

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021



BLACK DIAMOND

GROUP

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 as at June 30, 2022 and December 31, 2021

(Expressed in thousands)	2022	2021
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	6,427	4,558
Accounts receivable	54,559	58,228
Prepaid expenses and other current assets	18,610	13,181
Total Current Assets	79,596	75,967
Non-Current		
Other long-term assets	1,916	2,564
Risk management assets	2,463	38
Property and equipment ^(note 3)	409,786	404,479
Right-of-use assets	16,677	18,778
Goodwill and intangible assets	20,862	20,850
Deferred income taxes	6,318	7,665
Total Non-Current Assets	458,022	454,374
Total Assets	537,618	530,341
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	26,185	40,840
Deferred revenue	27,180	19,131
Current portion of lease liabilities	5,911	6,280
Total Current Liabilities	59,276	66,251
Non-Current		
Long-term debt ^(note 4)	163,853	155,639
Asset retirement obligations	14,389	14,353
Long-term lease liabilities	16,087	17,765
Deferred income taxes	32,952	29,534
Total Non-Current Liabilities	227,281	217,291
Total Liabilities	286,557	283,542
Shareholders' Equity		
Share capital ^(note 5)	386,183	384,477
Contributed surplus	18,240	19,353
Accumulated other comprehensive income	11,313	9,690
Retained deficit	(172,853)	(179,065)
Total Shareholders' Equity	242,883	234,455
Non-controlling interests	8,178	12,344
Total Equity	251,061	246,799
Total Liabilities and Equity	537,618	530,341

Subsequent events (Note 9)

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF NET INCOME

For the three and six months ended June 30,

(Expressed in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Revenue	69,426	68,902	139,639	134,652
Direct costs	38,741	45,105	78,762	87,497
Gross profit	30,685	23,797	60,877	47,155
Expenses				
Administrative expenses	12,562	10,265	24,859	20,333
Depreciation and amortization	8,761	8,750	17,353	16,839
Share-based compensation ^(note 5)	1,068	940	2,213	1,452
Finance costs	1,723	1,580	3,261	2,899
Profit before income taxes	6,571	2,262	13,191	5,632
Income tax expense				
Current	373	24	377	32
Deferred	1,741	582	3,833	1,000
Total income tax expense	2,114	606	4,210	1,032
Profit before non-controlling interest	4,457	1,656	8,981	4,600
Profit attributable to non-controlling interest	477	397	984	600
Profit for the period	3,980	1,259	7,997	4,000
Earnings per share ^(note 6)				
Basic	0.07	0.02	0.14	0.07
Diluted	0.06	0.02	0.13	0.07

See accompanying notes to the unaudited interim condensed consolidated financial statements

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(LOSS)**

For the three and six months ended June 30,

(Expressed in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Profit for the period	3,980	1,259	7,997	4,000
Other comprehensive income (loss) to be reclassified to Consolidated Statement of Net Income in subsequent period:				
Translation adjustments	2,364	(2,583)	(217)	(4,233)
Change in derivative designated as cash flow hedges	678	(28)	1,840	(28)
Total comprehensive income (loss)	7,022	(1,352)	9,620	(261)

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 For the six months ended June 30, 2022 and 2021

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Total Shareholders' Equity	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2020	381,891	18,637	10,157	(197,973)	212,712	13,967	226,679
Profit for the period	—	—	—	4,000	4,000	600	4,600
Translation adjustments	—	—	(4,233)	—	(4,233)	—	(4,233)
Dividends declared to preferred shareholders	—	—	—	—	—	(257)	(257)
Redemption of preferred shares	—	—	—	—	—	(429)	(429)
Distributions declared to partners	—	—	—	—	—	31	31
Issued on exercise of options & vesting of shares in treasury <small>(note 5)</small>	2,177	(1,012)	—	—	1,165	—	1,165
Net purchase of shares in trust <small>(note 5)</small>	(1,181)	—	—	—	(1,181)	—	(1,181)
Change in derivative designated as cash flow hedges	—	—	(28)	—	(28)	—	(28)
Vesting of shares in trust <small>(note 5)</small>	1,086	(1,086)	—	—	—	—	—
Share based compensation expense <small>(note 5)</small>	—	1,298	—	—	1,298	—	1,298
As at June 30, 2021	383,973	17,837	5,896	(193,973)	213,733	13,912	227,645
As at December 31, 2021	384,477	19,353	9,690	(179,065)	234,455	12,344	246,799
Profit for the period	—	—	—	7,997	7,997	984	8,981
Translation adjustments	—	—	(217)	—	(217)	—	(217)
Dividends declared on common shares	—	—	—	(1,785)	(1,785)	—	(1,785)
Dividends declared to preferred shareholders	—	—	—	—	—	(330)	(330)
Redemption of preferred shares	—	—	—	—	—	(4,442)	(4,442)
Distributions declared to partners	—	—	—	—	—	(378)	(378)
Issued on exercise of options & vesting of shares in treasury <small>(note 5)</small>	3,261	(1,733)	—	—	1,528	—	1,528
Net purchase of shares in trust <small>(note 5)</small>	(1,972)	—	—	—	(1,972)	—	(1,972)
Purchase of shares under NCIE <small>(note 5)</small>	(1,001)	—	—	—	(1,001)	—	(1,001)
Change in derivative designated as cash flow hedges	—	—	1,840	—	1,840	—	1,840
Vesting of shares in trust <small>(note 5)</small>	1,418	(1,418)	—	—	—	—	—
Share based compensation expense <small>(note 5)</small>	—	2,038	—	—	2,038	—	2,038
As at June 30, 2022	386,183	18,240	11,313	(172,853)	242,883	8,178	251,061

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the three and six months ended June 30,

(Expressed in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Operating activities				
Profit for the period	3,980	1,259	7,997	4,000
Add (deduct) non-cash / non-operating activities:				
Share-based compensation ^(note 5)	991	881	2,038	1,298
Depreciation and amortization	8,761	8,750	17,353	16,839
Finance costs	1,723	1,580	3,261	2,899
Deferred income taxes	1,741	582	3,833	1,000
Revisions and settlement of asset retirement obligations	(64)	(37)	(73)	(658)
Profit attributable to non-controlling interest	477	397	984	600
Book value of used fleet sales ^(note 3)	2,460	928	3,845	5,615
	20,069	14,340	39,238	31,593
Change in risk management and other long-term assets	(535)	227	(1,777)	550
Change in non-cash working capital related to operating activities	4,508	5,203	(395)	1,074
Net cash flows from operating activities	24,042	19,770	37,066	33,217
Investing activities				
Purchase of property and equipment ^(note 3)	(14,577)	(9,434)	(20,592)	(13,156)
Additions to intangible assets	(1,165)	(359)	(1,803)	(649)
Change in non-cash working capital related to investing activities	(100)	1,499	(5,085)	(1,796)
Net cash flows used in investing activities	(15,842)	(8,294)	(27,480)	(15,601)
Financing activities				
Net issuances (payments) of long-term debt	3,271	(7,762)	8,116	(11,391)
Interest paid, including lease liability interest	(1,625)	(1,516)	(3,054)	(2,832)
Payment of lease liabilities	(1,621)	(1,708)	(3,207)	(3,049)
Net purchase of shares in trust and NCIB ^(note 5)	(2,393)	(800)	(2,973)	(1,181)
Share options exercised ^(note 5)	708	1,067	1,528	1,165
Redemption of preferred shares	(2,220)	—	(4,442)	—
Distributions declared to non-controlling interest	(213)	—	(378)	31
Dividend paid to preferred shareholders	(146)	(193)	(330)	(257)
Dividend paid to common shareholders	(895)	—	(1,621)	—
Change in non-cash working capital related to financing activities	(615)	—	(1,373)	(221)
Net cash flows used in financing activities	(5,749)	(10,912)	(7,734)	(17,735)
Increase (decrease) in cash and cash equivalents	2,451	564	1,852	(119)
Cash and cash equivalents, beginning of the period	3,890	2,965	4,558	3,681
Effect of foreign currency rate changes on cash and cash equivalents	86	(164)	17	(197)
Cash and cash equivalents, end of the period	6,427	3,365	6,427	3,365

See accompanying notes to the unaudited interim condensed consolidated financial statements

**NOTES TO UNAUDITED INTERIM
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
For the three and six months ended June 30, 2022 and 2021

1. GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements ("interim consolidated financial statements") of Black Diamond Group Limited, its subsidiaries, and its controlled limited partnerships (collectively "Black Diamond" or the "Company") for the three and six months ended June 30, 2022 and 2021 were authorized for issuance in accordance with a resolution of the Board of Directors on August 4, 2022. Black Diamond is headquartered in Calgary, Alberta. The Company was incorporated in Alberta on October 7, 2009. The address of the Company's registered office is Suite 4600, 525 – 8th Avenue S.W., Calgary, Alberta, Canada.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The interim consolidated financial statements for the three and six months ended June 30, 2022 and 2021 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation and Measurement

These interim consolidated financial statements have been prepared on a going concern basis.

Except as otherwise disclosed and for taxes on income, the same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as were applied in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2021 ("2021 Financial Statements"). Taxes on income in interim periods are accrued using the tax rate that would be applicable to the expected total annual profit. These interim consolidated financial statements do not contain all the information and disclosures required by IFRS for annual financial statements and should be read in conjunction with the 2021 Financial Statements. Comparative amounts have been reclassified to match the current period presentation.

There were no changes to the Company's operating segments during the period.

These interim consolidated financial statements have been presented on a historical cost basis and are presented in Canadian dollars. All amounts are rounded to the nearest thousand (\$'000), except per share amounts or as otherwise noted.



NOTES TO UNAUDITED INTERIM
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2022 and 2021

3. PROPERTY AND EQUIPMENT

The Company added property and equipment of \$14,577 and \$20,592 (2021 - \$9,434 and \$13,156) during the three and six months ended June 30, 2022, substantially all of which were fleet assets. There were also disposals of fleet assets with a net book value of \$2,460 and \$3,845 (2021 - \$928 and \$5,615) during the three and six months ended June 30, 2022, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit.

At June 30, 2022, the Company evaluated all of its cash-generating units ("CGUs") for indicators of any potential impairment or impairment reversal of long-lived assets. As a result of these assessments, no indicators were identified and no impairment tests were performed.

Capital Commitments

At June 30, 2022, Black Diamond had made capital expenditure commitments over the next several quarters with key manufacturers of modular structures in the amount of \$18,744 (December 31, 2021 - \$11,526).

4. LONG-TERM DEBT

Debt Covenants

The Company is required to maintain a Fixed Charge Coverage Ratio ("FCCR") of 1.1 to 1; however, this covenant is only tested in certain instances, principally when draws under the ABL Facility exceed 90% of the borrowing base. As at June 30, 2022, the Company's draws under the ABL Facility amounted to 61% of a borrowing base of \$268,981. As at December 31, 2021, the Company's draws under the ABL Facility amounted to 59% of a borrowing base of \$264,700. Therefore, the FCCR covenant was not applicable in both periods.

**NOTES TO UNAUDITED INTERIM
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
 For the three and six months ended June 30, 2022 and 2021

5. SHARE CAPITAL

a) Share Capital

Authorized: An unlimited number of voting common shares with no par value and an unlimited number of preferred shares, issuable in series.

Issued - Common shares	Number of shares	\$
January 1, 2021	56,694	381,891
Issued on exercise of options & vesting of shares in treasury	1,136	2,866
Net purchase of shares in trust	(401)	(1,551)
Net purchase of shares in NCIB	(69)	(36)
Vesting of shares in trust	798	1,307
December 31, 2021	58,158	384,477
Issued on exercise of options & vesting of shares in treasury	1,167	3,261
Net purchase of shares in trust	(519)	(1,972)
Net purchase of shares in NCIB	(225)	(1,001)
Vesting of shares in trust	724	1,418
June 30, 2022	59,305	386,183

On March 14, 2022, the Company commenced a normal course issuer bid ("NCIB"), under which the Company may purchase for cancellation up to a maximum of 4,325 common shares of the Company. The NCIB will terminate on March 13, 2023 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the Company's election. For the three and six months ended June 30, 2022, 210 and 225 common shares (2021 - nil) at a cost of \$936 and \$1,001 (2021 - \$nil) were purchased, cancelled and removed from share capital under the terms of the NCIB.

b) Share-Based Compensation Plans

(i) Share option plan

As at June 30, 2022, there were 3,670 common shares (December 31, 2021 - 3,951) reserved for issuance from treasury upon the exercise of share options granted pursuant to the Company's Share Option Plan. The exercise price of each option equals the weighted average trading price of the common shares for the five trading days preceding the date of the grant. Outstanding options granted under the Share Option Plan generally vest on a straight line basis over three years and the option term is five years from the date of grant.

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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5. SHARE CAPITAL (continued)

(expressed in thousands unless otherwise noted)

Grant date	Number of options outstanding	Exercise price per share	Remaining contractual life (years)	Number exercisable	Fair value at grant date
		\$			\$
August 14, 2017	178	1.74	0.12	178	0.74
September 12, 2017	103	1.91	0.20	103	0.83
March 15, 2018	420	2.53	0.71	420	0.86
March 14, 2019	199	1.96	1.71	199	0.86
March 14, 2019	495	1.96	1.71	495	0.86
October 1, 2019	120	1.77	2.26	80	0.89
March 16, 2020	567	1.29	2.71	354	0.62
June 1, 2020	36	1.40	2.92	24	0.68
March 17, 2021	825	3.31	3.71	275	1.46
March 14, 2022	727	4.36	4.70	—	1.54
Balance June 30, 2022	3,670			2,128	
Weighted average		2.66	2.70	2.10 ⁽¹⁾	

(1) Amount refers to the weighted average exercise price of the exercisable options as at June 30, 2022.

Black Diamond recorded the following share option activity during 2022 and 2021:

	Number of options outstanding	Weighted average exercise price per share
		\$
January 1, 2021	4,302	2.36
Granted	987	3.31
Exercised	(729)	2.14
Expired	(339)	4.72
Forfeited	(270)	2.13
December 31, 2021	3,951	2.45
Granted	727	4.36
Exercised	(954)	2.87
Forfeited	(54)	2.63
June 30, 2022	3,670	2.66

**NOTES TO UNAUDITED INTERIM
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5. SHARE CAPITAL (continued)

The estimated weighted fair value of the options granted during the period is \$1,119 (2021 - \$1,441). The Black-Scholes option pricing model was used in determining the fair values of these options using a forfeiture rate of 5%, based on historical experience and future expectations, and the following assumptions:

Date of grant	Dividend yield	Expected average volatility	Average risk-free rate
	%	%	%
March 14, 2022	1.38	53.49	1.58

The expected life of the options is three years and is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may not occur.

(ii) Other share-based plans

The Company has a restricted and performance award incentive plan ("Share Award Plan"), a deferred share unit plan and an incentive award plan. Changes in the number of units, with their weighted average fair value, are summarized below:

	Incentive Award Plan		Share Award Plan		Deferred Share Unit Plan ⁽¹⁾	
	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit
		\$		\$		\$
January 1, 2021	1,819	1.47	1,026	1.69	232	2.46
Granted	586	3.49	318	3.31	74	3.35
Forfeited	(149)	2.14	(272)	2.06	(8)	3.31
Vested	(715)	1.63	(323)	1.90	(84)	2.67
December 31, 2021	1,541	2.10	749	2.15	214	2.65
Granted	538	4.36	161	4.36	63	4.66
Forfeited	(56)	2.63	(18)	2.63	—	—
Reinvested	8	2.62	4	2.53	1	2.89
Vested	(766)	1.99	(394)	2.02	—	—
June 30, 2022	1,265	3.09	502	2.93	278	3.90

(1) DSU's are reported as fully vested once settled.

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

Included in share-based compensation expense for the three and six months ended June 30, 2022 was \$259 and \$488 (2021 - \$222 and \$395) for costs related to the Share Option Plan.

**NOTES TO UNAUDITED INTERIM
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5. SHARE CAPITAL (continued)

As at June 30, 2022, these share-based plans include 141 units (December 31, 2021 - 93) that are expected to be settled in cash. A liability is included in accounts payable and accrued liabilities in the amount of \$107 related to these units (December 31, 2021 - \$226).

Included in share-based compensation expense for the three and six months ended June 30, 2022 was \$732 and \$1,550 (2021 - \$659 and \$903) for costs related to the other share-based plans. Included in share-based compensation expense for the three and six months ended June 30, 2022 was \$77 and \$175 (2021 - \$59 and \$154) for costs related to other share-based plans expected to be settled in cash.

The Company established the Incentive Award Plan Trust and the Deferred Share Unit Plan Trust (collectively the "Trusts") which are consolidated in the Company's financial statements. Any shares held in the Trusts are accounted for as a reduction of share capital. As at June 30, 2022, there are 985 shares held in the Trusts (December 31, 2021 - 1,191).

6. EARNINGS PER SHARE

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

Reconciliation of weighted average number of shares	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Weighted average common shares outstanding - basic	59,597	57,760	58,974	57,307
Effect of share option plan and share award plan	1,404	1,828	1,450	1,496
Weighted average common shares outstanding - diluted	61,001	59,588	60,424	58,803

Excluded from diluted weighted average number of shares are 727 anti-dilutive options for the three and six months ended June 30, 2022 (2021 - 933 and 1,515). Also excluded from diluted weighted average number of shares are 337 anti-dilutive Share Award Plan units for the three and six months ended June 30, 2022 (2021 - 300 and 300).

**NOTES TO UNAUDITED INTERIM
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7. SEGMENTED INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue				
Modular Space Solutions	37,130	37,152	71,482	72,388
Workforce Solutions	32,296	31,750	68,157	62,264
Total Revenue	69,426	68,902	139,639	134,652
Depreciation and Amortization				
Modular Space Solutions	4,313	3,965	8,496	7,449
Workforce Solutions	3,797	4,133	7,558	8,010
Corporate and Other	651	652	1,299	1,380
Total Depreciation and Amortization	8,761	8,750	17,353	16,839
Profit (Loss)				
Modular Space Solutions	8,356	6,601	14,400	13,244
Workforce Solutions	5,748	1,846	13,533	3,956
Corporate and Other	(10,124)	(7,188)	(19,936)	(13,200)
Total Profit	3,980	1,259	7,997	4,000
Capital Expenditures (Additions)				
Modular Space Solutions ⁽¹⁾	13,164	6,098	17,435	8,971
Workforce Solutions ⁽¹⁾	2,493	3,537	4,710	4,536
Corporate and Other	85	158	250	298
Total Capital Expenditures (Additions)	15,742	9,793	22,395	13,805

(1) Amount includes intangible asset additions.

**NOTES TO UNAUDITED INTERIM
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7. SEGMENTED INFORMATION (continued)

	June 30, 2022	December 31, 2021
	\$	\$
Property and Equipment		
Modular Space Solutions	258,023	246,072
Workforce Solutions	137,899	142,444
Corporate and Other	13,864	15,963
Total Property and Equipment	409,786	404,479
Intangible Assets		
Modular Space Solutions	7,822	8,559
Workforce Solutions	3,165	2,456
Total Intangible Assets	10,987	11,015
Goodwill		
Modular Space Solutions	9,875	9,835
Total Goodwill	9,875	9,835
Assets		
Modular Space Solutions	323,160	304,559
Workforce Solutions	186,460	197,971
Corporate and Other	27,998	27,811
Total Assets	537,618	530,341

**NOTES TO UNAUDITED INTERIM
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7. SEGMENTED INFORMATION (continued)

Geographic information

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue⁽¹⁾				
Canada	39,320	32,484	77,201	68,515
United States	23,346	30,132	49,196	52,261
Australia	6,760	6,286	13,242	13,876
Total Revenue	69,426	68,902	139,639	134,652

(1) The allocation of sales to the geographic segments is based upon the customer location where the product is utilized or service is delivered.

	June 30, 2022	December 31, 2021
	\$	\$
Property and Equipment, Intangibles and Goodwill		
Canada	224,857	224,525
United States	188,741	184,835
Australia	17,050	15,969
Total Property and Equipment, Intangibles and Goodwill	430,648	425,329



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8. RELATED PARTY TRANSACTIONS

Services purchased from the entity controlled by a member of the board of directors at a fair value of \$nil and \$90 for the three and six months ended June 30, 2022 (2021 - \$nil), include sublease and servicing of generators and fuel tanks.

9. SUBSEQUENT EVENTS

Subsequent to the end of the quarter, the Company declared a third quarter dividend of \$0.015 payable on or about October 15, 2022 to shareholders of record on September 30, 2022.