Fellow Share Owners

Let me begin by acknowledging that 2015 has proven to be the most difficult business year of my career. In concert with the precipitous drop in oil prices, our workforce camps and lodging revenues have also fallen. More broadly, activity for oilfield equipment rentals and major construction support buildings from our space rental group have also suffered. Large projects which could have driven significant activity such as LNG plants and gas pipelines in northern British Columbia and oil pipelines to the west or east coasts of Canada have been mired in political debate regarding environmental impact and greenhouse gas emissions. As a result we have seen a decline in all key performance indicators for our business. Needless to say we have been put in a defensive stance for the past year as we've worked very hard to reduce costs, preserve market share, and protect our balance sheet. A high performance team cannot linger in a defensive stance for long; we are determined to find opportunities and begin to grow again.

From a defensive perspective we have dramatically reduced our number of employees from 450 to below 270. We have reduced our general and administrative expenses in the fourth quarter by 23% and our capital expenditure programs 58%, from $120 million in 2014 down to $50 million in 2015. We have reduced planned capex for 2016 by another 80% to $10 million. We have also reduced our dividend to keep within our typical payout range of 20-25%. The current rate of $0.025 cents per month amounts to $12.3 million annualized versus the $37.0 million paid out in 2015.

It has taken an enormous amount of effort to shift the mentality of our team from a high growth business to a declining one fighting to preserve market share and profitability. You may recall that our Company generated a compounded annual growth rate of greater than 40% for the first 8 years from our going public in 2006. In 2014 we generated $140 million of EBITDA, expended $120 million on capital assets, paid out $39 million in dividends, and bought back $39 million of our own shares. We were obviously very focused on the issues and pressures related to a high growth business when the unexpected drop in oil prices began in late 2014. This may also explain why we seemed slow at first to respond. It took a great deal of determination and persistence from our leadership team to get the overall business to change focus. I am pleased to say that the team has come through and demonstrated by year end that we could reduce costs, streamline our business, improve operating efficiencies, manage our receivables and make the necessary tough decisions to navigate an extremely difficult and uncertain operating environment. In this regard, I believe that we have not let a good crisis go to waste. We have improved systems, processes, communication, and cost controls, while retaining market share and future optionality. But we're not out of the woods yet.

We can't stay defensive for long or we will miss the opportunities that may present themselves in these market conditions. We need to remain vigilant in pursuit of cost controls and balance sheet strength but also to opportunities for increasing our market share, enhancing our diversification, and strengthening our team. Once our end markets begin to stabilize we will be better able to assess and implement market strategies which play to our strengths. Our desire is to emerge from the current commodity cycle trough with increased market share, a best in class asset base, and best in industry team, with optimal financial flexibility.

We know that our business model is sound. The core of our business continues to focus on assets, specifically the recurring rental streams from a diversified portfolio of rental assets, along with the value added services that can be sold along with those assets. If executed well we should be able to generate a high return on average capital employed, a stable recurring cash flow, reliable yield, and continuous growth, all of which should compound to deliver a top tier return on equity to our shareholders. We are experiencing a period of severe dislocation in our end markets which has caused us to retrench, but I believe that this period will subside and Black Diamond will regain a return profile in line with, or stronger than, our historical range. As our end markets recover we should see a steady increase in cash generated from currently underutilized assets resulting in a stabilization of our cash flows.

Even within this commodity cycle downturn Black Diamond is seeing growth within some parts of our platform. Specifically our U.S. and eastern Canada space rentals operations where utilization and rates have remained steady and demand for fleet additions has increased. We have expanded this platform through the addition of new branches in Tallahassee Florida and Los Angeles California, and will continue to look for additional opportunities and ways to accelerate this growth.

In closing, I thank you for your continued investment in Black Diamond. The entire team continues to work very hard to protect our Company during these very trying times. We are also striving to find low risk opportunities to strategically strengthen our position by increasing market share and accelerating the growth of our space rentals businesses in non-resource markets. We are highly confident that our robust business model along with our high quality asset base and best in industry team will result in an even stronger Company as the current business environment begins to improve. The ultimate goal is to deliver a superior return to our shareholders and partners while maintaining a safe and respectful workplace for our employees.

We thank you for your trust and confidence.

Respectfully,

Trevor Haynes
President & CEO
Black Diamond Group Limited