

A Letter to Our Owners

Like you, I am a shareholder of Black Diamond. Our management team and I continue to have much of our net worth invested in Black Diamond, with insiders owning 15% of the shares outstanding. Like you, this has been a rough year for our investment.

Between the beginning and end of 2014, I watched our share price rise by 20% to an all-time high of \$35.90 in April, and then watched it fall by 65% from that point to close the year at \$12.74 per share. To put this into perspective, since our high in April the price of West Texas Intermediate (WTI) decreased by only 49%. When I think about the investors that have placed their trust in our team, whether they have been with us from the beginning, joined us along the way, or are just getting in now, I realize how far we need to go in order to show them that their trust continues to be well placed.

When I look at the workforce accommodation sector as a whole, it is abundantly clear that platitudes will not suffice for the situation we find ourselves in today. Nothing could possibly gloss over the fact that investors have lost confidence in this sector's ability to produce returns over the long-term. While many politely attribute our sector's collective performance to the current decline in oil prices, in actual fact the damage to our sector is the result of a fundamental misunderstanding of risk and return by some industry participants.

I started my career in this industry working in a factory manufacturing and assembling modular buildings and installing them in the field. I've learned the trade role by role, administrating, selling, managing and leading. So too has the core of our commercial management team. Modular buildings, remote logistics and structures of all types have literally been our life's work. And through this experience we have developed a true sense of the risks inherent in servicing remote resource and infrastructure development.

Based on this experience, we have positioned ourselves in this industry as a speciality asset rental company where our core risk is the utilization of rental assets over their economic life. We manage this risk through pricing, contract term, capital allocation, and balance sheet flexibility.

Does it matter that each member of our commercial management team brings more than 20 years of industry experience on average? I think it does. Operators that are new to the industry, or who have forgotten the risks that certain areas can pose, are learning painful lessons right now, which is probably why investor confidence in the workforce accommodation sector has been shaken.

Now this isn't to say that we're free of responsibility for the situation in which we find ourselves. When we started this company in 2003 with whatever equity we could personally and collectively scrounge, we were convinced it was possible to reap a 20-25% return on assets if we owned our rental assets, and carefully contracted out and managed all the services around those assets. We very quickly realized this ambition, grew EBITDA at a compound annual growth rate of 33% between 2007 and 2014, and rightfully garnered investor confidence. However, as any management team at a growing company will tell you, the trouble with rapid growth is that you can outgrow your own support infrastructure, which can add inefficiencies to the business model.

This is where we found ourselves last year, so we began the process of assembling the talent and capabilities needed to support the business at the scale we had grown to. The enhanced team is now striving to reduce our working capital and improve our processes so that, when economic conditions turn around, we are ready to grow efficiently.

Oil Prices

I am not frustrated by the price of oil. While the current price of oil is disconcerting, our team has seen downturns in the oil patch time and again. I know that we have built a business platform to withstand environments like the one we're in and that we can emerge stronger from this period just as we did after the global financial crisis in 2008-09.

We continue to work closely with our exploration and production customers to help them find solutions during this current period of uncertainty while also ensuring we can meet our return on capital obligations. For the most part, our customers understand that their long term commitments are what allow us to offer them lower prices.

Our Winning Strategy

At our core, we are a business-to-business renter of specialized equipment. Our team's deep experience in remote workforce accommodation, modular building rental and sales, and oil field equipment rentals, coupled with our expertise in managing the logistics and supply chains for these services, enable us to deliver superior returns on capital while also helping our clients gain efficiency and realize value.

Capital Allocation

We are focused on achieving industry leading returns on the capital we deploy. As mentioned above, we own quality rental assets and, through aggressive sales and disciplined management, realize a target return on capital invested in these assets through rental revenue and selling associated services.

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

Risk Management

Our management team works diligently to share risk appropriately with our customers and vendors, and to promote mutually beneficial outcomes over the long term for everyone involved. Where capital is being deployed, our preference is to tie that capital to a long-term customer commitment. Doing so allows us to offer customers lower rates in return for the certainty of increased asset utilization. This ensures we attain our targeted return on capital, and our customers achieve a better price relative to spot rates for rental assets.

Business Diversification

We have been actively diversifying Black Diamond with respect to geographies, the types of assets we rent, and our exposure to customers and industrial verticals. Our entries into Australia and the United States were predicated on the fundamental belief that this diversification strategy would mitigate volatility during a downturn in any one geography, commodity, or asset class.

While the diversification of our business platform is beginning to work, with our BOXX Modular offerings in eastern Canada and the United States currently showing strength and growth, we would like to be even more diversified when facing downturns like the ones we are seeing for oil in western Canada, and mining in Australia.

We continue to believe our diversification strategy is sound and we will continue to look for further opportunities.

Asset Management

To ensure we are managing our assets and capital efficiently, the return targets we set for our business units are based on the original cost of their asset base. This creates discipline surrounding our decisions to acquire new assets, it encourages managers to have a long term view of utilization, and it drives the sale of older, less economic rental assets on the secondary market, which in turn keeps our rental fleet young.

Financial Strength

We have maintained a conservative balance sheet and pay-out ratio from the outset. With our current exposure to cyclic industries like western Canada's oil and gas sector and Australia's mining sector, we fundamentally believe that over-levering the balance sheet is tantamount to corporate suicide. Yet, only a few months have passed since some investors chastised us for this conservatism. I take no satisfaction in being right, other than it means we continue to have the financial capacity to execute on new opportunities while our competitors, in some cases, are struggling to meet their basic financial commitments.

Dividend and Capex

These days, I am frequently asked about the security of our dividend. We increased the dividend twice in less than twelve months and had, until the fourth quarter of 2014, maintained a dividend payout ratio below 40%. We have paid a monthly dividend since our initial public offering in 2006, and have increased it seven times, the most recent being in August of 2014.

In response to the down turn, our capital program for 2015 has been reduced to \$50 million compared with more than \$120 million in 2014. Given our core utilization, the minimal maintenance capital requirements of our assets, and the cash generating ability of those assets in place, this year may be the first year in our history that we generate free cash flow after interest, cash taxes, dividend and capital expenditures. While there are numerous other factors to consider when contemplating a dividend policy, Black Diamond's ability to generate free cash flow after capex should be a sign of strength in the current environment.

Optimistic about the Future

While many are rightfully focused on the downside during this resource sector rout, we remain cautiously optimistic thanks to our sales pipeline, the diversity of our rental platform, and our people. Yes, despite the current economic climate we continue to see a healthy pipeline of sales opportunities including:

- Numerous resource and public sector infrastructure projects in Canada and Australia;
- Continued demand from the natural gas sector in Canada despite the slowdown we have seen in the oil sands;
- Pending mining and hydro projects in British Columbia; and
- Stable and growing demand for the BOXX Modular platform in eastern Canada and along the Gulf Coast and Florida in the United States.

There continues to be a core level of activity in our Western Canadian camp fleet. And, there is a great deal of activity associated with potential liquefied natural gas (“LNG”) developments in British Columbia. The advancement of just one of these LNG projects would represent a tremendous demand for workforce housing and workspace requirements, such that all of our excess capacity and then some could be absorbed.

The Black Diamond team continues to work to secure business for the Company, generate value for our customers, and to earn our shareholders’ trust and approval through financial returns, sustainability, and exceptional performance in all categories of governance, health, workplace safety, environmental stewardship and good corporate citizenship.

Finally, I want to thank my colleagues, our business partners and you our shareholders. I resolutely believe that for many years to come Black Diamond will be a wealth creation engine for investors, a source of great business opportunities for our aboriginal partners, a great career growth opportunity for team members, and a tremendous source for collaborative value generation for our customers.

Thank you for your continued trust and confidence in Black Diamond,

Respectfully,

Trevor Haynes

President & CEO
Black Diamond Group Limited