

# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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



**BLACK DIAMOND**  

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**GROUP**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 as at September 30, 2019 and December 31, 2018

(Expressed in thousands)	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	2,970	3,175
Accounts receivable <sup>(note 3)</sup>	39,778	34,464
Prepaid expenses and other current assets	6,885	6,041
<b>Total Current Assets</b>	<b>49,633</b>	<b>43,680</b>
<b>Non-Current</b>		
Other long-term assets	139	813
Property and equipment <sup>(note 4)</sup>	331,248	339,894
Right-of-use assets <sup>(note 5)</sup>	20,467	—
Goodwill and intangible assets	18,183	18,882
<b>Total Non-Current Assets</b>	<b>370,037</b>	<b>359,589</b>
<b>Total Assets</b>	<b>419,670</b>	<b>403,269</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	30,904	28,734
Deferred revenue	3,600	6,796
Current portion of lease liabilities <sup>(note 7)</sup>	4,891	—
<b>Total Current Liabilities</b>	<b>39,395</b>	<b>35,530</b>
<b>Non-Current</b>		
Long-term debt <sup>(note 6)</sup>	96,802	90,084
Asset retirement obligations	18,524	18,878
Long-term lease liabilities <sup>(note 7)</sup>	19,565	—
Other long-term liabilities	158	2,599
Deferred income taxes	26,568	31,404
<b>Total Non-Current Liabilities</b>	<b>161,617</b>	<b>142,965</b>
<b>Total Liabilities</b>	<b>201,012</b>	<b>178,495</b>
<b>Shareholders' Equity</b>		
Share capital <sup>(note 8)</sup>	379,304	377,567
Contributed surplus	16,874	16,436
Accumulated other comprehensive income	13,039	17,317
Accumulated deficit	(191,952)	(187,908)
<b>Total Shareholders' Equity</b>	<b>217,265</b>	<b>223,412</b>
Non-controlling interests	1,393	1,362
<b>Total Equity</b>	<b>218,658</b>	<b>224,774</b>
<b>Total Liabilities and Equity</b>	<b>419,670</b>	<b>403,269</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

Refer to Commitments in Note 13.

**UNAUDITED CONSOLIDATED STATEMENT OF NET LOSS**  
 for the three and nine month periods ended September 30,

	Three months ended September 30,		Nine months ended September 30,	
(Expressed in thousands, except per share amounts)	2019 \$	2018 \$	2019 \$	2018 \$
<b>Revenue</b> <sup>(notes 9 and 12)</sup>	45,933	36,821	138,656	120,497
<b>Direct costs</b> <sup>(note 9)</sup>	26,212	22,917	82,319	69,415
<b>Gross profit</b>	19,721	13,904	56,337	51,082
<b>Expenses</b>				
Administrative expenses <sup>(note 10)</sup>	9,269	9,267	27,731	28,374
Depreciation and amortization	10,124	9,172	29,290	27,294
Share based compensation <sup>(note 8)</sup>	791	498	2,200	1,663
Finance costs	1,910	1,637	5,638	4,823
Gain on sale of real estate assets <sup>(note 4)</sup>	—	—	—	(378)
<b>Loss before income taxes</b>	(2,373)	(6,670)	(8,522)	(10,694)
<b>Income tax expense (recovery)</b>				
Current	(16)	(168)	(4)	39
Deferred	(2,145)	(1,641)	(3,832)	(2,906)
<b>Total income taxes</b>	(2,161)	(1,809)	(3,836)	(2,867)
<b>Loss before non-controlling interest</b>	(212)	(4,861)	(4,686)	(7,827)
Profit (loss) attributable to non-controlling interest	50	(116)	280	(234)
<b>Loss for the period</b>	(262)	(4,745)	(4,966)	(7,593)
<b>Loss per share - basic and diluted</b> <sup>(note 11)</sup>	—	(0.09)	(0.09)	(0.14)

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**UNAUDITED CONSOLIDATED STATEMENT OF  
 COMPREHENSIVE INCOME (LOSS)**  
 for the three and nine month periods ended September 30,

	Three months ended September 30,		Nine months ended September 30,	
(Expressed in thousands)	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Loss for the period</b>	<b>(262)</b>	<b>(4,745)</b>	<b>(4,966)</b>	<b>(7,593)</b>
<b>Other comprehensive income (loss) to be reclassified to Consolidated Statement of Net Income in subsequent period:</b>				
Translation adjustments	964	(2,488)	(4,278)	1,902
<b>Total comprehensive income (loss)</b>	<b>702</b>	<b>(7,233)</b>	<b>(9,244)</b>	<b>(5,691)</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 for the nine month period ended September 30, 2019 and 2018

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>As at January 1, 2018</b>	377,814	14,907	9,876	(176,524)	226,073	2,043	228,116
Loss for the period	—	—	—	(7,593)	(7,593)	(234)	(7,827)
Translation adjustments	—	—	1,902	—	1,902	—	1,902
Distributions declared to partners	—	—	—	—	—	(280)	(280)
Purchase of shares in trust <sup>(note 8)</sup>	(953)	—	—	—	(953)	—	(953)
Vesting of shares in trust	706	(706)	—	—	—	—	—
Share based compensation expense <sup>(note 8)</sup>	—	1,847	—	—	1,847	—	1,847
<b>As at September 30, 2018</b>	<b>377,567</b>	<b>16,048</b>	<b>11,778</b>	<b>(184,117)</b>	<b>221,276</b>	<b>1,529</b>	<b>222,805</b>
<b>As at December 31, 2018</b>	<b>377,567</b>	<b>16,436</b>	<b>17,317</b>	<b>(187,908)</b>	<b>223,412</b>	<b>1,362</b>	<b>224,774</b>
IFRS 16 transition adjustments	—	—	—	922	922	—	922
Loss for the period	—	—	—	(4,966)	(4,966)	280	(4,686)
Translation adjustments	—	—	(4,278)	—	(4,278)	—	(4,278)
Distributions declared to partners	—	—	—	—	—	(249)	(249)
Vesting of shares in trust <sup>(note 8)</sup>	1,737	(1,737)	—	—	—	—	—
Share based compensation expense <sup>(note 8)</sup>	—	2,175	—	—	2,175	—	2,175
<b>As at September 30, 2019</b>	<b>379,304</b>	<b>16,874</b>	<b>13,039</b>	<b>(191,952)</b>	<b>217,265</b>	<b>1,393</b>	<b>218,658</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 for the three and nine month periods ended September 30,

(Expressed in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Operating activities</b>				
Loss for the period	(262)	(4,745)	(4,966)	(7,593)
Add (deduct) non-cash / non-operating activities:				
Share based compensation expense <sup>(note 8)</sup>	781	803	2,175	1,847
Depreciation and amortization	10,124	9,172	29,290	27,294
Finance costs	1,910	1,637	5,638	4,823
Gain on sale of real estate assets <sup>(note 4)</sup>	—	—	—	(378)
Deferred income taxes	(2,145)	(1,641)	(3,832)	(2,906)
Settlement of ARO liability	—	(478)	(642)	(478)
Profit (loss) attributable to non-controlling interest	50	(116)	280	(234)
Book value of used fleet sales <sup>(note 4)</sup>	2,817	4,913	5,921	10,362
	<b>13,275</b>	9,545	<b>33,864</b>	32,737
Change in long-term accounts receivable	52	122	674	905
Change in non-current deferred revenue	100	(324)	(38)	(1,125)
Change in non-cash working capital related to operating activities	(3,822)	1,567	(5,022)	1,872
<b>Net cash flows from operating activities</b>	<b>9,605</b>	10,910	<b>29,478</b>	34,389
<b>Investing activities</b>				
Purchase of property and equipment <sup>(note 4)</sup>	(7,312)	(2,868)	(24,841)	(7,839)
Additions to intangible assets	(224)	(1,215)	(920)	(1,215)
Proceeds from sale of real estate <sup>(note 4)</sup>	—	—	—	4,381
Change in non-cash working capital related to investing activities	687	(1,368)	(1,691)	(2,247)
<b>Net cash flows from (used in) investing activities</b>	<b>(6,849)</b>	(5,451)	<b>(27,452)</b>	(6,920)
<b>Financing activities</b>				
Proceeds from long-term debt	12,652	1,908	22,527	28,036
Repayment of long-term debt	(9,957)	(4,827)	(15,965)	(59,636)
Net interest paid, including lease liability interest	(1,754)	(1,499)	(5,263)	(4,415)
Payment of lease liabilities	(1,180)	—	(3,271)	—
Consideration on assumption of ARO Liability	—	—	—	9,339
Distributions declared to non-controlling interest	(78)	(90)	(249)	(280)
Net purchase of shares in trust <sup>(note 8)</sup>	—	(953)	—	(953)
Change in non-cash working capital related to financing activities	(93)	(2)	(33)	24
<b>Net cash flows from (used in) financing activities</b>	<b>(410)</b>	(5,463)	<b>(2,254)</b>	(27,885)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,346</b>	(4)	<b>(228)</b>	(416)
Cash and cash equivalents, beginning of the period	535	1,668	3,175	2,497
Effect of foreign currency rate changes on cash and cash equivalents	89	(33)	23	(450)
<b>Cash and cash equivalents, end of the period</b>	<b>2,970</b>	1,631	<b>2,970</b>	1,631

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**NOTES TO UNAUDITED INTERIM  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and nine month periods ended September 30, 2019 and 2018

## **1. GENERAL INFORMATION**

The unaudited interim condensed consolidated financial statements ("interim financial statements") of Black Diamond Group Limited, its subsidiaries, and its controlled limited partnerships (collectively "Black Diamond" or the "Company") for the three and nine month periods ended September 30, 2019 and 2018 were authorized for issuance in accordance with a resolution of the Board of Directors on November 5, 2019. 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 financial statements for the three and nine month periods ended September 30, 2019 and 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### **Basis of Presentation and Measurement**

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

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 financial statements as were applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2018 ("2018 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 financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2018 Financial Statements.

These interim financial statements are presented in Canadian dollars and all amounts are rounded to the nearest thousand (\$'000), except per share amounts or as otherwise noted.

### **Seasonality of operations**

The Company's western Canadian operations, which form part of its Modular Space Solutions and Workforce Solutions business units, are exposed to a variable degree of seasonality. Drilling accommodations and surface rental assets of the Workforce Solutions 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 Workforce Solutions business unit are generally higher in the winter. This seasonality is offset by Modular Space Solutions 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.

**NOTES TO UNAUDITED INTERIM  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and nine month periods ended September 30, 2019 and 2018

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Changes in accounting policy and disclosure**

#### *Leases*

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.



**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and nine month periods ended September 30, 2019 and 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 <sup>(1)</sup>	(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.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

## 3. ACCOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018
	\$	\$
<b>Current</b>		
Trade and accrued receivables	40,001	34,599
Provision for doubtful accounts	(223)	(135)
<b>Total current accounts receivable</b>	<b>39,778</b>	<b>34,464</b>

## 4. PROPERTY AND EQUIPMENT

The Company added property and equipment of \$7,312 and \$24,841 (2018 - \$2,868 and \$7,839) during the three and nine month periods ended September 30, 2019, substantially all of which were fleet assets. There were also disposals of fleet assets with a net book value of \$2,817 and \$5,921 (2018 - \$4,913 and \$10,362) during the three and nine month periods ended September 30, 2019, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit. Black Diamond completed several sales of real estate properties during the first nine months of 2018 for cash consideration of \$4,381, resulting in a gain of \$378.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. RIGHT-OF-USE-ASSETS**

	Real Estate	Vehicles & Equipment	Total
	\$	\$	\$
<b>Cost</b>			
January 1, 2019	20,624	966	21,590
Additions	3,228	364	3,592
Disposals	(722)	—	(722)
Exchange rate adjustment	(110)	(16)	(126)
<b>September 30, 2019</b>	<b>23,020</b>	<b>1,314</b>	<b>24,334</b>
<b>Accumulated Depreciation</b>			
January 1, 2019	—	—	—
Charge for the period	3,588	279	3,867
<b>September 30, 2019</b>	<b>3,588</b>	<b>279</b>	<b>3,867</b>
<b>Net Book Value</b>			
January 1, 2019	20,624	966	21,590
<b>September 30, 2019</b>	<b>19,432</b>	<b>1,035</b>	<b>20,467</b>

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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## 6. LONG-TERM DEBT

	September 30, 2019	December 31, 2018
	\$	\$
Committed extendible revolving operating facility	56,909	39,648
Senior secured notes	40,000	50,629
Costs associated with issue and restructuring of long-term debt	(107)	(193)
<b>Total long-term debt</b>	<b>96,802</b>	<b>90,084</b>

For a full description of the Company's debt instruments, refer to the annual audited consolidated financial statements.

### Debt Covenants

At September 30, 2019, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the committed extendible revolving operating facility or the senior secured notes would result in an event of default in which case Black Diamond may have available specific cure periods to remedy such default. If the default is not remedied or waived, the lenders have the option to declare the obligations of Black Diamond under the extendible revolving operating facility and the senior secured notes to be immediately due and payable without presentment, demand, protest or further notice of any kind.

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

On October 31, 2019, Black Diamond entered into a four-year secured asset-based revolving credit facility. The facility consists of a maximum \$200 million revolving line, plus an uncommitted \$50 million accordion. The 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 incurred costs in the amount of \$2.4 million associated with the early termination of its existing debt facilities. As these costs were incurred subsequent to the period they will be expensed in the fourth quarter of 2019.

**NOTES TO UNAUDITED INTERIM  
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**7. LEASE LIABILITIES**

	\$
Lease liabilities, January 1, 2019	25,006
Additions	3,592
Disposals	(731)
Interest expense	932
Lease payments	(4,234)
Effect of movement in foreign exchange rates	(109)
Lease liabilities, September 30, 2019	24,456
Less: current portion	4,891
<b>Long-term lease liabilities, September 30, 2019</b>	<b>19,565</b>

Lease liabilities mature over the next five fiscal years and thereafter as follows:

	September 30, 2019
	\$
Due within one year	4,891
Due later than one year and less than five years	13,467
Due after five years	6,098
	24,456

Short-term lease payments were \$89 and sub-lease income was \$37 for the three month period ended September 30, 2019. Short-term lease payments were \$520 and sub-lease income was \$132 for the nine month period ended September 30, 2019.

**NOTES TO UNAUDITED INTERIM  
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## 8. 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	\$
<b>January 1, 2018</b>	55,043	377,814
Purchase of shares in trust	(300)	(953)
Vesting of shares in trust	213	706
<b>December 31, 2018</b>	54,956	377,567
Vesting of shares in trust and RSUs	541	1,737
<b>September 30, 2019</b>	<b>55,497</b>	<b>379,304</b>

### b) Share Based Compensation Plans

#### (i) Share option plan

As at September 30, 2019, there were 3,801 common shares (December 31, 2018 - 2,722) reserved for issuance from treasury upon the exercise of share options granted pursuant to the Company's Share Option Plan. The exercise price of each option equals the weighted average trading price of the common shares for the five trading days preceding the date of the grant. Outstanding options granted under the Share Option Plan generally vest on a straight line basis over three years and the option term is five years from the date of grant.

(expressed in thousands except per share amounts and years)

Grant date	Number of options outstanding	Exercise price per share	Remaining contractual life (years)	Number exercisable	Fair value at grant date
		\$			\$
January 9, 2015	455	12.35	0.28	455	1.46
March 11, 2016	339	4.72	1.45	339	1.03
March 21, 2017	638	3.60	2.47	425	0.81
August 14, 2017	411	1.74	2.87	274	0.74
September 12, 2017	120	1.91	2.95	80	0.83
September 22, 2017	60	1.86	2.98	40	1.00
March 15, 2018	699	2.53	3.46	233	0.86
March 14, 2019	1,079	1.96	4.45	—	0.86
<b>Balance September 30, 2019</b>	<b>3,801</b>			<b>1,846</b>	
<b>Weighted average</b>		3.80	2.93	5.44 <sup>(1)</sup>	

(1) Amount refers to the weighted average exercise price of the exercisable options as at September 30, 2019.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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## 8. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity during 2019 and 2018:

	Number of options outstanding	Weighted average exercise price per share	\$
<b>January 1, 2018</b>	2,481	8.33	
Granted	699	2.53	
Expired	(458)	22.20	
<b>December 31, 2018</b>	2,722	4.53	
Granted	1,079	1.96	
<b>September 30, 2019</b>	3,801	3.80	

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
	%	%	%
January 9, 2015	8.00	34	1.00
March 11, 2016	11.61	52	0.49
March 21, 2017	8.33	51	1.02
August 14, 2017	—	54	1.52
September 12, 2017	—	54	1.76
September 22, 2017	—	54	1.81
March 15, 2018	—	61	1.78
March 14, 2019	—	60	1.65

The expected life of the options 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.

Included in share-based compensation expense for the three and nine month periods ended September 30, 2019 was \$201 and \$514 (2018 - \$108 and \$270) for costs related to the Share Option Plan.

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## 8. SHARE CAPITAL (continued)

(ii) Other share-based plans

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 <sup>(1)</sup>	
	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit	Number of units	Weighted fair value per unit
		\$		\$		\$
<b>January 1, 2018</b>	369	4.19	546	3.13	94	3.91
Granted	231	2.58	473	2.53	79	2.57
Forfeited	(123)	3.61	—	—	—	—
Vested	(91)	5.19	(140)	2.71	—	—
<b>December 31, 2018</b>	386	3.18	879	2.87	173	3.30
Granted	<b>902</b>	<b>2.00</b>	<b>602</b>	<b>1.96</b>	<b>58</b>	<b>1.95</b>
Forfeited	<b>(76)</b>	<b>2.45</b>	<b>(60)</b>	<b>2.53</b>	<b>(15)</b>	<b>2.24</b>
Vested	<b>(188)</b>	<b>3.81</b>	<b>(364)</b>	<b>3.36</b>	<b>(11)</b>	<b>4.18</b>
<b>September 30, 2019</b>	<b>1,024</b>	<b>2.08</b>	<b>1,057</b>	<b>2.20</b>	<b>205</b>	<b>2.95</b>

(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.

As at September 30, 2019, these share-based plans include 65 units (December 31, 2018 - 49) that are expected to be settled in cash. A liability is included in accounts payable and accrued liabilities in the amount of \$48 related to these units (December 31, 2018 - \$66).

Included in share-based compensation expense for the three and nine month periods ended September 30, 2019 was \$590 and \$1,686 (2018 - \$390 and \$1,393 ) for costs related to the other share-based plans.

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 September 30, 2019 there are 410 shares held in the Trusts (December 31, 2018 - 585).



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## 9. REVENUE AND DIRECT COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Workforce Solutions</b>				
Rental revenue	8,638	5,512	23,316	17,519
Lodging revenue	3,020	4,418	18,451	22,934
Sales revenue	1,135	5,107	4,493	7,490
Non-rental revenue	10,903	5,466	27,078	21,972
<b>Total Workforce Solutions revenue</b>	<b>23,696</b>	<b>20,503</b>	<b>73,338</b>	<b>69,915</b>
<b>Modular Space Solutions</b>				
Rental revenue	8,796	7,402	24,619	21,755
Sales revenue	5,873	4,125	15,303	13,439
Non-rental revenue	7,568	4,791	25,396	15,388
<b>Total Modular Space Solutions revenue</b>	<b>22,237</b>	<b>16,318</b>	<b>65,318</b>	<b>50,582</b>
<b>Total Revenue</b>	<b>45,933</b>	<b>36,821</b>	<b>138,656</b>	<b>120,497</b>

Non-rental revenues are derived from the delivery, installation, construction, project management and value-added products & services required to support the deployment and remobilization of assets that have been rented or sold to customers. Sales revenues are derived from the sale of both new and used assets.

Customer deposits relating to non-rental revenue for used fleet sales and operations are included in deferred revenue in the Consolidated Statement of Financial Position. These amounts are expected to be recognized within the next twelve months.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Direct Costs</b>				
Construction and transportation services	11,953	5,193	34,887	15,785
Catering, utilities and other consumable costs	3,737	4,710	13,115	17,463
New sales	1,923	1,321	9,562	4,223
Repairs and maintenance	2,400	2,856	8,683	7,514
Used fleet sales	2,817	4,913	5,921	10,362
Personnel costs	1,499	1,210	4,917	4,203
Subleased equipment	1,783	1,644	4,448	7,337
Other direct costs	100	1,070	786	2,528
<b>Total direct costs</b>	<b>26,212</b>	<b>22,917</b>	<b>82,319</b>	<b>69,415</b>

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**10. ADMINISTRATIVE EXPENSES**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Personnel costs	6,072	5,107	17,397	14,963
General administrative expenses	1,975	1,745	6,127	6,250
Occupancy and insurance	1,222	2,415	4,207	7,161
<b>Total administrative expenses</b>	<b>9,269</b>	<b>9,267</b>	<b>27,731</b>	<b>28,374</b>

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

**11. LOSS PER SHARE**

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Reconciliation of weighted average number of shares</b>				
Weighted average common shares outstanding - basic and diluted	55,454	55,142	55,300	55,120

Excluded from diluted weighted average number of shares are 3,801 anti-dilutive options for the nine months ended September 30, 2019 (2018 - 2,817). Also excluded from diluted weighted average number of shares are 1,057 anti-dilutive Share Award Plan units for the nine months ended September 30, 2019 (2018 - 892).

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## **12. SEGMENTED INFORMATION**

Black Diamond has two operating segments: Modular Space Solutions and Workforce Solutions.

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

The Workforce Solutions 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 the Company's online digital marketplace, LodgeLink. Workforce Solutions operates in Canada, the United States and Australia. The primary service offerings in Workforce Solutions are asset rental, lodging and travel management logistics. To support the core rental business, Workforce Solutions also offers associated services such as installation, transportation and dismantlement and at times, management will sell used fleet to ensure a current rentable asset base.

The Corporate and Other business unit includes costs related to administrative activities that support all segments. Included in Corporate and Other are revenues generated from subleasing of real estate properties.

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**12. SEGMENTED INFORMATION (continued)**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenue</b>				
Modular Space Solutions	22,237	16,318	65,318	50,582
Workforce Solutions	23,696	20,503	73,338	69,915
<b>Total Revenue</b>	<b>45,933</b>	<b>36,821</b>	<b>138,656</b>	<b>120,497</b>
<b>Depreciation of Property and Equipment</b>				
Modular Space Solutions	2,574	2,538	7,622	7,629
Workforce Solutions	5,313	5,798	15,653	17,347
Corporate and Other	248	403	728	992
<b>Total Depreciation</b>	<b>8,135</b>	<b>8,739</b>	<b>24,003</b>	<b>25,968</b>
<b>Profit (loss)</b>				
Modular Space Solutions	3,593	1,220	7,194	4,305
Workforce Solutions	(132)	(2,807)	886	52
Corporate and Other	(3,723)	(3,158)	(13,046)	(11,950)
<b>Total Profit (Loss)</b>	<b>(262)</b>	<b>(4,745)</b>	<b>(4,966)</b>	<b>(7,593)</b>
<b>Capital Expenditures (Additions)</b>				
Modular Space Solutions <sup>(1)</sup>	5,427	1,792	16,611	4,310
Workforce Solutions <sup>(2)</sup>	1,963	2,256	8,879	4,482
Corporate and Other	146	35	271	262
<b>Total Capital Expenditures</b>	<b>7,536</b>	<b>4,083</b>	<b>25,761</b>	<b>9,054</b>

(1) Amount does not include property and equipment added through business acquisitions.

(2) Amount includes intangible asset additions.



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**12. SEGMENTED INFORMATION (continued)**

	September 30, 2019	December 31, 2018
	\$	\$
<b>Property and Equipment</b>		
Modular Space Solutions	148,431	145,274
Workforce Solutions	166,807	178,005
Corporate and Other	16,010	16,615
<b>Total Property and Equipment</b>	<b>331,248</b>	<b>339,894</b>
<b>Intangible Assets</b>		
Modular Space Solutions	5,635	6,837
Workforce Solutions	2,528	1,873
<b>Total Intangible Assets</b>	<b>8,163</b>	<b>8,710</b>
<b>Goodwill</b>		
Modular Space Solutions	10,020	10,172
<b>Total Goodwill</b>	<b>10,020</b>	<b>10,172</b>
<b>Assets</b>		
Modular Space Solutions	189,098	174,890
Workforce Solutions	210,780	203,688
Corporate and Other	19,792	24,691
<b>Total Assets</b>	<b>419,670</b>	<b>403,269</b>

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## 12. SEGMENTED INFORMATION (continued)

### Geographic and customer information

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenue</b>				
Canada	26,818	24,272	77,545	87,824
United States	15,931	8,192	51,695	23,817
Australia	3,184	4,357	9,416	8,856
<b>Total Revenue</b>	<b>45,933</b>	<b>36,821</b>	<b>138,656</b>	<b>120,497</b>

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

	September 30, 2019	December 31, 2018
	\$	\$
<b>Property and Equipment, Intangibles and Goodwill</b>		
Canada	234,741	244,672
United States	101,965	102,016
Australia	12,725	12,088
<b>Total Property and Equipment, Intangibles and Goodwill</b>	<b>349,431</b>	<b>358,776</b>

## 13. COMMITMENTS

At September 30, 2019, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of \$4,524 (December 31, 2018 - \$10,921).

Black Diamond rents head office space, Workforce Solutions accommodations and equipment, Modular Space Solutions rental premises, office equipment and vehicles under multiple operating leases with varying expiration dates. No arrangements have been entered into for contingent rental payments. The minimum lease payments over the next five fiscal years and thereafter are as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Due within one year	7,662	7,092
Due later than one year and less than five	21,826	21,654
Due after five years	9,632	12,848
	<b>39,120</b>	<b>41,594</b>

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#### 14. 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 amounts due to other related parties are unsecured and are repayable in cash.

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
	\$	\$	\$	\$	\$	\$
<b>Non-controlling interests</b>						
Limited partners						
Royalties and distributions declared	132	182	692	689	289	256
<b>Other related parties</b>						
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.