for the grant of restricted awards ("RAs") and performance awards. The outstanding RAs entitle the holders to a sum (the "Award Value") to be paid on the third anniversary of the date of grant (the "Payment Date"). The Award Value is calculated at the Payment Date by multiplying the number of RAs by the fair market value of the common shares of the Company. On the Payment Date, the Company has the option of settling the Award Value to which a holder of RAs is entitled in the form of either cash or in common shares which may either be acquired by the Company on the stock exchange or issued from the treasury of the Company, or some combination thereof. The Company's intention is to settle the Award Value in common shares and it has therefore accounted for the RAs as equity-settled. Provided the Company maintains this intention and settles the Award Value through the issuance of common shares, it will continue to account for the RAs as equity-settled throughout their vesting period.

Deferred Share Unit Plan ("DSU Plan")

The Company has a DSU Plan pursuant to which it may make an annual grant of Deferred Share Units ("DSUs") to non-employee directors and non-employee directors may make an election to receive all or part of, in increments of 25%, their total annual remuneration in the form of DSUs. Pursuant to the DSU Plan, DSUs awarded as part of an annual grant typically vest on the first anniversary of the date of grant and DSUs granted in lieu of total annual remuneration vest on the date of grant; however, in each instance, such DSUs will not be released until the non-employee director has ceased to be a member of the board of directors of the Company. DSUs are settled at the Company's option in cash and/or common shares acquired by the Company on the stock exchange based on the common share price plus accrued dividends. At the Company's option, DSUs may be settled in cash and/or common shares and are accounted for as either cash-settled or equity-settled.

Incentive Award Plan ("IA Plan")

The Company has an IA Plan which provides for the grant of incentive awards ("IAs"). Subject to the terms and conditions of the IA Plan, the outstanding IAs either entitle the holder to a sum (the "IA Value") to be paid in equal tranches on the first, second and third anniversaries of the date of grant or to be paid on the third anniversary of the date of grant. The IA Value is calculated at the payment date(s) by multiplying the number of IAs by the fair market value of the common shares of the Company plus accrued dividends. On the applicable payment date, the Company has the option of settling the IA Value to which a holder of IAs is entitled in the form of either cash or in common shares which are acquired by the Company on the stock exchange or some combination thereof. At the Company's option, the IA Value may be settled in cash and/or common shares and are accounted for as either cash-settled or equity-settled.

7. SHARE CAPITAL (continued)

Changes in the number of units, with their weighted average fair value, are summarized below:

	IA Plan		Share Award Plan		DSU Plan	
	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit
		$		$		$
January 1, 2015	—	—	—	—	—	—
Granted	59	15.14	—	—	—	—
Forfeited	(15)	15.14	—	—	—	—
December 31, 2015	44	15.14	—	—	—	—
Granted	293	4.72	164	4.72	39	4.72
Reinvested	8	5.15	1	5.87	—	—
Forfeited	(15)	8.32	—		—	—
Vested	(14)	15.14				
June 30, 2016	316	5.62	165	4.73	39	4.72

The fair value of awards granted under these share-based plans is equal to the weighted average trading price of the Company's shares for the five trading days immediately preceding the date of grant.

As at June 30, 2016, the IA Plan includes 44 units (December 31, 2015 - nil) that will be settled in cash. A liability is included in accounts payable and accrued liabilities in the amount of $225 (December 31, 2015 - $nil).

Included in share-based compensation expense for the three and six month periods ended June 30, 2016 was $232 and $353 (2015 - $51 and $96), respectively, for the costs related to the IA Plan, Share Award Plan and DSU Plan.

The Company established the Incentive Award Plan Trust and the Deferred Share Unit Plan Trust (collectively the "Trusts") which are consolidated in the Company's financial statements. Any shares held in the Trusts are accounted for as a reduction of share capital. As at June 30, 2016 there are 377 shares held in the Trusts (2015 - 61).

8. REVENUE AND DIRECT COSTS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Revenue	**$**	$	**$**	$
Rental revenue	**13,679**	22,493	**30,136**	50,706
Lodging revenue	**8,296**	28,961	**31,601**	70,242
Non-rental revenue	**12,418**	19,686	**25,537**	49,887
Total revenue	**34,393**	**71,140**	**87,274**	**170,835**

Non-rental revenues are derived from the sale of both new and used assets, the sub-leasing of non-owned assets as well as the delivery, installation, construction, project management and ancillary products and services required to support the deployment and remobilization of these assets.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Direct Costs	**$**	$	**$**	$
Catering, utilities and other consumable costs	**3,305**	12,662	**12,935**	32,803
Construction and transportation services	**5,614**	10,323	**10,043**	27,664
Repairs and maintenance	**1,533**	2,249	**4,377**	6,228
Subleased equipment	**1,777**	3,546	**4,353**	8,166
Personnel costs	**1,339**	3,133	**3,087**	6,690
New and used asset sales and other direct costs	**3,353**	4,232	**7,316**	10,653
Total direct costs	**16,921**	**36,145**	**42,111**	**92,204**

9. ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Personnel costs	**5,244**	7,182	**11,212**	15,714
General administrative expenses	**2,549**	2,576	**4,902**	4,922
Occupancy and insurance	**2,088**	1,983	**4,224**	3,872
Total administrative expenses	**9,881**	**11,741**	**20,338**	**24,508**

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

10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated on the profit attributable to Black Diamond for the period.

	Three months ended June 30,		Six months ended June 30,	
Reconciliation of weighted average number of shares	**2016**	2015	**2016**	2015
Weighted average common shares outstanding - basic	**40,713**	41,091	**40,841**	41,089
Effect of share option plan	**—**	—	**—**	58
Weighted average common shares outstanding - diluted	**40,713**	**41,091**	**40,841**	**41,147**

Excluded from diluted weighted average number of shares are 2,917 anti-dilutive options for both the three and six month periods ended June 30, 2016 (2015 - nil and 2,833).

11. SEGMENTED INFORMATION

Effective January 1, 2016, Black Diamond changed the basis of its segmentation for reporting purposes to align with how the information is being reported internally to the chief operating decision makers. Previously, the segments were disclosed as Structures, Logistics, Energy Services and International. The new segments are Camps & Lodging, BOXX Modular, Energy Services and International and are based on the type of product and service offering and geography in the case of International.

The Camps & Lodging segment provides workforce accommodation solutions ranging from basic accommodation unit rental to full turnkey lodging. Lodging services provide camps with on-site management of all catering and housekeeping personnel, front desk services as well as fresh water and waste water management, electricity, television, telephone, internet and the provision of consumables such as fuel. Accommodation units are modular structures that can be assembled into camps with a variety of dormitory configurations, kitchen/diner complexes and recreation facilities to house workforces in remote locations where local accommodation infrastructure is either insufficient or non-existent. These assets are often necessary for operations relating to oil and gas, mining, infrastructure and construction projects, and other industries.

The BOXX Modular segment provides high quality, cost effective, modular space rentals to customers throughout North America. These customers operate in the construction, real estate development, manufacturing, education and resource industries, and also include government agencies. Products include office units, lavatories, storage units, large multi-unit office complexes, classroom facilities, custom manufactured modular facilities and blast resistant structures. BOXX Modular also sells both new and used space rentals units and provides delivery, installation, project management and ancillary products and services.

The Energy Services segment provides high quality, cost effective equipment rentals and accommodations to customers in the oil and gas industry throughout western Canada and the states in the midwest and western United States. The rentals are separated into two oilfield rental streams:

1. Accommodations, which consist of single unit (well sites) and multi-unit complexes (drill camps) which are highly mobile and durable, and
2. Surface rentals, which consist of various types of equipment that support drilling, completion and production activities.

The segment also provides complete installation, maintenance and catering services.

The International segment provides remote workforce accommodation solutions and modular space rentals outside of North America. The primary geography for this segment is Australia. Rental fleet assets are similar to assets which the Company operates in North America and are positioned in the resource-rich states of Queensland and Western Australia as well as New South Wales. The segment's diverse customer base operates in the mining, oil and gas, construction, government and education sectors, among others.

The Corporate and Other segment includes costs related to administrative activities that support all segments. Included in Corporate and Other are revenues generated from camp management services that are not significant enough to report on their own.

The change to segments had an impact on the segment information reported but did not change aggregate financial information reported for Black Diamond. To enable users to understand the changes and to assess trends, prior period segment information included in the financial statements for comparative purposes were restated to reflect the new business structure. Transactions between operating segments are priced on an arm’s length basis in a manner similar to transactions with third parties.

11. SEGMENTED INFORMATION (continued)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue				
Camps & Lodging	**19,777**	46,645	**51,872**	118,243
BOXX Modular	**10,284**	15,941	**23,598**	31,253
Energy Services	**2,680**	5,896	**8,216**	16,561
International	**1,184**	2,026	**2,657**	3,555
Corporate and Other	**468**	632	**931**	1,223
Total Revenue	**34,393**	**71,140**	**87,274**	**170,835**
Depreciation of Property and Equipment				
Camps & Lodging	**6,855**	7,739	**13,820**	14,965
BOXX Modular	**1,834**	1,874	**3,684**	3,695
Energy Services	**2,851**	2,763	**5,596**	5,290
International	**1,029**	1,153	**2,074**	2,185
Corporate and Other	**420**	564	**842**	1,056
Total Depreciation	**12,989**	**14,093**	**26,016**	**27,191**
Profit (Loss)				
Camps & Lodging	**1,339**	11,237	**9,975**	30,714
BOXX Modular	**1,540**	3,862	**3,098**	7,098
Energy Services	**(3,285)**	(844)	**(4,889)**	(56)
International	**(1,167)**	(873)	**(2,193)**	(1,649)
Corporate and Other	**(7,029)**	(14,225)	**(17,014)**	(27,921)
Total Profit (Loss)	**(8,602)**	**(843)**	**(11,023)**	**8,186**
Capital Expenditures (Additions)				
Camps & Lodging	**10**	12,252	**80**	14,456
BOXX Modular	**978**	4,471	**3,055**	8,015
Energy Services	**13**	989	**490**	9,418
International	**320**	219	**772**	3,952
Corporate and Other	**367**	253	**317**	281
Total Capital Expenditures	**1,688**	**18,184**	**4,714**	**36,122**

11. SEGMENTED INFORMATION (continued)

	June 30, 2016	December 31, 2015
	$	$
Property and Equipment		
Camps & Lodging	**236,457**	252,393
BOXX Modular	**115,230**	120,959
Energy Services	**100,090**	109,101
International	**34,648**	37,716
Corporate and Other	**25,444**	26,402
Total Property and Equipment	**511,869**	546,571
Intangible Assets		
Camps & Lodging	**5,685**	5,836
BOXX Modular	**1,685**	1,908
Total Intangible Assets	**7,370**	7,744
Goodwill		
Camps & Lodging	**24,471**	24,471
BOXX Modular	**9,913**	10,269
Total Goodwill	**34,384**	34,740
Assets		
Camps & Lodging	**291,032**	328,608
BOXX Modular	**136,738**	139,944
Energy Services	**103,411**	110,319
International	**36,644**	41,191
Corporate and Other	**21,355**	27,426
Total Assets	**589,180**	647,488

11. SEGMENTED INFORMATION (continued)

Geographic and customer information

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue				
Canada	**27,853**	61,117	**70,948**	150,945
United States	**5,356**	7,997	**13,669**	16,335
Australia	**1,184**	2,026	**2,657**	3,555
Total Revenue	**34,393**	71,140	**87,274**	170,835

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

	June 30, 2016	December 31, 2015
	$	$
Property and Equipment, Intangibles and Goodwill		
Canada	**413,253**	434,627
United States	**105,724**	116,712
Australia	**34,646**	37,716
Total Property and Equipment, Intangibles and Goodwill	**553,623**	589,055

12. COMMITMENTS

At June 30, 2016, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $4,800 (December 31, 2015 - $2,700) for delivery of modular structures in the next six months.

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties include distribution and royalties payable to the non-controlling interests and trade payables to the investment in associate, are non-interest bearing and are due on demand. The amount due from related party relates to current interest receivable on the note receivable.

The following table provides the total amount of transactions that have been entered into with related parties during the three months ended June 30, 2016 and 2015, as well as balances with related parties as at June 30, 2016 and December 31, 2015.

	For the three months ended June 30,		For the six months ended June 30,		Due from related party as at		Due to related party as at	
	2016	2015	**2016**	2015	**June 30, 2016**	December 31, 2015	**June 30, 2016**	December 31, 2015
	$	$	**$**	$	**$**	$	**$**	$
Associate								
Northern Frontier								
Interest income on note receivable	**—**	—	**—**	—	**—**	123	**—**	—
Construction services operation expenses	**(3,202)**	—	**(4,962)**	—	**—**	—	**2,096**	349
Non-controlling interests								
Limited partnerships								
Royalties and distributions declared	**(247)**	(2,320)	**(2,312)**	(3,632)	**—**	—	**909**	1,185
	(3,449)	(2,320)	**(7,274)**	(3,632)	**—**	123	**3,005**	1,534

14. SUBSEQUENT EVENTS

On July 26, 2016 the Company completed a bought deal financing arrangement issuing 5,394 common shares, inclusive of the over-allotment option exercised by the syndicate of underwriters, at a price of $5.05 per common share. Transaction costs of approximately $1,600 were paid as part of the common share issuance, which resulted in net proceeds of approximately $25,600.