

# CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017



**BLACK DIAMOND**  

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**GROUP**

### To the Shareholders of Black Diamond Group Limited:

#### Opinion

We have audited the consolidated financial statements of Black Diamond Group Limited and its subsidiaries (collectively, the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018 and 2017, and the consolidated statement of net income (loss), consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Jubenvill.

Calgary, Canada  
March 5, 2019

*Ernst + Young LLP*

Chartered Professional Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 as at December 31,

(Expressed in thousands)	2018	2017
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	3,175	2,497
Accounts receivable <sup>(note 5)</sup>	34,464	28,929
Prepaid expenses and other current assets <sup>(note 13)</sup>	6,041	10,320
<b>Total Current Assets</b>	<b>43,680</b>	<b>41,746</b>
<b>Non-Current</b>		
Other long-term assets	813	1,697
Property and equipment <sup>(notes 7, 9 and 26)</sup>	339,894	369,285
Goodwill and intangible assets <sup>(notes 8, 9 and 26)</sup>	18,882	18,167
<b>Total Non-Current Assets</b>	<b>359,589</b>	<b>389,149</b>
<b>Total Assets</b>	<b>403,269</b>	<b>430,895</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <sup>(notes 10, 11, 23 and 27)</sup>	28,734	35,318
Deferred revenue	6,796	3,807
<b>Total Current Liabilities</b>	<b>35,530</b>	<b>39,125</b>
<b>Non-Current</b>		
Long-term debt <sup>(note 14)</sup>	90,084	115,059
Asset retirement obligations <sup>(note 17)</sup>	18,878	9,923
Other long-term liabilities	2,599	3,852
Deferred income taxes <sup>(note 13)</sup>	31,404	34,820
<b>Total Non-Current Liabilities</b>	<b>142,965</b>	<b>163,654</b>
<b>Total Liabilities</b>	<b>178,495</b>	<b>202,779</b>
<b>Shareholders' Equity</b>		
Share capital <sup>(note 18)</sup>	377,567	377,814
Contributed surplus	16,436	14,907
Accumulated other comprehensive income	17,317	9,876
Retained deficit	(187,908)	(176,524)
<b>Total Shareholders' Equity</b>	<b>223,412</b>	<b>226,073</b>
Non-controlling interests <sup>(note 19)</sup>	1,362	2,043
<b>Total Equity</b>	<b>224,774</b>	<b>228,116</b>
<b>Total Liabilities and Equity</b>	<b>403,269</b>	<b>430,895</b>

*See accompanying notes to the consolidated financial statements*

Refer to Commitments and Contingencies in Note 28.

**On behalf of the Board of Directors**  
 Signed "Robert Herdman"

Signed "Robert Wagemakers"

**CONSOLIDATED STATEMENT OF NET INCOME (LOSS)**  
 for the years ended December 31,

(Expressed in thousands, except per share amounts)	2018	2017
	\$	\$
<b>Revenue</b> <sup>(notes 20 and 26)</sup>	<b>165,931</b>	153,377
<b>Direct costs</b> <sup>(note 20)</sup>	<b>98,001</b>	86,517
<b>Gross profit</b>	<b>67,930</b>	66,860
<b>Expenses</b>		
Administrative expenses <sup>(note 21)</sup>	<b>38,613</b>	38,956
Depreciation and amortization <sup>(notes 7, 8 and 26)</sup>	<b>36,872</b>	47,079
Share-based compensation <sup>(note 18)</sup>	<b>1,857</b>	2,536
Finance costs <sup>(note 22)</sup>	<b>6,313</b>	7,652
Impairment loss <sup>(notes 7, 8 and 9)</sup>	—	98,158
Restructuring costs <sup>(note 23)</sup>	—	2,885
Gain on sale of real estate assets <sup>(note 7)</sup>	<b>(378)</b>	(2,762)
<b>Loss before income taxes</b>	<b>(15,347)</b>	<b>(127,644)</b>
<b>Income tax recovery</b> <sup>(note 13)</sup>		
Current	<b>(80)</b>	(7,399)
Deferred	<b>(3,646)</b>	(23,833)
<b>Total income tax recovery</b>	<b>(3,726)</b>	(31,232)
<b>Loss before non-controlling interest</b>	<b>(11,621)</b>	(96,412)
Loss attributable to non-controlling interest <sup>(note 19)</sup>	<b>(237)</b>	(1,002)
<b>Loss for the year</b>	<b>(11,384)</b>	(95,410)
<b>Earnings (loss) per share</b> <sup>(note 24)</sup>		
Basic	<b>(0.21)</b>	(1.81)
Diluted	<b>(0.21)</b>	(1.81)

*See accompanying notes to the consolidated financial statements*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
 for the years ended December 31,

(Expressed in thousands)	2018	2017
	\$	\$
<b>Loss for the year</b>	<b>(11,384)</b>	<b>(95,410)</b>
<b>Other comprehensive income (loss) to be re-classified to Consolidated Statement of Net Income in subsequent period:</b>		
Translation adjustments	7,441	(6,192)
<b>Net other comprehensive income (loss) to be re-classified to Consolidated Statement of Net Income in subsequent period</b>	<b>7,441</b>	<b>(6,192)</b>
<b>Total comprehensive loss</b>	<b>(3,943)</b>	<b>(101,602)</b>
<i>See accompanying notes to the consolidated financial statements</i>		

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 for the years ended December 31, 2018 and 2017

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>As at January 1, 2017</b>	345,865	13,062	16,068	(71,891)	303,104	4,317	307,421
Profit (loss) for the year	—	—	—	(95,410)	(95,410)	(1,002)	(96,412)
Translation adjustment	—	—	(6,192)	—	(6,192)	—	(6,192)
Dividends declared <sup>(note 12)</sup>	—	—	—	(9,223)	(9,223)	—	(9,223)
Distributions declared to partners, net of contributions	—	—	—	—	—	(1,272)	(1,272)
Shares capital issued <sup>(note 18)</sup>	31,900	—	—	—	31,900	—	31,900
Share issue costs, net of tax <sup>(note 18)</sup>	(1,425)	—	—	—	(1,425)	—	(1,425)
Shares issued under DRIP <sup>(note 12 and 18)</sup>	1,237	—	—	—	1,237	—	1,237
Purchase of shares in trust <sup>(note 18)</sup>	(73)	—	—	—	(73)	—	(73)
Vesting of shares in trust <sup>(note 18)</sup>	310	(310)	—	—	—	—	—
Share-based compensation <sup>(note 18)</sup>	—	2,155	—	—	2,155	—	2,155
<b>As at December 31, 2017</b>	<b>377,814</b>	<b>14,907</b>	<b>9,876</b>	<b>(176,524)</b>	<b>226,073</b>	<b>2,043</b>	<b>228,116</b>
Loss for the year	—	—	—	(11,384)	(11,384)	(237)	(11,621)
Translation adjustments	—	—	7,441	—	7,441	—	7,441
Distributions declared to partners, net of contributions <sup>(note 27)</sup>	—	—	—	—	—	(444)	(444)
Purchase of shares in trust <sup>(note 18)</sup>	(953)	—	—	—	(953)	—	(953)
Vesting of shares in trust <sup>(note 18)</sup>	706	(706)	—	—	—	—	—
Share-based compensation <sup>(note 18)</sup>	—	2,235	—	—	2,235	—	2,235
<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>

*See accompanying notes to the consolidated financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 for the years ended December 31,

(Expressed in thousands)	2018 \$	2017 \$
<b>Operating activities</b>		
Profit (loss) for the year	(11,384)	(95,410)
Add (deduct) non-cash / non-operating activities:		
Share-based compensation <sup>(note 18)</sup>	2,235	2,536
Depreciation and amortization <sup>(notes 7, 8, and 26)</sup>	36,872	47,079
Finance costs <sup>(note 22)</sup>	6,313	7,652
Gain on sale of real estate assets <sup>(note 7)</sup>	(378)	(2,762)
Impairment loss <sup>(notes 7, 8 and 9)</sup>	—	98,158
Deferred income taxes <sup>(note 13)</sup>	(3,646)	(23,833)
Settlement of ARO liability <sup>(note 17)</sup>	(613)	—
Loss attributable to non-controlling interest <sup>(note 19)</sup>	(237)	(1,002)
Book value of used fleet sales <sup>(note 7)</sup>	13,528	14,835
	<b>42,690</b>	<b>47,253</b>
Change in other long-term assets	884	(724)
Change in non-current deferred revenue	(1,253)	767
Change in non-cash working capital related to operating activities <sup>(note 25)</sup>	(3,166)	(15,950)
<b>Net cash flows from operating activities</b>	<b>39,155</b>	<b>31,346</b>
<b>Investing activities</b>		
Purchase of property and equipment <sup>(notes 7 and 26)</sup>	(14,988)	(16,724)
Additions to intangible assets <sup>(note 8 and 26)</sup>	(2,422)	(6,857)
Business acquisitions <sup>(note 6)</sup>	—	(42,025)
Proceeds from sale of real estate assets	4,381	12,249
Change in non-cash working capital related to investing activities <sup>(note 25)</sup>	(1,991)	867
<b>Net cash flows used in investing activities</b>	<b>(15,020)</b>	<b>(52,490)</b>
<b>Financing activities</b>		
Proceeds from long-term debt <sup>(note 14)</sup>	40,977	88,729
Repayment of long-term debt <sup>(note 14)</sup>	(66,117)	(84,255)
Costs associated with issue and restructuring of facilities	—	(815)
Net interest expensed <sup>(note 22)</sup>	(5,768)	(6,487)
Net proceeds from issuance of shares <sup>(note 18)</sup>	—	29,955
Consideration on assumption of ARO Liability <sup>(note 17)</sup>	9,339	—
Dividends declared <sup>(note 12)</sup>	—	(9,223)
Distributions declared to non-controlling interest <sup>(note 27)</sup>	(444)	(1,272)
Net purchase of shares in trust <sup>(note 18)</sup>	(953)	—
Change in non-cash working capital related to financing activities <sup>(note 25)</sup>	94	699
<b>Net cash flows from (used in) financing activities</b>	<b>(22,872)</b>	<b>17,331</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,264</b>	<b>(3,813)</b>
Cash and cash equivalents, beginning of the year	2,497	6,119
Effect of foreign currency rate changes on cash and cash equivalents	(586)	191
<b>Cash and cash equivalents, end of the year</b>	<b>3,175</b>	<b>2,497</b>

*See accompanying notes to the consolidated financial statements*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 1. GENERAL INFORMATION

The consolidated financial statements of Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships (collectively “Black Diamond” or the “Company”) for the years ended December 31, 2018 and 2017 were authorized for issuance in accordance with a resolution of the Board of Directors on March 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

#### Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Except as otherwise disclosed, the same accounting policies and methods of computation were followed in the preparation of these consolidated financial statements as at and for the year ended December 31, 2017.

The consolidated 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.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of Black Diamond Group Limited, its subsidiaries and its controlled limited partnerships as at December 31, 2018. Control is achieved when Black Diamond Group Limited is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When Black Diamond Group Limited has less than a majority of the voting or similar rights of an investee, Black Diamond Group Limited considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- Black Diamond Group Limited’s voting rights and potential voting rights.

Black Diamond Group Limited re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Black Diamond Group Limited obtains control over the subsidiary and ceases when Black Diamond Group Limited loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income from the date Black Diamond Group Limited gains control until the date Black Diamond Group Limited ceases to control the subsidiary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Consolidated Statement of Net Income (Loss) and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Black Diamond Group Limited loses control over a subsidiary, it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interests;
- De-recognizes the translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes any surplus or deficit in Consolidated Statement of Net Income (Loss);
- Reclassifies the parent's share of components previously recognized in OCI to the Consolidated Statement of Net Income (Loss) or retained earnings, as appropriate, as would be required if Black Diamond Group Limited had directly disposed of the related assets or liabilities; and
- Recognizes the fair value of the remaining investment.

The consolidated financial statements of Black Diamond Group Limited include the following significant operational entities listed below. The ultimate holding entity of the companies listed below is Black Diamond Group Limited.

Name	Country of formation	Equity Interest	
		2018	2017
Black Diamond Limited Partnership	Canada	100%	100%
LodgeLink Inc.	Canada	100%	100%
Black Diamond Dene Limited Partnership	Canada	50%	50%
Black Diamond West Moberly Limited Partnership	Canada	50%	50%
Black Diamond Nehiyawak Limited Partnership	Canada	50%	50%
Whitecap Black Diamond Limited Partnership	Canada	49%	49%
Black Diamond Energy Services Inc.	United States	100%	100%
BOXX Modular Holdings Inc.	United States	100%	100%
Nortex Modular Leasing and Construction Company	United States	100%	100%
MPA Systems, LLC	United States	100%	100%
Black Diamond Modular Buildings Pty Ltd.	Australia	100%	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business acquisitions

The acquisition method of accounting is used to account for the purchase of subsidiaries by the Company. The cost of the acquisition is the aggregate of the consideration transferred, measured at the acquisition date, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects to measure any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets on a historical cost basis. Acquisition costs incurred are expensed and included in administrative expenses in the Consolidated Statement of Net Income (Loss).

When determining the nature of an acquisition as 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 management's determination is the presence of processes capable of converting the inputs purchased into outputs, evidencing a business is purchased. If these processes are not present then this suggests an asset purchase and not a business combination.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the combination date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the combination date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value at the combination date through the Consolidated Statement of Net Income (Loss). Any contingent consideration to be transferred by the Company is recognized at fair value at the combination date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with IFRS 9, *Financial instruments* ("IFRS 9") either in Consolidated Statement of Net Income (Loss) or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of combination is less than the fair value of the Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in the Consolidated Statement of Net Income (Loss).

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, short term investments with maturity at the time of purchase of less than 90 days, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts outside of the committed extendible revolving facility are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position to the extent that there is no right of offset and no practice of net settlement with cash balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost is the fair value of the consideration given to acquire the asset at the time of acquisition and includes the direct cost of bringing the asset to the location and condition necessary for operation. Property and equipment are depreciated over their estimated useful lives using the following rates and methods:

Computers, furniture and service equipment	30% declining balance
Space rentals fleet equipment	6% declining balance
Workforce accommodation rental	10% declining balance
Surface rental equipment	10% - 50% declining balance
Buildings	5% declining balance
Carry-on options	Straight-line over two years
Leasehold improvements	Straight-line over term of lease
Asset retirement obligation	Straight-line over four to ten years

Land and deposits on equipment are not subject to depreciation.

The residual values and useful lives of property and equipment are reviewed and adjusted if appropriate at each Consolidated Statement of Financial Position date. Black Diamond uses estimates in determining appropriate useful lives and residual values.

#### Intangible assets

Separately acquired intangible assets with finite lives are recorded at cost, net of accumulated amortization and accumulated impairment. The cost of intangible assets acquired in business combinations is their fair value on acquisition date. Intangible assets are amortized over their estimated useful lives on a straight-line basis over 1 to 20 years.

#### Goodwill

Goodwill arises when the acquisition cost of an acquired business exceeds the sum of the amounts allocated to the net assets acquired on a fair value basis. Goodwill is allocated as at the acquisition date to the cash-generating units ("CGUs") of Black Diamond's operations that are expected to benefit from the business combination.

Goodwill is not amortized, but is evaluated on an annual basis for impairment, or when an event occurs that more likely than not reduces the expected recoverable value of a CGU below its carrying value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. Each of those CGUs (or groups of CGUs) 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 determined in accordance with IFRS 8, *Operating segments*. Goodwill impairments are not reversed.

#### Impairment of long-lived assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGUs recoverable amount. The recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal (FVLCD) and its value in use (VIU). Impairment losses are recognized to the extent that the carrying amount of an asset or CGU exceeds its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining FVLCD, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated five-year after tax discounted cash flow approach, cross-checked to comparable market transactions and public company trading multiples. Where available, these calculations are corroborated by implied valuation multiples for comparable industry participants or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset's or CGUs recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

#### Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- **Amortized Cost:** Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- **FVOCI:** Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- **FVTPL:** Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset.

#### Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired.

#### Lease obligations

Where the Company is the lessee, leases are classified as finance or operating. A lease which transfers substantially all the risks and rewards of ownership of the asset is classified as a finance lease. Factors reviewed in this determination include, but are not limited to, the term of the lease, whether ownership is transferred at the end of the term, bargain purchase arrangements and a comparison of the present value of the minimum lease payments versus the fair value of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

At the inception of the finance lease, an asset is capitalized in the Consolidated Statement of Financial Position and depreciated over the shorter of the lease term or the asset's useful life. The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The capital elements of future obligations under finance leases are included in liabilities in the Consolidated Statement of Financial Position and classified between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the Consolidated Statement of Net Income (Loss) over the periods of the lease and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

All other leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and are not recognized on the Company's Consolidated Statement of Financial Position. The cost of operating leases is charged to the Consolidated Statement of Net Income (Loss) on a straight line basis over the periods of the leases.

Tenant inducements are recorded as a long-term liability and amortized over the lease term as a reduction of rent expense.

#### Provisions

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. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. In establishing such provisions the Company takes into account the relevant facts and circumstances of each matter and considers advice of professional advisors when needed. The ultimate liability may vary from the amounts currently provided and may be dependent upon the discovery of facts that are currently uncertain.

Black Diamond recognizes asset retirement obligations ("ARO") associated with its operations as required. The present value of the ARO is recognized in the period in which the obligations are incurred. The estimated present value of the ARO is the discounted expected future cash flows to settle the ARO at a pre-tax risk free interest rate that reflects current market assessments of the time value of money. The present value of the ARO is sensitive to estimates of the future obligations and interest rate used.

Asset retirement costs are capitalized and depreciated over the asset's estimated remaining useful life. In subsequent periods, the ARO is adjusted for the passage of time through accretion expense, which is recognized as a finance cost and for changes in the amount or timing of the underlying future cash flows. Changes in the estimated future costs or in the discount rate applied are added to, or deducted from, the cost of the asset. Actual expenditures are charged against the provision when incurred with any differences between actual costs and estimated costs recorded in net income.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is determined by estimating the present value of payments in excess of the expected benefits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share capital

The Company currently has one class of outstanding voting common shares, which is classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, net of tax, from the proceeds.

#### Revenue recognition

Black Diamond is in the business of providing rental of specialized equipment, plus the support services for these assets including transportation, installation, catering, utilities, security and sub-contracting third party service providers for other specific requirements of our customers. Revenue is recognized by Black Diamond under both IFRS 15 and IAS 17, *Leases* ("IAS 17").

(a) *Rental*

Rental revenue is associated with the rental of Black Diamond's owned assets to customers and is recognized in the period the equipment is used by the customer on a straight-line basis over the term of the related rental agreement.

(b) *Sales*

Revenue from the sale of new units, custom manufactured equipment and used rental equipment generally include one performance obligation. Black Diamond has concluded that revenue from the sale of equipment should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

(c) *Non-Rental*

Non-rental revenue includes delivery, pickup, installation, transportation, maintenance (together, "Operations"), dismantlement of assets, catering services, subleased equipment and stand-by fees on disaster recovery contracts. Non-rental revenue services are usually bundled together with sales or rental contracts. Black Diamond reviews and assesses bundled contracts to determine that performance obligations related to various services or goods provided within the same contract are distinct and clearly identifiable. The amount of revenue is based on the prices outlined in the contracts and is recognized at the time when the distinct performance obligation is satisfied and the customer receives and consumes the benefits of the services or goods provided by the Company. When a price or multiple prices outlined within a contract are not reasonably comparable to stand-alone pricing for the various performance obligations, the Company reallocates the total contract consideration based on the relative stand-alone selling prices.

Revenue from catering services, subleased equipment and stand-by fees on disaster recovery are recognized over the time the service is provided to the customer on a straight-line basis.

Revenue from delivery, pickup, installation, transportation, maintenance and dismantlement of assets will continue to be recognized over time, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) *Lodging*

Lodging revenue is generated from provision of full turnkey lodging services provided to customers. Revenue is recognized in the period the service is provided to the customer.

#### Share-based compensation

Black Diamond maintains share-based compensation plans, consisting of a share option plan and other share-based plans. Options granted pursuant to the share option plan to employees, officers and directors are accounted for using the fair value method. Share-based compensation expense is recorded along with a corresponding increase in contributed surplus, based on the fair values determined through the use of an option pricing model when the options are granted. The calculation of the fair value of option grants is sensitive to the expected forfeiture rate, volatility, dividend yield and expected life of the option. Any consideration paid to Black Diamond on the exercise of the options plus the attributed contributed surplus is recorded to share capital at the time of exercise. The fair value of awards granted under the other 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.

Share-based compensation cost is recognized on a graded amortization basis over the vesting period. Forfeitures are estimated at the date of grant, with adjustments being made over the vesting period for changes in expectations due to actual forfeitures through failure to satisfy vesting conditions. Costs related to surrendered or canceled options are recognized immediately for the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

The Company has directed an independent trustee to purchase and hold common shares in trust for the participants of the other share-based plans until the applicable vesting date. The cost of the purchase of common shares held in trust is accounted for as a reduction in outstanding common shares and the trust is consolidated as a special purpose entity. Compensation expense for equity-settled share-based plans, based on the fair value of the common shares underlying the rights granted, is recognized on a graded amortization basis over the vesting period with a corresponding increase to contributed surplus. Upon vesting, share capital is increased and contributed surplus is decreased.

The cost of cash-settled share-based payments is measured at fair value and recognized as an expense over the vesting period, with a corresponding liability recognized on the Consolidated Statement of Financial Position. Each subsequent period the liability is remeasured to reflect the passage of time, changes in the Company's share price, and the actual number of units for which the related service and non-market vesting conditions are met. Changes in the fair value of the liability are recognized through profit or loss until the liability is ultimately settled.

#### Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that are expected to be in effect when the deferred income tax asset is realized or the deferred income tax liability is settled.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and investments subject to significant influence, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that future realization of the tax benefit is probable.

Current income taxes are amounts expected to be payable or recoverable as a result of operations in the current year and any adjustments to tax payable in respect of previous years.

#### Foreign currency translation

The operating results of the Company's United States and Australian operations, which have a functional currency of United States Dollars ("USD") and Australian Dollars ("AUD"), respectively, 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. The Statement of Financial Position of the United States and Australian operations are translated into Canadian Dollars at the rates of exchange at the period end. Exchange differences arising between the translation into Canadian Dollars of the net assets of these operations at rates at the beginning and end of the period are recognized in other comprehensive income.

In the event that a foreign subsidiary is sold, the gain or loss on disposal recognized in the Consolidated Statement of Net Income (Loss) is determined after taking into account the cumulative currency translation differences that are attributed to the subsidiary concerned.

Foreign currency transactions entered into by the Company during the year through the Canadian operations are translated into Canadian Dollars at the rates of exchange on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the Consolidated Statement of Financial Position date. Non-monetary assets denominated in foreign currencies are translated at historical exchange rates. All foreign currency transaction translation differences relating to the Canadian operations are recorded in the Consolidated Statement of Net Income (Loss).

#### Per share amounts

Basic net income per share is computed by dividing net income attributable to Black Diamond by the weighted average number of shares outstanding during the period.

The treasury stock method is used to determine the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase shares of Black Diamond at their estimated average market price during the period, and the difference between Black Diamond shares issued upon the exercise of the options and the number of options exercisable under this method, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive options are not considered in computing diluted earnings per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, determined to be the Board of Directors and the senior executives, as these are the individuals that make strategic decisions and resource allocations.

#### Changes in accounting policy and disclosure

##### *Financial Instruments*

IFRS 9, *Financial instruments* ("IFRS 9") sets out requirements for the classification and measurement of financial assets, financial liabilities, and impairment, and includes a new general hedge accounting model. IFRS 9 replaces earlier versions of IFRS 9 and supersedes IAS 39, *Financial instruments: recognition and measurement*. The effective date of the new standard is for annual periods beginning on or after January 1, 2018. The Company has applied IFRS 9 retrospectively, with an initial application date of January 1, 2018. No changes were required to the comparative period.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company's business model for managing the financial asset. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities:

Financial Instrument	Measurement Category	
	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Current accounts receivable	Loans and receivables	Amortized cost
Other long-term assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Revenue Recognition*

IFRS 15, *Revenue from contracts with customers* ("IFRS 15") supersedes IAS 18, *Revenue*, IAS 11, *Construction contracts*, and a number of revenue-related interpretations. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. A five step model is used to account for revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires management to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Black Diamond has applied a full retrospective transition method in adopting IFRS 15. The adoption of IFRS 15 did not have a material impact on the Company's financial statements, therefore prior year opening and comparative amounts were not adjusted.

#### **Standard issued but not yet effective**

The standard that is issued, but not yet effective, up to the date of issuance of the financial statements is disclosed below. The Company intends to adopt this standard when it becomes effective on January 1, 2019.

#### *Leases*

IFRS 16, *Leases* ("IFRS 16") specifies how to recognize, measure, present and disclose leases. Lessees will be required to recognize right-of-use ("ROU") assets and lease liabilities while lessors will 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, with earlier application permitted if IFRS 15 has already been applied or will be applied at the same date as IFRS 16. The Company will adopt IFRS 16 using the modified retrospective transition approach and will not restate prior periods for the impact of IFRS 16.

On initial adoption, the Company is applying 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 that have been identified at January 1, 2019 will not be recognized on the Consolidated Statement of Financial Position.
- Certain classes of lease arrangements that contain both lease and non-lease components within the same contract that have been identified for recognition at January 1, 2019 will be recognized as a single lease component.
- Leases with terms ending within 12 months of January 1, 2019 will be 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 will be measured as a portfolio by applying a single discount rate.
- Initial direct costs will be excluded from the measurement of ROU assets for the purpose of initial measurement on transition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- At January 1, 2019, the previously recognized onerous contract provision will be applied to the associated ROU asset. There will be no impairment assessment made under IAS 36 *Impairment of assets* ("IAS 36").

The Company has 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 is expected to increase the Company's total assets and liabilities, and have a future impact on net income. Future net income will be impacted as the aggregate of depreciation of ROU assets and interest expense on lease liabilities will not correspond to the amount of related cash flows in any given period.

The Company's leases that will be recognized on its Statement of Financial Position as at January 1, 2019 include leases of real estate, equipment and vehicles. The Company has 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 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 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.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements:

##### *Impairment of non-financial assets*

Goodwill is reviewed annually for impairment. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of forecasted cash flows, long-term growth rates, anticipated gross margin, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

##### *Determination of a CGU*

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its property, plant and equipment, goodwill and indefinite-life intangible assets. The CGUs have been determined considering level of operating activities and independent cash flows generated from groups of assets. Management determined the smallest identifiable group of assets that independently generates cash inflows and whose cash flow is largely independent of the cash inflows from other assets or groups of assets as follows: Camps & Lodging, Modular Space Solutions East ("MSS East"), Modular Space Solutions West ("MSS West"), Modular Space Solutions US ("MSS US"), Energy Services, and International.

##### *Operating lease commitments – Company as lessor*

The Company has entered into rental contracts for its fleet. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the fleet, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

##### *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models and trading multiples. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 15 for further disclosures.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Judgments (continued)

##### *Determination of control and significant influence*

Management has used judgment in assessing whether Black Diamond Group Limited exerts control and significant influence over its subsidiaries and investments, respectively. In general, significant influence is presumed to exist when Black Diamond Group Limited has between 20% and 50% of voting power. Significant influence may also be evidenced by other qualitative factors, including but not limited to Black Diamond Group Limited's representation on the board of directors.

##### *Income Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. As a multinational group of legal entities and businesses, the Company has undertaken various cross border transactions. These transactions are subject to the review and audit of various tax authorities. The judgment used when developing and entering into these transactions is based on existing tax policies in each jurisdiction. Future changes in tax policies may necessitate associated adjustments to tax recoveries and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company's legal entities.

##### *Aggregation of interest in subsidiaries*

Management has used judgment in determining whether it is appropriate to aggregate the disclosures required by IFRS 12, *Disclosure of interests in other entities* for Black Diamond Group Limited's interests in subsidiaries. In reaching a determination, management considered such factors as its interests in the subsidiaries' nature of business, their industry classification and their geographical location.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Estimates and assumptions (continued)

##### *Revenue recognition*

Revenue from certain types of contracts is recognized over time, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company. In determining the progress towards complete satisfaction, estimates and assumptions are made in relation to costs incurred and the costs to complete the contracts. When the outcome of the transaction cannot be estimated reliably, estimates and assumptions are made on whether the Company will recover the transaction costs incurred. If it is probable that the costs will be recoverable, revenue is recognized only to the extent of costs. If it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

##### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its FVLCD and its VIU. The FVLCD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated future cash flows. The FVLCD calculation is based on a DCF model. The cash flows are derived from the Company's forecast for the next year and does not include significant future investments that could enhance the performance of the CGU being tested. Estimates for revenue growth and EBITDA margins were based on a review of historical information for each CGU, consideration of achievable rates and utilizations during the forecast period, and consideration of future prospects given management's understanding of the operating environment. The discount rates used for each CGU were estimated based on the assumed weighted average cost of capital for a notional purchaser of each CGU. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, margins, and the growth rate used for extrapolation purposes.

The Company is required to make judgments regarding the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets.

##### *Asset Retirement Obligations*

The Company has recognized a provision for asset retirement obligations associated with land leases held by the Company. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the camps from the leases and the expected timing of those costs.

##### *Onerous Contracts*

The Company has recognized a provision relating to an onerous contract for a portion of a head office lease held by the Company. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates and the economic benefits expected to be received under the contract.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

#### **Estimates and assumptions (continued)**

##### *Additional estimates*

Other estimates that management is required to make to conform with IFRS and prepare timely consolidated financial statements includes accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, and useful lives of intangible assets. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the estimates used in pricing its options and long-term share-based compensation plans and the determination of functional currency.

If the underlying estimates and assumptions upon which the consolidated financial statements are based change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 4. CAPITAL MANAGEMENT

Black Diamond's primary objectives when managing capital are:

- to maintain the strength of its statement of financial position, ensuring Black Diamond's strategic objectives are met, while retaining an appropriate amount of leverage; and
- to provide an appropriate return to shareholders relative to the risk of Black Diamond's underlying assets.

Black Diamond manages its capital structure within guidelines approved by the Board of Directors of the Company, and makes adjustments in light of changes in economic conditions, planned requirements, and the requirements of financial covenants. Black Diamond considers its capital structure to include shareholders' equity, short and long term credit facilities, and working capital. Black Diamond has the ability to adjust its capital structure by issuing or repurchasing equity or issuing or repaying debt, selling assets to reduce debt, controlling the amount it dividends to the shareholders and making adjustments to its capital expenditure program. The only restriction Black Diamond has on its capital is in respect of certain financial covenants contained in its credit facilities and senior secured notes disclosed in Note 14. Breaches in meeting the financial covenants would permit its lenders to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or past periods.

Black Diamond monitors capital using the Funded Debt to Bank EBITDA<sup>(1)</sup> ratio. Funded Debt is a non-GAAP measure calculated as long-term debt excluding deferred financing costs and demand operating facilities plus debt guaranteed by subsidiaries. Black Diamond considers the Funded Debt to Bank EBITDA ratio to be a key measure of operating performance as it demonstrates the Company's ability to generate the necessary funds for capital investment and to service and repay debt. At December 31, 2018, the Funded Debt to Bank EBITDA<sup>(1)</sup> ratio is 2.95 (December 31, 2017 - 3.30). Bank EBITDA, a non-GAAP measure, is defined as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Loss for the year	<b>(11,384)</b>	(95,410)
Add (Deduct):		
Share-based compensation <sup>(note 18)</sup>	<b>1,857</b>	2,536
Depreciation <sup>(note 7)</sup> and amortization <sup>(note 8)</sup>	<b>36,872</b>	47,079
Finance costs <sup>(note 22)</sup>	<b>6,313</b>	7,652
Restructuring costs <sup>(note 23)</sup>	—	2,885
Impairment loss <sup>(notes 7, 8 and 9)</sup>	—	98,158
Current income taxes <sup>(note 13)</sup>	<b>(80)</b>	(7,399)
Deferred income taxes <sup>(note 13)</sup>	<b>(3,646)</b>	(23,833)
Cash distributions from excluded subsidiaries	<b>444</b>	1,272
Loss from excluded subsidiaries	<b>237</b>	1,002
Pre-acquisition EBITDA of acquired entities	—	781
<b>Bank EBITDA<sup>(1)</sup></b>	<b>30,613</b>	<b>34,723</b>

- (1) Funded Debt and Bank EBITDA are not recognized measures under IFRS. Funded Debt and Bank EBITDA are useful supplemental measures in calculating the Company's bank covenants. The Company's method of calculating Funded Debt and Bank EBITDA may differ from other entities and accordingly, may not be comparable to measures used by other entities. Bank EBITDA for the comparative period has been adjusted to conform to the current year's presentation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 5. ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
	\$	\$
<b>Current</b>		
Trade and accrued receivables	34,599	29,278
Provision for doubtful accounts	(135)	(349)
<b>Total current accounts receivable</b>	<b>34,464</b>	<b>28,929</b>

a) Trade and accrued receivables

Trade receivables are aged from the date of invoicing, with normal payment terms being 30 - 60 days.

The aging of the trade and accrued receivables is as follows:

	December 31, 2018	December 31, 2017
	\$	\$
<b>Current accounts receivable, net of provision for doubtful accounts</b>		
Amounts not yet due	17,456	15,197
Past due not more than 30 days, but not impaired	10,944	9,203
Past due not more than 60 days, but not impaired	1,853	1,768
Past due not more than 90 days, but not impaired	1,388	1,275
Past due greater than 90 days, but not impaired	2,823	1,486
<b>Total current accounts receivable, net of provision for doubtful accounts</b>	<b>34,464</b>	<b>28,929</b>

Credit risk is the risk that Black Diamond will experience financial loss if a customer does not fulfill its contractual obligations to the Company. Refer to Note 15 Financial Instruments for further analysis and discussion of credit risk.

b) Provision for doubtful accounts

Management expects full collection on accounts receivable that are neither past due nor impaired. The Company recognizes loss allowances for ECLs on its accounts receivable, which are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

	2018	2017
	\$	\$
<b>Movement in provision for doubtful accounts</b>		
As at January 1,	349	993
Amount provided in year	124	314
Written off in year	(338)	(958)
<b>As at December 31,</b>	<b>135</b>	<b>349</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 6. BUSINESS COMBINATIONS

Effective March 1, 2017, Black Diamond acquired all of the rental assets, trade name, working capital and associated customer contracts from Britco LP ("Britco") for cash consideration of \$41,000. The acquisition closed on March 6, 2017 and has been accounted for as a business combination in the BOXX Modular segment. The business acquired was comprised of space rentals fleet in British Columbia with the majority of the remaining value attributable to the Britco trademark, non-compete agreement and customer relationships.

The final allocation of the fair value of the net assets acquired and aggregate consideration is presented below.

	<b>March 1, 2017</b>
Fair value of net assets acquired:	<b>\$</b>
Accounts receivable	939
Inventory and other current assets	620
Property and equipment	33,566
Intangible assets <sup>(1)</sup>	6,857
Accounts payable and accrued liabilities	(531)
Customer deposits	(451)
Net assets	41,000

(1) Intangible assets include a trade name, non-compete agreement and customer relationships

From the acquisition date to December 31, 2017, Black Diamond recognized revenue and profit contributed by this business of approximately \$17,312 and \$1,998, respectively. If the business combination had occurred on January 1, 2017, the Company would have recognized pro forma revenue and profit for the twelve months ended December 31, 2017 of approximately \$19,562 and \$2,273, respectively. EBITDA for the ten month period from the closing date to December 31, 2017 was \$6,070. EBITDA is a non-GAAP measure calculated as earnings before finance costs, tax expense, depreciation, and amortization. Acquisition costs of \$636 are included in administrative expenses for the twelve months ended December 31, 2017. The proforma results are not necessarily indicative of the results from operations had the transaction actually closed on January 1, 2017 nor of future results.

On January 16, 2017, Black Diamond acquired 116 modular units from Travelite Trailers Inc. for total cash consideration of \$1,025. The acquisition was accounted for as a business combination in the Modular Space Solutions segment. The Company made a final determination of the fair value of net assets assumed in the acquisition, with \$965 allocated to property and equipment and \$60 allocated to other current assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**7. PROPERTY AND EQUIPMENT**

	Land and improvements	Building	Leasehold improvements	Computers, furniture, service equipment and websites	Space rentals fleet equipment	Workforce accommodation rental fleet	Surface rental equipment	Carry-on options	Deposits on equipment	ARO	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>											
January 1, 2018	15,109	4,091	27,593	16,225	209,361	467,864	37,156	12,026	333	9,487	799,245
Additions	272	—	2,754	143	8,644	1,658	674	807	36	—	14,988
Disposals	(4,490)	(190)	(374)	(399)	(11,343)	(29,591)	(1,118)	(250)	—	—	(47,755)
Transfers	—	(342)	—	168	(317)	171	(2)	322	—	—	—
Translation and other adjustments	511	70	6	70	6,609	3,795	—	16	—	(147)	10,930
<b>December 31, 2018</b>	<b>11,402</b>	<b>3,629</b>	<b>29,979</b>	<b>16,207</b>	<b>212,954</b>	<b>443,897</b>	<b>36,710</b>	<b>12,921</b>	<b>369</b>	<b>9,340</b>	<b>777,408</b>
<b>Accumulated Depreciation</b>											
January 1, 2018	606	1,673	20,559	12,995	55,871	292,926	30,530	9,542	—	5,258	429,960
Charge for the year	119	181	2,014	1,062	9,605	17,597	798	1,408	—	1,777	34,561
Disposals	(389)	(190)	(373)	(216)	(3,509)	(24,419)	(958)	(236)	—	—	(30,290)
Transfers	—	(330)	—	39	(91)	59	1	322	—	—	—
Translation and other adjustments	15	9	6	51	2,584	607	—	11	—	—	3,283
<b>December 31, 2018</b>	<b>351</b>	<b>1,343</b>	<b>22,206</b>	<b>13,931</b>	<b>64,460</b>	<b>286,770</b>	<b>30,371</b>	<b>11,047</b>	<b>—</b>	<b>7,035</b>	<b>437,514</b>
<b>Net Book Value</b>											
<b>December 31, 2018</b>	<b>11,051</b>	<b>2,286</b>	<b>7,773</b>	<b>2,276</b>	<b>148,494</b>	<b>157,127</b>	<b>6,339</b>	<b>1,874</b>	<b>369</b>	<b>2,305</b>	<b>339,894</b>

Transfers include reclassifications between asset categories to reflect the re-purposing of assets and the application of deposits.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**7. PROPERTY AND EQUIPMENT (continued)**

	Land and improvements	Building	Leasehold improvements	Computers, furniture and service equipment	Space rentals fleet equipment	Workforce accommodation rental fleet	Surface rental equipment	Carry-on options	Deposits on equipment	ARO	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>											
<b>January 1, 2017</b>	19,935	5,291	25,077	15,636	173,970	494,479	38,174	9,867	504	8,528	791,461
Additions	3,559	820	2,539	254	46,489	1,904	—	2,539	8	1,842	59,954
Disposals	(7,975)	(1,983)	—	(112)	(6,768)	(24,668)	(960)	(342)	—	—	(42,808)
Transfers	—	—	—	541	(290)	(90)	(58)	(5)	(98)	—	—
Translation adjustment	(410)	(37)	(23)	(94)	(4,040)	(3,761)	—	(33)	(81)	(883)	(9,362)
<b>December 31, 2017</b>	<b>15,109</b>	<b>4,091</b>	<b>27,593</b>	<b>16,225</b>	<b>209,361</b>	<b>467,864</b>	<b>37,156</b>	<b>12,026</b>	<b>333</b>	<b>9,487</b>	<b>799,245</b>
<b>Accumulated Depreciation</b>											
<b>January 1, 2017</b>	887	2,010	16,718	11,122	49,028	215,237	30,449	8,776	—	3,650	337,877
Charge for the period	155	230	1,997	1,626	9,443	27,342	928	1,053	—	1,608	44,382
Impairment <sup>(note 9)</sup>	—	—	1,867	356	30	66,707	—	—	—	—	68,960
Disposals	(405)	(531)	—	(92)	(1,484)	(15,377)	(802)	(260)	—	—	(18,951)
Transfers	—	—	—	53	(57)	54	(45)	(5)	—	—	—
Translation adjustment	(31)	(36)	(23)	(70)	(1,089)	(1,037)	—	(22)	—	—	(2,308)
<b>December 31, 2017</b>	<b>606</b>	<b>1,673</b>	<b>20,559</b>	<b>12,995</b>	<b>55,871</b>	<b>292,926</b>	<b>30,530</b>	<b>9,542</b>	<b>—</b>	<b>5,258</b>	<b>429,960</b>
<b>Net Book Value</b>											
<b>December 31, 2017</b>	<b>14,503</b>	<b>2,418</b>	<b>7,034</b>	<b>3,230</b>	<b>153,490</b>	<b>174,938</b>	<b>6,626</b>	<b>2,484</b>	<b>333</b>	<b>4,229</b>	<b>369,285</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**8. GOODWILL AND INTANGIBLE ASSETS**

	2018	2017
<b>Goodwill</b>	\$	\$
<b>As at January 1,</b>	<b>9,745</b>	34,560
Impairment loss <sup>(note 9)</sup>	—	(24,471)
Translation adjustment	427	(344)
<b>As at December 31,</b>	<b>10,172</b>	9,745

Goodwill is allocated to the reportable segments as reflected in the segmented information (note 26).

	2018	2017
<b>Intangible Assets</b>	\$	\$
<b>Cost</b>		
<b>January 1,</b>	<b>24,262</b>	17,853
Additions	2,422	6,857
Translation adjustment	527	(448)
<b>December 31,</b>	<b>27,211</b>	24,262
<b>Accumulated amortization</b>		
<b>January 1,</b>	<b>15,840</b>	8,649
Charge for the year	2,311	2,697
Impairment loss <sup>(note 9)</sup>	—	4,727
Translation adjustment	350	(233)
<b>December 31,</b>	<b>18,501</b>	15,840
<b>Net Book Value</b>		
<b>December 31,</b>	<b>8,710</b>	8,422

Intangible assets consists mainly of customer relationships, LodgeLink website development costs, non-compete agreements and trademarks. Intangible assets belong to the reportable segments as reflected in the segmented information (Note 26).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 9. IMPAIRMENT

In accordance with the requirements of IAS 36, all CGUs with goodwill were tested for impairment. This included the Modular Space Solutions CGUs of MSS West, MSS East, and MSS US. The Modular Space Solutions CGUs were tested for impairment at the aggregated MSS North America level because together they meet the aggregation criteria, specifically that the group of CGUs are expected to benefit together from the synergies created by the acquisitions on which the goodwill arose.

This resulted in no impairment charge to the Modular Space Solutions CGUs in 2018 or 2017.

In 2017, a total pre-tax impairment charge to Camps & Lodging was recorded in the amount of \$98,158, which included a charge to goodwill of \$24,471. The remaining excess of carrying amount of assets over the recoverable amount resulted in an impairment charge to property and equipment of \$68,960 and intangible assets of \$4,727.

The Company calculated FVLCD using a discounted cash flow method that projects future cash flows over a 5-year period. Revenue and cash flow assumptions were based on a combination of past results and expectations of future growth throughout a business cycle, not the cash flows based on trough or peak earnings. These cash flows are estimated with reference to assumptions about rates and utilization levels, the Company's cost of capital, capital expenditures, anticipated capital spending by customers, anticipated government infrastructure spending, and industry and local market conditions that might directly impact the individual CGUs' operations in the future. These fair value measurements are categorized as Level 3 in the fair value hierarchy as certain significant inputs are not observable. In addition, a terminal value is estimated, using a capitalized cash flow approach with a long-term growth rate of 1.5% to 2%. These cash flows are then discounted using a long-term weighted average cost of capital based on an estimate of investment returns that would be required by a market participant.

The following table summarizes the key values and assumptions for the impairment test for each CGU as at December 31, 2018:

CGU	Recoverable Amount	Terminal Growth Rate	Discount Rate
MSS West	100,200	2.0%	12.2%
MSS East	25,600	2.0%	12.2%
MSS US	77,500	1.5%	12.2%

The estimation of FVLCD involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in terminal growth rate and discount rates. These key assumptions were tested for sensitivity by applying a reasonably possible change to those assumptions. Future terminal growth rates were reduced by 0.5% and discount rates were increased by 0.5%. The recoverable amounts of the CGUs tested remained greater than the total carrying values of the CGUs after adjusting these assumptions.

At December 31, 2018, the Company evaluated its Camps & Lodging, Energy Services, Modular Space Solutions and International CGUs for indicators of any potential impairment of long lived assets. As a result of these assessments, no indicators were identified and no impairment was recorded on these CGUs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2018	December 31, 2017
	\$	\$
Trade payables	11,293	15,015
Accruals	12,234	14,901
Onerous contract provision <sup>(note 11)</sup>	1,013	1,105
Interest payable	618	873
Provision for guarantee of debt of an investee	791	799
Due to related parties <sup>(note 27)</sup>	256	246
Other payables	2,529	2,379
<b>Total accounts payable and accrued liabilities</b>	<b>28,734</b>	<b>35,318</b>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled within 30-60 days.
- Accrued liabilities are estimates of amounts due for goods and services that have been received but not yet invoiced.
- Provision for guarantee of debt of an investee is payable on demand.

**11. ONEROUS CONTRACT**

In 2016, the Company recognized \$3,316 relating to an onerous contract provision for a portion of a head office lease. The provision represents management's estimate of the minimum unavoidable future lease obligations relating to space to be unoccupied. This estimate may vary as a result of changes in the estimated economic benefits expected to be received under the contract. There have been no changes to the provision estimate for 2018. As at December 31, 2018, the amount of this onerous contract classified as a current liability within accounts payable and accrued liabilities was \$1,013 (December 31, 2017 - \$1,105).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**12. DIVIDENDS**

Effective August 3, 2017, Black Diamond suspended its dividend and Dividend Reinvestment Plan ("DRIP").

During the years ended December 31, 2018 and 2017, Black Diamond's dividends on common shares of record were as follows:

Month Ended	2018		2017	
	Dividends per share	Dividends	Dividends per share	Dividends
	\$	\$	\$	\$
January	—	—	0.025	1,162
February	—	—	0.025	1,163
March	—	—	0.025	1,377
April	—	—	0.025	1,378
May	—	—	0.025	1,379
June	—	—	0.025	1,381
July	—	—	0.025	1,383
August	—	—	—	—
September	—	—	—	—
October	—	—	—	—
November	—	—	—	—
December	—	—	—	—
<b>Total dividends declared</b>		—		9,223

The total dividends declared in 2017 consisted of \$7,986 that were paid in cash and 408 common shares that were issued under the DRIP valued at \$1,237.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 13. INCOME TAXES

#### Deferred Tax Liabilities and Assets

The following are the major deferred tax liabilities and assets recognized by the Company and movements thereon during the year:

	Property & Equipment	Goodwill and Intangible assets	Finance fees	Tax loss carry forward	Other	Total
	\$	\$	\$	\$	\$	\$
<b>January 1, 2017</b>	78,979	3,245	(488)	(21,076)	(983)	59,677
Recognized in loss for the year	(24,826)	(1,996)	210	2,340	439	(23,833)
Recognized in equity	—	—	(520)	—	—	(520)
Recognized in OCI	(1,664)	(34)	—	1,194	—	(504)
<b>December 31, 2017</b>	52,489	1,215	(798)	(17,542)	(544)	34,820
Recognized in loss for the year	164	1,512	396	(6,031)	313	(3,646)
Recognized in equity	—	—	(234)	—	—	(234)
Recognized in OCI	1,650	24	—	(1,207)	(3)	464
<b>December 31, 2018</b>	54,303	2,751	(636)	(24,780)	(234)	31,404

No deferred tax liability has been recognized for temporary differences associated with investments in subsidiaries and joint ventures as the Company is in a position to control the entities and it is considered probable that these timing differences will not reverse in the foreseeable future.

#### Unrecognized Tax Assets

Deferred tax assets were not recognized on the following deductible temporary differences:

	2018	2017
	\$	\$
Canadian net capital losses	370	2,502
International non-capital losses and property and equipment	31,148	35,368
<b>Total</b>	<b>31,518</b>	<b>37,870</b>

#### Effective Tax Rate

The following is a reconciliation of income tax recovery calculated at the statutory Canadian income tax rate to the income tax provision included in the Consolidated Statement of Net Income (Loss).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**13. INCOME TAXES (continued)**

	2018	2017
	\$	\$
Loss before income taxes	<b>(15,347)</b>	(127,644)
Provision for income taxes at statutory rate of 26.96% (2017 - 26.80%)	<b>(4,138)</b>	(34,209)
Increase (decrease) in income taxes due to:		
Non-deductible items	<b>669</b>	759
Non-controlling interests	<b>64</b>	286
Changes in tax rates impacting deferred taxes	<b>(316)</b>	(1,973)
Foreign jurisdiction rate difference	<b>102</b>	(468)
Change in unrecognized tax benefits	<b>(1,000)</b>	(782)
Impairment of goodwill	—	6,557
Other	<b>893</b>	(1,402)
<b>Income tax recovery for the year</b>	<b>(3,726)</b>	(31,232)

The statutory rate increased from 26.80% in 2017 to 26.96% in 2018. On December 22, 2017, United States enacted "H.R.1", formerly known as the "Tax Cuts and Job Act", which, among other items, reduced the federal corporate tax rate to 21% (from 35%) effective January 1, 2018.

There is a current income tax receivable balance of \$562 (2017 - \$7,664) recorded in prepaid expenses and other current assets on the Consolidated Statement of Financial Position related to 2018 capital and non-capital loss carrybacks.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**14. LONG-TERM DEBT**

	December 31, 2018	December 31, 2017
	\$	\$
Demand operating facilities	—	1,216
Committed extendible revolving operating facility	<b>39,648</b>	49,400
Senior secured notes	<b>50,629</b>	64,800
Costs associated with issue and restructuring of facilities	<b>(193)</b>	(357)
<b>Total long-term debt</b>	<b>90,084</b>	115,059

**Committed Extendible Revolving Operating Facility**

The committed extendible revolving operating facility has a maximum principal amount of \$100,000 (December 31, 2017 - \$100,000) with a maturity on April 30, 2020. The facility has an accordion feature that allows for the expansion of the facility up to an aggregate of \$175,000 (December 31, 2017 - \$175,000), upon lender commitment. If all or any portion of the \$75,000 accordion is not provided by the lenders, the committed extendible revolving operating facility authorizes the Company to obtain the remaining amount from any third parties subject to certain conditions in the committed extendible revolving operating facility. The accordion feature may not be drawn while the ratio of Funded Debt to Bank EBITDA (note 4) exceeds 3.00:1. The facility is collateralized by a general security agreement from Black Diamond and a guarantee and general security agreement from each of its material subsidiaries.

As at December 31, 2018, the Company's draws under the committed extendible revolving operating facility were comprised of \$9,511 related to an overdraft balance (December 31, 2017 - \$7,331), and \$30,137 of bankers' acceptance and LIBOR draws (December 31, 2017 - \$42,069).

For the year ended December 31, 2018, the average interest rate applied to amounts drawn on the committed extendible revolving operating facility was 3.80% (December 31, 2017 - 4.15%).

**Demand Operating Facility**

Black Diamond, through one of its partnerships, has a \$5,000 operating facility to fund working capital requirements of the partnership. The facility bears interest at a rate of prime plus 1.15% and incurs standby fees of 0.25% for any unused portion of the authorized amount whereby the authorized limit is 75% of good accounts receivable calculated at the end of each month. At December 31, 2018, the effective interest rate was 5.10% (December 31, 2017 - 4.10%). The facility is secured by assets of the partnership, with no recourse to Black Diamond. As at December 31, 2018, the Company's draws under the demand operating facility were \$nil (December 31, 2017 - \$1,216). Black Diamond has the discretion to refinance the demand operating facility for at least twelve months through its committed revolving operating facility and hence classified the obligation as long-term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 14. LONG-TERM DEBT (continued)

#### Senior Secured Notes

On July 7, 2011, Black Diamond Limited Partnership completed a private placement of senior secured notes ("the 2011 Notes"). These notes, which rank pari passu with the senior secured credit facility, have a principal amount of \$10,629 (December 31, 2017 - \$24,800), had an initial interest rate of 5.44% per annum and mature on July 8, 2019. The senior secured notes were repaid through annual payments, each in the amount of \$12,400, until January 7, 2018 when the repayment terms were amended to introduce quarterly principal payments of \$3,543. On March 31, 2017, the 2011 Notes were amended to increase the interest rate by 0.50% per annum to 5.94%, and on December 29, 2017 the 2011 Notes were further amended to increase the interest rate by another 0.50% per annum to 6.44% and introduce an additional 0.50% interest payment for any quarterly reporting periods where Funded Debt to Bank EBITDA exceeds 4.00.

On July 3, 2013, Black Diamond Limited Partnership completed a private placement of senior secured notes ("the 2013 Notes"). These notes, which rank pari passu with the senior secured credit facility, have a principal amount of \$40,000 (December 31, 2017 - \$40,000), had an initial interest rate of 4.58% per annum and mature on July 3, 2022. The senior secured notes are repaid through annual repayments, each in the amount of \$13,333 with the first annual payment beginning July 3, 2020. On March 31, 2017, the 2013 Notes were amended to increase the interest rate by 0.50% per annum to 5.08%, and on December 29, 2017 the 2013 Notes were further amended to increase the interest rate by another 0.50% per annum to 5.58% and introduce an additional 0.50% interest payment for any quarterly reporting periods where Funded Debt to Bank EBITDA exceeds 4.00.

Black Diamond has the discretion to refinance the senior secured notes for at least twelve months through its committed revolving operating facility and hence classified the current portion of the obligation as long-term.

#### Debt Covenants

Effective March 31, 2017, the committed extendible revolving operating facility debt covenants, restriction on dividends and restriction on capital expenditures were amended. On December 29, 2017, the committed extendible revolving operating facility debt covenants were further amended to include a fixed charge covenant and the Funded Debt to Bank EBITDA ratio covenant was amended to a maximum ratio of:

- a. 4.50:1 for fiscal quarters ending March 31, 2017 through to and including December 31, 2018;
- b. 4.25:1 for the fiscal quarter ending March 31, 2019;
- c. 4.00:1 for the fiscal quarter ending June 30, 2019;
- d. 3.75:1 for the fiscal quarter ending September 30, 2019;
- e. 3.50:1 for the fiscal quarter ending December 31, 2019; and
- f. 3.00:1 for all fiscal quarters thereafter.

The restriction on dividends covenant calculation was amended such that the annualized current quarter cash distributions cannot exceed trailing twelve month Adjusted EBITDA less non-controlling interest, adjusted for acquisitions or disposals, less current income tax expense, less interest expense, less capital lease payments, less \$10,000 (previously \$20,000). When Funded Debt to Bank EBITDA (note 4) ratio is above

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**14. LONG-TERM DEBT (continued)**

3.00:1, lender approval would be required whenever organic net capital expenditures exceed \$25,000 for a calendar year. Further, lender approval would be required whenever any business acquisition capital expenditure exceeds \$5,000. Corresponding covenant amendments were also granted under Black Diamond's senior secured notes.

At December 31, 2018, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the extendible revolving operating facility, demand operating facilities, 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.

<b>Covenant as at December 31, 2018</b>	<b>Required</b>	<b>Actual</b>
Funded Debt to Bank EBITDA Ratio	≤ 4.50:1	2.95
Interest Coverage Ratio	≥ 3.00:1	5.23
Fixed Charge Covenant	≥ 1.00:1	1.57

**Offset Banking System**

The Company entered into an offset banking system with Bank of Montreal ("BMO") whereby BMO will calculate its compensation for operation of the accounts and the availability of credit to the Company on a net basis over all its designated Canadian dollar accounts provided each account and the consolidation of all accounts is maintained within credit limits. Accordingly, the cash and cash equivalents for the Canadian dollar denominated accounts is reflected on a net basis in the Consolidated Statement of Financial Position.

The Company also entered into an account consolidation agreement which allows for the inclusion of US dollar accounts in the compensation calculation noted above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 15. FINANCIAL INSTRUMENTS

#### Analysis of financial assets and liabilities

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost
	\$	\$	\$
Cash and cash equivalents	3,175	—	—
Current accounts receivable	—	34,464	—
Other long-term assets	—	813	—
Accounts payable and accrued liabilities	—	—	28,734
Long-term debt <sup>(a)</sup>	—	—	90,277
<b>December 31, 2018</b>	<b>3,175</b>	<b>35,277</b>	<b>119,011</b>
Cash and cash equivalents	2,497	—	—
Current accounts receivable	—	28,929	—
Long-term accounts receivable	—	1,697	—
Accounts payable and accrued liabilities <sup>(a)</sup>	—	—	35,318
Long-term debt <sup>(a)</sup>	—	—	115,416
December 31, 2017	2,497	30,626	150,734

(a) The amounts in the table above exclude deferred financing costs (note 14) as they are not considered financial assets.

#### Fair value of financial instruments

The fair value of the Company's senior secured notes is considered to be level 2 and determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. There is no material difference between the fair value of the senior secured notes and their carrying value of \$50,629 (December 31, 2017 - \$64,800). The Company's own non-performance risk as at December 31, 2018 was assessed to be insignificant.

There are no other material differences in the carrying amounts of those instruments classified as financial assets at fair value through profit or loss, financial assets measured at amortized cost or financial liabilities measured at amortized cost and their estimated fair values.

#### Financial risk management objectives and policies

The Company's principal financial liabilities are comprised of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables and cash that derive directly from its operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 15. FINANCIAL INSTRUMENTS (continued)

The Company is exposed to interest rate risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk and treasury department that advises on financial risks and the appropriate financial risk governance and cash management strategies for the Company.

#### a) Interest rate risk

Interest rate risk arises from the possibility of the future cash flows of a financial instrument fluctuating as a result of changes in the market rates of interest. Black Diamond is subject to both cash flow interest rate risk on its committed extendible revolving operating facility and fair value risk on the senior secured notes based on their fixed rate of interest. The required cash flow to service certain credit facilities will fluctuate as a result of changes in market rates.

A 1% increase in interest rates in the year, assuming debt patterns consistent with those that actually occurred in 2018, when annualized, would have resulted in a 2018 net income sensitivity of approximately \$433 (2017 - \$529).

#### b) Liquidity risk

Black Diamond is exposed to liquidity risk, which is the risk that the Company may be unable to generate or obtain sufficient cash resources to meet its commitments as they come due. Black Diamond mitigates this risk through its management of cash, debt, capital expenditures and its level of dividends.

The table below summarizes the maturity profile of the Company's financial liabilities and commitments based on contractual undiscounted payments, including interest on the senior secured notes.

	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	28,734	—	—	—	28,734
Long-term debt	4,209	8,768	82,188	—	95,165
Commitments <sup>(note 28)</sup>	1,182	5,910	21,654	12,848	41,594
<b>December 31, 2018</b>	<b>34,125</b>	<b>14,678</b>	<b>103,842</b>	<b>12,848</b>	<b>165,493</b>
Accounts payable and accrued liabilities	34,519	799	—	—	35,318
Long-term debt	3,914	12,700	108,693	—	125,307
Commitments	1,138	5,693	21,070	17,302	45,203
<b>December 31, 2017</b>	<b>39,571</b>	<b>19,192</b>	<b>129,763</b>	<b>17,302</b>	<b>205,828</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 15. FINANCIAL INSTRUMENTS (continued)

Black Diamond maintains sufficient unused capacity in its revolving credit facilities to meet short-term working capital requirements. Black Diamond manages its liquidity requirements through the use of short and long-term cash forecasts maintaining conservative working capital balances as well as a conservative payout ratio in respect of its dividend policy.

On a regular basis, management monitors its ability to meet long-term debt, capital lease and asset retirement obligations as well as the commitments as disclosed in Note 28. Management believes the Company has adequate liquidity to meet these obligations, due to the unused capacity of the committed extendible revolving operating facility as well as the unleveraged value of its assets.

#### c) Credit risk

Credit risk arises from the possibility that the counterparties for which Black Diamond provides rentals and/or services are unable to meet their payment obligations, leading to financial loss. Black Diamond manages customer credit risk by assessing the creditworthiness of its customers on an ongoing basis subject to the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on credit review and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are monitored by management on a weekly basis. The Company recognizes loss allowances for ECLs on its accounts receivable, which are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The maximum exposure to credit risk at the reporting date relating to the counterparties to which Black Diamond provides rentals and/or services, is the carrying value of the Company's accounts receivables as disclosed in Note 5. Management assesses impairment after taking into consideration the customer's payment history, their credit worthiness, the current economic environment in which the customer operates and their establishment within their respective industries. To date, Black Diamond's bad debts have not been significant and are limited to specific customer circumstances.

The Company had no concentration of credit risk as at December 31, 2018 as no individual customer represented a significant portion of total trade accounts receivable (December 31, 2017 - three customers represented approximately 25% of trade accounts receivable).

#### d) Foreign currency sensitivity

The impact on the Company's profit before tax due to changes in the fair value of the monetary assets and liabilities denominated in U.S. dollars ("USD") and Australian dollars ("AUD") as a result of fluctuations in exchange rates is not material. The impact on the Company's other comprehensive income of a 10% change in the USD and AUD exchange rates at the reporting date for the year ended December 31, 2018 is \$11,017 (December 31, 2017 - \$10,519).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 16. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of assets and liabilities measured at fair value:

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	\$	\$	\$	\$
<b>December 31, 2018</b>				
<b>Assets measured at fair value:</b>				
Cash and cash equivalents	3,175	3,175	—	—
<b>December 31, 2017</b>				
<b>Assets measured at fair value:</b>				
Cash and cash equivalents	2,497	2,497	—	—

### 17. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations relate to closure and post-closure costs related to camps where the Company has assumed the land lease obligations. Black Diamond estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at December 31, 2018 to be \$20,051 (December 31, 2017 - \$10,725). Management has estimated the present value of this obligation at December 31, 2018 to be \$18,878 (December 31, 2017 - \$9,923) using an inflation rate of 2.0% (December 31, 2017 - 2.0%) and pre-tax weighted average risk-free interest rate of 2.0% (December 31, 2017 - 1.5%) that reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2019 to 2024.

These estimates are based upon current and proposed reclamation and closure techniques in view of current contractual obligations, environmental laws and regulations. Therefore, it is possible the costs could change in the future and changes to these estimates could have a significant effect on Black Diamond's consolidated financial statements. Black Diamond recorded the following asset retirement obligation activity during the year:

	2018	2017
	\$	\$
<b>As at January 1,</b>	<b>9,923</b>	8,790
Additions	9,339	1,842
Accretion in year <sup>(note 22)</sup>	376	86
Revisions	(147)	(795)
Settlements	(613)	—
<b>As at December 31,</b>	<b>18,878</b>	9,923

Additions to asset retirement obligations in 2018 related to the dismantlement and reclamation liabilities assumed on the conversion of a lodge from a rental camp to an open camp.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 18. 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.

	December 31, 2018		December 31, 2017	
	Number	Amount	Number	Amount
Issued - Common shares		\$		\$
<b>As at January 1,</b>	<b>55,043</b>	<b>377,814</b>	46,102	345,865
Issued on share offering <sup>(note 18 (b))</sup>	—	—	8,507	31,900
Share issue costs, net of tax	—	—	—	(1,425)
Issued under DRIP <sup>(note 18 (c))</sup>	—	—	408	1,237
Net purchase of shares in trust <sup>(note 18 (d))</sup>	<b>(300)</b>	<b>(953)</b>	(27)	(73)
Vesting of share awards <sup>(note 18 (d))</sup>	<b>213</b>	<b>706</b>	53	310
<b>As at December 31,</b>	<b>54,956</b>	<b>377,567</b>	55,043	377,814

b) Share offering

On March 27, 2017 the Company completed a bought deal financing arrangement issuing 8,507 common shares, inclusive of the over-allotment option exercised by the syndicate of underwriters, at a price of \$3.75 per common share. Transaction costs of \$1,945 were paid as part of the common share issuance, which resulted in net proceeds of \$29,955. The Company also recognized a deferred tax asset of \$520 related to the share issuance costs.

c) Dividend Reinvestment Plan

Effective August 3, 2017, Black Diamond suspended its dividend and Dividend Reinvestment Plan ("DRIP"). The DRIP provided the option for eligible shareholders to have their cash dividends reinvested into additional common shares at a discount of 3%.

d) Share-Based Compensation Plans

(i) Share option plan

Black Diamond has a share option plan (the "Option Plan") pursuant to which options to purchase common shares may be granted to directors, officers, employees and consultants of Black Diamond in order to provide an opportunity for these individuals to obtain a proprietary interest in Black Diamond's long-term success.

The aggregate number of common shares of the Company that may be issued pursuant to the exercise of options granted under the Option Plan and all other share compensation arrangements of Black Diamond shall not exceed 10% of the outstanding common shares of Black Diamond from time to time. At December 31, 2018, there were 2,722 common shares (December 31, 2017 - 2,481) reserved for issuance upon the exercise of options granted pursuant to the 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 18. SHARE CAPITAL (continued)

options granted under the 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	1.02	445	1.46
March 11, 2016	339	4.72	2.19	226	1.03
March 21, 2017	638	3.60	3.22	213	0.81
August 14, 2017	411	1.74	3.62	137	0.74
September 12, 2017	120	1.91	3.70	40	0.83
September 22, 2017	60	1.86	3.73	20	1.00
March 15, 2018	699	2.53	4.20	—	0.86
<b>Balance December 31, 2018</b>	<b>2,722</b>			<b>1,081</b>	
<b>Weighted average</b>		<b>4.53</b>	<b>3.65</b>	<b>7.11</b> <sup>(1)</sup>	

(1) Amount refers to the weighted average exercise price of the exercisable options as at December 31, 2018.

Black Diamond recorded the following share option activity during 2018 and 2017:

	2018		2017	
	Number of options outstanding	Weighted average exercise price per share	Number of options outstanding	Weighted average exercise price per share
		\$		\$
<b>As at January 1,</b>	<b>2,481</b>	<b>8.33</b>	2,686	16.38
Granted	<b>699</b>	<b>2.53</b>	1,397	2.83
Expired	<b>(458)</b>	<b>22.20</b>	(1,006)	20.40
Forfeited	—	—	(596)	10.62
<b>As at December 31,</b>	<b>2,722</b>	<b>4.53</b>	2,481	8.33

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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**18. SHARE CAPITAL (continued)**

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

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

Included in share-based compensation expense for the year ended December 31, 2018 was \$370 (2017 – \$860) for the costs related to the Share Option Plan.

(ii) Other share-based plans

**Restricted and Performance Award Incentive Plan ("Share Award Plan")**

The Company has a Share Award Plan which provides for the grant of restricted awards and performance awards (collectively, the "SAs"). The outstanding SAs generally entitle the holders to a sum (the "Award Value") to be paid on each of the first, second and third anniversaries of the date of grant (the "Payment Date"). The Award Value is calculated at the Payment Date by multiplying the number of SAs vesting by the fair market value of the common shares of the Company plus accrued dividends. On the Payment Date, the Company has the option of settling the Award Value to which a holder of SAs is entitled in the form of either cash or in common shares which may either be acquired by the Company on the stock exchange or issued from the treasury of the Company, or some combination thereof. The Company's intention is to settle the Award Value in common shares and it has therefore accounted for the SAs as equity-settled. Provided the Company maintains this intention and settles the Award Value through the issuance or purchase of common shares, it will continue to account for the SAs as equity-settled throughout their vesting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 18. SHARE CAPITAL (continued)

#### Deferred Share Unit Plan ("DSU Plan")

The Company has a DSU Plan pursuant to which it may make an annual grant of Deferred Share Units ("DSUs") to non-employee directors and non-employee directors may make an election to receive all or part of, in increments of 25%, their total annual remuneration in the form of DSUs. Pursuant to the DSU Plan, DSUs awarded as part of an annual grant typically vest on the first anniversary of the date of grant and DSUs granted in lieu of total annual remuneration vest on the date of grant; however, in each instance, such DSUs will not be released until the non-employee director has ceased to be a member of the board of directors of the Company. The Award Value is calculated at the Payment Date by multiplying the number of DSUs by the fair market value of the common shares of the Company plus accrued dividends. DSUs are settled at the Company's option in cash and/or common shares acquired by the Company on the stock exchange. The Company's intention is to settle the DSU Plan in common shares and it has therefore accounted for the DSU awards as equity-settled.

#### Incentive Award Plan ("IA Plan")

The Company has an IA Plan which provides for the grant of incentive awards ("IAs"). Subject to the terms and conditions of the IA Plan, the outstanding IAs either entitle the holder to a sum (the "IA Value") to be paid in equal tranches on the first, second and third anniversaries of the date of grant or to be paid on the third anniversary of the date of grant. The IA Value is calculated at the payment date(s) by multiplying the number of IAs by the fair market value of the common shares of the Company plus accrued dividends. On the applicable payment date, the Company has the option of settling the IA Value to which a holder of IAs is entitled in the form of either cash or in common shares which are acquired by the Company on the stock exchange or some combination thereof. The awards granted to employees outside Canada are settled in cash and are accounted for as a liability and the awards granted to employees in Canada are settled in common shares and are accounted for as equity-settled.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**18. SHARE CAPITAL (continued)**

Changes in the number of units, with their weighted average fair value, are summarized below:

	IA Plan		Share Award Plan		DSU Plan	
	Number of units	Weighted fair value per unit \$	Number of units	Weighted fair value per unit \$	Number of units	Weighted fair value per unit \$
January 1, 2017	297	5.52	153	4.72	43	4.78
Granted	230	3.60	466	2.80	57	3.40
Reinvested	23	3.04	20	2.93	5	2.92
Forfeited	(124)	4.78	(93)	4.03	(11)	4.19
Settled	(57)	6.97	—	—	—	—
<b>December 31, 2017</b>	<b>369</b>	<b>4.19</b>	<b>546</b>	<b>3.13</b>	<b>94</b>	<b>3.91</b>
Granted	231	2.58	473	2.53	79	2.57
Forfeited	(123)	3.61	—	—	—	—
Settled	(91)	5.19	(140)	2.71	—	—
<b>December 31, 2018</b>	<b>386</b>	<b>3.18</b>	<b>879</b>	<b>2.87</b>	<b>173</b>	<b>3.30</b>

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 December 31, 2018, these share-based plans include 49 units (December 31, 2017 - 139) that will be settled in cash. A liability is included in accounts payable and accrued liabilities in the amount of \$66 (December 31, 2017 - \$493).

Included in share-based compensation expense for the year ended December 31, 2018 was \$1,487 related to the IA Plan, Share Award Plan and DSU Plan (December 31, 2017 - \$1,676), which included an expense recovery of \$378 on cash settled awards.

The Company established the Incentive Award Plan Trust and the Deferred Share Unit Plan Trust (collectively the "Trusts") for the purpose of meeting future obligations under the IA and DSU Plans, 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 December 31, 2018 there are 585 shares held in the Trusts (December 31, 2017 - 365).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 19. NON-CONTROLLING INTERESTS

The non-controlling interests represent earnings attributable to the Fort Nelson First Nation's interest in the Black Diamond Dene Limited Partnership ("BDDL"), the West Moberly First Nation's interest in the Black Diamond West Moberly Limited Partnership ("BDWMLP"), the Beaver Lake Cree Nation's interest in the Black Diamond Nehiyawak Limited Partnership ("BDNLP") and the Whitecap Dakota First Nation's interest in Whitecap Black Diamond Limited Partnership ("WCBDLP"). Management determines that the Company has control of all of these limited partnerships as it controls the general partner in all cases.

On September 28, 2009, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Fort Nelson First Nation, as limited partners, formed Black Diamond Dene Limited Partnership through which Black Diamond and the Fort Nelson First Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Fort Nelson First Nation territory in northeastern British Columbia.

On October 1, 2010, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and West Moberly First Nations, as limited partners, formed Black Diamond West Moberly Limited Partnership through which Black Diamond and the West Moberly First Nations work together to provide services to resource development companies as well as other commercial and industrial activity in the West Moberly First Nations territory in northeastern British Columbia.

On June 14, 2012, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Beaver Lake Cree Nation, as limited partners, formed Black Diamond Nehiyawak Limited Partnership through which Black Diamond and the Beaver Lake Cree Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Beaver Lake Cree Nation territory in northeastern Alberta.

On December 2, 2014, Black Diamond Group Inc., as general partner, Black Diamond Limited Partnership and the Whitecap Dakota First Nation, as limited partners, formed Whitecap Black Diamond Limited Partnership through which Black Diamond and Whitecap Dakota First Nation work together to provide services to resource development companies as well as other commercial and industrial activity in the Whitecap Dakota Nation territory in central Saskatchewan.

The summarized aggregate financial information of these subsidiaries is provided below. Aggregate financial information is provided as the Company's subsidiaries are involved in a similar course of business in the same industry, as well as operating in western Canada. The information below is based on amounts before inter-company eliminations.

	2018	2017
<b>Extract of Statement of Net Income:</b>	<b>\$</b>	<b>\$</b>
Revenue	<b>12,926</b>	23,033
Direct costs	<b>12,546</b>	22,772
Gross profit	<b>380</b>	261
Profit (loss) for the year	<b>(473)</b>	(2,004)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**19. NON-CONTROLLING INTERESTS (continued)**

	December 31, 2018	December 31, 2017
<b>Summarized Statement of Financial Position:</b>	\$	\$
Total current assets	<b>3,032</b>	3,889
Property and equipment and other non-current assets	<b>2,376</b>	4,143
Trade and other payables	<b>(2,266)</b>	(2,697)
Asset retirement obligation	<b>(736)</b>	(720)
Total net assets	<b>2,406</b>	4,615

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**20. REVENUE AND DIRECT COSTS**

	2018	2017
	\$	\$
<b>Workforce Solutions</b>		
Rental revenue	23,551	31,811
Lodging revenue	28,307	16,878
Sales Revenue	11,787	14,743
Non-rental revenue	29,181	24,893
<b>Total revenue</b>	<b>92,826</b>	<b>88,325</b>
<b>Modular Space Solutions</b>		
Rental revenue	29,354	30,093
Sales Revenue	21,315	14,227
Non-rental revenue	22,436	20,732
<b>Total revenue</b>	<b>73,105</b>	<b>65,052</b>

During the year ended December 31, 2018, the Company had one significant customer in Canada (December 31, 2017 - two customers) that contributed greater than 10% of the Company's consolidated revenue, for a total of 11% (December 31, 2017 - 31%).

Customer deposits relating to non-rental revenue are included in deferred revenue in the Consolidated Statement of Financial Position. These amounts will be recognized within the next twelve months.

	2018	2017
	\$	\$
<b>Direct Costs</b>		
Construction and transportation services	25,108	26,992
Used fleet sales <sup>(note 7)</sup>	13,528	14,835
Catering, utilities and other consumable costs	22,578	13,333
Repairs and maintenance	10,386	10,704
Subleased equipment	8,660	7,559
Personnel costs	5,493	4,969
New sales	8,914	7,034
Other direct costs	3,334	1,091
<b>Total direct costs</b>	<b>98,001</b>	<b>86,517</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**20. REVENUE AND DIRECT COSTS (continued)**

**Operating lease commitments as lessor**

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Due within one year	18,162	20,471
Due later than one year and less than five	7,956	8,471
	<b>26,118</b>	<b>28,942</b>

**21. ADMINISTRATIVE EXPENSES**

	2018	2017
	\$	\$
Personnel costs	20,668	19,795
General administrative expenses	8,451	8,393
Occupancy and insurance	9,494	10,132
Acquisition costs	—	636
<b>Total administrative expenses</b>	<b>38,613</b>	<b>38,956</b>

**22. FINANCE COSTS**

	2018	2017
	\$	\$
Interest expense - net	5,539	6,487
Debt renewal and other lending fees <sup>(note 14)</sup>	229	879
Amortization of long-term debt set-up costs <sup>(note 14)</sup>	169	200
Accretion of asset retirement obligation <sup>(note 17)</sup>	376	86
<b>Total finance costs</b>	<b>6,313</b>	<b>7,652</b>

**23. RESTRUCTURING COSTS**

During the second quarter of 2017, Black Diamond initiated a plan to reorganize its business units in an effort to streamline its operations and gain efficiencies. The Company recognized non-recurring restructuring costs of \$2,885 related primarily to employee severance costs and fleet relocation costs. As at December 31, 2018 a remaining provision of \$nil (December 31, 2017 - \$607) was classified within accounts payable and accrued liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are calculated on the profit attributable to Black Diamond per the Consolidated Statement of Net Income (Loss) for the period.

<b>Reconciliation of weighted average number of shares</b>	<b>2018</b>	<b>2017</b>
Weighted average common shares outstanding - basic and diluted	<b>55,078</b>	52,857

Excluded from diluted weighted average number of shares are 2,722 anti-dilutive options for the year ended December 31, 2018 (2017 - 2,481). Also excluded from diluted weighted average number of shares are 879 anti-dilutive Share Award Plan units for the year ended December 31, 2018 (2017 - 546).

### 25. SUPPLEMENTAL CASH FLOW INFORMATION

	<b>December 31, 2018</b>	December 31, 2017
	<b>\$</b>	<b>\$</b>
Decrease (increase) in accounts receivable	<b>(5,535)</b>	(8,439)
Decrease (increase) in prepaid expenses and other current assets	<b>4,279</b>	(4,147)
Decrease in accounts payable and accrued liabilities and other current liabilities	<b>(3,807)</b>	(1,798)
<b>Change in non-cash working capital</b>	<b>(5,063)</b>	(14,384)
<b>Attributable to operating activities</b>	<b>(3,166)</b>	(15,950)
<b>Attributable to investing activities</b>	<b>(1,991)</b>	867
<b>Attributable to financing activities</b>	<b>94</b>	699

The amounts disclosed above differ from the changes in balances per the Consolidated Statement of Financial Position due to foreign currency translation adjustments.

Total tax received in cash for the year ended December 31, 2018 was \$7,334 (December 31, 2017 - \$2,948).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 26. SEGMENTED INFORMATION

Effective January 1, 2018, Black Diamond changed the basis of its segmentation for reporting purposes to align with how the information is being reported internally to the chief operating decision makers. Previously, the segments were disclosed as BOXX Modular, Camps & Lodging, Energy Services and International. The new segments are Modular Space Solutions and Workforce Solutions and are based on the type of product and service offering. The comparative numbers at December 31, 2017 have been restated to conform to this segmentation.

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 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 modern rentable asset base.

The Corporate and Other business unit includes costs related to administrative activities that support all segments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**26. SEGMENTED INFORMATION (continued)**

	2018	2017
	\$	\$
<b>Revenue</b>		
Modular Space Solutions	73,105	65,052
Workforce Solutions	92,826	88,235
Corporate and Other	—	90
<b>Total Revenue</b>	<b>165,931</b>	<b>153,377</b>
<b>Depreciation of Property and Equipment</b>		
Modular Space Solutions	10,472	9,698
Workforce Solutions	22,771	33,180
Corporate and Other	1,318	1,504
<b>Total Depreciation</b>	<b>34,561</b>	<b>44,382</b>
<b>Profit (Loss)</b>		
Modular Space Solutions	6,142	8,037
Workforce Solutions	(1,184)	(106,647)
Corporate and Other	(16,342)	3,200
<b>Total Profit (Loss)</b>	<b>(11,384)</b>	<b>(95,410)</b>
<b>Capital Expenditures (Additions)</b>		
Modular Space Solutions <sup>(1)</sup>	8,575	14,367
Workforce Solutions <sup>(2)</sup>	8,536	5,011
Corporate and Other	299	4,203
<b>Total Capital Expenditures</b>	<b>17,410</b>	<b>23,581</b>

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

(2) Amount includes intangible asset additions for LodgeLink website development costs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**26. SEGMENTED INFORMATION (continued)**

	December 31, 2018	December 31, 2017
	\$	\$
<b>Property and Equipment</b>		
Modular Space Solutions	145,274	150,875
Workforce Solutions	178,005	197,020
Corporate and Other	16,615	21,390
<b>Total Property and Equipment</b>	<b>339,894</b>	<b>369,285</b>
<b>Intangible Assets</b>		
Modular Space Solutions	6,837	8,422
Workforce Solutions	1,873	—
<b>Total Intangible Assets</b>	<b>8,710</b>	<b>8,422</b>
<b>Goodwill</b>		
Modular Space Solutions	10,172	9,745
<b>Total Goodwill</b>	<b>10,172</b>	<b>9,745</b>
<b>Total Assets</b>		
Modular Space Solutions	174,890	178,549
Workforce Solutions	203,688	217,436
Corporate and Other	24,691	34,910
<b>Total Assets</b>	<b>403,269</b>	<b>430,895</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**26. SEGMENTED INFORMATION (continued)**

Geographic and customer information

	2018	2017
	\$	\$
<b>Revenue</b>		
Canada	112,296	108,652
United States	39,508	35,850
Australia	14,127	8,875
<b>Total Revenue</b>	<b>165,931</b>	<b>153,377</b>

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

	December 31, 2018	December 31, 2017
	\$	\$
<b>Property and Equipment, Intangibles and Goodwill</b>		
Canada	244,672	271,233
United States	102,016	103,216
Australia	12,088	13,003
<b>Total Property and Equipment, Intangibles and Goodwill</b>	<b>358,776</b>	<b>387,452</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 For the years ended December 31, 2018 and 2017

**27. RELATED PARTY TRANSACTIONS**

The amount due to related parties relates to the distribution and royalties payable to the non-controlling interests, are non-interest bearing and due on demand.

**Key Management Personnel Compensation**

	2018	2017
	\$	\$
Salaries, bonuses, fees and other short-term employee benefits	2,460	2,042
Share-based compensation	1,538	1,216
<b>Total Compensation</b>	<b>3,998</b>	<b>3,258</b>

The Company has defined key management personnel as senior executive officers and all members of the board of directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company. The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel.

The following table provides the total amount of transactions that have been entered into with related parties during the year, as well as balances with related parties as at December 31, 2018 and 2017.

	For the years ended December 31,		Due from related party as at December 31,		Due to related party as at December 31,	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
<b>Non-controlling interests</b>						
Limited partners						
Royalties and distributions declared	988	1,809	—	—	256	246
	<b>988</b>	<b>1,809</b>	<b>—</b>	<b>—</b>	<b>256</b>	<b>246</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

### 28. COMMITMENTS AND CONTINGENCIES

#### As Lessee

Black Diamond rents head office space, workforce accommodation and space rental premises, surface rental equipment, 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:

	December 31, 2018	December 31, 2017
	\$	\$
Due within one year	7,092	6,831
Due later than one year and less than five	21,654	21,070
Due after five years	12,848	17,302
	<b>41,594</b>	<b>45,203</b>

#### Capital Commitments

At December 31, 2018, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of \$10,921 (December 31, 2017 - \$2,535).

#### Contingent Liabilities

The Company indemnifies its directors and officers from all personal liability and loss that may arise in service to the Company.

### 29. SUBSEQUENT EVENTS

Subsequent to the Quarter, the Company extended its revolving operating facility, with a new maturity date of April 30, 2021. All other terms of the \$100 million facility are unchanged, along with the \$75 million accordion feature.