Unaudited Condensed Consolidated Interim Financial Statements

Black Diamond Group Limited

For the three month period ended March 31, 2011

Black Diamond Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Expressed in thousands)

As at	**March 31, 2011**	**December 31, 2010**	**January 1, 2010**
	$	**$**	**$**
ASSETS			
Current			
Trade and other receivables *(note 4)*	57,053	35,080	12,553
Prepaid expenses and other current assets	4,084	2,491	874
	61,137	37,571	13,427
Non-Current			
Property and equipment *(notes 5 and 14)*	266,181	247,160	156,488
Intangible assets *(note 6)*	11,592	12,064	9,821
Goodwill *(note 7)*	34,479	34,591	29,316
	373,389	331,386	209,052
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness *(note 9)*	2,700	6,776	9
Accounts payable and accrued liabilities *(note 12)*	34,818	32,575	9,149
Dividends payable *(note 20)*	1,571	1,482	1,234
Current income taxes payable	-	68	-
Current portion of finance lease obligation *(notes 14 and 22)*	396	561	639
	39,485	41,462	11,031
Non-Current			
Finance lease obligation *(notes 14 and 22)*	-	-	561
Long-term debt *(notes 10 and 22)*	102,000	66,000	31,472
Long-term customer deposits *(note 12)*	527	543	-
Risk management liability *(note 22)*	1,065	1,402	-
Asset retirement obligations *(note 13)*	1,798	1,780	1,645
Deferred tax liabilities	29,083	25,571	11,724
	173,958	136,758	56,433
Shareholders' equity			
Share capital *(note 15)*	188,844	187,925	140,749
Contributed surplus *(note 17)*	4,181	4,246	6,586
Non-controlling interest *(note 18)*	424	348	51
Accumulated other comprehensive income *(note 19)*	(4,470)	(3,151)	-
Retained earnings	10,452	5,260	5,233
	199,431	194,628	152,619
	373,389	331,386	209,052

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF NET INCOME
(Unaudited)

(Expressed in thousands, except per share amounts)

	Three month period ended	
	March 31, 2011	March 31, 2010
	$	$
Revenue *(note 23)*	55,732	30,971
Direct costs	27,683	14,516
Gross Profit	28,049	16,455
Expenses *(note 24)*		
Administrative expenses	6,627	4,816
Depreciation of property and equipment	6,014	4,323
Amortization of intangibles	389	387
	13,030	9,526
Operating profit *(note 24)*	15,019	6,929
Finance costs *(note 25)*	1,048	541
Income before income taxes	13,971	6,388
Income tax		
Current	17	257
Deferred	3,663	1,376
	3,680	1,633
Net income	10,291	4,755
Net income attributable to non-controlling interest *(note 18)*	**394**	**234**
Net income attributable to Black Diamond Group Limited	**9,897**	**4,521**
Net income per share *(note 16)*		
Basic	0.60	0.31
Diluted	0.59	0.30

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

(Expressed in thousands)

	Three month period ended	
	March 31, 2011	**March 31, 2010**
	$	**$**
Net income attributable to Black Diamond Group Limited	9,897	4,521
Net loss in derivative financial instruments designated as cash flow hedges (net of tax) *(note 19)*	253	-
Cumulative translation adjustment *(note 19)*	(1,573)	(1,175)
Comprehensive income attributable to Black Diamond Group Limited	**8,577**	**3,346**

See accopmanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(Expressed in thousands)

	Share Capital	Contributed Surplus	Non-Controlling interest	Accumulated Other Comprehensive income	Retained earnings	Total
Balance as at 1/1/2010	**140,749**	**6,586**	**51**	**-**	**5,233**	**152,619**
Total profit for the period	-	-	503	-	17,441	17,944
Unrealised loss on derivative instrument	-	-	-	(1,052)	-	(1,052)
Cumulative translation adjustment	-	-	-	(2,099)	-	(2,099)
Dividends declared (note 20)	-	-	-	-	(17,414)	(17,414)
Distribution to partners	-	-	(206)	-	-	(206)
Share capital issued	39,070	-	-	-	-	39,070
Share capital issued on exercise of options	8,235	(4,313)	-	-	-	3,922
Purchase of shares in trust	(100)	-	-	-	-	(100)
Incurred share issue costs	(29)	-	-	-	-	(29)
Share based compensation expense	-	1,973	-	-	-	1,973
Balance as at 12/31/2010	**187,925**	**4,246**	**348**	**(3,151)**	**5,260**	**194,628**
Total profit for the period	-	-	394	-	9,897	10,291
Unrealised loss on derivative instrument	-	-	-	254	-	254
Cumulative translation adjustment	-	-	-	(1,573)	-	(1,573)
Dividends declared (note 20)	-	-	-	-	(4,705)	(4,705)
Distribution to partners			(318)			(318)
Share capital issued	-	-	-	-	-	-
Share capital issued on exercise of options	993	(497)	-	-	-	496
Purchase of shares in trust	(74)	-	-	-	-	(74)
Share based compensation expense	-	432	-	-	-	432
Balance as at 3/31/2011	**188,844**	**4,181**	**424**	**(4,470)**	**10,452**	**199,431**

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

(Expressed in thousands)	Three month period ended March 31, 2011	March 31, 2010
	$	$
Operating activities		
Operating profit for the period	15,019	6,929
Add (deduct) non-cash items:		
Depreciation of property and equipment	6,014	4,323
Amortization of intangible assets	389	387
Foreign exchange loss/ (gain)- unrealized	8	(11)
Share-based compensation expense	432	522
	21,862	12,150
Change in non-cash working capital related to operating activities *(note 21)*	(29,022)	(6,190)
Net cash from/ (used in) operating activities	(7,160)	5,960
Investing activities		
Purchase of property and equipment	(26,079)	(11,436)
Business combinations	-	(17,945)
Change in non-cash working capital related to investing activities *(note 21)*	7,060	(1,615)
Net cash used in investing activities	(19,019)	(30,996)
Financing activities		
Proceeds from long-term debt	36,000	25,441
Repayment of long-term debt	-	(26,457)
Repayment of finance lease	(165)	(156)
Interest in period	(1,048)	(542)
Net proceeds from issuance of shares	-	23,753
Dividend payments	(4,617)	(3,868)
Distribution to non-controlling interest	(318)	-
Purchase of shares in trust	(220)	-
Bank indebtedness	(4,076)	4,184
Share options exercised	642	2,681
Net cash from financing activites	26,198	25,036
Increase/ (decrease) in cash and cash equivalents	19	-
Cash and cash equivalents, beginning of year	-	-
Effect of foreign currency rate changes on cash and cash equivalents	(19)	
Cash and cash equivalents, end of year	-	-

See accompanying notes to the unaudited condensed consolidated interim financial statements

Black Diamond Group Limited
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

1. GENERAL INFORMATION

The consolidated financial statements of Black Diamond Group Limited for the period ended March 31, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on May 12, 2011. Black Diamond Group Limited and its limited partnerships ("Black Diamond", "Company", and "Group") are headquartered and incorporated in Calgary, Alberta. The address of the Company's registered office is Suite 2000, 715 – 5th Ave SW, Calgary, Alberta, Canada. The business of Black Diamond, through its subsidiary companies and limited partnerships, is to rent modular structures for use as workforce accommodation and temporary workspace, rent various types of oilfield equipment used in the exploration and production of oil and gas and to provide complementary services including transportation, installation, dismantling, repair and maintenance of modular structures and oilfield rental equipment. The business of Black Diamond is conducted through three operating divisions: Camps and logistics, Space Rentals and Energy Services.

Black Diamond was formed pursuant to the provisions of the Business Corporations Act (Alberta) to participate in a plan of arrangement involving, among others, Black Diamond's predecessor, Black Diamond Income Fund (the "Fund"), Black Diamond and the securityholders of the Fund (the "Conversion"). Effective December 31, 2009, the Conversion restructured the Fund from an unincorporated open-ended income trust to Black Diamond Group Limited, a publicly listed corporation.

The Company has its primary listing on the Toronto Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICES

Basis of preparation
These unaudited condensed consolidated interim financial statements (the "Unaudited Financial Statements") have been prepared on the historical cost basis, except for derivative financial instruments measured at fair value, and are in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards (IFRS) for complete financial statements for year-end reporting purposes.

The March 31, 2011 interim consolidated financial statements are the Company's first interim financial statements prepared under IFRS, with a transition date of January 1, 2010. Consequently the comparative figures for 2010 and the Company's statement of financial position as at January 1, 2010 have been restated from previous Canadian generally accepted accounting principles ("CGAAP") to comply with IFRS. In these financial statements, the term "GAAP" refers to Canadian GAAP before the adoption of IFRS. The reconciliations to IFRS from Canadian GAAP financial statements are explained in note 30 of these financial statements.

The interim financial statements are presented in Canadian dollars and all amounts are rounded to the nearest thousand ($'000), except where otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

The nature of the business and timely preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions, the estimated useful lives of property and equipment, the fair value of the identifiable assets acquired in business combinations, the fair value of intangible assets for the purposes of impairment, the fair value of share-based compensation awards and the future cash flows used to estimate the fair value of cash-generating units for goodwill impairment purposes, as disclosed in note 8. Accordingly, actual results may differ from estimated amounts. In the opinion of management, these consolidated interim financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of consolidation

Included in these consolidated financial statements are the financial statements of Black Diamond and all of its subsidiary companies and limited partnerships. Certain of these entities have non-controlling interests presented separately in these consolidated interim financial statements. The results of combined business operations are included in these consolidated interim financial statements from their effective dates of combination. All inter-entity balances, transactions and unrealized gains or losses have been eliminated.

Changes in accounting policy and disclosure

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

IFRS 9 - Financial instruments - issued in November 2009. This standard is the first step in the process to replace IAS 39 - Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, which may affect the Company's accounting for its financial assets. The standard is not applicable until January 1 2013 but is available for early adoption. The Company is yet to assess the full impact of IFRS 9.

Business combinations

Effective January 1, 2010 the Company adopted IFRS 3 (R) - Business Combinations to subsequent combinations, under which the acquisition method of accounting is used to account for the combination of subsidiaries by the Company. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

When the Group 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 acquirer's previously held equity interest in the acquiree is remeasured to fair value at the combination date through profit or loss. Any contingent consideration to be transferred by the acquirer will be 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 will be recognized in accordance with *IAS 39- Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be 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 Statement of Income.

Cash and cash equivalents

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

Trade receivables

Trade receivables are recognized initially at fair value and measured subsequently at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognized in the Statement of Income. Trade receivables are written off against the provision when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are recorded to the Statement of Income in the period received.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. 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 at the following rates and methods:

Computers, furniture and service equipment	30% declining balance
Space rentals fleet equipment	6% declining balance
Camps and workforce housing fleet equipment	10% declining balance
Surface rental equipment	10% declining balance
Carry-on options	Straight line over 2 years
Leasehold improvements	Straight line over term of lease
Vehicles	Straight line over 5 years

The residual values and useful lives of property and equipment are reviewed and adjusted if appropriate at each Statement of Financial Position date.

Intangible assets

Acquired intangible assets with finite lives are recorded at cost and amortized over their estimated useful lives at the following rates and methods:

Customer relationships	Straight line over 4-20 years
Non compete agreements	Straight line over 2 years
Supplier commitments	Straight line over 3-5 years
Trademarks	Straight line over 10 years

Goodwill

Goodwill results 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 ("CGU's") 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 recoverable value of a CGU below its carrying value.

Goodwill is allocated to CGU's (or groups of CGU's) for the purpose of impairment testing. Each of those CGU's (or group of CGU's) represents the lowest level within the Company at which the associated goodwill is monitored for management purposes and is not larger than the operating segments determined in accordance with *IFRS 8-Operating Segments*. Goodwill impairments are not reversed.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, 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 fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by implied valuation multiples for comparable industry participants or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied, to project future cash flows after the fifth year.

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 CGU's 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. Such reversal is recognized in the Statement of Income unless the asset is carried at a revalued amount, in which case the reversal is treated as an evaluation increase.

Trade Payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Dividends payable

Dividends on common shares are recognized as they are paid.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Lease obligations

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.

At the inception of the finance lease, an asset is capitalized in the 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 Statement of Financial Position and analyzed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the Statement of income 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 Statement of Financial Position. The cost of operating leases is charged to the Statement of Income on a straight line basis over the periods of the leases.

Financial instruments

The Company classifies its financial assets in the following categories: loans and receivables, held to maturity investments, financial liabilities measured at amortized cost and derivatives used for hedging.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets.

(b) Held to maturity investments
Held to maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. They are included in non-current liabilities unless the investment is due to mature within 12 months of the Statement of Financial Position date.

(c) *Financial liabilities measured at amortized cost*
Financial liabilities measured at amortized cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and with no intention of being traded. They are included in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current liabilities.

(d) *Derivatives used for hedging*
Derivatives used for hedging are derivative financial instruments measured at fair value and included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. The asset is then remeasured to fair value at each reporting date with any gain or loss recorded to other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial derivatives and hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity in accumulated other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Statement of net income.

Amounts recognized as other comprehensive income are transferred to the Statement of Income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the Statement of Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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.

Black Diamond recognizes asset retirement obligations associated with its operations as required. The fair value of the asset retirement obligations is recognized in the period in which the obligations are incurred. The estimated fair value of the asset retirement obligations is the discounted expected future cash flows to settle the asset retirement obligations at a credit adjusted pretax rate that reflects current market assessments of the time value of money.

The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then depreciated over its estimated remaining useful life.

In subsequent periods, the asset retirement obligations are 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.

Borrowings

Borrowings are recognized initially at the fair value of the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the Statement of Income over the period of the borrowings using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Share capital

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

Where the Company purchases its own shares and holds them in trust, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Share-based compensation

Black Diamond maintains a share-based compensation plan, incorporating a share option plan and a long-term incentive plan (LTIP), which are described in Note 15. Options granted to employees, officers and directors are accounted for using the fair value method whereby the compensation expense is recorded and 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. 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.

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.

The Company purchases and holds shares in trust for the participants of the LTIP plan until the vesting date, with the compensation expense, which is based on the fair value of the shares granted, being recognized over the vesting period with a corresponding increase to contributed surplus. Upon exercise, share capital is increased and contributed surplus is decreased. 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.

Revenue recognition

The provision of installation, transportation, maintenance and dismantlement services is recognized on the percentage-of-completion basis over the term of the contract. Under this method, revenue for services is recognized proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the Statement of Financial Position date by the sum of the incurred costs and anticipated costs for completing the contract.

Rental and lodging revenue is recognized on a straight line basis in the period the lodging or equipment is used by the customer based on the related rental agreement.

Revenue from the sale of new units, custom manufactured equipment and used rental equipment, including delivery and installation revenue, is generally recognized at the time the units are delivered to the customer.

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2. SIGNIFICANT ACCOUNTING POLICES (continued)

Taxation including deferred taxation

Current tax represents the expected tax payable (or recoverable) on the taxable income for the year using tax rates enacted or substantially enacted at the Statement of Financial Position date and taking into account any adjustments arising from prior years.

Black Diamond follows the liability method of accounting for deferred income taxes. Under this method, temporary differences arising from the differences between the tax base of assets or liabilities and their carrying amounts on the consolidated Statement of Financial Position are used to calculate deferred income tax liabilities or assets.

Deferred income tax liabilities and assets are determined using tax rates that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Foreign currency translation

The consolidated interim financial statements are presented in Canadian Dollars, which is the Company's functional and reporting currency.

The operating results of the Company's US operations, which have a functional currency of US Dollars, are translated into Canadian Dollars using the rate of exchange on the date of the transaction. The Statement of Financial Position of the US operations is 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 Statement of Income 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 operation, 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 Statement of Financial Position date. Non-monetary assets are translated at historical exchange rates. All foreign currency transaction translation differences are recorded in the Statement of Income.

Per share amounts

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

(Amounts expressed in thousands, except share and per share amounts)

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 obtainable 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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive officers that make strategic decisions.

3. BUSINESS COMBINATIONS

Black Diamond acquired two businesses in 2010. The fair value of the net assets acquired and aggregate consideration given are as follows:

	Nortex	**Paragon**	**Total**
Fair Value of net assets acquired	**$**	**$**	**$**
Current assets	2,492	1,647	4,139
Property, plant and equipment	26,041	3,091	29,132
Land	1,109	-	1,109
Intangible and other assets	3,504	450	3,954
Goodwill	4,106	1,369	5,475
Total assets	37,252	6,557	43,809
Current liabilities	(2,403)	(1,267)	(3,670)
Debt assumed	-	(520)	(520)
Future income taxes	(8,295)	(360)	(8,655)
Total liabilities	(10,698)	(2,147)	(12,845)
Net assets acquired	**26,554**	**4,410**	**30,964**
Consideration given			
Cash	17,945	-	17,945
Shares	8,609	4,410	13,019
Total consideration	**26,554**	**4,410**	**30,964**

3. BUSINESS COMBINATIONS (continued)

a) Nortex

Effective January 1, 2010, Black Diamond acquired all of the shares of Nortex Modular Leasing and Construction Company ("Nortex"). Nortex had a modular building lease fleet comprised of approximately 900 units and is based in Dallas, Texas with branch operations in Austin and Houston, Texas, and Denver, Colorado. The purchase price of $26,554 was paid through a combination of: (i) $17,945 in cash and (ii) $8,609 through the issuance of 485,800 common shares, 60,000 of which were held in escrow, at a value of $17.84 per share. Transaction costs connected to the combination were $266, all of which were expensed in the period of combination.

Intangible assets acquired with Nortex consist of customer relationships, which will be amortized over their estimated remaining useful life of 10 years. Assets and results of operations for this combination are reflected in the space rentals operating segment.

b) Paragon

Effective January 1, 2010, Black Diamond acquired all the shares of Paragon Energy Services (Saskatchewan) Ltd ("Paragon"). Paragon had a surface rental fleet of approximately 220 units based in Estevan, Saskatchewan and services primarily the oil and potash markets in the southern area of the province. The purchase price of $4,410 was paid through the issuance of 254,427 shares, 25,443 of which were held in escrow, at a value of $17.41 per share. Transaction costs connected to the combination were $23, all of which were expensed in the period of combination.

Intangible assets acquired with Paragon consist of a non-compete agreement with the previous owners, which will be amortized over its estimated remaining useful life of 2 years. Assets and results of operations for this combination are reflected in the energy services operating segment.

(Amounts expressed in thousands, except share and per share amounts)

4. ACCOUNTS RECEIVABLE

	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	57,073	35,152	12,760
Provision for doubtful debts	(20)	(72)	(207)
Net trade receivables	**57,053**	**35,080**	**12,553**

Movement in provision for doubtful accounts	March 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of period	72	207	-
Net change for the period	-	21	-
Collected in the period	(52)	(156)	-
Balance at end of period	**20**	**72**	**207**

Credit risk arises from the possibility that the entities to which Black Diamond provides rentals and/or services are unable to meet their obligations. Black Diamond manages this risk by assessing the creditworthiness of its customers on an ongoing basis and by monitoring the age of receivable balances outstanding. To date, Black Diamond's bad debts have been within expectations and are limited to specific customer circumstances.

As at March 31, 2011, no collateral was held against the accounts receivable balance.

As at March 31, 2011, 10% of Black Diamond's consolidated accounts receivable are due from one customer, compared to 16% at December 31, 2010 and 14% as at January 1, 2010. This customer is a significant company in the oil and gas industry and is considered to have high creditworthiness, with the revenue being recognised in the Camps and logistics operating segment.

Trade receivables are aged with respect to the payment terms specified in the terms and conditions established with customers as follows:

As at	March 31, 2011	December 31, 2010	January 1, 2010
Amounts not yet due	52,108	23,853	11,528
Past due not more than 30 days	3,052	8,468	791
Past due not more than 60 days	1,082	843	199
Past due not more than 90 days	365	993	122
Past due greater than 90 days	466	995	120
	57,073	35,152	12,760

(Amounts expressed in thousands, except share and per share amounts)

5. PROPERTY AND EQUIPMENT

Cost

	As at 1/1/2010	Additions	Disposals	Transfers	Additions through Business combinations	Exchange rate adjustment	As at 12/31/2010
Computers, furniture and service equipment	1,864	3,347	(143)	390	455	(117)	5,796
Space rentals fleet equipment	48,463	11,991	(2,404)	(602)	24,808	(1,569)	80,687
Camps and workforce housing fleet equipment	111,572	61,710	(4,628)	1,128	-	(72)	169,710
Surface rental equipment	13,843	1,763	(63)	-	3,091	-	18,634
Carry-on options	1,909	2,309	(7)	(109)	-	-	4,102
Land	907	316	-	-	1,109	(54)	2,278
Leasehold improvements	4,947	3,927	-	-	778	(45)	9,607
Assets under Construction	807	-	-	(807)	-	-	-
Deposits on equipment	297	2,002	-	-	-	-	2,299
	184,609	87,365	(7,245)	-	30,241	(1,857)	293,113

Accumulated Depreciation

	As at 1/1/2010	Charge for the period	Disposals	Transfers	Exchange rate adjustment	As at 12/31/2010
Computers, furniture and service equipment	643	2,152	(72)	(67)	(67)	2,589
Space rentals fleet equipment	4,726	3,390	(262)	(19)	(46)	7,789
Camps and workforce housing fleet equipment	19,644	10,452	(1,292)	39	(5)	28,838
Surface rental equipment	1,747	2,010	(17)	-	-	3,740
Carry-on options	1,184	806	-	47	-	2,037
Leasehold improvements	177	791	-	-	(8)	960
	28,121	19,601	(1,643)	-	(126)	45,953

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

5. PROPERTY AND EQUIPMENT (continued)

Cost	As at 1/1/2011	Additions	Disposals	Transfers	Exchange rate adjustment	As at 3/31/2011
Computers, furniture and service equipment	5,796	120	-	215	(57)	6,074
Space rentals fleet equipment	80,687	3,365	(270)	(252)	(1,098)	82,432
Camps and workforce housing fleet equipment	169,707	17,581	(1,049)	(63)	102	186,278
Surface rental equipment	18,634	2,984	(16)	100	-	21,702
Carry-on options	4,102	300	(1,200)	-	-	3,202
Land	2,278	458	-	-	(30)	2,706
Leasehold improvements	9,607	452	-	-	(24)	10,035
Deposits on equipment	2,299	12,043	(10,407)	-	(6)	3,929
	293,110	37,303	(12,942)	-	(1,113)	316,358

Accumulated Depreciation	As at 1/1/2011	Charge for the period	Disposals	Transfers	Exchange rate adjustment	As at 3/31/2011
Computers, furniture and service equipment	2,589	202	-	27	(41)	2,777
Space rentals fleet equipment	7,789	1,221	(71)	(36)	(30)	8,873
Camps and workforce housing fleet equipment	28,838	3,411	(384)	(17)	5	31,853
Surface rental equipment	3,740	533	(3)	26	-	4,296
Carry-on options	2,037	363	(1,200)	-	-	1,200
Leasehold improvements	960	222	-	-	(4)	1,178
	45,953	5,952	(1,658)	-	(70)	50,177

(Amounts expressed in thousands, except share and per share amounts)

5. PROPERTY AND EQUIPMENT (continued)

Net book value

	As at 3/31/2011	As at 12/31/2010	As at 1/1/2010
Computers, furniture and service equipment	3,297	3,207	1,221
Space rentals fleet equipment	73,559	72,899	43,737
Camps and workforce housing fleet equipment	154,425	140,872	91,928
Surface rental equipment	17,406	14,893	12,096
Carry-on options	2,002	2,065	725
Land	2,706	2,278	907
Leasehold improvements	8,857	8,647	4,770
Assets under Construction	-	-	807
Deposits on equipment	3,929	2,299	297
	266,181	247,160	156,488

Land, deposit on equipment and assets under construction are not subject to depreciation.

The cost of property and equipment under finance lease at March 31, 2011 is $2,954 (December 31, 2010- $2,954) with accumulated depreciation of $801 (December 31, 2010- $739).

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

6. INTANGIBLE ASSETS

Cost	Customer relationships	Supplier commitments	Non-compete agreements	Trademarks	Total
At 1/1/2010	10,951	2,077	-	11	13,039
Additions	3,575	-	450	-	4,025
Disposals	-	(75)	-	-	(75)
Exchange differences	(169)	-	-	-	(169)
	14,357	2,002	450	11	16,820
Accumulated amortization					
At 1/1/2010	1,914	1,301	-	3	3,218
Charge for the period	920	401	225	1	1,547
Disposals	-	-	-	-	-
Exchange differences	(9)	-	-	-	(9)
	2,825	1,702	225	4	4,756
Net book value at 12/31/2010	**11,532**	**300**	**225**	**7**	**12,064**
Net book value at 1/1/2010	**9,037**	**776**	**-**	**8**	**9,821**

Cost	Customer relationships	Supplier commitments	Non-compete agreements	Trademarks	Total
At 1/1/2011	14,357	2,002	450	11	16,820
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange differences	(94)	-	-	-	(94)
	14,263	2,002	450	11	16,726
Accumulated amortization					
At 1/1/2011	2,825	1,702	225	4	4,756
Charge for the period	233	100	56	-	389
Disposals	-	-	-	-	-
Exchange differences	(11)	-	-	-	(11)
	3,047	1,802	281	4	5,134
Net book value at 3/31/2011	**11,216**	**200**	**169**	**7**	**11,592**

All additions to intangible assets during the period under review were as a result of business combinations as seen in note 3, augmented by an asset purchase in the fourth quarter 2010.

(Amounts expressed in thousands, except share and per share amounts)

7. GOODWILL

As at 1/1/2010	29,316
Acquisitions	5,475
Exchange differences	(200)
As at 12/31/2010	34,591
Acquisitions	-
Exchange differences	(112)
As at 3/31/2011	34,479

8. ASSET IMPAIRMENT

The recoverable amounts of all CGUs at December 31, 2010 were determined based on Value in use (VIU) calculations. The specific approach used to determine VIU for each CGU was a five-year discounted cash flow approach, cross-checked by comparable market transactions and public company trading multiples. A comparison of the consolidated recoverable amount of the CGUs to the Company's market capitalization was also performed to support the VIU calculations. The key assumptions used in the VIU calculations for each CGU were based on: a review of historical performance; a review of historical performance of guideline companies; the 2011 budget approved by the Board; and consideration of the cyclicality and expected future macro-economic changes impacting each CGU.

	Traditinal camps	Open camps	BOXX West	BOXX East	BOXX US	Energy Services	Consolidated
Intangible assets	8,815	-	65	-	2,940	244	12,064
Goodwill	24,471	-	3,873	972	3,905	1,370	34,591
Post tax discount rate	15.3%	15.8%	14.8%	13.8%	13.8%	16.5%	
Terminal growth rate	3.0%	3.5%	3.5%	3.0%	3.0%	3.5%	

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

9. OPERATING FACILITY

Black Diamond has a committed revolving operating loan facility authorized to a maximum of the lesser of $10,000 and 75% of recoverable Canadian accounts receivable less than 90 days old, accessible in multiples of $100, maturing December 31, 2013. By January 1, 2012, the Company may elect to request a one year extension. As at March 31, 2011, the maximum of $10,000 was available under the facility and the Company had drawn $nil (December 31, 2010 - $5,576 and January 1, 2010, - $9). The facility bears interest at a rate that is on a sliding scale depending on the ratio of funded debt to EBITDA and is established in concert with each of the Company's quarterly financial statements. At March 31, 2011, the rate charged on this facility is bank prime plus 1.25% (December 31, 2010 and January 1, 2010 - 1.625%) for an effective rate of 4.25% (December 31, 2010 - 4.375% and January 1, 2010 - 3.875%). The facility is collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries.

Black Diamond also has a hedging credit facility up to a maximum of $5,000 with its lenders authorizing it to enter into non-speculative interest rate hedges and/or foreign currency hedges with its lenders, and providing credit against losses on the hedge instruments. All hedges subject to this arrangement are collateralized by the same security and guarantees as the operating and capex facilities.

Black Diamond, through its wholly owned subsidiary, Nortex, also has a US $3,000 committed revolving loan facility to fund working capital requirements. The facility bears interest at a rate of US prime plus 1% subject to a 5% minimum rate. At March 31, 2011, the effective rate was 5% (December 31, 2010 – 5%, January 1, 2010 – n/a). Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date of November 30, 2011. The facility is collateralized by a letter of credit issued by the Company's Canadian lenders under the capex facility. At March 31, 2011 there was $2,700 (December 31, 2010 - $1,200 and January 1, 2010 - $nil) drawn on the Nortex facility.

At March 31, 2011, the Company issued and has outstanding letters of credit in the amount of US $3,000 (December 31, 2010 – US $3,000, January 1, 2010 – US $nil) which mature December 31, 2011.

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

10. LONG-TERM DEBT

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Committed Revolving Capex facility bearing interest at an effective variable rate of 4.407%. The interest rate is determined using a sliding scale depending on the ratio of funded debt to EBITDA and is established in concert with each of the Company's quarterly financial statements. The committed facility of $115,000 is available to December 31, 2013 and may not exceed 60% of the net book value of tangible property and equipment. The facility is interest only payable monthly in arrears until December 31, 2012 and, if not extended by one year by January 1, 2012, will be reduced in 2013 by equal quarterly reductions in an amount equal to 1/16th of the commitment on December 31, 2012. The facility is collateralized by a general security agreement from Black Diamond, a guarantee and general security agreement from each of its material subsidiaries and a pledge of the shares or equity interests of such material subsidiaries.	102,000	66,000	31,472
	102,000	66,000	31,472
Amounts payable within one year	—	—	—
	102,000	**66,000**	**31,472**

At March 31, 2011, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the facilities described above and in Note 9 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 credit facilities to be immediately due and payable without presentment, demand, protest or further notice of any kind.

(Amounts expressed in thousands, except share and per share amounts)

11. CAPITAL DISCLOSURE

Black Diamond's 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;
- to provide an appropriate return to shareholders relative to the risk of Black Diamond's underlying assets; and
- to maintain a credit rating that Black Diamond considers appropriate for its circumstances.

Black Diamond manages its capital structure within guidelines approved by the Board of Directors. Black Diamond considers its capital structure to include shareholders' equity, short and long term credit facilities and working capital. Black Diamond makes adjustments to its capital structure based on changes in economic conditions and Black Diamond's planned requirements. Black Diamond has the ability to adjust its capital structure by issuing new equity or 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 with regards to the credit facilities disclosed in Notes 9 and 10.

Black Diamond monitors capital using the Funded Debt/EBITDA ratio, and the Dividends/ (EBITDA – interest expense) ratio. The first ratio is calculated using long-term debt per the Statement of Financial Position and EBITDA, which is defined as follows:

	Three months ended	
	March 31, 2011	**March 31, 2010**
	$	**$**
Net income	9,897	4,521
Add:		
Depreciation, amortisation	6,403	4,695
Finance costs	1,048	541
Foreign exchange (gain)/ loss (unrealised)	8	(11)
Deferred income taxes	3,663	1,376
Current income taxes	17	257
Non-controlling interest	394	234
Acquisition costs	-	289
Share-based compensation	432	522
EBITDA	21,862	12,424

The Company targets to maintain this ratio at a level below 2.0. At March 31, 2011, the ratio is 1.20 (December 31, 2010 - 1.46).

The second ratio uses dividends per Note 20 to the consolidated interim financial statements, EBITDA as defined above, and interest on long-term debt per Note 25 to the consolidated interim financial statements. Black Diamond targets to maintain this ratio below a level of 0.6. At March 31, 2011 the ratio is 0.24 (March 31, 2010 - 0.35).

(Amounts expressed in thousands, except share and per share amounts)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at 3/31/2011	As at 12/31/2010	As at 1/1/2010
Current	$	$	$
Trade payables	15,189	14,316	3,535
Accruals	12,268	13,844	5,098
Customer deposits	4,399	3,005	219
Deferred income	1,423	701	102
Royalties payable	627	448	-
Other payables	912	261	195
	34,818	32,575	9,149
Non-current			
Customer deposits	527	543	-

13. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations relate to closure and post-closure costs concerning the Sunday Creek Lodges. Black Diamond estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at March 31, 2011 to be $1,900. This amount has increased from $1,800 at January 1, 2010 and is consistent with those amounts at December 31, 2010 due to additional infrastructure improvements made at the Conklin area open camp during the year ended December 31, 2010. Management has estimated the value of this obligation at March 31, 2011 to be $1,807, (December 31, 2010 $1,807 and January 1, 2010 $1,645 using a credit-adjusted discount rate of 4% and an inflation rate of 3%. These obligations are expected to be incurred over an estimated period from 2019 to 2020.

These estimates are based upon current and proposed reclamation and closure techniques in view of current 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 activity during the period:

Obligation	
As at 1/1/2010	1,645
Additions	66
Accretion in period	69
Disposals	-
As at 12/31/2010	**1,780**
Additions	-
Accretion in period	18
Disposals	-
As at 3/31/2011	**1,798**

(Amounts expressed in thousands, except share and per share amounts)

14. FINANCE LEASE OBLIGATION

Black Diamond is committed to annual minimum payments under a finance lease agreement which it assumed in February 2008 as follows:

	As at 3/31/2011 $	**As at 12/31/2010 $**	**As at 1/1/2010 $**
Due within one year	404	576	692
Due one to five years	-	-	576
Total minimum lease payments	404	576	1,268
Less amounts representing interest at 5.86%	(8)	(15)	(68)
Present value of finance lease obligations	396	561	1,200
Less current portion	**(396)**	**(561)**	**(639)**
Non-current portion	-	-	561

A first charge on specific equipment financed under the finance lease has been provided as collateral for the finance lease obligation. All equipment under capital lease is workforce housing fleet equipment.

15. SHARE CAPITAL

a) Share capital

Authorized: An unlimited number of voting common shares without nominal or par value and an unlimited number of preferred shares.

i) Issued - Common shares	Number	Amount $
Balance January 1, 2010	**13,672,893**	**140,749**
Issued as consideration for equipment	110,000	1,963
Issued on acquisition of US subsidiary *(note 4)*	485,800	8,609
Issued on acquisition of Canadian subsidiary *(note 4)*	254,427	4,410
Issued on public offering, net of costs	1,344,000	23,716
Tax on proceeds of public offering	-	373
Issued on exercise of options (note 15 (b))	567,219	3,921
Purchase of shares in Trust (note 15 (c))	(4,900)	(100)
Incurred share issue costs on acquisition of subsidiaries	-	(29)
Transfer from contributed surplus	-	4,313
Balance December 31, 2010	**16,429,439**	**187,925**
Issued on exercise of options (note 15 (b))	68,333	496
Purchase of shares in Trust (note 15 (c))	(880)	(74)
Transfer from contributed surplus	-	497
Balance March 31, 2011	**16,496,892**	**188,844**

(Amounts expressed in thousands, except share and per share amounts)

15. SHARE CAPITAL (continued)

As at March 31, 2011, there are 20,000 shares held in escrow as a result of the terms of the Nortex acquisition completed in January 2010. These shares are to be released to the vendors of Nortex prior to the end of 2011.

b) Share Option Plan

Effective December 31, 2009, Black Diamond established a Share Option Plan (the "Plan") pursuant to which options 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 that may be issued pursuant to the exercise of options granted under the Plan and all other share compensation arrangements of Black Diamond shall not exceed 10% of the outstanding common shares from time to time. At March 31, 2011, there were 1,606,468 common shares reserved for issuance upon the exercise of options granted pursuant to the 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. This exercise price is not substantially different than the market value on the date of the grant. Options granted under the Plan to date vest on a graded model over three years and the option term is five years from the date of grant. Option holders, when exercising their options, have the election, if permitted by the Board of Directors of Black Diamond, to receive the net difference between the exercise price and the then market value of the common shares issued to them in common shares.

Grant date	Number of options outstanding	Exercise price	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price for exercisable options
February 23, 2007	18,500	$6.10	0.90	18,500	$0.43
May 2, 2007	58,333	$6.80	1.09	58,333	$1.43
October 1, 2007	40,000	$9.48	1.50	40,000	$1.21
March 20, 2008	94,400	$11.74	1.97	94,400	$3.30
March 9, 2009	301,735	$5.62	2.94	181,735	$4.87
April 1, 2010	582,500	$19.61	4.00	-	$0.00
March 25, 2011	511,000	$25.94	4.99	-	$0.00
	1,606,468	$17.66	3.79	392,968	$11.24

(Amounts expressed in thousands, except share and per share amounts)

15. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity during 2011 and 2010:

	Number of options outstanding	Weighted average exercise price
Balance, January 1, 2010	1,148,520	$6.73
Granted	582,500	$19.61
Exercised	(567,219)	$6.93
Balance, December 31, 2010	**1,163,801**	**$13.42**
Granted	511,000	$25.94
Exercised	(68,333)	$7.29
Balance, March 31, 2011	**1,606,468**	**$17.66**

During the three month period ended March 31, 2011, the Company recorded share-based compensation expense of $389 (2010 – $522) related to options granted under the Plan. Options granted in the quarter ended March 31, 2011 have an estimated fair value of $3.45 per option (2010 - $nil).

As a result of the conversion to a corporation, the nature of the plan changed from being accounted for as cash settled to equity settled. On December 30, 2009, all outstanding options were revalued to fair value using the parameters applicable as at that date. The Black-Scholes option pricing model was used in determining the fair values of these options using the following assumptions:

Date of grant	Dividend yield %	Expected average volatility %	Average risk-free rate %	Expected life (years)
February 23, 2007	6.86	35	1.41	0.167
May 2, 2007	6.86	35	1.41	0.333
October 1, 2007	6.86	35	1.41	0.75
March 20, 2008	6.86	37	1.41	1.25
March 9, 2009	6.86	39	1.41	2.25
April 1, 2010	5.51	30	1.62	3.00
March 25, 2011	4.41	30	1.69	3.00

c) Long Term Incentive Plan ("LTIP")

During 2009, Black Diamond implemented an LTIP pursuant to which common shares are purchased in trust for the participants. One-third of the shares will vest on each anniversary of the grant over a three year period. During the three month period ended March 31, 2011, the Company recorded share-based compensation expense of $43 (2010 – $nil) related to shares granted under the LTIP.

To satisfy the Company's obligation to deliver stock, the Company purchased 7,718 common shares (2010- nil) on the open market for $200 (2010 - $nil) during the three month period ended March 31, 2011.

(Amounts expressed in thousands, except share and per share amounts)

15. SHARE CAPITAL (continued)

These common shares are held in trust until the common shares vest to the participants. The Company is not exposed to fluctuations in the stock price in respect of the common shares held by the trustee.

For accounting purposes, the cost of the purchase of common shares held in trust has been accounted for as a reduction in outstanding common shares and the trust has been consolidated as it meets the definition of a special purpose entity with the Company as the primary beneficiary.

16. EARNINGS PER SHARE

Basic earnings per share from continuing operations are calculated on the net profit per the consolidated statement of income for the period.

Reconciliation of weighted average number of shares

	As at 3/31/2011	As at 3/31/2010
Weighted average common shares outstanding- basic	16,455,198	14,813,596
Effect of share option plan	355,219	452,439
Weighted average common shares outstanding- diluted	16,810,417	15,266,035

Excluded from diluted weighted average number of shares are anti-dilutive options of 511,000 for the period ended March 31, 2011 (2010- nil).

17. CONTRIBUTED SURPLUS

	$
Balance, January 1, 2010	6,586
Stock-based compensation	1,867
Vesting of LTIP	106
Options exercised in the period	(4,313)
Balance, December 31, 2010	**4,246**
Stock-based compensation	389
Vesting of LTIP	43
Options exercised in the period	(497)
Balance, March 31, 2011	**4,181**

(Amounts expressed in thousands, except share and per share amounts)

18. NON-CONTROLLING INTERESTS

The non-controlling interests represent the Fort Nelson First Nation 50% interest in the Black Diamond Dene Limited Partnership and the West Moberly First Nation 50% interest in the Black Diamond West Moberly Limited Partnership.

In September 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 November 1, 2010 Black Diamond Group Limited and West Moberly First Nation, as limited partners, formed Black Diamond West Moberly Limited Partnership through which Black Diamond and the West Moberly First Nation will work together to provide services to resource development companies as well as other commercial and industrial activity in the Fort St. John area in Northeastern British Columbia.

For the period ended March 31, 2011, a distribution of $318 (2010- $nil) was declared to Fort Nelson First Nation, as per the partnership agreement. For the period ended March 31, 2011, a distribution of $nil (2010- $nil) was declared to West Moberly First Nation, as per the partnership agreement.

	$
Non-controlling interest, January 1, 2010	**51**
Net income attributable to non-controlling interest	503
Distribution to partner	(206)
Balance December 31, 2010	**348**
Net income attributable to non-controlling interest	394
Distribution to partner	(318)
Balance March 31, 2011	**424**

(Amounts expressed in thousands, except share and per share amounts)

19. OTHER RESERVES

Accumulated other comprehensive income (A)

As at 1/1/2010	**-**
Net unrealised loss on cash flow hedge	(1,402)
Exchange differences on translation of US operations	(2,099)
Tax effect of cash flow hedge	350
As at 12/31/2010	**(3,151)**
Net unrealised recovery of cash flow hedge	338
Exchange differences on translation of US operations	(1,573)
Tax effect of cash flow hedge	(84)
As at 3/31/2011	**(4,470)**

(A) Accumulated other comprehensive income reserve represents gains/losses recognised on the effective portion of cash flow hedges, as well as differences arising on the translation of the Company's US operations into Canadian dollars due to the functional currency of these operations differing from the Company's reporting currency.

20. DIVIDENDS

At the Board of Directors discretion, cash dividends are paid by Black Diamond on a monthly basis to shareholders of record on the last business day of each month. Dividends are payable on or about the 15th day of the month following the record date. The cash dividends are entirely discretionary. During the three month period ended March 31, 2011 and 2010, Black Diamond's dividends on common shares of record were as follows:

	2011		**2010**	
Record date	**Dividend per share $**	**Dividends $**	**Dividends per share $**	**Dividends $**
January 31	0.095	1,567	0.09	1,301
February 28	0.095	1,567	0.09	1,333
March 31	0.095	1,571	0.09	1,467
Total dividends declared		4,705		4,101

(Amounts expressed in thousands, except share and per share amounts)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were as follows:

	Three month period ended	
	March 31, 2011	**March 31, 2010**
	$	**$**
Accounts receivable	(22,177)	(7,510)
Prepaid expenses and other current assets	(1,635)	(588)
Accounts payable and accrued liabilities	1,850	(176)
	(21,962)	(8,274)
Working capital acquired	-	(469)
Attributable to operating activities	(29,022)	(6,190)
Attributable to investing activities	7,060	(1,615)

(Amounts expressed in thousands, except share and per share amounts)

22. FINANCIAL INSTRUMENTS

a) Analysis of financial assets and liabilities

Financial instruments classified as loans and receivables, and other financial liabilities are measured at amortized cost. Derivatives held for hedging are recorded on the consolidated Statement of Financial Position at fair value, with changes in the fair values recognized in other comprehensive income. Black Diamond had no held to maturity investments, available for sale or financial assets or liabilities at fair value through profit or loss at March 31, 2011, December 31, 2010 or January 1, 2010.

As at March 31, 2011	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	102,000	-
Accounts receivable	57,053	-	-
Accounts payable	-	34,818	-
Dividends payable	-	1,571	-
Finance lease payable	-	396	-
Bank Indebtedness	-	2,700	-
Risk management liability	-	-	1,065
	57,053	141,485	1,065

As at December 31, 2010	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	66,000	-
Accounts receivable	35,080	-	-
Accounts payable	-	32,575	-
Dividends payable	-	1,482	-
Finance lease payable	-	561	-
Bank Indebtedness	-	6,776	-
Risk management liability	-	-	1,402
	35,080	107,394	1,402

As at January 1, 2010	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	31,472	-
Accounts receivable	12,553	-	-
Accounts payable	-	9,149	-
Dividends payable	-	1,234	-
Finance lease payable	-	1,200	-
Bank Indebtedness	-	9	-
Risk management liability	-	-	-
	12,553	43,064	-

(Amounts expressed in thousands, except share and per share amounts)

22. FINANCIAL INSTRUMENTS (continued)

b) Fair value of financial instruments

There are no significant differences in the carrying amounts of those instruments classified as loans and receivables or financial liabilities measured at amortised cost and their estimated fair values due to their short-term nature. Financial instruments classified as derivatives used for hedging are measured in the Statement of Financial Position at fair value. Effective April 2010, the Company adopted the amendment to IFRS 7 for such financial instruments. This requires the disclosure of fair value measurements by the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3).

As at each reporting date, financial instruments classified as derivatives used for hedging were level 2 on the hierarchy. Those assets classified as loans and receivables and financial liabilities measured at amortised cost do not require input into the hierarchy analysis.

c) 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 cash flow risk on its credit facilities because they are based on floating rates of interest. The required cash flow to service the credit facilities will fluctuate as a result of changes in market rates. Black Diamond has entered into an interest rate swap contract to fix a portion of its floating rate interest on long-term debt. The interest rate swap contract requires the periodic exchange of payments without the exchange of the notional principal amounts on which the payment is based. At March 31, 2011, Black Diamond had the following interest rate swap contract outstanding:

	Remaining term	Notional amount	Fixed rate	Floating rate
Swaps - Floating to fixed	April 2011 - April 2015	$25,000	3.63%	30 day CDOR

All interest rate related derivative financial instruments designated as hedges at March 31, 2011 were classified as cash flow hedges.

A 1% increase in interest rates assuming debt patterns consistent with those that actually occurred, when annualised, would result in 2010 other comprehensive income sensitivity of approximately $860.

(Amounts expressed in thousands, except share and per share amounts)

22. FINANCIAL INSTRUMENTS (CONTINUED)

d) 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 and its level of dividends.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at January 1, 2010	On demand	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
Bank indebtedness	-	9	-	-	-	9
Trade and other payables	-	9,149	-	-	-	9,149
Finance leases	-	-	639	561	-	1,200
Long term debt	-	-	-	31,472	-	31,472
	-	9,158	639	32,033	-	41,830
As at December 31, 2010	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**Greater than 5 years**	**Total**
Bank indebtedness	-	6,776	-	-	-	6,776
Trade and other payables	-	32,575	-	543	-	33,118
Finance leases	-	-	561	-	-	561
Long term debt	-	-	-	66,000	-	66,000
Risk management liability	-	-	-	1,402	-	1,402
	-	39,351	561	67,945	-	107,857
As at March 31, 2011	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**Greater than 5 years**	**Total**
Bank indebtedness	-	2,700	-	-	-	2,700
Trade and other payables	-	34,818	-	527	-	35,345
Finance leases	-	-	396	-	-	396
Long term debt	-	-	-	102,000	-	102,000
Risk management liability	-	-	-	1,065	-	1,065
	-	37,518	396	103,592	-	141,506

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 dividends.

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 27. Due to the nature of contracted revenue Black Diamond has in future periods and the unused capacity in the committed revolving Capex facility, management is confident Black Diamond has the liquidity to meet these equipment purchase obligations.

(Amounts expressed in thousands, except share and per share amounts)

23. REVENUE

	Three month period ended	
	March 31, 2011	**March 31, 2010**
Rental revenue	19,595	11,728
Lodging revenue	11,483	6,702
Non-rental revenue	24,654	12,541
	55,732	30,971

24. AMOUNTS CHARGED IN ARRIVING AT OPERATING PROFIT

	Three month period ended	
	March 31, 2011	**March 31, 2010**
Direct costs of operations	27,683	14,516
Depreciation of property and equipment	6,014	4,323
Amortisation of intangibles	389	387
Personnel costs	3,507	2,265
Administrative expenses	1,718	1,941
Occupancy and insurance	962	630
Share based compensation	432	522
Acquisition costs	-	289
Foreign exchange (gain) (realised)	-	(820)
Foreign exchange (gain)/loss (unrealised)	8	(11)
	40,713	24,042

25. FINANCE COSTS

	Three month period ended	
	March 31,2011	**March 31,2010**
Interest payable on		
- Operating facility	39	20
- Long term debt	985	488
- Capital lease	7	17
Accretion of asset retirement obligation	17	16
	1,048	541

26. SEGMENTED INFORMATION

Black Diamond determines its reportable segments based on the structure of its operations, which are primarily focused in three business segments – Camps and Logistics, Space Rentals and Energy Services.

Camps and Logistics ("Camps") provide modular structures designed for remote site accommodation. The structures, when assembled together, form large dormitories, kitchen/dining facilities and recreation complexes. Within this segment, Black Diamond also operates Sunday Creek Lodges where the Company owns and operates remote lodging facilities. The majority of the business activity within this segment occurs in Western Canada.

Space Rentals provides high quality, cost effective modular space solutions to a diverse customer base in Canada and the United States ("U.S."). The structures provided include office units, storage units, office complexes, training facilities, lavatories and custom manufactured structures.

Energy Services provides an accommodations fleet for drill camps, geologist/engineer quarters and staff quarters. Energy Services also provides a complement of surface rental assets that would typically support a drilling or completions operation such as solid and liquids containment, rig matting, and support equipment. Activity levels of Energy Services have been directly impacted by the seasonality of drilling operations, whereby activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

The Company has material assets and operations in the US. As such, segmentation by principal business as well as geographic region is presented.

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26. SEGMENTED INFORMATION (continued)

For the three month period ended	March 31,2011			March 31, 2010		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Revenue						
Camps	34,550	-	34,550	16,695	-	16,695
Space Rentals	5,816	6,451	12,267	3,298	5,173	8,471
Energy Services	8,696	-	8,696	6,378	-	6,378
Intersegment eliminations (1)	218	-	219	(573)	-	(573)
	49,280	6,451	55,732	25,798	5,173	30,971

(1) All intersegment revenue eliminated is in respect to inter-divisional services provided within the Company.

	Canada	USA	Total	Canada	USA	Total
Depreciation of Property and Equipment						
Camps	3,757	-	3,757	2,090	-	2,090
Space Rentals	683	705	1,388	604	662	1,266
Energy Services	762	-	762	866	-	866
Corporate	107	-	107	101	-	101
	5,309	705	6,014	3,661	662	4,323
Finance costs						
Camps	611	-	611	251	-	251
Space Rentals	173	136	309	102	98	200
Energy Services	128	-	128	90	-	90
	912	136	1,048	443	98	541
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps	9,370	-	9,370	3,741	-	3,741
Space Rentals	1,474	133	1,607	731	348	1,079
Energy Services	2,208	-	2,208	948	-	948
Corporate	(3,288)	-	(3,288)	(1,247)	-	(1,247)
	9,764	133	9,897	4,173	348	4,521
Capital Expenditures						
Camps	19,158	-	19,158	9,721	-	9,721
Space Rentals	2,379	1,494	3,873	3,482	28,716	32,198
Energy Services	3,660	-	3,660	3,081	-	3,081
Corporate	1,119	-	1,119	606	-	606
	26,316	1,494	27,810	16,890	28,716	45,606

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

26. SEGMENTED INFORMATION (continued)

As at	March 31, 2011			December 31,2010			January 1, 2010
	Canada	USA	Total	Canada	USA	Total	Total
	$	$	$	$	$	$	$
Property and Equipment							
Camps	150,025	-	150,025	135,726	-	135,726	78,668
Space Rentals	43,786	34,142	77,928	42,466	34,882	77,348	43,733
Energy Services	32,451	-	32,451	29,491	-	29,491	31,211
Corporate	5,777	-	5,777	4,595	-	4,595	2,876
	232,039	34,142	266,181	212,278	34,882	247,160	156,488
Intangible Assets							
Camps	8,513	-	8,513	8,727	-	8,727	9,688
Space Rentals	14	2,791	2,805	22	2,983	3,005	125
Energy Services	266	-	266	325	-	325	-
Corporate	8	-	8	7	-	7	8
	8,801	2,791	11,592	9,081	2,983	12,064	9,821
Goodwill							
Camps	24,471	-	24,471	24,471	-	24,471	24,471
Space Rentals	4,845	3,794	8,639	4,845	3,906	8,751	4,845
Energy Services	1,369	-	1,369	1,369	-	1,369	-
	30,685	3,794	34,479	30,685	3,906	34,591	29,316
Total Assets							
Camps	217,305	-	217,305	179,334	-	179,334	112,827
Space Rentals	53,481	51,780	105,261	53,542	50,620	104,162	48,703
Energy Services	41,889	-	41,889	34,277	-	34,277	31,211
Corporate	8,934	-	8,934	13,613	-	13,613	16,311
	321,609	51,780	373,389	280,766	50,620	331,386	209,052

(Amounts expressed in thousands, except share and per share amounts)

27. COMMITMENTS

Black Diamond rents premises 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:

	3/31/2011	12/31/2010	1/1/2010
As at	$	$	$
Due within on year	1,429	1,876	1,413
Due later than one year and less than five	5,663	4,713	4,982
Due after five years	232	1,120	2,006
	7,324	7,709	8,401

Black Diamond has committed to purchase $29,672 of fleet equipment for delivery in 2011. These purchases will be financed through a combination of operating cash flow and draws on Black Diamond's credit facilities.

28. RELATED PARTY TRANSACTIONS

There are no related party transactions requiring disclosure.

29. SUBSEQUENT EVENT

On May 10, 2011 Black Diamond issued 1,980,000 shares for gross proceeds of approximately $51.7 million.

30. EXPLANATION OF TRANSITION TO IFRS

These interim consolidated financial statements for the period ended March 31, 2011 are the Company's first interim financial statements prepared under IFRS. In accordance with IFRS 1 'First time adoption of International Financial Reporting Standards' ("IFRS"), certain disclosures relating to the transition to IFRS are given in this note. These disclosures are prepared under IFRS as set out in the basis of preparation in note 2.

The effect of the Company's transition to IFRS is summarized as follows:

i. Transition elections as under IFRS 1
ii. Reconciliation of equity as at January 1, 2010, March 31, 2010 and December 31, 2010
iii. Reconciliation of comprehensive income for the periods ended March 31, 2010 and December 31, 2010
iv. Explanation of the adjusting entries
v. Adjustments to the statement of cash flows

i. Transition elections under IFRS 1

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Company has taken the following exemptions:

IFRS 3(R) - Business Combinations

In accordance with IFRS transitional provisions, the Company elected to apply IFRS 3(R) prospectively from January 1, 2010. As such, previous CGAAP balances relating to business combinations entered into before this date, including goodwill, have been carried forward without adjustment.

IAS 21 - The Effects of Changes in Foreign Exchange Rates

In accordance with IFRS transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. This lead to an adjustment to the opening retained earnings upon transition resulting from the change in the foreign exchange conversion method for the US operations.

IFRS 2- Share based payments

A first time adopter is encouraged, but not required, to apply IFRS 2 to equity instruments that were granted on or before 7 November 2002. A first time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after 7 November 2002 and vested before the later of the transition date and January 1 2005.

All of the Company's share options issued were granted after 7 November 2002, with the majority still vesting as at the date of transition. Under IFRS 2 the Company applied retrospectively to those grants already vested, as this valued those share options previously granted at their fair value at the date of the trust conversion.

30. EXPLANATION OF TRANSITION TO IFRS (continued)

IFRIC 1- Decommissioning liabilities included in the cost of property, plant and equipment
IFRS 1 permits a first time adopter to not add or deduct the changes in a decommissioning, restoration or similar liability to the cost of the asset to which it relates to for changes that occurred before the date of transition. If this exemption is utilized then the first time adopter shall measure the liability in accordance with IAS 37- Provisions, Contingent liabilities and assets.

The Company did not elect to take this exemption as there has not been any change in the cost estimates or assumption prior to transition and the only adjustment that the Company made to the ARO upon transition was to update the discount rate. This was performed as a one-time adjustment at transition and was applied retrospectively, as IFRIC 1 suggests.

ii) Reconciliation of equity as at January 1, 2010

(Expressed in thousands)	CGAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
ASSETS						
Current						
Accounts receivable	12,553	-	-	-	-	12,553
Prepaid expenses and other current assets	874	-	-	-	-	874
	13,427	-	-	-	-	13,427
Non-current						
Property and equipment	156,188	522	(222)	-	300	156,488
Intangible assets	9,821	-	-	-	-	9,821
Goodwill	29,316	-	-	-	-	29,316
	208,752	522	(222)	-	300	209,052
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank indebtedness	9	-	-	-	-	9
Accounts payable and accrued liabilities	9,149	-	-	-	-	9,149
Dividends payable	1,234	-	-	-	-	1,234
Current portion of finance lease obligation	639	-	-	-	-	639
	11,031	-	-	-	-	11,031
Non-current						
Finance lease obligation	561	-	-	-	-	561
Long-term debt	31,472	-	-	-	-	31,472
Asset retirement obligations	1,116	529	-	-	529	1,645
Deferred tax liability	11,724	-	-	-	-	11,724
	55,904	529	-	-	529	56,433
Shareholders' equity						
Share capital	146,366	-	-	(5,617)	(5,617)	140,749
Contributed surplus	969	-	-	5,617	5,617	6,586
Non-controlling interest	51	-	-	-	-	51
Retained earnings	5,462	(7)	(222)	-	(229)	5,233
	152,848	(7)	(222)	-	(229)	152,619
	208,752	522	(222)	-	300	209,052

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Reconciliation of equity as at March 31, 2010

(Expressed in thousands)	CDN GAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
ASSETS						
Current						
Accounts receivable	24,200	-	2	-	2	24,202
Prepaid expenses and other current assets	1,468	-	(6)	-	(6)	1,462
	25,668	-	(4)	-	(4)	25,664
Non-current						
Deferred tax asset	900	-	-	-	-	900
Property and equipment	195,770	512	(1,178)	-	(666)	195,104
Intangible assets	13,698	-	(99)	-	(99)	13,599
Goodwill	34,574	-	(104)	-	(104)	34,470
	270,610	512	(1,385)	-	(873)	269,737
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank indebtedness	4,193	-	-	-	-	4,193
Accounts payable and accrued liabilities	13,230	-	(1)	-	(1)	13,229
Dividends payable	1,467	-	-	-	-	1,467
Current income taxes payable	257	-	-	-	-	257
Current portion of finance lease obligation	648	-	-	-	-	648
	19,795	-	(1)	-	(1)	19,794
Non-current						
Finance lease obligation	396	-	-	-	-	396
Long-term debt	30,456	-	-	-	-	30,456
Asset retirement obligations	1,201	527	-	-	527	1,728
Deferred tax liability	22,410	-	29	-	29	22,439
	74,258	527	28	-	555	74,813
Shareholders' equity						
Share capital	188,606	-	-	(2,829)	(2,829)	185,777
Contributed surplus	878	-	-	3,285	3,285	4,163
Non-controlling interest	285	-	-	-	-	285
Foreign currency translation reserve	-	-	(1,175)	-	(1,175)	(1,175)
Retained earnings	6,583	(15)	(238)	(456)	(709)	5,874
	196,352	(15)	(1,413)	-	(1,428)	194,924
	270,610	512	(1,385)	-	(873)	269,737

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Reconciliation of equity as at December 31, 2010

(Expressed in thousands) As at	CDN GAAP	IAS 37 adj *(1)*	IAS 21 adj *(2)*	IFRS 2 adj (3)	Total IFRS adj.	IFRS
	$	$	$	$	$	$
ASSETS						
Current						
Accounts receivable	35,395	-	(315)	-	(315)	35,080
Prepaid expenses and other current assets	2,491	-	-	-	-	2,491
	37,886	-	(315)	-	(315)	37,571
Non- current						
Property and equipment	248,642	471	(1,953)	-	(1,482)	247,160
Intangible assets	12,224	-	(160)	-	(160)	12,064
Goodwill	34,791	-	(200)	-	(200)	34,591
	333,543	471	(2,628)	-	(2,157)	331,386
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank indebtedness	6,776	-	-	-	-	6,776
Accounts payable and accrued liabilities	32,558	-	17	-	17	32,575
Dividends payable	1,482	-	-	-	-	1,482
Current income taxes payable	68	-	-	-	-	68
Current portion of finance lease obligation	561	-	-	-	-	561
	41,445	-	17	-	17	41,462
Non- current						
Long-term debt	66,000	-	-	-	-	66,000
Long-term customer deposits	543	-	-	-	-	543
Risk management liability	1,402	-	-	-	-	1,402
Asset retirement obligations	1,276	504	-	-	504	1,780
Deferred tax liability	25,571	-	-	-	-	25,571
	136,237	504	17	-	521	136,758
Shareholders' equity						
Share capital	189,732	-	-	(1,807)	(1,807)	187,925
Contributed surplus	1,401	-	-	2,845	2,845	4,246
Non-controlling interest	348	-	-	-	-	348
Foreign currency translation reserve	-	-	(2,099)	-	(2,099)	(2,099)
Other comprehensive income	(1,052)	-	-	-	-	(1,052)
Retained earnings	6,877	(33)	(546)	(1,038)	(1,617)	5,260
	197,306	(33)	(2,645)	-	(2,678)	194,628
	333,543	471	(2,628)	-	(2,157)	331,386

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iii) Reconciliation of comprehensive income for the three months ended March 31,2010

(Expressed in thousands)	CGAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
Revenue	30,971	-	-	-	-	30,971
Direct costs	14,516	-	-	-	-	14,516
Gross Profit	16,455	-	-	-	-	16,455
Expenses						
Selling, general and administrative costs	4,837	-	-	-	-	4,837
Depreciation of property and equipment	4,310	13	-	-	13	4,323
Amortization of intangibles	387	-	-	-	-	387
Acquisition costs	289	-	-	-	-	289
Foreign exchange gain	(1,070)	-	238	-	238	(832)
Stock-based compensation	66	-	-	456	456	522
	8,819	13	238	456	707	9,526
Operating profit	**7,636**	**(13)**	**(238)**	**(456)**	**(707)**	**6,929**
Finance costs	547	(6)	-	-	(6)	541
Income before income taxes	7,089	(7)	(238)	(456)	(701)	6,388
Income tax expense						
Current	257	-	-	-	-	257
Deferred	1,376	-	-	-	-	1,376
	1,633	-	-	-	-	1,633
Income after income taxes	**5,456**	**(7)**	**(238)**	**(456)**	**(701)**	**4,755**
Net income attributable to non-controlling interest	234	-	-	-	-	234
Net income attributable to Black Diamond Group Limited	5,222	(7)	(238)	(456)	(701)	4,521
Exchange difference on translation of US operations	-	-	(1,175)	-	(1,175)	(1,175)
Comprehensive income	5,222	(7)	(1,413)	(456)	(1,876)	3,346

Black Diamond Group Limited
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

Reconciliation of comprehensive income for the twelve months ended December 31,2010

(Expressed in thousands)	CGAAP	IAS 37 adj. *(1)*	IAS 21 adj. *(2)*	IFRS 2 adj. *(3)*	Total IFRS adj.	IFRS
	$	$	$	$	$	$
Revenue	139,762	-	-	-	-	139,762
Direct costs	68,277	-	-	-	-	68,277
	71,485	-	-	-	-	71,485
Expenses						
Selling, general and administrative costs	21,945	-	-	-	-	21,945
Depreciation of property and equipment	19,475	54	-	-	54	19,529
Amortization of intangibles	1,547	-	-	-	-	1,547
Accretion on asset retirement obligation	97	(27)	-	-	(27)	70
Acquisition costs	289	-	-	-	-	289
Foreign exchange gain	(1,149)	-	328	-	328	(821)
Interest on long term debt	2,505	-	-	-	-	2,505
Interest on operating facility	87	-	-	-	-	87
Stock-based compensation	939	-	-	1,033	1,033	1,972
	45,735	27	328	1,033	1,388	47,123
	25,750	(27)	(328)	(1,033)	(1,388)	24,362
Income before income taxes						
Income tax expense						
Current	69	-	-	-	-	69
Deferred	6,349	-	-	-	-	6,349
	6,418	-	-	-	-	6,418
Income after income taxes	19,332	(27)	(328)	(1,033)	(1,388)	17,944
Net income attributable to non-controlling interest	503	-	-	-	-	503
Net income attributable to Black Diamond Group Limited	18,829	(27)	(328)	(1,033)	(1,388)	17,441
Net change in derivative financial instruments designated as cash flow hedges	(1,052)	-	-	-	-	(1,052)
Exchange difference on translation of US operations	-	-	(2,099)	-	(2,099)	(2,099)
Comprehensive income	17,777	(27)	(2,427)	(1,033)	(3,487)	14,290

30. EXPLANATION OF TRANSITION TO IFRS (continued)

iv) **Explanation of the effect of the transition to IFRS**

The following note explains the material adjustments to the statement of financial position of the Company as at January 1, 2010, March 31, 2010 and December 31, 2010 and the statement of comprehensive income at March 31, 2010 and December 31, 2010.

1) The discounted value of the future cash flows related to funding the Company's asset retirement obligation was increased due to a change in the discount rate applied from the layering approach utilized under previous CGAAP to the current period discount rate utilized under IFRS. The increase in carrying value of the asset and obligation is amortized over the remaining useful life of the obligation. The accretion expense is now also disclosed under finance costs.

2) Upon transition to IFRS the Company's US operations were assessed to have a functional currency that differed from the Company's reporting currency. This change resulted in the Company using the closing rate method of translation, instead of the temporal method as used under previous CGAAP.

3) Under IFRS the Company accrues the cost of share based compensation over the vesting period using the graded method of amortization rather than the straight line method, as utilized under previous CGAAP. This change increased contributed surplus and reduced retained earnings at the date of transition and prospectively. The effect of this change was augmented by the fair value of the underlying options being recalculated at the time of the corporate conversion on December 31, 2009.

v. **Adjustments to the statement of cash flows**

The transition from previous CGAAP to IFRS had no significant impact on cash flows generated by the Company except that under IFRS cash flows relating to interest are classified as operating, investing or financing in a consistent manner with the underlying asset/liability. Whereas under previous CGAAP, cash flows relating to interest were classified as operating.