MANAGEMENT'S DISCUSSION & ANALYSIS

For the years ending December 31, 2012 and December 31, 2011

BLACK DIAMOND GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of March 12, 2013 and is provided to assist readers in understanding Black Diamond Group Limited's ("Black Diamond" or the "Company" and formerly Black Diamond Income Fund) financial performance for the three months and year ended December 31, 2012 and significant trends that may affect the future performance of Black Diamond. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2012 and 2011. The accompanying audited consolidated financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). Black Diamond's common shares trade on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond, for the year ended December 31, 2012, may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

All current and comparative share capital and earnings per share amounts have been adjusted as necessary to reflect the two for one share split that occurred August 25, 2011.

Certain information set forth in this MD&A contains forward-looking statements including management's assessment of Black Diamond's future operations, performance, business prospects and opportunities and statements relating to future operational and financial results and dividend levels. 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, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. 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 and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed through the SEDAR website at www.sedar.com. 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.

OVERVIEW OF THE COMPANY

Black Diamond was incorporated on October 7, 2009 under the laws of the Province of Alberta. Black Diamond was incorporated pursuant to the Business Corporations Act (Alberta) to participate in a plan of arrangement involving, among others, Black Diamond's predecessor Black Diamond Income Fund (the "Fund"), Black Diamond and the unit holders of the Fund. Effective December 31, 2009, pursuant to the plan of arrangement, the Fund restructured (the "Conversion") from an unincorporated open-ended income fund trust to Black Diamond, a publicly listed corporation.

Black Diamond, whose principal undertakings, through its direct and indirect wholly-owned subsidiaries, Black Diamond Limited Partnership, BOXX Modular Holdings Inc., Nortex Modular Leasing and Construction Company ("Nortex") and through its approximate 50% participation in Black Diamond Dene Limited Partnership, Black Diamond West Moberly Limited Partnership and Black Diamond Nehiyawak Limited Partnership, are to rent modular structures for use as workforce accommodation and temporary workspace, rent various types of oilfield equipment used in the exploration and production of oil and gas and to provide complementary services including operating remote lodging facilities, transportation, installation, dismantling, repair and maintenance of modular structures and oilfield equipment, as well as related services. As at December 31, 2012, Black Diamond operated through four operating divisions consisting of Black Diamond Camps, Black Diamond Logistics, BOXX Modular and Black Diamond Energy Services. In the audited consolidated financial statements, Camps and Logistics are combined and disclosed as a single reportable segment.

Camps provide workforce accommodation designed for remote site accommodation. The structures, when assembled together, form large dormitories, kitchen/dining facilities and recreation complexes. The majority of the business activity within this segment occurs in Western Canada. The primary revenue sources are rental charges for accommodations and non-rental revenue, which consists of new manufactured and used fleet sales, transportation as well as ancillary third-party camp services when the camps are not operated directly by Black Diamond.

Logistics operates remote lodging facilities for third parties, and includes the Sunday Creek Lodge where the Company also owns the lodging facility. Logistics also provides the services of installation, dismantling, repair and maintenance of modular structures, as well as related services. The primary revenue sources consists of lodging fees for camps operated by Black Diamond and non-rental revenue which consists of installation and other initial set-up services to commence operations at these remote locations.

BOXX Modular provides high quality, cost effective, modular space solutions to a diverse customer base in Canada and the United States. The structures provided are referred to as Space Rentals and include office units, storage units, office complexes, training facilities, lavatories and custom manufactured structures. The primary revenue sources consist of rental revenue for this equipment, and non-rental revenue consisting primarily of sales of modular units, as well as transportation and installation revenues.

Energy Services provides a complement of surface rental assets that would typically support a drilling or completions operation such as tanks for storage of liquids, equipment for handling liquids and containing solids, rig matting, and support equipment. Energy Services also provides drill site accommodation units such as geologist/engineer quarters and staff quarters. The primary revenue sources consist of rental revenue for this equipment and non-rental revenue for equipment transportation and installation.

2012 HIGHLIGHTS

Revenue levels for the year ended December 31, 2012 (hereafter referred to as "2012" or the "YTD Period") increased by 9% to $264.3 million compared to the year ended December 31, 2011 (hereafter referred to as "2011" or the "Comparative YTD Period"). Rental revenue was 33% higher at $110.5 million compared to 2011, while non-rental revenue was 7% lower at $101.5 million and lodging revenue was 7% higher at $52.3 million.

One of the primary drivers of Black Diamond's business continues to be the rental revenue from fleet units. The significant investment in fleet and operated facilities has resulted in a 33% or $27.1 million increase in rental revenue in 2012 compared to 2011 and will translate into strengthening results in 2013. The fleet of Camps units grew by 41% or 819 units between December 31, 2011 and December 31, 2012. Over the same period, the Space Rentals fleet grew by 16% or 420 units, the Energy Services accommodations fleet grew by 22% or 48 units, and the number of surface rental pieces of equipment increased by less than 1% or 8 units.

The utilization of these fleet assets was strong throughout 2012 averaging 93% for Camps equipment compared with 93% for 2011. Space Rental fleet utilization increased slightly to 80% in 2012 as compared to 75% in 2011. Within Energy Services, drilling accommodations and surface rental equipment utilization rates were 67% and 44%, respectively, in 2012 compared to 45% and 46% in 2011.

The Company's business activities continue to be concentrated on the resource sector, with approximately 82% of total revenue generated by oil and gas related companies in Western Canada, including oilsands projects representing 38% of total revenue. Revenue generated from from non-oil and gas sectors include 8% relating to mining and metal extraction, with the balance of 10% generated from business not directly related to the resource sector activity.

Administrative Expenses were 14% of revenue for 2012, which is an increase from the 12% incurred in 2011. EBITDA (see "Non-GAAP measures") for 2012 was $112.1 million or 42% of revenue versus $94.1 million or 39% for 2011.

Net income for 2012 was $47.4 million compared to $41.0 million for 2011.

Black Diamond paid dividends of $0.055 per share per month in January through April and paid dividends of $0.060 per share per month in May through December resulting in a payout ratio (see "Non-GAAP Measures") for 2012 of 27% compared to 22% for 2011.

SELECTED FINANCIAL AND OPERATING 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 audited consolidated financial statements of Black Diamond for the year ended December 31, 2012.

	Three months ended December 31			Year ended December 31		
(in thousands, except as noted)	2012	2011	2010 (2)	2012	2011	2010 (2)
Financial Highlights	$	$	$	$	$	$
Total revenue	68,442	66,207	43,410	264,274	241,808	139,762
Gross Profit	38,586	34,328	22,055	145,888	122,323	71,485
Gross Profit %	56%	52%	51%	55%	51%	51%
Administrative expenses	12,311	9,385	7,365	37,861	30,181	23,385
Administrative expense %	18%	14%	17%	14%	12%	17%
EBITDA (1)	27,941	25,495	15,127	112,091	94,071	50,363
EBITDA %	41%	39%	35%	42%	39%	36%
Net income before taxes	14,435	15,650	7,753	66,736	58,637	24,362
Net income	10,393	10,688	6,048	47,394	40,979	17,441
Per share - Basic	0.25	0.31	0.19	1.21	1.15	0.55
- Diluted	0.24	0.29	0.19	1.18	1.12	0.54
Capital expenditures	46,616	39,697	41,619	163,628	94,656	87,365
Property & equipment (NBV)	423,281	301,073	247,160	423,281	301,073	247,160
Total assets	557,196	426,430	331,386	557,196	426,430	331,386
Long-term debt and capital lease obligations	96,359	86,130	66,000	96,359	86,130	66,000
Dividends declared	7,410	5,311	4,443	27,684	20,428	17,414
Per share	0.18	0.14	0.14	0.70	0.57	0.54
Payout ratio (1)	29%	21%	29%	27%	22%	35%
Operational Highlights						
Camps and Logistics Division						
Workforce accommodation units in fleet at end of period	2,825	2,006	1,585	2,825	2,006	1,585
Average utilization during the period	91%	94%	94%	93%	93%	88%
Workforce accommodation and operated camp bedcount	11,487	8,066	6,680	11,487	8,066	6,680
Logistics Division						
Workforce accommodation bedcount (3)	2,755	1,528	1,352	2,755	1,528	1,352
BOXX Modular Division						
Space rental units in fleet	3,109	2,689	2,494	3,109	2,689	2,494
Average utilization	84%	76%	74%	80%	75%	71%
Energy Services Division						
Drilling accommodation units	270	222	186	270	222	186
Average utilization during the period	64%	37%	49%	67%	45%	43%
Drilling accommodation bedcount	904	839	776	904	839	776
Surface rental equipment	2,306	2,298	1,260	2,306	2,298	1,260
Average utilization	41%	52%	46%	44%	46%	33%

Notes:

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

(2) The 2010 comparatives have been restated from previous Canadian GAAP upon transition to IFRS. For further details, see the detailed reconciliation in the Company's first financial statements under IFRS for the year ended Dec 31, 2011.

(3) Bedcount is also included in the Camps division bedcount and the units are owned by the Camps division.

OUTLOOK

Management is pleased with the Company's year end results and anticipates that, despite general weakness in drilling related activity in western Canada, the results for the first quarter of 2013 will be significantly stronger than the comparative period in 2012 for a number of reasons:

- the significant investment in fleet and operated facilities is expected to translate into strengthening results in 2013;
- the focus on remote workforce accommodation and long-term contracts is expected to mitigate and offset any negative impact of general weakness in drilling related activity in western Canada;
- the Company recognized first revenue from its Australian acquisitions on January 1, 2013; and
- Sunday Creek Lodge came fully back on-stream in January 2013 after a major retrofit and capacity expansion completed in Q4 2012.

Approximately $40 million of the Company's $90 million 2013 capital expenditure budget has been committed to date. This capital expenditure includes the initial acquisition of fleet assets from Nomad Building Solutions Limited, the acquisition of 116 additional Nomad fleet units and the acquisition of the remaining 10% of the modular rental business of Australian Portable Buildings Pty. Ltd. ("APB") not already indirectly owned by the Company. The capital committed to date does not include the initial acquisition of 90% of the modular rental business of APB for $42.59 million.

In summary, the Company's operations continue to be extremely healthy and management fully anticipates robust results as the Company moves forward through 2013. The strength of the Company's business has led the Board of Directors to approve a 17% increase in the Company's monthly dividend from $0.06 to $0.07 per month, which increase will take effect March 2013 for payment to shareholders in April 2013.

RESULTS OF OPERATIONS

Revenue

Consolidated

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	$	$	$
Revenue	68.44	66.21	264.27	241.81
Rental Revenue	32.62	25.44	110.46	83.34
% of Consolidated Revenue	48%	38%	42%	34%
Lodging Revenue	9.14	11.32	52.33	49.02
% of Consolidated Revenue	13%	17%	20%	20%
Non-Rental Revenue	26.68	29.45	101.48	109.45
% of Consolidated Revenue	39%	45%	38%	46%

There has been a significant increase in rental revenues for the three months ended December 31, 2012 (hereafter referred to as the "Period") and YTD Period, respectively, from the Comparative Period and Comparative YTD Period, reflecting the increase in the rental fleet which resulted from the growth of the modular accommodation and workspace units in the past 12 months. The rental revenue stream generates gross profit margins generally in excess of 90%, whereas the lodging revenue stream generates gross profit margins of approximately 40% to 50% and the non-rental or ancillary revenue streams generate gross profit margins of 15% to 20%.

RESULTS OF OPERATIONS (continued)

Camps Division

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	$	$	$
Revenue	28.39	22.84	89.07	76.24
% of Consolidated Revenue	41%	35%	34%	32%
Rental Revenue	19.82	13.74	62.88	45.57
% of Camps Revenue	70%	60%	71%	60%
Non-Rental Revenue	8.57	9.10	26.19	30.67
% of Camps Revenue	30%	40%	29%	40%
EBITDA	19.92	12.60	63.52	47.60
% of Camps Revenue	70%	55%	71%	62%
Utilization	91%	94%	93%	93%

Revenue increased in the Period relative to the Comparative Period primarily due to a 44% increase in rental revenue. The 44% increase in rental revenue in the Period is predominantly derived from the 41% increase in the fleet size, consisting of 819 units, since December 31, 2011. There was also an increase in average rental rates.

There was an increase in overall revenues of 17% for the YTD Period compared to the Comparative Period. The 38% increase in rental revenue in the YTD Period was derived from an increase in fleet size. There was also an increase in average rental rates.

The continued high levels of utilization are a reflection of the type of equipment Black Diamond deploys as well as the longer term nature of the rental contracts Black Diamond has favored. The workforce accommodation units typically do not experience significant seasonality due to the longer term nature of the contracts on projects requiring larger complements of labour in remote areas, which tend to start and operate without regard to the time of year.

The decrease in non-rental revenue for the Period and YTD Period compared with the Comparative Period and Comparative YTD Period was due to a decrease in used fleet sales from comparative periods.

The increase in EBITDA margin for the Period and YTD Period over prior year was a direct result of the relative increase of rental revenue versus other revenue streams compared to the Comparative Period and the Comparative YTD Period. Rental revenue typically generates revenues at much higher gross profit margins than the other streams.

At December 31, 2012, the weighted average remaining contract rental term outstanding was approximately 13 months. Committed rental revenue from contracts in place was $93.58 million.

RESULTS OF OPERATIONS (continued)

Logistics Division

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	$	$	$
Revenue	15.31	14.78	80.86	66.96
% of Consolidated Revenue	22%	22%	31%	28%
Lodging Revenue	9.14	11.32	52.33	49.02
% of Logistics Revenue	60%	77%	65%	73%
Non-Rental Revenue	6.17	3.46	28.53	17.94
% of Logistics Revenue	40%	23%	35%	27%
EBITDA	3.69	6.16	24.31	21.85
% of Logistics Revenue	24%	42%	30%	33%

Revenue increased in the Period and YTD Period as a result of significant increases in Non-Rental Revenue. Non-rental revenue increased by 78% in the Period and increased by 59% in the YTD Period over the comparative periods. The significant increase reflects the increase in operational activity associated with the deployment of several substantial projects in the year.

Lodging revenue was generated from several full service camps including the Sunday Creek Lodge. There may be variability in revenue with respect to services related to daily occupancy levels in the given period.

Lodging revenue increased by 7% in the YTD Period over the Comparative YTD Period due to higher bedcounts at operated camps. Lodging revenue decreased by 19% in the Period over the Comparative Period due to lower occupancy at Sunday Creek Lodge while the facility was being retrofitted with two storey dormitories, which decreased the number of beds available for occupancy in the Period.

The decrease in EBITDA margin in the Period and YTD Period over the comparative periods is a direct result of non-rental revenues making up a larger portion of total revenue, as well as the retrofit at Sunday Creek Lodge. Non-Rental revenue produces lower margins than lodging revenue.

At December 31, 2012, Logistics had contracts in place to provide a minimum of $50.38 million of lodging service revenue for the camps it operates. This excludes the rental equipment, which is reported in the Camps division.

RESULTS OF OPERATIONS (continued)

BOXX Modular Division

Combined Canada and USA Operations

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	$	$	$
Revenue	15.82	15.47	56.54	61.55
% of Consolidated Revenue	23%	23%	21%	25%
Rental Revenue	7.39	5.11	25.64	19.74
% of Combined BOXX Revenue	47%	33%	45%	32%
Non-Rental Revenue	8.43	10.36	30.90	41.81
% of Combined BOXX Revenue	53%	67%	55%	68%
EBITDA	6.23	4.60	22.14	19.89
% of Combined BOXX Revenue	39%	30%	39%	32%
Utilization (Space Rentals)	84%	76%	80%	75%

Revenue for the BOXX Modular division increased minimally in the Period and was lower in the YTD Period compared to the prior year as a result of a 26% decrease in Non-Rental activity in the YTD Period, which was as a result of lower manufactured sales in the YTD Period as compared to the Comparative YTD Period. This was offset by a 30% increase in Rental revenue in the YTD Period, with a 16%, or 420 unit, increase in the rental fleet year over year. The increase in rental revenue as a percentage of the total revenue had a direct effect on the EBITDA margin, as rental gross margins are significantly higher than non-rental gross margins.

The decrease in non-rental revenue during both the Period and YTD Period resulted from fewer sales of manufactured units.

At December 31, 2012, the weighted average remaining contract rental term outstanding was approximately seven months. Committed rental revenue from contracts in place was $16.02 million. This does not include several month-to-month projects that are expected to continue to contribute to rental revenue throughout 2013 and into future periods.

RESULTS OF OPERATIONS (continued)

Energy Services division

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Revenue	8.92	13.14	37.80	37.06
% of Consolidated Revenue	13%	20%	14%	15%
Rental Revenue	5.41	6.62	21.94	18.03
% of Energy Services Revenue	61%	50%	58%	49%
Non-Rental Revenue	3.51	6.52	15.86	19.03
% of Energy Services Revenue	39%	50%	42%	51%
EBITDA	2.62	5.61	14.13	14.43
% of Energy Services Revenue	29%	43%	37%	39%
Drilling Accommodation Utilization	64%	37%	67%	45%
Surface Rental Utilization	41%	52%	44%	46%

Revenue increased minimally in the YTD Period measured against the Comparative YTD Period. Rental revenue increased by 22% in the YTD Period over the Comparative YTD Period primarily due to fleet additions, despite decreased industry activity. The drilling accommodations fleet increased by 22%. This total includes drill camps as well as a complement of wellsite units, free standing sleepers and support units. Non-rental revenue saw a decrease in the YTD Period due to a substantial decrease in one time used fleet sales over the Comparative YTD Period.

Revenue decreased substantially in the Period measured against the Comparative Period. Rental revenue decreased by 18% due to some equipment being tied up at customers' sites and unavailable for rent, and an overall decline in industry activity. Non-rental revenue decreased in the Period due to a substantial decrease in one time used fleet sales over the Comparative Period.

At December 31, 2012, the weighted average remaining contract rental term outstanding was approximately four months. Committed rental revenue from contracts in place was $4.35 million.

RESULTS OF OPERATIONS (continued)

Direct Costs and Gross Profit

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Direct Costs	29.86	31.88	118.39	119.49
% of Consolidated Revenue	44%	48%	45%	49%
Gross Profit	38.59	34.33	145.89	122.33
% of Consolidated Revenue	56%	52%	55%	51%

Gross profit margin increased in both the Period and YTD Period from the Comparative Period and the Comparative YTD Period due to a larger portion of Black Diamond's revenue being derived from rental revenue in both the Period and the YTD Period.

Direct costs attributable to revenue when arriving at the gross profit are the labor, fuel, materials, freight and maintenance required in maintaining, servicing and moving the units to the contracted sites. In addition, there are often opportunities for Black Diamond to sell some units from its fleet, rent equipment from third parties and re-rent the equipment, provide logistics services or to provide installation and other services to customers. The net book value of sold units, costs of units sub-leased from others and the cost of transport from third parties are included in the direct costs. Revenue streams ancillary to the rental revenue are generally at lower gross margins than the fleet rental operations. Therefore, depending on the proportion of revenue generated from these other activities in any given period, gross profit margins may fluctuate.

RESULTS OF OPERATIONS (continued)

Administrative Expenses

($ millions, except as noted)	Q4		YTD	
	2012	2011	2012	2011
	$	$	$	$
Administrative expenses	12.31	9.38	37.86	30.18
% of Consolidated Revenue	18%	14%	14%	12%
Personnel	7.18	5.80	20.28	17.23
% of Administrative expenses	58%	62%	53%	57%
Occupancy & Insurance	1.09	1.07	4.42	3.47
% of Administrative expenses	9%	11%	12%	11%
Other Administrative Expenses	4.04	2.51	13.16	9.48
% of Administrative expenses	33%	27%	35%	32%

Administrative expenses increased in the Period and YTD Period, and increased as a percentage of revenue, predominately as a result of the increased scale of the business which led to increased office and professional expenses and share based compensation. Also increasing administrative expenses were year end performance bonuses, as well as transactions costs related to the acquisition of the business of Australian Portable Buildings Pty. Ltd. subsequent to December 31, 2012.

For the Period and YTD Period, personnel costs are the largest item representing approximately 58% and 53%, respectively, of the administrative expenses. Occupancy and insurance costs increased during the Period and YTD Period as further corporate space was leased with several locations expanding in size, as well as the total fleet increasing resulting in increased insurance costs. Other administrative expenses consist of items such as audit, legal, travel, meals and entertainment, bank charges and promotional items.

Share based compensation charges are reported within other administrative expenses and were $0.90 million for the Period and $3.32 million for the YTD Period compared with $0.45 million and $1.84 million for the Comparative Period and YTD Comparative Period. Share based compensation was determined using the Black-Scholes valuation method. The increase in share based compensation year over year is a result of the additional options granted during the year.

RESULTS OF OPERATIONS (continued)

EBITDA

($ millions, except as noted)	Q4		YTD	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
EBITDA	27.94	25.49	112.09	94.07
% of Consolidated Revenue	41%	39%	42%	39%

The EBITDA percentage for the Period and YTD Period is higher than the Comparative Period and Comparative YTD Period, due to a higher proportion of revenue coming from rental activity. The proportion may fluctuate from period to period depending on the level and mixture of the revenue generated from the rental of the fleet assets as compared to the ancillary revenue streams such as lodging services, custom manufactured sales, logistics, installation, sublease and services provided.

Included in the Period EBITDA is $4.52 million of administrative expenses and $3.47 million for the Comparative Period in 2011, which relate to non-divisional corporate expenses. Included in the EBITDA for the YTD Period is $12.01 million of administrative expenses and $9.7 million for the Comparative YTD Period in 2011, which relate to non-divisional corporate expenses.

Depreciation and Amortization

For the Period, the charge for depreciation and amortization was $10.26 million compared to $7.99 million in 2011. This included charges of $10.04 million with respect to depreciation taken on the property and equipment of Black Diamond, and $0.22 million relating to the amortization of the intangible assets. Depreciation and amortization for the comparative period of 2011 was $7.72 million and $0.27 million, respectively.

For the YTD Period, the charge to depreciation and amortization was $35.54 million compared to $28.70 million for the Comparative YTD Period. This included charges of $34.67 million with respect to depreciation taken on property and equipment of Black Diamond, and $0.88 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the same periods of 2011 was $27.29 million and $1.41 million, respectively. The increase in depreciation for the YTD Period compared with the Comparative YTD Period is due to an increase in fleet assets.

Finance Costs

Finance costs for the Period were $1.58 million compared with $1.38 million in 2011. For the YTD Period, finance costs were $5.75 million compared to $4.88 million for the Comparative YTD Period. This increase represents interest that was charged on the utilization of the credit facilities and the interest charged on the outstanding senior secured notes of the Company. Average interest rates in the Period and YTD Period were 7.03% and 6.60%, respectively, compared with 6.40% and 5.95% in the Comparative Period and YTD Comparative Period. Average long-term debt in the Period was $3.58 million higher than that in the comparative period.

RESULTS OF OPERATIONS (continued)

Income Taxes

For 2012, Black Diamond incurred a current income tax provision of $8.52 million (December 31, 2011 - $0.06 million) and incurred a future income tax provision of $7.06 million (December 31, 2011 - $14.00 million).

For the Period, Black Diamond incurred a current income tax provision of $1.41 million (December 31, 2011 - $0.01 million) and incurred a future income tax provision of $1.44 million (December 31, 2011 - $3.48 million).

This future income tax provision arises due to the differences in the book value and the tax value of the net assets held by Black Diamond that is expected to reverse after 2012. It has been calculated at the enacted tax rate of 25% in Canada and 40% in the United States.

At December 31, 2012, the future tax liability was $44.82 million compared to $38.89 million at December 31, 2011. The increase is due to the provision for future income taxes incurred during 2012.

Non-controlling Interests

Earnings attributable to non-controlling interests were $1.20 million during the Period and $3.76 million for the YTD Period, compared to $1.47 million and $3.60 million for the same periods in 2011. The non-controlling interest represent earnings attributable to the Fort Nelson First Nation's approximate 50% interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation's approximate 50% interest in the Black Diamond West Moberly Limited Partnership, and the Beaver Creek Cree Nation's approximate 50% interest in the Black Diamond Nehiyawak Limited Partnership.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous eight quarters:

(in $000's, except for per share amounts)

	Q4 2012	Q3 2012	Q2 2012	Q1 2012
	$	$	$	$
Revenue	68,442	74,901	61,974	58,957
EBITDA	27,941	31,210	26,462	26,478
Net Income attributable to Black Diamond Group Limited	10,393	12,982	10,976	13,043
Per Share - Basic	0.25	0.32	0.29	0.35
Per Share - Diluted	0.24	0.32	0.28	0.34

	Q4 2011	Q3 2011	Q2 2011	Q1 2011
	$	$	$	$
Revenue	66,206	63,070	56,801	55,732
EBITDA	25,495	25,165	21,548	21,862
Net Income attributable to Black Diamond Group Limited	10,688	11,011	9,385	9,897
Per Share - Basic	0.31	0.30	0.27	0.29
Per Share - Diluted	0.30	0.29	0.26	0.29

LIQUIDITY & CAPITAL RESOURCES

As of December 31, 2012, Black Diamond's principal sources of liquidity included:

- working capital of $39.0 million (see "Non-GAAP measures") excluding capital expenditures in accounts payable of $3.7 million,
- a committed revolving operating facility in the amount of $15.0 million of which all $15.0 million is available and $nil is drawn at December 31, 2012,
- a committed revolving capital expenditure facility of $130.0 million, all of which is available, and $35.0 is million drawn at December 31, 2012, and
- a committed operating facility in the United States in the amount of US$3.0 million all of which is available and $nil is drawn at December 31, 2012.

Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through 2013 and beyond, and pursue its planned business objectives. This is due to the longer term nature of Black Diamond's customer contracts and the credit worthiness of Black Diamond's customers.

LIQUIDITY & CAPITAL RESOURCES (continued)

Based on Black Diamond's current business plan, internal forecasts and the risks that are present in the current global economy, management believes that cash generated from operations will continue to exceed the funds required to pay dividends. 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 the ability to raise additional debt or equity through the issuance of additional shares, if required.

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

Working Capital

The working capital position of Black Diamond at December 31, 2012 was $39.0 million after extracting $3.7 million of capital expenditure in accounts payable, a decrease from the working capital position of December 31, 2011 by $16.1 million, after extracting $3.2 million of capital expenditure in accounts payable and debt.

Current assets at December 31, 2012 were $86.9 million, an increase of $7.0 million from December 31, 2011. The increase was mostly due to an increase in accounts receivable of $28.9 million and a decrease in other assets of $0.6 million, with an offsetting decrease of $20.3 million to cash and cash equivalents. The increased accounts receivable balance is due to a continued growth in Black Diamond's revenues as well as an increases in arrangements made with high credit-worthy customers to defer the invoicing of certain revenue over the term of the project.

Current liabilities at December 31, 2012 were $47.9 million, excluding $3.7 million of accounts payable in respect of capital expenditures (December 31, 2011 - $3.2 million), an increase of $23.1 million from December 31, 2011.

Indebtedness

Black Diamond has established syndicated credit facilities with two Canadian chartered banks as follows: a committed revolving operating facility of $15.0 million and a committed revolving capital expenditure facility of $130.0 million as well as a hedging credit facility of $7.5 million. Draws on the operating and capital expenditure facilities are charged interest based on the previous quarter's funded debt to EBITDA ratio as defined in Black Diamond's credit agreement. As at December 31, 2012, the interest rate applied to amounts drawn on the capital expenditure facility was 4.34%.

All facilities are collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries. The revolving operating facility matures on December 31, 2013; it is interest only until maturity and drawdowns may not exceed the sum of 75% of qualified Canadian accounts receivable and 60% of qualified US accounts receivable, in each case aged less than 90 days. The revolving capital expenditure facility is interest only payable monthly in arrears until December 31, 2013 and if not extended the facility, in aggregate, will be reduced beginning March 31, 2014 by equal quarterly reductions in an amount equal to 1/16th of the commitment on December 31, 2013. The facility may not exceed 60% of the net book

LIQUIDITY & CAPITAL RESOURCES (continued)

value of tangible capital property and equipment less the principal and any accrued and unpaid interest on the senior secured notes.

The Company has issued $62.0 million of senior secured notes, which rank pari passu with the other senior credit facilities. They have an interest rate of 5.44% per annum and mature in 2019. Amortized repayments of the notes begin in 2015 of 1/5th of the principal repaid annually for the five years until 2019. Financial covenants and security for these notes are similar to those in respect of the syndicated credit facilities described herein.

Black Diamond's financial debt covenants are as follows:

Covenant	Required	Actual
Current Ratio	≥ 1.25:1	1.75
Total Funded Debt to EBITDA	≤ 3.00:1	0.90
Fixed Charge Coverage	≥ 1.40:1	2.99
Tangible Net Worth	> $200.0M	316.75

For the purposes of the covenant calculations, EBITDA is determined using a 12 month trailing basis. 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.

As at December 31, 2012, Black Diamond was in compliance with all financial debt covenants. Management continues to monitor compliance with debt covenants carefully and believes that the Company will continue to be in compliance with debt covenants.

Black Diamond, through an indirect wholly owned US subsidiary, also has a U.S. $3 million committed revolving loan facility to fund working capital requirements in the U.S. The facility bears interest at a rate of U.S. prime plus 1% subject to a 5% minimum rate. At December 31, 2012, the effective rate was 5%. Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date. The facility is secured by a letter of credit issued by the Company's Canadian lenders. At December 31, 2012, there was $nil drawn on the facility.

Commitments

Black Diamond has entered into operating leases outlined within the table presented in the Capital Expenditures section below. These operating leases pertain to rental of office and yard space for branch locations as well as vehicle leases.

LIQUIDITY & CAPITAL RESOURCES (continued)

Share Capital

At December 31, 2012, Black Diamond had 41.16 million common shares outstanding. In addition at December 31, 2012, Black Diamond had 3.39 million common shares reserved for issuance pursuant to the exercise of options which have been granted pursuant to Black Diamond's share option plan.

The following table summarizes Black Diamond's capitalization as at March 12, 2013:

Common shares	41,414,811
Stock options	3,178,715

Capital Expenditures

For the Period, Black Diamond expended $46.62 million (2011 – $39.70 million) on additions to property and equipment. The additions consisted of:

- $32.57 million (2011 – $17.11 million) on workforce accommodation structures and ancillary equipment in the Camps division;
- $6.27 million (2011 – $9.33 million) on space rental structures and ancillary equipment in the BOXX Modular division;
- $5.15 million (2011 – $12.24 million) on Energy Services accommodation structures structures and surface rental equipment; and
- $2.63 million (2011 – $1.02 million) on land, leasehold improvements, computers, furniture and service related equipment.

For the twelve months ended December 31, 2012, Black Diamond expended $163.63 million (2011 – $94.66 million) on additions to property and equipment. The additions consisted of:

- $112.29 million (2011 – $50.43 million) on workforce accommodation structures and ancillary equipment in the Camps division;
- $23.63 million (2011 – $14.75 million) on space rental structures and ancillary equipment in the BOXX Modular division;
- $20.87 million (2011 – $22.14 million) on Energy Services accommodation structures and surface rental equipment; and
- $6.84 million (2011 – $7.34 million) on land, leasehold improvements, computers, furniture and service related equipment.

Black Diamond's approximate $164 million in gross capital expenditures in 2012 exceeded the announced $135 million of capital expenditures due to $7 million of disposals and carryover of 2011's approved expenditures of $22 million which were expended in 2012.

At December 31, 2012, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $7.60 million for delivery in the next six months. It is management's intention to meet the funding requirements for these commitments through a combination of internally generated cash flow and available funds from credit facilities.

LIQUIDITY & CAPITAL RESOURCES (continued)

The table below outlines the timing of payments for Black Diamond's contractual obligations.

	Payments Due by Period			
($ millions)	Total	Less than 1 year	1-5 years	After 5 years
Operating Leases	7.0	3.3	3.5	0.2
Asset Retirement Obligations	2.0	—	—	2.0
Total Contractual Obligations	**9.0**	**3.3**	**3.5**	**2.2**

FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at December 31, 2012 relate to standard working capital accounts, credit facility items, an interest rate swap and an asset retirement obligation. There are no significant differences between the carrying value of these financial instruments and their estimated fair values.

Black Diamond is subject to both cash flow and interest rate risk on its capital expenditure 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 credit facilities will fluctuate as a result of changes in market rates. On April 20, 2010, Black Diamond entered into a swap transaction to fix the rate of interest at 3.63% plus the credit spread on a notional $25 million of debt for a five year period expiring on April 10, 2015.

NON-GAAP MEASURES

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are consistent with International Financial Reporting Standards ("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:

EBITDA refers to consolidated earnings before finance costs, tax expense, depreciation, amortization, accretion, foreign exchange, stock-based compensation, acquisition costs and non-controlling interest. Black Diamond uses EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by EBITDA, is meaningful because it presents the performance of the operations on a basis which excludes the impact of how they have been financed.

NON-GAAP MEASURES (continued)

The following is a reconciliation of consolidated Net Income to EBITDA:

For the three months ended December 31 (in thousands of dollars)	2012	2011	Change
	$	$	$
Net income	10,393	10,688	(295)
Add:			
Depreciation and amortization	10,262	7,995	2,267
Finance costs	1,576	1,377	199
Foreign exchange (gain)/loss	63	20	43
Deferred income taxes	1,439	3,479	(2,040)
Current income taxes	1,406	12	1,394
Non-controlling interest	1,197	1,471	(274)
Acquisition costs	707	—	707
Share-based compensation	898	453	445
EBITDA	27,941	25,495	2,446

For the year ended December 31 (in thousands of dollars)	2012	2011	Change
	$	$	$
Net income	47,394	40,979	6,415
Add:			
Depreciation and amortization	35,544	28,700	6,844
Finance costs	5,747	4,884	863
Foreign exchange (gain)/loss	36	7	29
Deferred income taxes	7,061	13,996	(6,935)
Current income taxes	8,520	60	8,460
Non-controlling interest	3,761	3,602	159
Acquisition costs	707	—	707
Share-based compensation	3,321	1,843	1,478
EBITDA	112,091	94,071	18,020

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

NON-GAAP MEASURES (continued)

Funds available for dividends is calculated as the cash flow from operating activities excluding the changes in non-cash working capital adjusted for 1) maintenance capital expenditures made in the period, 2) funding of long term unfunded contractual obligations arising from operations and 3) restrictions on dividends arising from compliance with financial covenants at the date of the calculation. Growth capital expenditures are excluded from this calculation. Management believes that Funds available for dividends 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 facility. Funds not distributed are available for re-investing in the business and funding the growth of Black Diamond.

The following is a reconciliation of Cash Flow from Operating Activities to Funds available for dividends:

For the three months ended December 31

(in thousands of dollars)	**2012**	**2011**	**Change**
	$	**$**	**$**
Cash Flow from Operating Activities	35,024	40,246	(5,222)
Add/(Deduct):			
Book value of used fleet sales to operating activities	(1,391)	(3,046)	1,655
Reclassification of trade receivables to long-term	(1,796)	—	(1,796)
Changes in non-cash working capital	(6,007)	(11,717)	5,710
Funds available for dividends	25,830	25,483	347

For the year ended December 31

(in thousands of dollars)	**2012**	**2011**	**Change**
	$	**$**	**$**
Cash Flow from Operating Activities	103,515	68,804	34,711
Add/(Deduct):			
Book value of used fleet sales to operating activities	(6,817)	(14,171)	7,354
Reclassification of trade receivables to long-term	2,708	—	2,708
Changes in non-cash working capital	3,458	39,378	(35,920)
Funds available for dividends	102,864	94,011	8,853

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

Payout Ratio is calculated as the dividends declared for the period divided by Funds available for dividends.

Working Capital is calculated as current assets minus current liabilities (excluding debt and amounts for PP&E).

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

Transactions with Related Parties

	December 31, 2012	December 31, 2011
	$	$
Sales of goods and services	296	1,763
Purchases of goods and services (A)	300	409
Trade amounts owing from related parties	121	1,313
Due to related parties (B)	1,174	1,415

All amounts above are deemed transactions with related parties due to common directorship by the Company's key management personnel.

(A) Excludes amounts remitted as reimbursement for directors' activities within the period.

(B) The amount due to related parties relates to the distribution and royalties payable to the non-controlling interests.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those made in an arm's length transaction at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There are no guarantees provided or received for any related party receivables or payables.

No provision for doubtful accounts has been recognized in relation to any outstanding balances and no expense has been recognized in respect of bad or doubtful debts due from related parties.

RELATED PARTY TRANSACTIONS (continued)

The following table details transactions with related parties:

		Sales of goods and services	Purchase of goods and services	Trade amounts owing from related parties
		$	$	$
TriOil Resources	2012	296	—	121
Athabasca Oilsands	2011	1,744	—	1,311
CF Construction Services Ltd	2011	5	—	—
NC Services Group Ltd	2011	14	—	2
Burnet, Duckworth & Palmer	2012	—	285	—
	2011	—	380	—
Claryn Equities Inc	2011	—	20	—
Petroleum Services Association of Canada	2012	—	15	—
	2011	—	9	—
Total	2012	296	300	121
	2011	1,763	409	1,313

The above transactions disclosed are for the period during which they were related.

Key management personnel compensation

	December 31, 2012	December 31, 2011
	$	$
Salaries, bonuses and other short-term employee benefits	2,096	2,169
Share-based compensation	2,285	1,284
	4,381	3,453

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel.

RELATED PARTY TRANSACTIONS (continued)

Key management personnel's interest in the Share Option Plan

Share options held by key management personnel have the following grant dates and exercise prices:

Grant date	Exercise price $	Number outstanding December 31, 2012	Number outstanding December 31, 2011
May 2, 2007	3.40	—	100
October 1, 2007	4.74	—	80
March 20, 2008	5.87	50	128
March 9, 2009	2.81	106	333
April 1, 2010	9.81	562	845
March 25, 2011	12.97	690	742
March 22, 2012	20.61	630	—
April 5, 2012	19.94	386	—
		2,424	2,228

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 flow, and therefore on cash available for dividends. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond 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

Black Diamond's Chief Executive Officer and Chief Financial Officer have 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 Chief Executive Officer and Chief Financial Officer 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting 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 IFRS.

Black Diamond is required to disclose herein any change in Black Diamond's internal controls over financial reporting that occurred during the period beginning on October 1, 2012 and ended on December 31, 2012 that has materially affected, or is reasonably likely to materially affect, Black Diamond's internal controls over financial reporting. No material changes in Black Diamond's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's internal controls over financial reporting.

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 is available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS & ESTIMATES

The nature of the business and timely preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, the fair value of the identifiable assets acquired in business combinations, the fair value and useful lives of intangible assets for the purposes of impairment, percentage complete for revenue recognition, the fair value of share-based compensation awards and the future cash flows used to estimate the fair value of cash-generating units for goodwill impairment purposes. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the determination of control, definition of a business, determination of Cash Generating Units ("CGU's"), effectiveness of hedging relationships and determination of functional currency.

The preparation of the financial statements and consolidation of subsidiary companies and limited partnerships requires management to determine where control exists. In managements opinion control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Company's interest is less than 100 percent, the interest attributable to outside shareholders is reflected in non-controlling interests.

The operating results of the Company's US operations, which have a functional currency of US Dollars, are translated into Canadian Dollars using the rate of exchange on the date of the transaction. The Company determines the functional currency to be that of the primary economic environment in which the undertaking operates within.

When utilizing the acquisition method of accounting for business combinations, the Company measures the cost of the acquisition as the aggregate of the consideration transferred, measured at the acquisition date fair value less any amount of non-controlling interest. The fair value of the net assets acquired is estimated by the Company through comparison to assets currently owned, depreciated replacement value and detailed review of the assets current condition. When determining the nature of an acquisition, either a business combination or an asset acquisition, management defines a business as 'an integrated set of activities and assets that is capable of being conducted and managed for the purposes of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The primary focus in the determination is the presence of processes to convert the inputs purchased into outputs, thus evidencing a business is purchased.

The value of property and equipment, intangible assets and goodwill are subject to market conditions in the industry sectors in which Black Diamond operates. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the CGU to which goodwill has been allocated is greater than or at least equal to its carrying value.

Each of those CGU's (or group of CGU's) represents the lowest level within the Company at which the associated goodwill is monitored for management purposes based on shared infrastructure, geographical proximity, exposure to market risk and product offering and is not larger than the operating segments. Fair value is determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables.

The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect

CRITICAL ACCOUNTING POLICIES, JUDGMENTS & ESTIMATES (continued)

the determination of fair value and any resulting impairment charges. An impairment test was performed on goodwill during the fourth quarter 2012 and the results concluded that the fair value was higher than the carrying amount so no impairment charge was required.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognized in the Consolidated Statement of Net Income. Determining the recoverability of a balance involves estimation as to the likely financial condition of the customer and their ability to make payment.

Stock-based compensation expense, associated with stock options at the date of grant, is subject to changes in the variables used in the valuation of the options such as changes in the risk free rate, stock price volatility, forfeiture rate and dividend yields.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In establishing such provisions the Company takes into account the relevant facts and circumstances of each matter and considers advice of professional advisors where needed. The ultimate liability may vary from the amounts currently provided and may be dependent upon the discovery of facts that are currently uncertain.

The provision of installation, transportation, maintenance and dismantlement services is recognized on the percentage-of-completion basis over the term of the contract. Under this method, revenue for services is recognized proportionately with its percentage of completion at any given time. The percentage of completion is estimated by dividing the cumulative costs incurred as at the Consolidated Statement of Financial Position date by the sum of the incurred costs and anticipated costs for completing the contract. Where the stage of completion is not clearly defined by contract, management will estimate the stage by reference to the costs incurred, foreman's reports and job files.

Depreciation and amortization are determined using the estimated useful lives of the assets. These estimates could change due to a number of factors including unusual wear and tear, technology, change in economic circumstances and obsolescence. Such changes could have a material effect on the amount of future operating results. See the notes to the audited consolidated financial statements for a schedule outlining the depreciation and amortization policies of Black Diamond.

The Company uses derivative financial instruments to manage its fixed to floating interest rate exposure on certain long-term debt. These instruments are entered into solely for hedging purposes and are not used for speculative purposes. The estimated fair value of the instruments has been based on appropriate valuation models using assumptions concerning the amount and timing of future cash flows and discount rates. The Company assesses the effectiveness of the hedging instrument by using the hypothetical derivative method. This compares the fair value of the hedging instrument, including the deal contingent option, with the fair value of the hedging instrument excluding the deal contingent option.

While management applies judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS & ESTIMATES (continued)

Changes in Accounting Policies

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company include:

IFRS 9 - Financial instruments – first phase issued in October 2010, with phases two and three to follow. The part of the standard so far issued is the first phase in a comprehensive revision of and ultimate replacement of IAS 39 - Financial instruments: recognition and measurement. IFRS 9 requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial asset; to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs; and to be subsequently measured at amortized cost or fair value. The standard has an effective date of January 1, 2015. IFRS 9 is consistent with Black Diamond's current treatment under IAS 39 for financial assets and financial liabilities, and will not have a material effect on Black Diamond's consolidated financial statements when it is adopted in fiscal 2015.

IFRS 10 – Consolidated Financial Statements. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard has an effective date of January 1, 2013. IFRS 10 establishes a clear set of principles for this process, but will not materially impact the current consolidation process employed by the Company when it is adopted in fiscal 2013.

IFRS 11 – Joint Arrangements. The new standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly and clearly defines the difference between joint operations and joint ventures and the accounting requirements for each. The standard has an effective date of January 1, 2013. The Company has reviewed the standard and highlighted examples of joint operations within its current operations. The application of IFRS 11 will not have a material effect of the operations of the Company when it is adopted in fiscal 2013 and will aid the assessment of future joint arrangements and their required accounting.

IFRS 12 – Disclosure of interests in other entities. The new standard requires an entity to disclose information that enables users of the financial statements to evaluate the nature, and risks associated with, its interests in other entities and the effects of those interests on its financial position, performance and cash flows. The standard has an effective date of January 1, 2013. The Company has reviewed the standard and believes the application of IFRS 12 will not have a material impact when it is adopted in fiscal 2013.

IFRS 13 – Fair Value Measurement. The new standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard has an effective date of January 1, 2013. The Company has reviewed the requirements of IFRS 13 and has determined that the standard will not have a significant impact on existing fair value measurements, and will update its financial statement disclosures as required in fiscal 2013.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS & ESTIMATES (continued)

Changes in Business Reporting Structure

Black Diamond has decided to change the basis of its business unit structure for reporting purposes beginning in the 2013 fiscal year to: Structures (combination of Camps and BOXX Modular), Logistics, Energy Services, Corporate, and International.

As the change in accounting policy relates specifically to segment reporting, there is no financial effect of the change. The change will have a significant impact on the segment information reported but will not change aggregate financial information reported for Black Diamond. As a result, to enable users to understand the changes and to assess trends, prior period segment information that is included in the financial statements for comparative purposes will be restated, if practical, to reflect the new business structure.

Management has held continued discussions throughout 2012 regarding the change to the above noted new business units for reporting purposes. In addition, on December 4, 2012, Black Diamond announced the appointment of a Senior VP for the new Structures business unit to prepare for the upcoming changes. The business unit changes did not fully take effect until January 1, 2013.