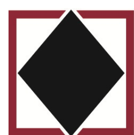
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine month periods ended September 30, 2019 and 2018



BLACK DIAMOND

GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") compares the financial performance of Black Diamond Group Limited ("Black Diamond", the "Company", "our" and "we") for the three months ended September 30, 2019 (the "Quarter") with the three months ended September 30, 2018 (the "Comparative Quarter") and the nine months ended September 30, 2019 (the "YTD") with the nine months ended September 30, 2018 (the "Prior YTD"). This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and nine month periods ended September 30, 2019 and 2018 and the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017. The accompanying unaudited interim condensed consolidated financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A was prepared as of November 5, 2019 and, unless otherwise indicated, all amounts are stated in Canadian dollars. Black Diamond's common shares are listed on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond may be found on the Black Diamond website at www.blackdiamondgroup.com or on the System for Electronic Document Analysis and Retrieval at www.sedar.com ("SEDAR").

Certain information set forth in this MD&A contains forward-looking statements including, but not limited to, the amount of funds that will be expended on the 2019 capital plan, how such capital will be expended, expectations for asset sales, management's assessment of Black Diamond's future operations and what may have an impact on them, financial performance, business prospects and opportunities, changing operating environment including increased activity levels, amount of revenue anticipated to be derived from current contracts, anticipated debt levels, economic life of the Company's assets, future growth and profitability of the Company and realization of the anticipated benefits of acquisitions and sales. With respect to the forward-looking statements in the MD&A, Black Diamond has made assumptions regarding, among other things: future commodity prices, that Black Diamond will continue to raise sufficient capital to fund its business plans in a manner consistent with past operations, that counter-parties to contracts will perform the contracts as written and that there will be no unforeseen material delays in contracted projects. Although Black Diamond believes that the expectations reflected in the forward-looking statements contained in this MD&A, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurances that such expectations or assumptions will prove to be correct. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: the impact of general economic conditions, industry conditions, fluctuation of commodity prices, the Company's ability to attract new customers, failure of counterparties to perform on contracts, industry competition, availability of qualified personnel and management, timely and cost effective access to sufficient capital from internal and external sources, political conditions, dependence on suppliers and stock market volatility. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information form for the year ended December 31, 2018 and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed on SEDAR. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.

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TABLE OF CONTENTS

Executive Summary	3
Financial Review	4
Who We Are	6
Black Diamonds Strategy	7
Selected Financial Information	9
Consolidated Financial and Operational Review	10
Segmented Review of Financial Performance	18
Modular Space Solutions Business Unit	19
Workforce Solutions Business Unit	24
Corporate and Other Business Unit	29
Summary of Quarterly Results	30
Liquidity and Capital Resources	31
Financial Instruments	36
Non-GAAP Measures	36
Related Party Transactions	38
Risks and Uncertainties	39
Disclosure Controls and Procedures & Internal Controls Over Financial Reporting	39
Critical Accounting Policies, Judgments and Estimates	39

EXECUTIVE SUMMARY

In the third quarter of 2019, Black Diamond reported revenue of $45.9 million, up 25% from the Comparative Quarter. Revenue generated from outside of the western Canadian energy resource sector remained consistent at approximately 65% in the Quarter. Adjusted EBITDA of $10.5 million increased 128% from Comparative Quarter Adjusted EBITDA of $4.6 million. Adjusted EBITDA was positively impacted by $1.2 million due to the adoption of IFRS 16.

Key Highlights from the Third Quarter of 2019

- Consolidated rental revenue increased to $17.4 million, up 35% from the Comparative Quarter.
- Modular Space Solutions ("MSS") revenue increased by 36% to $22.2 million, with rental revenue up 19% from the Comparative Quarter.
- Workforce Solutions ("WFS") revenue increased to $23.7 million, up 16% from the Comparative Quarter. Rental revenue increased 56% in the Quarter, from the Comparative Quarter.
- On October 31, 2019, Black Diamond closed a new $200 million four-year secured asset-based credit facility ("ABL Credit Facility").

For the Quarter, MSS Adjusted EBITDA of $7.3 million increased 74% from $4.2 million in the Comparative Quarter. The increase in EBITDA is attributed to the business unit's growing rental and non-rental revenue along with a positive $0.7 million impact from IFRS 16. As of September 30, 2019, the MSS fleet increased to 6,122 units, up approximately 5% from 5,813 units at December 31, 2018.

In the WFS business unit, Adjusted EBITDA for the Quarter was $6.1 million, up 110% from the Comparative Quarter due to changes in revenue mix and stronger rental margins attributed to higher fleet utilization. Adjusted EBITDA was also positively impacted by $0.5 million from IFRS 16. Subsequent to the Quarter, the Company completed mobilization of just over half of the assets related to the Sukunka River Lodge, a $45 million full turnkey project which will support construction of the Coastal GasLink Pipeline.

At the end of the Quarter, Net Debt was consistent at $93.8 million as compared to $93.5 million at June 30, 2019. Black Diamond spent $7.5 million on capital expenditures for the Quarter, up from $4.1 million in the Comparative Quarter. With $25.8 million spent on capital for the YTD and planned expenditures for the fourth quarter of 2019, the Company is trending towards its $35 million gross capital plan.

Subsequent to the Quarter, Black Diamond announced a new $200 million ABL Credit Facility which replaced the Company's current debt structure. The ABL Credit Facility provides the Company with increased liquidity and financial flexibility to continue to invest in the growth of the MSS business, while also lowering borrowing costs. As part of the ABL Credit Facility set-up process, an independent third-party appraisal of the MSS and Energy Services assets was commissioned. The assets were appraised at a Net Orderly Liquidation Value ("NOLV") of $180 million. This NOLV is approximately equal to the current net book value of these assets on the Company's balance sheet, and represents approximately half of Black Diamond's total capital assets by net book value.

OUTLOOK

Third quarter results reflect continued strong growth in the Company's MSS business unit, with increasing rental revenue and robust utilization rates throughout all regions. During the Quarter, the MSS segment sold 77 units from the rental fleet due mostly to a project opportunity, and therefore, net fleet growth during the Quarter was lower than anticipated. In the Quarter, capital spending for MSS reflects increased refurbishment capital to put previously idle units to work at higher returns than purchasing new units. While the outlook for the balance of the year remains constructive, the Company expects some typical annual seasonality to affect certain of the northern MSS geographies. On an annual basis, the Company expects to deliver significant MSS EBITDA growth as well as continued growth in the MSS fleet. With the addition of the ABL Credit Facility, the Company expects to achieve its long-term growth strategy of increasing the fleet count on average by 10% per year.

In the WFS business unit, rental revenue increased in the Quarter from a variety of projects, providing Black Diamond with customer and geographical diversification. We expect this trend to continue into the fourth quarter. During the Quarter, as part of the phased project plan, just over half of the contracted assets were installed at the Sukunka River Lodge, while the Company also realized full rental contribution from the previously announced California project. However, lodging activity remained muted in the Quarter and is anticipated to remain so through the fourth quarter. In Australia, year-to-date revenue and activity levels continue to remain strong and management expects this momentum to continue into the fourth quarter as

the region puts new and existing capital to work. Utilization in the Energy Services business, in both Canada and the US has held steady but macro-economic conditions remain challenging.

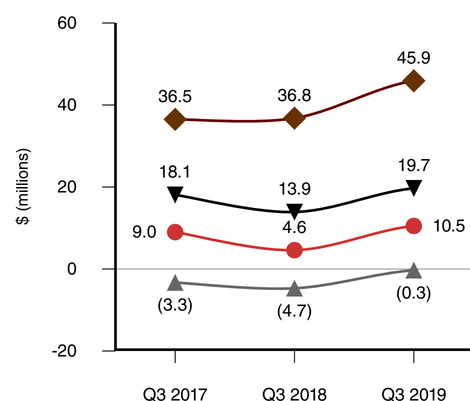
The Company's digital marketplace for workforce accommodation, LodgeLink, continued to gain traction with customers and suppliers during the Quarter. LodgeLink has approximately 900 properties listed, representing over 100,000 rooms of capacity within workforce lodges and hotels across Canada and the US. LodgeLink has over 400 unique corporate customers and is experiencing the most success with small crews of highly transient workers.

The Company is continuing to execute on its long-range vision of growth in its diversified MSS operations, while remaining disciplined with capital allocation to ensure return on asset hurdles are being met. The WFS business, while somewhat challenged in some areas, has also continued to evolve throughout 2019 with more diverse cash flow streams coming from different geographies, customers, and product lines. WFS utilization levels have improved modestly from historically lows, and could improve further as a number of sizable infrastructure projects could change the supply/demand fundamentals in the Company's camps rental business. With the recently announced ABL Credit Facility in place, the Company is well-positioned to advance its long-term growth strategies, while lowering borrowing costs and maintaining conservative debt levels.

FINANCIAL REVIEW

- Revenue for the Quarter was $45.9 million, up 25% or $9.1 million from the Comparative Quarter.
- Revenue generated outside of Canada accounts for 42% of total revenue in the Quarter (44% YTD).
- Adjusted EBITDA for the Quarter was $10.5 million, up 128% or $5.8 million from the Comparative Quarter, primarily due to an increase in rental margins and the adoption of the IFRS 16 accounting standard.
- The Company exited the Quarter with a Funded Debt to Adjusted EBITDA ratio of 2.73 (December 31, 2018 - 2.95) and a Funded Debt to Tangible Book Value ratio of 0.49 (December 31, 2018 - 0.44).

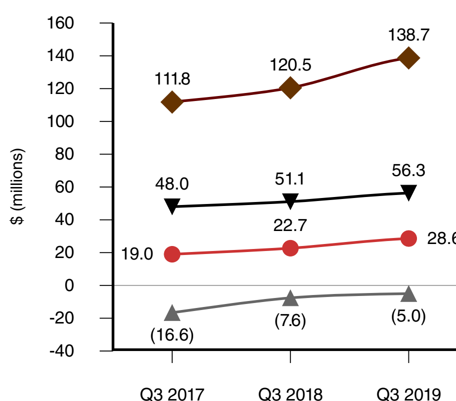
Three Months Ended September 30, Financial Highlights



Total revenue Gross Profit

Adjusted EBITDA Loss

Nine Months Ended September 30, Financial Highlights



Total revenue Gross Profit

Adjusted EBITDA Loss

Geographic Revenue Segmentation

($ millions)	Three months ended September 30, 2019 $	2018 $	Change %	Nine months ended September 30, 2019 $	2018 $	Change %
Revenue						
Canada	**26.8**	24.3	10 %	**77.5**	87.8	(12)%
United States	**15.9**	8.2	94 %	**51.7**	23.8	117 %
Australia	**3.2**	4.4	(27)%	**9.4**	8.9	6 %
Total	**45.9**	36.8	25 %	**138.7**	120.5	15 %

Percentage of total revenue	Three months ended September 30, 2019 %	2018 %	Change	Nine months ended September 30, 2019 %	2018 %	Change
Revenue						
Canada	**58%**	66%	(8)	**56%**	73%	(17)
United States	**35%**	22%	13	**37%**	20%	17
Australia	**7%**	12%	(5)	**7%**	7%	—
Total	**100%**	100%	—	**100%**	100%	—

2019 Capital Plan

The Company's previously announced 2019 gross capital plan of $35 million is targeted to support our overarching strategy of diversifying the Company's asset base and cash flows.

Capital expenditures for the Quarter were $7.5 million and capital commitments were $4.5 million as at September 30, 2019. This is compared with capital expenditures of $4.1 million and capital commitments of $6.8 million in the Comparative Quarter. Capital expenditures for the Quarter included maintenance capital of $1.8 million, compared to $0.2 million in the Comparative Quarter. Capital expenditures for the YTD were $25.8 million compared with capital expenditures of $9.1 million in the Prior YTD.

Proceeds from used fleet asset sales in the Quarter were $4.8 million compared with $7.4 million in the Comparative Quarter. Proceeds from used fleet asset sales in the YTD were $8.9 million compared with $15.5 million in the Prior YTD.

WHO WE ARE

Black Diamond is a specialty rentals and industrial services Company with two operating business units - MSS and WFS. We operate in Canada, the United States, and Australia.

MSS through its principal brands, BOXX Modular, Britco, and MPA, owns a large rental fleet of modular buildings of various types and sizes. Its network of local branches rent, sell, service, and provide ancillary products and services to a diverse customer base in the construction, industrial, education, financial, and government sectors.

WFS through its principal brands, Black Diamond Camps and Black Diamond Energy Services, owns a large rental fleet of modular accommodation assets of all types and sizes and a fleet of liquid and solid containment assets. Its regional operating terminals rent, sell, service, and provide ancillary products and services including turn-key operated camps to a wide array of customers in the resource, infrastructure, construction, disaster recovery, and education sectors. The WFS business unit also includes the Company's wholly owned subsidiary, LodgeLink, which operates a digital marketplace for business-to-business crew accommodation, travel, and logistics in North America.

The Company was re-segmented effective January 1, 2018 from the previous four business units: BOXX Modular, Black Diamond Camps & Lodging, Black Diamond Energy Services and Black Diamond International. Certain prior period financial information has been reclassified to reflect the new structure of the business.

The common shares of Black Diamond are listed on the Toronto Stock Exchange under the symbol "BDI". Our head office is located at Suite 1000, 440 - 2nd Avenue S.W., Calgary, Alberta, Canada.

BLACK DIAMOND'S STRATEGY

At its core, Black Diamond is a business-to-business renter of specialized equipment. Our team's extensive experience within the rental categories in which we operate, and our expertise in managing the logistics and supply chain for these assets, enable us to deliver higher returns on capital while also helping our clients meet their project objectives.

The members of our commercial management team, averaging more than 20 years of industry experience, have built a business platform designed to weather downturns through a prudent approach to capital allocation, risk management, business diversification and asset management.

Asset Management

Since 2003, we have built a large rental fleet that consists of remote workforce accommodation, space rental and surface rental assets. These assets generally maintain their value over their relatively long lives and require very little maintenance capital. To ensure we are managing our assets (and capital) efficiently, we set return targets for our assets based on their original cost. This creates discipline around the aging of our rental fleet, encouraging managers to regularly sell older, less economic rental assets on the secondary market. Through all parts of the market cycle, we have been able to sell our used assets for more than their book value and this is recorded as sales revenue, with the book value of the asset recorded as a non-cash item in our consolidated statement of cash flows.

We continually adjust our commercial strategy to changes in market conditions. Our asset management strategy in the current economic environment can be divided into four categories:

1. For any new dollar of capital, we continue to require the Company's historical rate of return, term of contract and pay back period. This means we do not engage in large speculative investments in new assets;
2. On contract renewals, where our assets are already on location, the costs to demobilize and replace those assets are significant, and to a certain extent help mitigate the pricing pressure seen in some asset classes;
3. Existing assets that are not currently being utilized face pricing pressure. With respect to existing assets, we are being more aggressive in our rental rates and, in some cases, strategically and opportunistically positioning assets in geographies that are more likely to generate new revenue; and
4. The Company generally uses the proceeds from the sale of assets with low demand to fund the acquisition of new assets with higher returns.

Integrated Revenue Model

In addition to owning specialty rental assets, Black Diamond provides the support services for these assets including transportation, installation, catering, power, water, waste management, security, and housekeeping through sub-contracted third party service providers. In doing so, we maximize the return on our assets while mitigating the overhead risks associated with performing these services ourselves.

This model also provides our clients with increased optionality and flexibility, and creates constructive pricing tension among our subcontractors that ensures we achieve competitive pricing for our customers.

Business Diversification

We have actively worked to diversify Black Diamond's business with respect to geographies, the types of assets and services offered, and variety of customers and industries served. Our entries into Australia and the U.S. in previous years, as well as our North American MSS expansions were predicated on the fundamental belief that this diversification strategy can help mitigate volatility during a downturn in any one geography, commodity or asset class. Management is focused on selling underutilized assets to fund growth in diversified businesses.

Capital Allocation

We are focused on achieving industry leading returns on the capital we deploy. Our approach is to own quality rental assets and, through strategic sales and disciplined management, realize a target return on capital invested in these rental assets through rental revenue, and the sale of associated services (lodging and non-rental revenue).

Achieving this is only possible through focus, efficiency and effective third party contracting. This means that we outsource functions that are not core to Black Diamond's expertise or where the capital risk is deemed too high such as manufacturing, construction, catering, camp services, and any other functions that, while lucrative in a strong economy, might represent significant downside risk through the troughs of a commodity cycle.

Health and Safety

The objective of our health and safety program is to achieve zero incidents and injuries and to adhere to global best practices for workplace health and safety.

By working closely with stakeholders across all aspects of the health and safety program we ensure the safety of our employees and our clients' operations, reducing the burden of injuries and incidents and enhancing the financial performance of Black Diamond.

Risk Management

Through careful selection and contracting with Black Diamond's counter-parties, our management team strives to share risk appropriately, and promote mutually beneficial outcomes with both vendors and customers. Where capital is being deployed, our preference is to tie that capital to a long-term customer commitment. Doing so allows us to offer our customers lower rates in return for the certainty of increased asset utilization. This helps us attain our targeted return on capital, and our customers achieve price certainty relative to spot rates for rental assets.

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Black Diamond for the three and nine month periods ended September 30, 2019 and 2018.

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except as noted)	2019	2018	Change	2019	2018	Change
Financial Highlights	**$**	**$**		**$**	**$**	
Total revenue	45.9	36.8	25%	138.7	120.5	15%
Gross profit	19.7	13.9	42%	56.3	51.1	10%
Administrative expenses	9.3	9.3	—%	27.7	28.4	(2)%
Adjusted EBITDA (1)	10.5	4.6	128%	28.6	22.7	26%
Funds from Operations (1)	13.3	9.5	40%	33.9	32.7	4%
Per share ($)	0.24	0.17	41%	0.61	0.59	3%
Loss before taxes	(2.4)	(6.7)	(64)%	(8.5)	(10.7)	(21)%
Loss	(0.3)	(4.7)	(94)%	(5.0)	(7.6)	(34)%
Loss per share - Basic and diluted	—	(0.09)	(100)%	(0.09)	(0.14)	(36)%
Capital expenditures	7.5	4.1	83%	25.8	9.1	184%
Property & equipment (NBV)	331.2	340.5	(3)%	331.2	340.5	(3)%
Total assets	419.7	390.5	7%	419.7	390.5	7%
Long-term debt	96.8	83.6	16%	96.8	83.6	16%

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

Margin Summary	Three months ended September 30,			Nine months ended September 30,		
(Percent of revenue)	2019	2018	Change (1)	2019	2018	Change (1)
Gross profit	43%	38%	5	41%	42%	(1)
Administrative expenses	20%	25%	(5)	20%	24%	(4)
Adjusted EBITDA	23%	13%	10	21%	19%	2

(1) Percentage point basis.

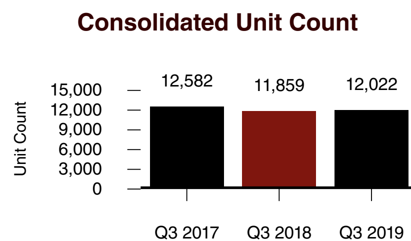
Seasonality of Operations

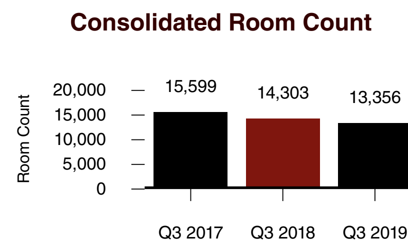
The Company's western Canadian operations, which form part of its MSS and WFS business units, are exposed to a variable degree of seasonality. Drilling accommodations and surface rental assets of the WFS business unit have higher utilization rates during the fall and winter months when drilling activity is higher than during the spring and summer months. Similarly, operations levels at camps operated by the WFS business unit are generally higher in the winter. This seasonality is offset by MSS operations outside of the energy sector, which experience the highest customer demand in the summer months when construction is most active and relatively lower demand in the winter months.

CONSOLIDATED FINANCIAL AND OPERATIONAL REVIEW

Consolidated Fleet

The consolidated number of rental units in Black Diamond's global fleet increased to 12,022 units at the end of the Quarter compared with 11,859 in the Comparative Quarter primarily due to used fleet sales, partially offset by organic growth of the space rentals fleet. The increase in units is part of the Company's strategy to reallocate invested capital from underutilized assets to asset types that are in higher demand in the current environment. Consolidated unit count includes accommodation units, modular space rental units and surface rental units. Consolidated room count in Black Diamond's global fleet decreased to 13,356 rooms in the Quarter compared with 14,303 rooms in the Comparative Quarter primarily due to used fleet sales in WFS.





Fleet Utilization Rates

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change (1)	2019	2018	Change (1)
Modular Space Solutions	76%	71%	5	75%	69%	6
Workforce Solutions:						
Workforce Housing Accommodations: Rental Fleet	36%	22%	14	32%	25%	7
Wellsite Accommodations	76%	75%	1	76%	70%	6
Surface Equipment	25%	17%	8	24%	19%	5
Consolidated	63%	55%	8	61%	52%	9

(1) Percentage point basis.

Black Diamond measures utilization on the basis of the net book value of assets on rent and assets deployed for lodging services, divided by the net book value of the business unit's total fleet assets.

Q3 2019 vs Q3 2018

The increase in utilization in MSS is primarily due to increased activity in Canada. The increase in workforce housing accommodations rental fleet utilization is due to a recently awarded contract in California. The utilization of wellsite accommodation remains consistent with the Comparative Quarter. The increase in surface equipment utilization in WFS is due to increased activity in Canada.

Year to Date 2019 vs 2018

The increase in utilization in MSS is primarily due to increased activity in Canada. The increase in workforce housing accommodations rental fleet utilization is due to a recently awarded contract in California and increased activity in Australia. The increases in wellsite accommodations and surface equipment utilization in WFS are due to increased market share in the U.S. and western Canada and a decrease in unit count in western Canada as a result of used fleet sales.

Revenue

Black Diamond's revenues are broken out into four categories: rental, lodging, sales, and non-rental:

Rental Revenues are associated with the rental of Black Diamond's owned assets to customers. Rental revenue is the highest margin of the Company's revenues.

Lodging Revenues are generated from provision of full turnkey lodging services provided to customers. The rooms in our lodging fleet are marketed to individual customers at man day rates through LodgeLink or are contracted with customers for specific rates and/or number of man days. A man day is defined as one overnight stay in one room at a lodge and is used in calculating occupancy.

Sales Revenues are derived from the sale of both new and used assets, including modular space, workforce accommodations, wellsite accommodations and surface equipment assets.

Non-Rental Revenues are derived from a number of services that are typically associated with the rental or sale of the Company's modular space or workforce assets, including the delivery, installation, pickup, dismantling of assets, sublease equipment, maintenance and catering services. The services offered are often required to support the deployment and remobilization of these assets. Also included in non-rental revenue is the revenue earned on bookings at third party lodges through LodgeLink.

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Rental Revenue	17.4	12.9	35%	47.9	39.3	22%
Lodging Revenue	3.0	4.4	(32)%	18.5	22.9	(19)%
Sales Revenue	7.0	9.2	(24)%	19.8	20.9	(5)%
Non-Rental Revenue	18.5	10.3	80%	52.5	37.3	41%
Revenue	45.9	36.8	25%	138.7	120.5	15%

	Three months ended September 30,			Nine months ended September 30,		
Percentage of consolidated revenue	2019	2018	Change (1)	2019	2018	Change (1)
Rental Revenue	38%	35%	3	35%	33%	2
Lodging Revenue	7%	12%	(5)	13%	19%	(6)
Sales Revenue	15%	25%	(10)	14%	17%	(3)
Non-Rental Revenue	40%	28%	12	38%	31%	7

(1) Percentage point basis.

Q3 2019 vs Q3 2018

Rental revenue for the Quarter was $17.4 million, up 35% or $4.5 million from the Comparative Quarter primarily due to a $3.1 million increase in WFS rental revenue. This is attributed to an increase in utilization and rates in the workforce housing accommodation rental fleet in Canada and the U.S. supported by a contract in California and a $1.4 million increase in MSS rental revenue due to increased activity and average rental rates in Canada.

Lodging revenue for the Quarter was $3.0 million, down 32% or $1.4 million from the Comparative Quarter due to a decrease in occupancy at all lodges except Horn River Lodge and Little Prairie Lodge. The Company reduced the

number of rooms available to lower fixed costs resulting in higher occupancy rates. Average lodging rates increased overall primarily because lodges where we charge higher rates experienced proportionately higher occupancy.

Sales revenue for the Quarter was $7.0 million, down 24% or $2.2 million from the Comparative Quarter primarily driven by a $4.0 million decrease in WFS attributed to a custom sale in the Prior Quarter. The decrease in WFS sales revenue was partially offset by a $1.7 million increase in MSS sales revenue resulting from increased U.S. sales.

Non-rental revenue for the Quarter was $18.5 million, up 80% or $8.2 million from the Comparative Quarter primarily due to a $5.4 million increase in non-rental revenue in WFS attributed to the transportation and a portion of installation for the Sukunka River Lodge as well as the transportation of additional assets to California for a rental contract. This is combined with a $2.8 million increase in non-rental revenue in MSS due to an increase in U.S. installation and dismantle activity.

Year to Date 2019 vs 2018

Rental revenue for the YTD was $47.9 million, up 22% or $8.6 million from the Prior YTD primarily due to a $5.8 million increase in WFS rental revenue attributed to the same factors as discussed above and a $2.9 million increase in MSS rental revenue due to increased activity and average rates in Canada.

Lodging revenue for the YTD was $18.5 million, down 19% or $4.5 million from the Prior YTD due to a decrease in occupancy at all lodges except Horn River Lodge. The Company reduced the number of rooms available to lower fixed costs resulting in higher occupancy rates. Average lodging rates increased overall primarily because lodges where we charge higher rates experienced proportionately higher occupancy.

Sales revenue for the YTD was $19.8 million, down 5% or $1.1 million from the Prior YTD primarily due to a $3.0 million decrease in WFS attributed to the same factors as discussed above offset by a $1.9 million increase in MSS sales revenue with increased U.S. sales.

Non-rental revenue for the YTD was $52.5 million, up 41% or $15.1 million from the Prior YTD primarily due to a $10.0 million increase in non-rental revenue in MSS with increased U.S. transportation, installation and dismantle activity. This is combined with a $5.1 million increase in WFS due to the increase in non-rental revenue in the Quarter as described above.

Direct Costs and Gross Profit

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Direct costs	26.2	22.9	14%	82.3	69.4	19%
Gross profit	19.7	13.9	42%	56.3	51.1	10%

	Three months ended September 30,			Nine months ended September 30,		
Percentage of consolidated revenue	2019	2018	Change (1)	2019	2018	Change (1)
Direct costs	57%	62%	(5)	59%	58%	1
Gross profit	43%	38%	5	41%	42%	(1)

(1) Percentage point basis.

Gross profit margins fluctuate depending on the mix between rental, lodging, sales and non-rental revenue streams. Revenue streams ancillary to rental revenue generally realize lower gross margins than fleet rental margins.

Direct costs related to rental revenue include labour, fuel, materials, freight, maintenance and servicing of rental units. Direct costs related to lodging revenue include catering services, utilities costs, consumable materials and other services required to provide turnkey lodging services. From time to time, Black Diamond will sell used units from its fleet, rent equipment from third parties and re-rent the equipment, provide installation and render other services to customers. These activities are captured in sales and non-rental revenues. Direct costs related to non-rental and sales revenues include the net book value of used units that have been sold, the cost of units sub-leased from others, and the cost of third parties in delivering some of these services.

	Three months ended September 30,			Nine months ended September 30,		
Direct Costs	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
($ millions, except as noted)	**$**	$		**$**	$	
Construction and transportation services	12.0	5.2	131%	34.9	15.8	121%
Catering, utilities and other consumable costs	3.7	4.7	(21)%	13.1	17.5	(25)%
New sales	1.9	1.3	46%	9.6	4.2	129%
Repairs and maintenance	2.4	2.9	(17)%	8.7	7.5	16%
Used fleet sales	2.8	4.9	(43)%	5.9	10.4	(43)%
Personnel costs	1.5	1.2	25%	4.9	4.2	17%
Subleased equipment	1.8	1.6	13%	4.4	7.3	(40)%
Other direct costs	0.1	1.1	(91)%	0.8	2.5	(68)%
Total direct costs	26.2	22.9	14%	82.3	69.4	19%

Q3 2019 vs Q3 2018

Direct costs for the Quarter were $26.2 million, up 14% or $3.3 million from the Comparative Quarter primarily due to an increase in construction and transportation costs offset by reduction in costs related to used fleet sales.

Gross profit for the Quarter was $19.7 million, up 42% or $5.8 million from the Comparative Quarter primarily due to an increase in rental margins in WFS and MSS.

Year to Date 2019 vs 2018

Direct costs for the YTD were $82.3 million, up 19% or $12.9 million from the Prior YTD primarily due to an increase in construction and transportation services offset by reduction in costs related to used fleet sales.

Gross profit for the YTD was $56.3 million, up 10% or $5.3 million from the Prior YTD primarily due to an increase in rental margins in WFS and MSS.

Administrative Expenses

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Personnel costs	6.1	5.1	20%	17.4	15.0	16%
Other administrative expenses	2.0	1.7	18%	6.1	6.3	(3)%
Occupancy and insurance	1.2	2.4	(50)%	4.2	7.2	(42)%
Total Administrative expenses	9.3	9.3	—%	27.7	28.4	(2)%
% of Consolidated Revenue	20%	25%	(5)	20%	24%	(4)

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

Q3 2019 vs Q3 2018

Total administrative expenses for the Quarter were flat at $9.3 million compared to the Comparative Quarter.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the Quarter were $6.1 million, up 20% or $1.0 million from the Comparative Quarter primarily due to an increase in headcount and profit incentives.
- Other administrative expenses for the Quarter were $2.0 million, up 18% or $0.3 million from the Comparative Quarter primarily due to an increase in advertising and foreign exchange fluctuations.
- Occupancy and insurance costs for the Quarter were $1.2 million, down 50% or $1.2 million from the Comparative Quarter primarily due to IFRS 16 adjustments.

Year to Date 2019 vs 2018

Total administrative expenses for the YTD were $27.7 million, down 2% or $0.6 million from the Prior YTD primarily due to IFRS 16 adjustments offset by an increase in personnel costs.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the YTD were $17.4 million, up 16% or $2.4 million from the Prior YTD primarily due to an increase in headcount and profit incentives.
- Other administrative expenses for the YTD were $6.1 million, down 3% or $0.1 million from the Prior YTD mainly due to a decrease in professional fees.
- Occupancy and insurance costs for the YTD were $4.2 million, down 42% or $3.0 million from the Prior YTD primarily due to IFRS 16 adjustments.

Adjusted EBITDA

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Adjusted EBITDA [(1)]	10.5	4.6	128%	28.6	22.7	26%
% of Consolidated Revenue	23%	13%	10	21%	19%	2

(1) Adjusted EBITDA is a supplemental non-GAAP measurement and does not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for further details.

Adjusted EBITDA as a percentage of consolidated revenue will fluctuate from period to period depending on the proportion of rental revenue compared to ancillary revenue streams such as lodging services, used and custom manufactured fleet sales, installation, subleases and other services which generally yield a lower Adjusted EBITDA margin.

Q3 2019 vs Q3 2018

Adjusted EBITDA for the Quarter was $10.5 million, up 128% or $5.8 million from the Comparative Quarter primarily due to an increase in rental margins. Furthermore, the adoption of IFRS 16 had a positive impact on Adjusted EBITDA for the Quarter of $1.2 million (no IFRS 16 adjustment was made to Adjusted EBITDA for the Comparative Quarter). Adjusted EBITDA as a percentage of revenue for the YTD was 10 percentage points higher than the Comparative Quarter due to an increase in rental margins.

Year to Date 2019 vs 2018

Adjusted EBITDA for the YTD was $28.6 million, up 26% or $5.9 million from the Prior YTD primarily due to to an increase in rental margins. Furthermore, the adoption of IFRS 16 had a positive impact on Adjusted EBITDA for the YTD of $3.3 million. Adjusted EBITDA as a percentage of revenue for the YTD was 2 percentage points higher than the Prior YTD due to a increase in gross margin and the result of changes in the mix of the various revenue streams.

Depreciation and Amortization

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Depreciation and amortization, net of depreciation of right-of-use assets	8.7	9.2	(5)%	25.4	27.3	(7)%
% of Property and equipment	3%	3%	—%	8%	8%	—%
Depreciation of right-of-use assets	1.4	—		3.9	—	

Q3 2019 vs Q3 2018

Depreciation and amortization of Property and Equipment for the Quarter was $8.7 million, down 5% or $0.5 million from the Comparative Quarter primarily due to lower net book value of equipment for the Quarter. Depreciation of right-of-use assets is a new expense in 2019 due to the adoption of IFRS 16.

Year to Date 2019 vs 2018

Depreciation and amortization of Property and Equipment for the YTD was $25.4 million, down 7% or $1.9 million from the Prior YTD primarily due to lower net book value of equipment for the YTD. Depreciation of right-of-use assets is a new expense in 2019 due to the adoption of IFRS 16.

Finance Costs

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Finance costs	1.9	1.6	19%	5.6	4.8	17%
Long-term debt	96.8	83.6	16%	96.8	83.6	16%
Average interest rate	5.12%	4.88%	24 bps	5.34%	4.79%	55 bps

Q3 2019 vs Q3 2018

Finance costs for the Quarter were $1.9 million, up 19% or $0.3 million from the Comparative Quarter primarily due to the adoption of IFRS 16.

Year to Date 2019 vs 2018

Finance costs for the YTD were $5.6 million, up 17% or $0.8 million from the Prior YTD primarily due to the adoption of IFRS 16.

Income Tax

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Current tax	—	(0.2)	(100)%	—	—	—%
Deferred tax	(2.1)	(1.6)	31%	(3.8)	(2.9)	31%
Total tax	(2.2)	(1.8)	22%	(3.8)	(2.9)	31%

Q3 2019 vs Q3 2018

For the Quarter, Black Diamond recognized a current income tax expense of $nil, a change of $0.2 million from the Comparative Quarter current tax recovery. The Company also recognized a deferred income tax recovery of $2.1 million, a change of $0.5 million from the Comparative Quarter. The tax provision has been calculated at the enacted tax rate of 27% in Canada, 27% in the U.S., and 30% in Australia.

Year to Date 2019 vs 2018

For the YTD, Black Diamond recognized a current income tax expense of $nil, flat compared with the Prior YTD current tax recovery. The Company also recognized a deferred income tax recovery of $3.8 million, a change of $0.9 million from the Prior YTD.

Non-Controlling Interest

The non-controlling interest ("NCI") represents earnings attributable to the Fort Nelson First Nation's interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation’s interest in the Black Diamond West Moberly Limited Partnership, the Beaver Lake Cree Nation's interest in the Black Diamond Nehiyawak Limited Partnership and the Whitecap Dakota First Nation's interest in the Whitecap Black Diamond Limited Partnership.

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Non-controlling interest	0.1	(0.1)	200%	0.3	(0.2)	250%

Q3 2019 vs Q3 2018

The NCI for the Quarter was $0.1 million, up 200% from a loss of $0.1 million from the Comparative Quarter due to increased lodging revenues earned through the limited partnerships.

Year to Date 2019 vs 2018

The NCI for the YTD was $0.3 million, up 250% from a loss of $0.2 million from the Prior YTD due to increased lodging revenues earned through the limited partnerships.

Net Loss

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change	2019	2018	Change
Net loss	(0.3)	(4.7)	(94)%	(5.0)	(7.6)	(34)%

Q3 2019 vs Q3 2018

Net loss for the Quarter was $0.3 million, down 94% or $4.5 million from the Comparative Quarter primarily due to an increase in gross margin.

Year to Date 2019 vs 2018

Net loss for the YTD was $5.0 million, down 34% or $2.6 million from the Prior YTD primarily due to an increase in gross margin.

SEGMENTED REVIEW OF FINANCIAL PERFORMANCE

The Company's senior management evaluates segment performance based on a variety of financial measures including revenue, profit, operating expenses and Adjusted EBITDA.

The following is a summary of the Company's segmented results for the three and nine month periods ended September 30, 2019 and 2018, detailing revenues and Adjusted EBITDA by each of the Company's business units.

Segmented Revenue

Revenues presented by segment in the tables below exclude inter-segment revenue.

	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
(in millions, except where noted)	**$**	**$**	**%**	**$**	**$**	**%**
Revenue						
Modular Space Solutions	22.2	16.3	36%	65.3	50.6	29%
Workforce Solutions	23.7	20.5	16%	73.3	69.9	5%
Total Revenue	45.9	36.8	25%	138.7	120.5	15%

Segmented Adjusted EBITDA

Adjusted EBITDA by segment excludes finance costs, tax expense, depreciation, amortization, accretion, foreign exchange gains or losses, stock-based compensation, acquisition costs, non-controlling interests, write-down of property and equipment, impairment of goodwill, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

	Three months ended September 30,			Nine months ended September 30,		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
(in millions, except where noted)	**$**	**$**	**%**	**$**	**$**	**%**
Adjusted EBITDA [(1)]						
Modular Space Solutions	7.3	4.2	74 %	18.2	13.3	37 %
Workforce Solutions	6.1	2.9	110 %	18.7	17.5	7 %
Corporate and Other	(3.0)	(2.5)	(20)%	(8.3)	(8.1)	(2)%
Total Adjusted EBITDA	10.5	4.6	128 %	28.6	22.7	26 %

(1) Adjusted EBITDA is a supplemental non-GAAP measurement and does not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See “Non-GAAP Measures” for further details.

MODULAR SPACE SOLUTIONS BUSINESS UNIT

MSS has been building a network of branches in key geographic areas where we can provide modular buildings, either for rent, or as a permanent solution through custom sales or used fleet sales. Products include mobile office units, lavatories, storage units, large multi-unit office complexes, classroom facilities, high security modular buildings, custom manufactured modular facilities and blast resistant structures. We provide delivery, installation, and dismantlement of these modules as support to the primary rental or sales equipment.

MSS provides a number of products and services that are complementary to the modular building and gives the customer a packaged solution that enhances their productivity and allows for immediate use. These value added products and services (VAPS) include furniture rental, steps and landings, wireless connectivity, maintenance programs, utility services, disaster recovery programs, subleased equipment and more.

Our customers operate in the construction, real estate development, manufacturing, education, financial and resource industries, as well as government agencies. As a result of this diversity in the customer base and geographic end markets, the MSS business unit generates steady cash flows from its recurring rental revenue.

Revenue

There are three revenue streams to which these assets contribute.

1. **Rental**: Black Diamond's MSS segment provides assets to customers on a rental basis. Rental durations typically exceed the initial contract terms and are renewable on a month to month basis. Rental often includes VAPS when the non-fleet equipment is owned by Black Diamond.

2. **Sales**: The MSS segment complements its core, recurring rental revenue business with product sales. This sales activity is an extension of the asset rental business as many customers have long term or permanent projects where it may be more cost-effective to purchase rather than rent.

   There are two categories of assets sales:
   - Custom sales which involves the purchase of new units to customer specifications from our broad network of third-party manufacturers. Black Diamond will provide project management services including design work, procurement, installation, delivery, and other associated services. We do not purchase new custom units for resale unless we have already obtained a commitment from the customer.

   - Used fleet sales have typically been both a profitable and cost-effective method to finance the replenishment or upgrade of the lease fleet while generating free cash flow during periods of lower rental demand and utilization.

3. **Non-Rental**: Non-Rental revenue is derived from a number of services that are typically associated with the rental or sale of the Company's modular space assets, including the delivery, installation, pickup, dismantling of assets, and sublease equipment. The Company provides these services to customers for an additional fee beyond the rental and sales costs. Also included are VAPS that are provided to our customers where we are performing a service or supplying equipment that is not owned by Black Diamond.

Financial Highlights

Rental revenue for MSS is directly proportional to the number of rental fleet units, the utilization rate of the fleet and the realized rental rate. Rental rates will vary between projects and periods due to the complexity of the fleet unit types available, asset configuration, quantity, project location and contract duration.

Due to the diversity of our locations and customers we contract with, the rental revenue in MSS is predictable and experiences consistent margins. Non-rental and sales revenue, on the other hand, can fluctuate with less consistent margins. The realized margins on non-rental and sales revenues are lower than margins for rental revenues due to the operating costs associated with non-rental revenue. As a result, changes in the mix between rental, non-rental and sales revenue, and the general variability in non-rental and sales revenue margins, can lead to fluctuations in Adjusted EBITDA margin between periods.

	Three months ended September 30,			Nine months ended September 30,		
Revenue by Stream ($ millions, except as noted)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Rental Revenue	8.8	7.4	19%	24.6	21.8	13%
Sales Revenue	5.9	4.1	44%	15.3	13.4	14%
Non-rental Revenue	7.6	4.8	58%	25.4	15.4	65%
Total revenue	22.2	16.3	36%	65.3	50.6	29%
Adjusted EBITDA	7.3	4.2	74%	18.2	13.3	37%
Adjusted EBITDA as a % of revenue	33%	26%	7	28%	26%	2
Return on Assets (1)	16%	10%	6	14%	11%	3

(1) Calculated as annualized Adjusted EBITDA divided by average net book value. See "Non-GAAP measures".

	Three months ended September 30,			Nine months ended September 30,		
Value Added Products & Services	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
VAPS as a % of Total Rental Revenue	16%	13%	3	15%	13%	2

	Three months ended September 30,			Nine months ended September 30,		
Revenue by Geography ($ millions, except as noted)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Canada	12.3	11.0	12%	34.6	35.1	(1)%
United States	10.0	5.3	89%	30.7	15.5	98%
Total revenue	22.2	16.3	36%	65.3	50.6	29%

Q3 2019 vs Q3 2018

MSS business unit's total revenue for the Quarter was $22.2 million, up 36% or $5.9 million from the Comparative Quarter.

- **Rental revenue** during the Quarter was $8.8 million, up 19% or $1.4 million from the Comparative Quarter due to increased activity and average rental rates in Canada.
- **Sales revenue** during the Quarter was $5.9 million, up 44% or $1.7 million from the Comparative Quarter due to increased U.S. sales, partially offset by decreased sales in Canada.
- **Non-rental** revenue during the Quarter was $7.6 million, up 58% or $2.8 million from the Comparative Quarter due to an increase in U.S. installation and dismantle activity.

Adjusted EBITDA for the Quarter was $7.3 million, up 74% or $3.1 million from the Comparative Quarter due to a continued growth in rental revenue and the impact of IFRS 16. Adjusted EBITDA as a percentage of revenue was up

seven percentage points to 33% as compared to the Comparative Quarter due to increased margins from rental revenue and the impact of IFRS 16.

Year to Date 2019 vs 2018

MSS business unit's total revenue for the YTD was $65.3 million, up 29% or $14.7 million from the Prior YTD.

- **Rental revenue** for the YTD was $24.6 million, up 13% or $2.9 million, due to increased activity and average rates in Canada.
- **Sales revenue** for the YTD was $15.3 million, up 14% or $1.9 million, which is higher than the Prior YTD due to increased U.S. sales.
- **Non-rental revenue** for the YTD was $25.4 million, up 65% or $10.0 million from the Prior YTD due to increased U.S. transportation, installation and dismantle activity.

Adjusted EBITDA for the YTD was $18.2 million, up 37% or $4.9 million from the Prior YTD primarily due to continued growth in rental revenue, non-rental revenue and the impact of IFRS 16. Adjusted EBITDA as a percentage of revenue was up two percentage points to 28% as compared to the Prior YTD.

Rental Term

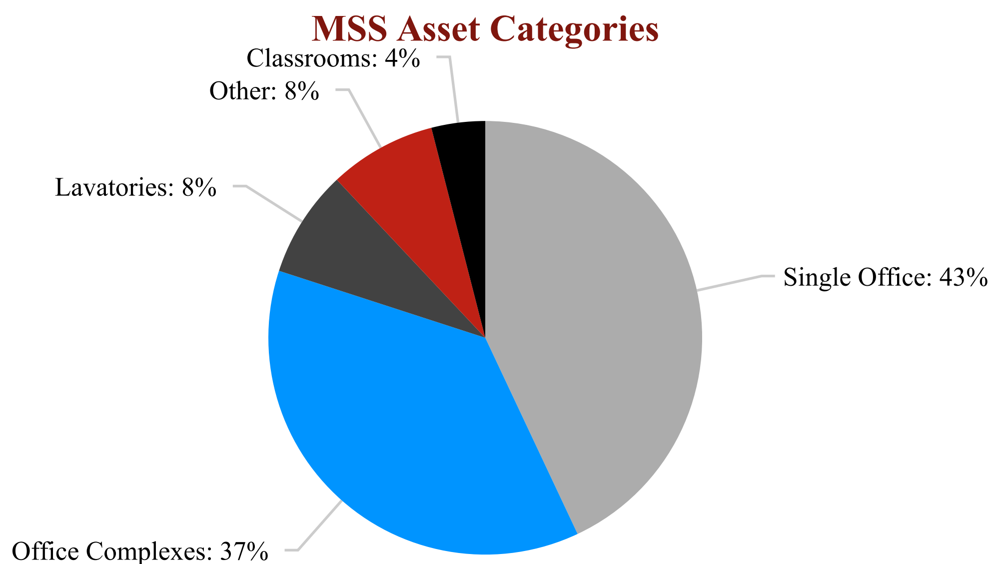
Rental durations typically exceed the initial contract terms and are renewable on a month to month basis. The average duration of the MSS lease portfolio as at September 30, 2019 was 25.8 months, down 1.6 months from 27.4 months as at September 30, 2018.

Space Rental Assets and Average Utilization

The MSS fleet consisted of 6,122 units as at September 30, 2019, which increased 340 units or 6% from 5,782 units as at September 30, 2018. For the YTD, fleet additions of 478 units were partially offset by the sales or disposal of 169 units.

Fleet Composition

As at September 30, 2019, the MSS Property, Plant and Equipment Net Book Value was comprised of the following asset categories:

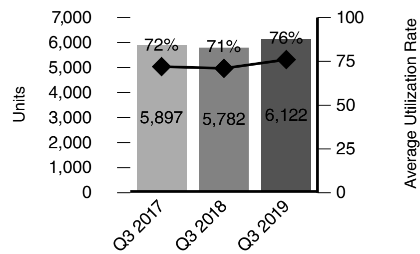


MSS Consolidated

MSS Assets, Utilizations, and Rates	Three months ended September 30, 2019	2018	Change	Nine months ended September 30, 2019	2018	Change
Property and Equipment Net Book Value ($ millions)	148.4	142.8	4%	148.4	142.8	4%
Modular Space Assets	6,122	5,782	6%	6,122	5,782	6%
Average Utilization (1)	76%	71%	5	75%	69%	6
Average Rental Rate	$598	$568	5%	$591	$574	3%

(1) Calculated as the net book value of fleet assets on rent, divided by the net book value of total fleet assets.

Space Rental Assets and Average Utilization - Quarterly



Q3 2019 vs Q3 2018

Utilization for the Quarter was 76%, a 5 percentage point increase from 71% in the Comparative Quarter, mainly due to increased activity in Canada.

The average rental rate increased as compared to the Comparative Quarter by 5%, primarily due to higher rental rate contracts in Canada.

Year to Date 2019 vs 2018

Utilization for the YTD increased by 6 percentage points to 75%, due to increased activity in Canada.

The average YTD rental rate increased as compared to the Prior YTD by 3%, due to increased rental rates in Canada.

WORKFORCE SOLUTIONS BUSINESS UNIT

The WFS business unit provides complete workforce housing solutions including rental of accommodations and surface equipment, provision of full turnkey lodging and provision of travel management logistics through LodgeLink. WFS operates in Canada, the U.S. and Australia.

The primary service offerings in WFS are asset rental, lodging and travel management logistics. To support the core rental business, WFS also offers associated services such as installation, transportation and dismantle, and the sale of used fleet assets.

The assets included in the rental business are:

Workforce housing accommodations: the rental fleet includes modular accommodation structures that are assembled into large scale camps in a variety of dormitory configurations with kitchen/diner complexes and recreation facilities. These assets are often necessary for operations related to oil and gas, mining, infrastructure and large scale construction projects, government, and other industries. These accommodations typically house workforces in remote locations where local accommodation infrastructure is either insufficient or non-existent.

Wellsite accommodations: modular accommodation structures which consist of single unit or multi-unit complexes, rented to customers, typically in the oil and gas industry throughout western Canada and the U.S.

Surface equipment: various types of equipment that support drilling, completion and production activities, rented to customers, typically in the oil and gas industry.

The lodging business provides workforce housing accommodations assets installed as lodges in strategic locations on land leases held by Black Diamond earning lodging revenue. These lodges or open camps are available for booking through LodgeLink and often are contracted by customers to house workforces in remote locations. WFS currently operates three lodges in British Columbia (Sunset Prairie Lodge, Little Prairie Lodge and Horn River Lodge) and two in Alberta (Sunday Creek Lodge and Smoky River Lodge).

LodgeLink aggregates available remote accommodations rooms, both Black Diamond owned and third-party owned, in a transparent online marketplace and allows customers to easily find the closest lodge to a remote work site. Customers can then use LodgeLink to select and book their preferred accommodations after assessing availability, proximity and price.

Revenue

There are four revenue streams to which these assets contribute.

1. **Lodging:** workforce housing accommodations assets, categorized as lodging fleet, typically generate revenue from the provision of full turnkey lodging services to our customers. Lodging revenue is earned on a day rate or days occupied basis.

2. **Rental:** WFS provides assets to customers on a rental basis. Rental contracts may be month to month or a term longer than a month for accommodation fleet assets and based on day rates for surface rental fleet assets. The rates quoted for a rental of workforce housing accommodation assets are typically monthly and wellsite accommodations and surface equipment are typically quoted as a day rate.

3. **Sales:** WFS sells new and used workforce accommodations, wellsite accommodations and surface equipment assets.

4. **Non-Rental:** WFS provides complete installation, delivery and maintenance services and catering services or subleased equipment. Installation and delivery of assets is typically associated with rental contracts or sales

of new and used fleet, contracted on a lump sum basis. Catering contracts or sublease contracts are typically associated with a rental contract of workforce accommodations assets or wellsite accommodations assets. Also included in non-rental revenue is the revenue earned on bookings at third party lodges through LodgeLink.

Financial Highlights

The following is a summary of the key metrics used by management to assess performance. Revenue, Adjusted EBITDA and return on assets are key financial measures which fluctuate in direct proportion to utilization, occupancy and rates.

	Three months ended September 30,			Nine months ended September 30,		
Revenue by Stream ($ millions, except as noted)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Lodging Revenue	3.0	4.4	(32)%	18.5	22.9	(19)%
Rental Revenue	8.6	5.5	56%	23.3	17.5	33%
Sales Revenue	1.1	5.1	(78)%	4.5	7.5	(40)%
Non-rental Revenue	10.9	5.5	98%	27.1	22.0	23%
Total revenue	23.7	20.5	16%	73.3	69.9	5%

	Three months ended September 30,			Nine months ended September 30,		
Revenue by Geography ($ millions, except as noted)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Canada	14.7	13.4	10%	43.3	53.9	(20)%
United States	5.9	2.7	119%	20.6	7.1	190%
Australia	3.2	4.4	(27)%	9.4	8.9	6%
Total revenue	23.7	20.5	16%	73.3	69.9	5%
Adjusted EBITDA	6.1	2.9	110%	18.7	17.5	7%
Adjusted EBITDA as a % of revenue	26%	14%	12	26%	25%	1
Return on Assets (1)	14%	6%	8	14%	12%	2

(1) Calculated as annualized Adjusted EBITDA divided by average net book value. See "Non-GAAP measures".

Q3 2019 vs Q3 2018

Adjusted EBITDA as a percentage of revenue increased in the Quarter to 26% compared with 14% in the Comparative Quarter due to changes in revenue mix and stronger rental margins attributed to higher fleet utilization.

Year to Date 2019 vs 2018

Adjusted EBITDA as a percentage of revenue increased for the YTD at 26% compared with 25% in the Prior YTD. This is explained by increased rental margins offset by decreased non-rental and lodging margins.

Lodging

The following are key metrics used to measure and report on performance of lodging revenue. Average lodging occupancy is calculated for the Quarter by dividing the total man days occupied by total available for occupancy man days in the period. Average rooms available are the total rooms available for occupancy in a Black Diamond lodge, averaged for the period. Rooms available for occupancy fluctuates from period to period based upon management decisions to open or close portions of open camps to meet expectations of market demand. Average lodging rates per day are calculated as lodging revenue divided by the total man days paid for in the period.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Average Lodging Occupancy	32%	18%	14	32%	27%	5
Total managed rooms [1]	2,870	2,717	6%	2,870	2,717	6%
Average Rooms Available	563	1,677	(66)%	1,201	1,746	(31)%
Average Lodging Rates per Day	$187	$158	18%	$172	$164	5%

(1) Total rooms managed by Black Diamond, including those in closed portions of open camps and turnkey lodges as at period end.

Q3 2019 vs Q3 2018

Lodging revenue during the Quarter was $3.0 million, down 32% or $1.4 million from the Comparative Quarter due to a decrease in activity at all lodges except Horn River Lodge and Little Prairie Lodge. The Company reduced the number of rooms available to lower fixed costs resulting in higher occupancy rates. Average lodging rates increased overall primarily because lodges where we charge higher rates experienced proportionately higher occupancy.

Year to Date 2019 vs 2018

Lodging revenue for the YTD was $18.5 million, down 19% or $4.5 million from the Prior YTD due to a decrease in activity at all lodges except Horn River Lodge. The Company reduced the number of rooms available to lower fixed costs resulting in higher occupancy rates. Average lodging rates increased overall primarily because lodges where we charge higher rates experienced proportionately higher occupancy.

Rental

The following are key metrics used to measure and report on performance of rental revenue. Average asset utilization for the Quarter is calculated by dividing the total net book value by the net book value of assets on rent.

	Three months ended September 30,			Nine months ended September 30,		
Average Asset Utilization	2019	2018	Change	2019	2018	Change
Workforce Housing Accommodations: Rental Fleet	36%	22%	14	32%	25%	7
Wellsite Accommodations	76%	75%	1	76%	70%	6
Surface Equipment	25%	17%	8	24%	19%	5
Fleet Count (Units)						
Workforce Housing Accommodations: Rental Fleet	2,896	3,188	(9)%	2,896	3,188	(9)%
Wellsite Accommodations	628	684	(8)%	628	684	(8)%
Surface Equipment	2,376	2,205	8%	2,376	2,205	8%
Consolidated Room Count by Geography						
Canada	9,941	12,298	(19)%	9,941	12,298	(19)%
United States	2,381	851	180%	2,381	851	180%
Australia	1,034	1,154	(10)%	1,034	1,154	(10)%
	13,356	14,303	(7)%	13,356	14,303	(7)%

Net Book Value by Geography ($ millions)						
Canada	112.3	132.1	(15)%	112.3	132.1	(15)%
United States	41.8	37.4	12%	41.8	37.4	12%
Australia	12.7	11.7	9%	12.7	11.7	9%
	166.8	181.2	(8)%	166.8	181.2	(8)%

Q3 2019 vs Q3 2018

Rental revenue during the Quarter was $8.6 million, up 56% or $3.1 million from the Comparative Quarter due to an increase in utilization in the workforce housing accommodation rental fleet in Canada and the U.S. supported by a contract in California. Stronger utilization and rates from our Australian business also contributed to the improved rental revenue.

Year to Date 2019 vs 2018

Rental revenue for the YTD was $23.3 million, up 33% or $5.8 million from the Prior YTD due to the same factors as discussed above. In addition, stronger utilization and rates from our wellsite accommodations also contributed to the improved rental revenue. The increase in surface equipment is mainly due to the purchase of lease matting for a long-term project for a key customer.

Sales and Non-Rental

Sales revenue and non-rental revenue are generally not driven by market indicators and are unpredictable in terms of timing and margins.

LodgeLink revenue generated from bookings is typically based on a fee per room booked. When the room is booked in a third party lodge the revenue is categorized as non-rental revenue (revenue from bookings at Black Diamond owned lodges is categorized as lodging revenue).

	Three months ended September 30,			Nine months ended September 30,		
LodgeLink [(1)]	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Total gross bookings ($ millions)	2.2	3.9	(44)%	9.7	11.8	(18)%
Total room nights booked	14,098	22,959	(39)%	58,667	62,370	(6)%

	As at September 30,		
	2019	**2018**	**Change**
Unique customers	421	223	89%
Total properties listed	752	307	145%
Total rooms listed	82,644	40,478	104%

(1) Total gross bookings, total room nights booked, total properties listed and total rooms listed include both Black Diamond owned assets and third party properties.

In the Prior YTD, LodgeLink had a large concentration of bookings with two customers in relation to two large projects. These customers continue to be active with LodgeLink; however, they operated at much lower activity levels in the Quarter. Bookings generated in the Quarter reflect a more diverse mix of customers, with a larger customer base and more properties.

Q3 2019 vs Q3 2018

Sales revenue during the Quarter was $1.1 million, down 78% or $4.0 million from the Comparative Quarter primarily due to a custom sale in the Prior Quarter.

Non-rental revenue during the Quarter was $10.9 million, up 98% or $5.4 million from the Comparative Quarter due to the transportation and a portion of installation for the Sukunka River Lodge as well as the transportation of additional assets to California for a rental contract.

Year to Date 2019 vs 2018

Sales revenue for the YTD was $4.5 million, down 40% or $3.0 million from the Prior YTD due to the same factors as discussed above.

Non-rental revenue for the YTD was $27.1 million, up 23% or $5.1 million from the Prior YTD due to the increase in non-rental revenue in the Quarter as described above. In the Prior YTD, LodgeLink had a large concentration of bookings with one customer in relation to one project, whereas bookings generated in the Quarter reflect a more diverse mix of customers, with a larger customer base and more properties.

CORPORATE AND OTHER BUSINESS UNIT

The Corporate and Other business unit includes costs related to administrative activities that support all business units. The administrative support functions include activities of the executive office, finance, human resources, health and safety, legal and information technology. Included in the Corporate and Other business unit are non-material revenues that are not significant enough to report on their own.

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Property and Equipment Net Book Value	16.0	16.5	(3)%	16.0	16.5	(3)%
Adjusted EBITDA	(3.0)	(2.5)	(20)%	(8.3)	(8.1)	(2)%

Q3 2019 vs Q3 2018

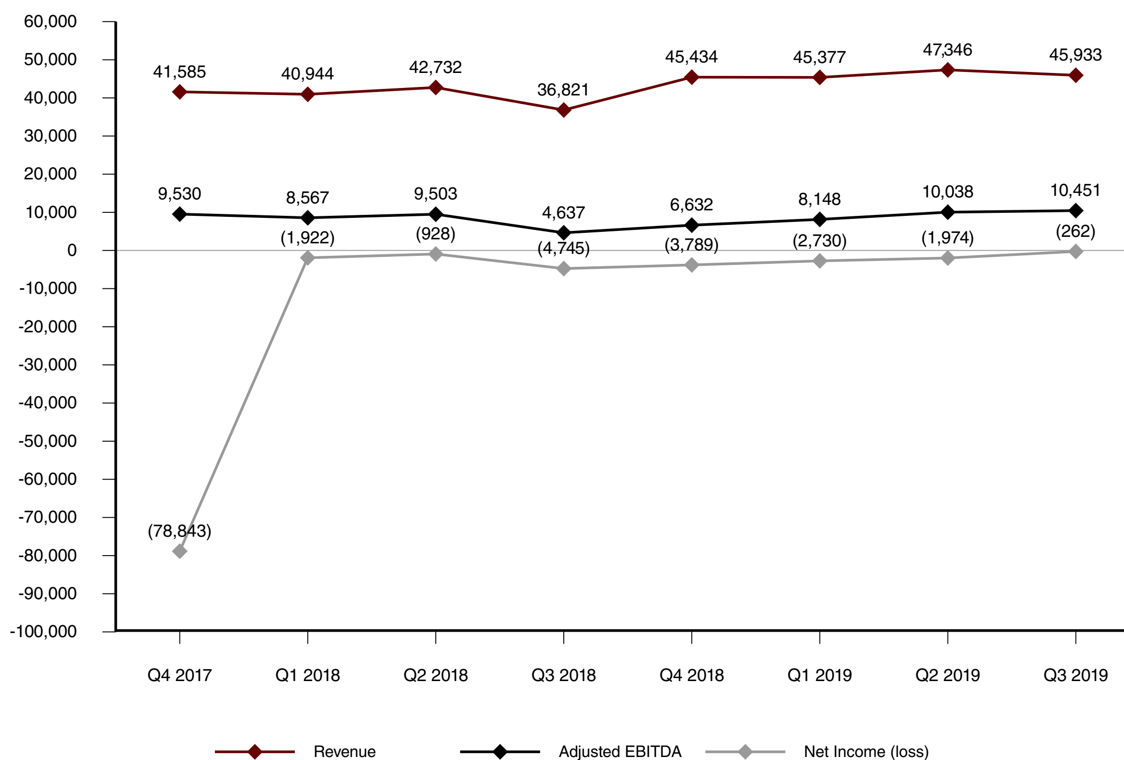
Adjusted EBITDA for the Quarter was a loss of $3.0 million, up 20% or $0.5 million from a loss of $2.5 million in the Comparative Quarter, primarily due to an increase in variable incentives included in personnel costs.

Year to Date 2019 vs 2018

Adjusted EBITDA for the YTD was a loss of $8.3 million, up 2% or $0.2 million from a loss of $8.1 million in the Prior YTD, primarily due to an increase in variable incentives included in personnel costs, partially offset by a decrease in professional fees.

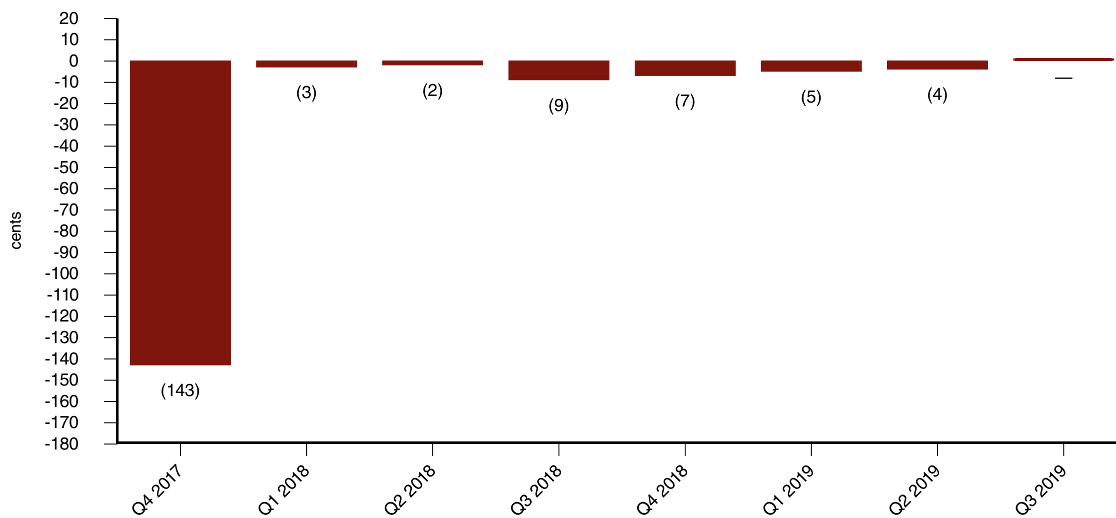
SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous eight quarters:



The more significant variations in individual quarterly results are explained below.

1. In Q4 2017, revenue and Adjusted EBITDA were positively impacted by higher utilization and increased used fleet sales. The loss in Q4 2017 was primarily due to impairment charges.
2. In Q1 2018, net income increased significantly from Q4 2017 due to lower depreciation and amortization as a result of a significant impairment in assets in Q4 2017.
3. In Q2 2018 revenue, Adjusted EBITDA and net income increased moderately from Q2 2017 due to higher MSS and WFS earnings and reduced Corporate and Other costs.
4. In Q3 2018, Adjusted EBITDA and net income decreased from Q3 2017 due to changes in the revenue mix and lower margins on sales revenue in WFS.
5. In Q4 2018, Adjusted EBITDA decreased from Q4 2017 primarily as a result of a decrease in rental revenue in WFS. Net income increased substantially from Q4 2017 to Q4 2018 due to an impairment loss recorded in Q4 2017.
6. In Q1 2019, Adjusted EBITDA decreased from Q1 2018 due to lower WFS earnings partially offset by the adoption of IFRS 16.
7. In Q2 2019, Adjusted EBITDA increased from Q2 2018 due to a change in revenue mix and the positive impact of IFRS 16.
8. In Q3 2019, Adjusted EBITDA increased from Q3 2018 due to an increase in rental margins and the positive impact of IFRS 16.



LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

Contractual Obligations and Other Commitments

At September 30, 2019, Black Diamond had capital expenditure commitments in the amount of $4.5 million. Additionally, Black Diamond has a commitment of $39.1 million related to the Company's office and yard leases, which have varying terms over the next nine years. It is management's intention to meet the funding requirements for these commitments through internally generated cash flow.

Capital Expenditures

Black Diamond's capital expenditures relate primarily to:

- MSS - space rental structures and ancillary equipment;
- WFS - workforce accommodation structures, ancillary equipment, surface rental equipment and space rental structures in Australia, and LodgeLink development costs; and
- Corporate and Other - land, leasehold improvements, computers, furniture and service related equipment.

For the Quarter, Black Diamond expended $7.5 million (Comparative Quarter – $4.1 million) on additions to property and equipment and intangible assets. The additions are set out in the table below.

($ millions, except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Modular Space Solutions	5.4	1.8	200%	16.6	4.3	286%
Workforce Solutions	2.0	2.3	(13)%	8.9	4.5	98%
Corporate	0.1	—	—%	0.3	0.3	—%
	7.5	4.1	83%	25.8	9.1	184%

Sources and Uses of Cash

Cash flows from operating, investing and financing activities, as reflected in the Unaudited Consolidated Statement of Cash Flows, are summarized in the following table:

($ millions, except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Cash from operating activities	9.6	10.9	(12)%	29.5	34.4	(14)%
Cash from (used in) investing activities	(6.8)	(5.5)	24%	(27.5)	(6.9)	299%
Cash from (used in) financing activities	(0.4)	(5.5)	(93)%	(2.3)	(27.9)	(92)%
Total cash (decrease) increase	2.3	—	—%	(0.2)	(0.4)	(50)%

Liquidity needs can be met through a variety of sources, depending on specific circumstances, including: available cash, cash generated from operations, draw downs under the Company's revolving credit facility (replaced with the ABL Credit Facility on October 31, 2019), issuances of common shares and short-term borrowings under the Company's operating facilities. Black Diamond's primary use of funds are operational expenses, sustaining and opportunity capital spending, and interest, taxes and principal debt repayments.

Cash provided by operating activities was $1.3 million lower in the Quarter than in the Comparative Quarter primarily due to a decrease in non-cash working capital offset by an increase in rental margins in WFS and MSS.

Cash used in investing activities was $1.3 million higher in the Quarter than in the Comparative Quarter primarily due to higher capital expenditures in the Quarter.

Cash provided by financing activities was $5.1 million higher in the Quarter than in the Comparative Quarter primarily due to net proceeds on long-term debt in the Quarter, as compared to net repayments in the Comparative Quarter.

Working Capital

The following table presents summarized working capital information:

($ millions, except as noted)	September 30, 2019	December 31, 2018	Change %
Current assets	49.6	43.7	14%
Current liabilities	39.4	35.5	11%
Working capital	10.2	8.2	24%

The increase in current assets of $5.9 million from December 31, 2018 was due to an increase in accounts receivable of $5.3 million and a $0.8 million increase in other current assets, which was partially offset by a $0.2 million decrease in cash.

The increase in current liabilities of $3.9 million from December 31, 2018 was largely due to an increase in accounts payable and accrued liabilities of $2.2 million. Furthermore, the Company recognized a $4.9 million current lease liability as a result of the adoption of IFRS 16, which was partially offset by a decrease in deferred revenue.

Principal Debt Instruments

As at September 30, 2019, Black Diamond's principal sources of debt included:

- a committed extendible revolving operating facility in the amount of $100.0 million, all of which was available and $56.9 million is drawn; and
- $40.0 million principal amount of senior secured notes due on July 3, 2022, which rank pari passu with the senior credit facilities of the Company.

The committed extendible revolving facility has a maturity date of April 30, 2021. The facility has an accordion feature that allows for the expansion of the facility up to an aggregate of $175.0 million (December 31, 2018 - $175.0 million), upon lender commitment. If all or any portion of the $75 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 parties subject to certain conditions in the committed extendible revolving operating facility. The accordion feature may not be drawn while the ratio of Funded Debt to Bank EBITDA exceeds 3.00:1. 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.

As at September 30, 2019, the Company's draws under the committed extendible revolving operating facility were comprised of $10.0 million related to an overdraft balance (December 31, 2018 - $9.5 million), and $46.9 million of Canadian dollar and U.S. dollar advances (December 31, 2018 - $30.1 million).

For the three and nine month periods ended September 30, 2019, the average interest rates applied to amounts drawn on the committed extendible revolving operating facility were 5.04% and 5.18%, respectively (2018 - 4.88% and 4.79%, respectively).

On October 31, 2019, Black Diamond entered into a four-year secured asset-based revolving credit facility. The lending syndicate for the ABL Credit Facility is co-lead by the Bank of Nova Scotia and the Bank of Montreal with a maximum $200 million revolving line, plus an uncommitted $50 million accordion. The ABL Credit Facility will replace the Company’s debt that existed as at September 30, 2019, which is described above. The borrowing base, or available amount at any given time under the facility is based on 85 - 90% of the Net Orderly Liquidation Value of eligible rental fleet and qualified receivables, up to $200 million.

The Company uses a combination of short-term and long-term debt to finance its business activities. Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through the foreseeable future, and pursue its planned business objectives.

Management believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, and interest costs. Black Diamond's cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including factors beyond Black Diamond's control. Management also believes that, dependent on capital market conditions, Black Diamond has room under its existing credit facilities and believes it has the ability to raise equity if required.

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

Debt Covenants

Black Diamond's financial debt covenants are as follows:

Covenants as at September 30, 2019	Required	Actual
Funded Debt to Bank EBITDA Ratio	≤ 3.75:1	2.73
Interest Coverage Ratio	≥ 3.00:1	5.51

The Company's committed extendible revolving operating facility extends to April 2021. The committed extendible revolving operating facility Funded Debt to Bank EBITDA covenant permits a maximum ratio of:

a. 4.50:1 for fiscal quarters ending March 31, 2017 through December 31, 2018;
b. 4.25:1 for the fiscal quarter ending March 31, 2019;
c. 4.00:1 for the fiscal quarter ending June 30, 2019;
d. 3.75:1 for the fiscal quarter ending September 30, 2019;
e. 3.50:1 for the fiscal quarter ending December 31, 2019; and
f. 3.00:1 for all fiscal quarters thereafter.

For the purposes of the covenant calculations, Bank EBITDA is determined on a 12 month trailing basis. Bank EBITDA is a non-GAAP measure that management uses to assist in the evaluation of Black Diamond's liquidity and is used by Black Diamond's lenders to calculate compliance with certain financial covenants. See "Non-GAAP Measures" for further details.

Lender agreements also contain non-financial covenants that restrict, subject to certain thresholds, some of the Company’s activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates.

As at September 30, 2019, Black Diamond was in compliance with all debt covenants.

Share Capital

At September 30, 2019, Black Diamond had 55.5 million (December 31, 2018 - 55.0 million) common shares outstanding. In addition, at September 30, 2019 Black Diamond had 4.9 million (December 31, 2018 - 3.6 million) common shares reserved for issuance pursuant to the exercise of options and restricted share units which have been granted pursuant to Black Diamond's share option plan and restricted and performance incentive award plan.

The following table summarizes Black Diamond's equity capitalization as at November 5, 2019 (in thousands):

Common shares	55,497
Stock options	3,801
Restricted share units	1,057

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are likely to have, a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity or capital expenses.

Contingent Liabilities

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

FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at September 30, 2019 relate to standard working capital accounts and credit facility items.

Black Diamond is subject to both cash flow and interest rate risk on its extendible revolving operating facility and interest rate fair value risk on the senior secured notes based on their fixed rate of interest. The required cash flow to service the operating facility will fluctuate as a result of changes in market rates.

NON-GAAP MEASURES

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

Adjusted EBITDA is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. Adjusted EBITDA refers to consolidated earnings before finance costs, tax expense, depreciation, amortization, accretion, foreign exchange, stock-based compensation, acquisition costs, non-controlling interests, share of gains or losses of an associate, write-down of property and equipment, impairment of goodwill, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

Black Diamond uses Adjusted EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by Adjusted EBITDA, is meaningful because it presents the performance of the Company's operations on a basis which excludes the impact of certain non-cash items as well as how the operations have been financed. In addition, management presents Adjusted EBITDA because it considers it to be an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

Adjusted EBITDA has limitations as an analytical tool, and readers should not consider this item in isolation, or as a substitute for an analysis of the Company’s results as reported under IFRS. Some of the limitations of Adjusted EBITDA are:

- Adjusted EBITDA excludes certain income tax payments that may represent a reduction in cash available to the Company;
- Adjusted EBITDA does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt;
- depreciation and amortization are non-cash charges, thus the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in the industry may calculate Adjusted EBITDA differently from how the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results and using Adjusted EBITDA only on a supplementary basis.

Reconciliation of Consolidated Profit to Adjusted EBITDA:

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019 (1)	2018	Change %	2019 (2)	2018	Change %
Loss	**(0.3)**	(4.7)	(94)%	**(5.0)**	(7.6)	(34)%
Add (deduct):						
Share-based compensation	**0.8**	0.5	60 %	**2.2**	1.7	29 %
Depreciation and amortization	**10.1**	9.2	10 %	**29.3**	27.3	7 %
Finance costs	**1.9**	1.6	19 %	**5.6**	4.8	17 %
Current income taxes	**—**	(0.2)	(100)%	**—**	—	— %
Deferred income taxes	**(2.1)**	(1.6)	31 %	**(3.8)**	(2.9)	31 %
Gain on sale of real estate	**—**	—	— %	**—**	(0.4)	(100)%
Non-controlling interest	**0.1**	(0.1)	(200)%	**0.3**	(0.2)	(250)%
Adjusted EBITDA	**10.5**	4.6	128 %	**28.6**	22.7	26 %

(1) Amount includes the positive impact of IFRS 16 of $1.2 million for the Quarter.
(2) Amount includes the positive impact of IFRS 16 of $3.3 million for the YTD.

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

Bank EBITDA is used for the purposes of the financial debt covenant calculations. It is determined on a 12-month trailing basis and is calculated in the same way as Adjusted EBITDA, except that it does not add back non-controlling interest, excludes net income (loss) from the Company's limited partnerships, includes cash distributions from the Company's limited partnerships, is adjusted for the trailing twelve months Adjusted EBITDA associated with acquisitions or disposals of businesses, and adds back non-operating cash costs and income. Bank EBITDA is a non-GAAP measure that the Company uses to assist in the evaluation of Black Diamond's liquidity and is used by Black Diamond's lenders to calculate compliance with certain financial covenants and is derived from Adjusted EBITDA.

Funds from Operations is calculated as the cash flow from operating activities excluding the changes in non-cash working capital. Management believes that Funds from Operations is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments. Changes in non-cash working capital items have been excluded as such changes are financed using the operating line of Black Diamond's credit facilities.

Reconciliation of Cash Flow from Operating Activities to Funds from Operations:

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except as noted)	2019	2018	Change %	2019	2018	Change %
Cash Flow from Operating Activities	**9.6**	10.9	(12)%	**29.5**	34.4	(14)%
Add/(Deduct):						
Change in long-term accounts receivable	**(0.1)**	(0.1)	— %	**(0.7)**	(0.9)	(22)%
Change in non-current deferred revenue	**(0.1)**	0.3	(133)%	**—**	1.1	(100)%
Changes in non-cash working capital	**3.8**	(1.6)	(338)%	**5.0**	(1.9)	(363)%
Funds from Operations	**13.3**	9.5	40 %	**33.9**	32.7	4 %

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

Working Capital is calculated as current assets minus current liabilities.

Funded Debt is calculated as long-term debt plus financial guarantees minus cash.

Funded Debt to Bank EBITDA is calculated as Funded Debt divided by Bank EBITDA.

Tangible Book Value is calculated as total shareholders' equity before non-controlling interests minus goodwill and intangible assets.

Funded Debt to Tangible Book Value is calculated as Funded Debt divided by Tangible Book Value.

Net Debt is calculated as long-term debt excluding deferred financing costs minus cash.

Return on assets ("ROA") is calculated as annualized Adjusted EBITDA divided by average net book value cost.

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

RELATED PARTY TRANSACTIONS

The amounts due to limited partners include distributions and royalties payable to the non-controlling interests. They are non-interest bearing and due on demand.

The following table provides the total amount of transactions that have been entered into with related parties during the three and nine month periods ended September 30, 2019 and 2018, as well as balances with related parties as at September 30, 2019 and December 31, 2018.

	For the three months ended September 30,		**For the nine months ended September 30,**		**Due to related parties as at**	
	2019	2018	**2019**	2018	**September 30, 2019**	December 31, 2018
	$	$	**$**	$	**$**	$
Non-controlling interests						
Limited partners						
Royalties and distributions declared	**132**	182	**692**	689	**289**	256
Other related parties						
Entity controlled by a member of the board of directors						
Purchases of goods and services	**62**	—	**536**	—	**—**	—

Services purchased from the entity controlled by a member of the board of directors include water handling and wastewater treatment services. The entity ceased to be controlled by a Black Diamond board member on August 26, 2019, and is no longer a related party.

RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond's financial condition, results of operations and cash flows. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2018 available on SEDAR at www.sedar.com. Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at September 30, 2019, designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Black Diamond is made known to Black Diamond's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Black Diamond in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Black Diamond's CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") for the Company to provide reasonable assurance regarding the reliability of Black Diamond's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Black Diamond's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design Black Diamond's ICFR.

Black Diamond is required to disclose herein any change in Black Diamond's ICFR that occurred during the period beginning on January 1, 2019 and ended on September 30, 2019 that has materially affected, or is reasonably likely to materially affect, Black Diamond's ICFR. No material changes in Black Diamond's ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's ICFR.

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

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2018 is available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements:

Impairment of non-financial assets

Goodwill is reviewed annually for impairment. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of forecasted cash flows, long-term growth rates, anticipated gross margin, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

Determination of a Cash Generating Unit ("CGU")

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering level of operating activities and independent cash flows generated from groups of assets. Management determined the smallest identifiable group of assets that independently generates cash inflows and whose cash flow is largely independent of the cash inflows from other assets or groups of assets as follows: Camps & Lodging, BOXX Modular East, BOXX Modular West, BOXX Modular U.S., Energy Services, and International.

Operating lease commitments – Company as lessor

The Company has entered into rental contracts for its fleet. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the fleet, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models and trading multiples. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Determination of control and significant influence

Management has used judgment in assessing whether the Company exerts control and significant influence over its subsidiaries and investments, respectively. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by other qualitative factors, including but not limited to the Company's representation on the board of directors.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. As a multinational group of legal entities and businesses, the Company has undertaken various cross border transactions. These transactions are subject to the review and audit of various tax authorities. The judgment used when developing and entering into these transactions is based on existing tax policies in each jurisdiction. Future changes in tax policies may necessitate associated adjustments to tax recoveries and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the

taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company's legal entities.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revenue recognition

Revenue from certain types of contracts is recognized over time, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company. In determining the progress towards complete satisfaction, estimates and assumptions are made in relation to costs incurred and the costs to complete the contracts. When the outcome of the transaction cannot be estimated reliably, estimates and assumptions are made on whether the Company will recover the transaction costs incurred. If it is probable that the costs will be recoverable, revenue is recognized only to the extent of costs. If it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"). The FVLCD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated future cash flows. The FVLCD calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the Company's forecast for the next year and does not include significant future investments that could enhance the performance of the CGU being tested. Estimates for revenue growth and Adjusted EBITDA margins are based on a review of historical information for each CGU, consideration of achievable rates and utilizations during the forecast period, and consideration of future prospects given management's understanding of the operating environment. The discount rates used for each CGU are estimated based on the assumed weighted average cost of capital for a notional purchaser of each CGU. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, margins, and the growth rate used for extrapolation purposes.

The Company is required to make judgments regarding the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets.

Asset Retirement Obligations

The Company has recognized a provision for asset retirement obligations associated with three land leases held by the Company. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the camps from the leases and the expected timing of those costs.

Additional estimates

Other estimates that management is required to make to conform with IFRS and prepare timely consolidated financial statements include accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, and useful lives of intangible assets. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the estimates used in pricing its options and long-term share based compensation plans, assessing the effectiveness of hedging relationships and the determination of functional currency.

If the underlying estimates and assumptions, upon which the consolidated financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

Changes in Accounting Policies and Disclosure

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. Lessees are required to recognize right-of-use ("ROU") assets and lease liabilities while lessors continue to classify each lease as either an operating lease or a finance lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 using the modified retrospective transition approach and has not restated prior periods for the impact of IFRS 16.

On initial adoption, the Company applied the following practical expedients permitted under the standard. Some expedients are available on a lease-by-lease basis, while others are applicable by class of underlying asset.

- Certain short-term leases and leases of low value assets (<$5,000) that have been identified at January 1, 2019 are not recognized on the Consolidated Statement of Financial Position.
- Leases with terms ending within 12 months of January 1, 2019 are treated as short-term leases and not recognized on the Consolidated Statement of Financial Position.
- In their initial measurement upon transition, some leases having similar characteristics are measured as a portfolio by applying a single discount rate.
- Initial direct costs were excluded from the measurement of ROU assets for the purpose of initial measurement on transition.
- At January 1, 2019, the previously recognized onerous contract provision was applied to the associated ROU asset. There was no impairment assessment made under IAS 36 *Impairment of assets* ("IAS 36").

The Company identified all contracts that contain leases as defined by IFRS 16 as at the transition date of January 1, 2019 and quantified the impact of IFRS 16 adoption on the 2019 opening statement of financial position. IFRS 16 increased the Company's total assets and liabilities, and impacted net income. Net income is impacted as the aggregate of depreciation of ROU assets and interest expense on lease liabilities does not correspond to the amount of lease payments in any given period. The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 5% per annum.

The Company's leases recognized on the Statement of Financial Position as at January 1, 2019 include leases of real estate, equipment and vehicles. The Company quantified the impact of IFRS 16 on its opening balance sheet as at January 1, 2019 as follows:

	$
ROU asset	21,590
Increase to total assets, January 1, 2019	21,590
Lease liability	25,006
Other long-term liabilities (1)	(2,403)
Onerous contract provision	(1,013)
Deferred taxes	(922)
Retained deficit	922
Increase to total liabilities and shareholders' equity, January 1, 2019	21,590

(1) Amount relates to deferred lease incentives on office space.

The following table presents a reconciliation of commitments as at December 31, 2018 to lease liabilities as at January 1, 2019:

	$
Off balance sheet lease obligation, December 31, 2018	41,594
Leases with a lease term of 12 months or less (short-term leases)	(790)
Non-lease components	(11,429)
Operating lease obligations, January 1, 2019 (undiscounted)	29,375
Effect of discounting cash flows	(4,369)
Total lease liabilities, January 1, 2019	25,006

The quantified impacts of IFRS 16 disclosed herein are subject to change in future periods pending updates to individual contract terms, assumptions, and other facts and circumstances arising subsequent to the date of these financial statements.

The Company assesses whether a contract contains a lease at inception by exercising judgment about whether a contract pertains to a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Certain classes of lease arrangements that contain both lease and non-lease components within the same contract are recognized as a single lease component.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments (discounted at the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate), plus initial direct costs and costs of obligations to retire the asset, less any incentives received. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if indicators of impairment are present.

When a lease contains an extension or purchase option that the Company is reasonably certain to exercise, the extension and/or cost of the option is included in the lease payments.

The Company has elected not to recognize ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months, or for leases of low value assets (<$5,000). Payments for these leases are recognized in the Statement of Net Income (Loss) on a straight-line basis over the lease term.

The financial statement impact of IFRS 16 is subject to certain management judgments and estimates. Most notably, extension and termination provisions are included in certain lease contracts. In determining the lease term to be recognized, the Company considers all factors that create an economic incentive to exercise an extension option, or not to exercise a termination option.