Consolidated Financial Statements

Black Diamond Group Limited

For the years ended December 31, 2011 and 2010

Independent Auditors' Report

To the Shareholders of Black Diamond Group Limited:

We have audited the accompanying consolidated financial statements of Black Diamond Group Limited, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of net income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Black Diamond Group Limited as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants

Calgary, Alberta
March 7, 2012

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands)

As at	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
ASSETS			
Current			
Cash and cash equivalents	22,990	-	-
Trade and other receivables *(note 4)*	47,641	35,079	12,553
Due from related parties *(note 29)*	1,313	1	-
Prepaid expenses and other current assets	7,978	2,491	874
	79,922	37,571	13,427
Non-Current			
Property and equipment *(notes 5 and 14)*	301,073	247,160	156,488
Intangible and other non-current assets *(note 6)*	10,778	12,064	9,821
Goodwill *(note 7)*	34,657	34,591	29,316
	426,430	331,386	209,052
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness *(note 9)*	-	6,776	9
Accounts payable and accrued liabilities *(note 12)*	24,708	32,128	9,149
Due to related parties *(note 29)*	1,415	448	-
Dividends payable *(note 20)*	1,771	1,481	1,234
Current income taxes payable	44	68	-
Finance lease obligation *(notes 14 and 23)*	-	561	639
	27,938	41,462	11,031
Non-Current			
Finance lease obligation *(notes 14 and 23)*	-	-	561
Long-term debt *(notes 10 and 23)*	86,130	66,000	31,472
Deferred revenue *(note 12)*	80	543	-
Risk management liability *(note 23)*	2,074	1,402	-
Asset retirement obligations *(note 13)*	1,907	1,780	1,645
Deferred tax liabilities *(note 22)*	38,892	25,571	11,724
	157,021	136,758	56,433
Shareholders' equity			
Share capital *(note 15)*	240,350	187,925	140,749
Contributed surplus *(note 17)*	4,778	4,246	6,586
Non-controlling interest *(note 18)*	1,359	348	51
Accumulated other comprehensive loss *(note 19)*	(2,889)	(3,151)	-
Retained earnings	25,811	5,260	5,233
	269,409	194,628	152,619
	426,430	331,386	209,052

On behalf of the Board

Signed "Minaz Kassam"

Signed "Robert G. Brawn"

Black Diamond Group Limited

CONSOLIDATED STATEMENT OF NET INCOME

(Expressed in thousands, except per share amounts)

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Revenue *(note 24)*	241,808	139,762
Direct costs	119,485	68,277
Gross Profit	122,323	71,485
Expenses		
Administrative expenses *(note 25)*	30,181	23,385
Depreciation of property and equipment *(note 5)*	27,285	19,529
Amortization of intangibles *(note 6)*	1,415	1,547
	58,881	44,461
Operating profit	63,442	27,024
Finance costs *(note 26)*	4,805	2,662
Income before income taxes	58,637	24,362
Income tax *(note 22)*		
Current	60	69
Deferred	13,996	6,349
	14,056	6,418
Net income	44,581	17,944
Net income attributable to non-controlling interest *(note 18)*	3,602	503
Net income attributable to Black Diamond Group Limited	**40,979**	**17,441**
Net income per share *(note 16)*		
Basic	1.15	0.55
Diluted	1.12	0.53

See accompanying notes to the consolidated financial statements

Black Diamond Group Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in thousands)

	Year ended	
	December 31, 2011	**December 31, 2010**
	$	**$**
Net income attributable to Black Diamond Group Limited	40,979	17,441
Realized portion of derivative designated as cash flow hedge (net of tax) *(note 19)*	497	356
Net unrealized loss in derivative financial instruments designated as cash flow hedges (net of tax) *(note 19)*	(999)	(1,408)
Cumulative translation adjustment *(note 19)*	764	(2,099)
Comprehensive income attributable to Black Diamond Group Limited	**41,241**	**14,290**

See accompanying notes to the consolidated financial statements

Black Diamond Group Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in thousands)

	Share Capital	Contributed Surplus	Non-Controlling interest	Accumulated Other Comprehensive loss	Retained earnings	Total
Balance as at 1/1/2010	**140,749**	**6,586**	**51**	**-**	**5,233**	**152,619**
Net income for the year	-	-	503	-	17,441	17,944
Realized derivative loss gain *(note 19)*	-	-	-	356	-	356
Unrealised derivative loss *(note 19)*	-	-	-	(1,408)	-	(1,408)
Cumulative translation adjustment *(note 19)*	-	-	-	(2,099)	-	(2,099)
Dividends declared *(note 20)*	-	-	-	-	(17,414)	(17,414)
Distribution to partners *(note 18)*	-	-	(206)	-	-	(206)
Share capital issued- net *(note 15)*	39,070	-	-	-	-	39,070
Share capital issued on exercise of options *(note 15)*	8,235	(4,313)	-	-	-	3,922
Purchase of shares in trust *(note 15)*	(100)	-	-	-	-	(100)
Incurred share issue costs	(29)	-	-	-	-	(29)
Share based compensation expense *(note 15)*	-	1,973	-	-	-	1,973
Balance as at 12/31/2010	**187,925**	**4,246**	**348**	**(3,151)**	**5,260**	**194,628**
Net income for the year	-	-	3,602	-	40,979	44,581
Realized derivative loss *(note 19)*	-	-	-	497	-	497
Unrealised derivative loss *(note 19)*	-	-	-	(999)	-	(999)
Cumulative translation adjustment *(note 19)*	-	-	-	764	-	764
Dividends declared *(note 20)*	-	-	-	-	(20,428)	(20,428)
Distribution to partners *(note 18)*	-	-	(2,591)	-	-	(2,591)
Share capital issued -net *(note 15)*	49,470	-	-	-	-	49,470
Share capital issued on exercise of options *(note 15)*	2,948	(1,293)	-	-	-	1,655
Purchase of shares in trust *(note 15)*	(220)	-	-	-	-	(220)
Sale of shares in trust	74	135	-	-	-	209
Vesting of shares in trust	153	(153)	-	-	-	-
Share based compensation expense *(note 15)*	-	1,843	-	-	-	1,843
Balance as at 12/31/2011	**240,350**	**4,778**	**1,359**	**(2,889)**	**25,811**	**269,409**

See accompanying notes to the consolidated financial statements

Black Diamond Group Limited

CONSOLIDATED STATEMENTS OF CASH FLOW

(Expressed in thousands)	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Operating activities		
Operating profit for the year	63,442	27,024
Add (deduct) non-cash items:		
Depreciation of property and equipment *(note 5)*	27,285	19,529
Amortization of intangible assets *(note 6)*	1,415	1,547
Amortization of debt issuance costs *(note 10)*	79	-
Earnings attributable to non-controlling interest	(3,602)	(503)
Unrealized foreign exchange loss *(note 25)*	7	1
Share-based compensation expense *(note 25)*	1,843	1,972
	90,469	49,570
Book value of used fleet sales in operating activities	14,171	5,674
Change in non-cash working capital related to operating activities *(note 21)*	(35,748)	10,804
Net cash from/ (used in) operating activities	68,892	66,048
Investing activities		
Purchase of property and equipment	(94,656)	(85,706)
Increase in other non-current asset *(note 6)*	(88)	-
Business combinations *(note 3)*	-	(17,945)
Change in non-cash working capital related to investing activities *(note 21)*	9,506	(11,697)
Net cash used in investing activities	(85,238)	(115,348)
Financing activities		
Proceeds from long-term debt *(note 10)*	62,000	62,968
Repayment of long-term debt *(note 10)*	(41,000)	(28,440)
Costs of long-term debt issuance *(note 10)*	(949)	-
Repayment of finance lease *(note 14)*	(561)	(639)
Interest in the year *(note 26)*	(4,765)	(2,592)
Net proceeds from issuance of shares *(note 15)*	48,772	24,088
Dividend payments *(note 20)*	(20,138)	(17,167)
Distribution to non-controlling interest	(1,451)	(206)
Purchase of shares in trust *(note 15)*	(220)	(100)
Sale of shares in trust	206	-
Bank indebtedness	(6,776)	6,765
Share options exercised *(note 15)*	1,655	3,917
Change in non-cash working capital related to financing activities *(note 21)*	2,573	695
Net cash from financing activites	39,346	49,289
Increase/ (decrease) in cash and cash equivalents	23,000	(11)
Cash and cash equivalents, beginning of year	-	-
Effect of foreign currency rate changes on cash and cash equivalents	(10)	11
Cash and cash equivalents, end of year	**22,990**	-

See accompanying notes to the consolidated financial statements

Black Diamond Group Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 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 year ended December 31, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on March 7, 2012. Black Diamond Group Limited and its controlled 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, BOXX Modular Inc., Nortex Modular Space, Black Diamond Energy Services Inc. and Black Diamond Limited Partnership, and limited partnerships, Black Diamond Dene Limited Partnership and West Moberly Limited Partnership, 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 security holders 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.

All current and comparative share capital and earnings per share amounts have been adjusted for the two for one share split that occurred August 25, 2011.

2. SIGNIFICANT ACCOUNTING POLICES

Basis of preparation
These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments measured at fair value, and have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The December 31, 2011 consolidated financial statements are the Company's first annual 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.

In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

The consolidated 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)

Significant accounting judgments, estimates and assumptions

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, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, the fair value of the identifiable assets acquired in business combinations, the fair value and useful lives of intangible assets for the purposes of impairment, percentage complete for revenue recognition, 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. Management has also used judgment in the determination of control, definition of a business, determination of CGU's, effectiveness of hedging relationships and 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.

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 financial statements. The results of combined business operations are included in these consolidated financial statements from their effective dates of combination. All inter-entity balances, transactions and unrealized gains or losses have been eliminated upon consolidation.

Management determines control to exist where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Company's interest is less than 100 percent, the interest attributable to partners is reflected in non-controlling interests.

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 – first phase issued in October 2010, with phases two and three to follow. The part of the standard so far issued is the first phase in a comprehensive revision of and ultimate replacement of IAS 39 - Financial instruments: recognition and measurement. IFRS 9 requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial asset; to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs; and to be subsequently measured at amortized cost or fair value. The standard has an effective date of January 1, 2013 with early adoption permitted.

IFRS 10 – Consolidated Financial Statements. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard has an effective date of January 1, 2013, with early adoption permitted. IFRS 10 establishes a clear set of principles for this process, but will not materially impact the current consolidation process employed by the Company.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

IFRS 11 – Joint Arrangements. The new standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly and clearly defines the difference between joint operations and joint ventures and the accounting requirements for each. The standard has an effective date of January 1, 2013, with early adoption permitted. The Company has reviewed the standard and highlighted examples of both joint ventures and joint operations within their current operations. The application of IFRS 11 will not have a material effect of the operations of the Company and will aid the assessment of future joint arrangements and their required accounting.

IFRS 12 – Disclosure of interests in other entities. The new standard requires an entity to disclose information that enables users of the financial statements to evaluate the nature, and risks associated with, its interests in other entities and the effects of those interests on its financial position, performance and cash flows. The standard has an effective date of January 1, 2013, with early adoption permitted. The Company has reviewed the standard and believes the information currently disclosed in relation to the Company's interests, is in compliance with IFRS 12 and thus adoption will not have a material impact.

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 Company elects to measure 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.

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 to convert the inputs purchased into outputs, evidencing a business is purchased. If the processes are not present then this suggests an asset purchase and not a business combination.

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 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 Statement of Net Income.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 Net Income. Determining the recoverability of a balance involves estimation as to the likely financial condition of the customer and their ability to make payment

Trade receivables are written off against the provision when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are added back to the provision in the period received.

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
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

Separately acquired intangible assets with finite lives are recorded at cost. 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 using 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

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 ("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 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 recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell (FVLCTS) and its value in use (VIU) 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 post-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 determination of value in use is highly sensitive to management's assessment of the growth rate and discount rate.

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, assuming corporate growth targets. 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 Net Income unless the asset is carried at a revalued amount, in which case the reversal is treated as a valuation increase.

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. Factors reviewed in this determination are, but 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.

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 Net 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 Net Income on a straight line basis over the periods of the leases.

Financial instruments

The Company classifies its financial assets and liabilities 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. Loans and receivables are initially measured at fair value and then impaired when factors suggest impairment is required.

(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, in which case they are classified as current liabilities. Held to maturity investments are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method, less any impairment.

(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. Financial liabilities include trade payables, dividends payable and all borrowings, and are initially recognized at fair value of the consideration received net of transaction costs and subsequently carried at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

(d) *Derivatives used for hedging*
Derivatives used for cash flow hedging are derivative financial instruments measured at fair value and included in non-current assets or liabilities unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date, in which case they are classified as current . The instrument is remeasured to fair value at each reporting date. Fair value is determined using the discounted cash flow method and is highly sensitive to the yield curve assumed.

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.

The Company assesses the effectiveness of the hedging instrument by using the hypothetical derivative method. This compares the fair value of the hedging instrument, including the deal contingent option, with the fair value of the hedging instrument excluding the deal contingent option.

Amounts recognized as other comprehensive income are transferred to the Statement of Net 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.

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 Net 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 is transferred to the Statement of Net Income at the same time 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. In establishing such provisions the Company takes into account the relevant facts and circumstances of each matter and considers advice of professional advisors where 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 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 pretax risk free interest rate that reflects current market assessments of the time value of money. The fair value of the ARO is highly sensitive to estimates of the future obligations and interest rate used.

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.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 reduction, 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. The calculation of the fair value of option grants is sensitive to the forfeiture rate utilized in the calculation, where all other parameters are based on historical data. 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 until the 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, based on the fair value of the shares granted, is recognized over the vesting period with a corresponding increase to contributed surplus. Upon vesting, share capital is increased and contributed surplus is decreased.

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 estimated 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. Where the stage of completion is not clearly defined by contract, management will estimate the stage by reference to the costs incurred, foreman's reports and job files.

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 is recognized at the time the units are delivered to the customer, or at such time as the risks and rewards of ownership have transferred.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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.

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.

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currency translation

The consolidated 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 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 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 Net Income is determined after taking into account the cumulative currency translation differences that are attributed to the subsidiary concerned.

2. SIGNIFICANT ACCOUNTING POLICES (continued)

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 denominated in functional currency are translated at historical exchange rates. All foreign currency transaction translation differences relating to the Canadian operation are recorded in the Statement of Net Income.

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 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-makers, determined to be the Board of Directors and Executive Management Team, as these are the individuals that make strategic decisions that will affect the direction of the Company. The business of Black Diamond is conducted through three operating divisions: Camps and Logistics, Space Rentals and Energy Services.

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

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:

Fair Value of net assets acquired	Nortex $	Paragon $	Total $
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**

a) Nortex

Effective January 1, 2010, Black Diamond acquired all the shares of Nortex Modular Leasing and Construction Company ("Nortex"). Nortex had a modular building lease fleet of approximately 900 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 971, 600 common shares, 120,000 of which were held in escrow, at a value of $8.92 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 508,854 shares, 50,886 of which were held in escrow, at a value of $8.71 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

	December 31, 2011	December 31, 2010	January 1, 2010
Trade and accrued receivables	47,879	35,151	12,760
Provision for doubtful accounts	(238)	(72)	(207)
Net trade receivables	**47,641**	**35,079**	**12,553**

Movement in provision for doubtful accounts	December 31, 2011	December 31, 2010	January 1, 2010
Balance at beginning of period	72	207	-
Amount provided in period	269	21	-
Collected in period	32	-	-
Written off in period	(135)	(156)	-
Balance at end of period	**238**	**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.

Provisions for impairment of receivables are made and have two components:

- A provision for amounts that have been individually determined not to be collectible in full, because of known financial difficulties of the debtor or evidence of default or delinquency in payment; and

- A provision based on historic experience of non-collectability of receivables.

As at December 31, 2011, 26% of Black Diamond's consolidated accounts receivable are due from two customers, each with an outstanding balance greater than $5 million and 10% of the consolidated total, compared to one customer equating to 16% at December 31, 2010 and 14% as at January 1, 2010. These customers are significant companies in the oil and gas industry and are considered to have high creditworthiness, with the revenue recognised in both the Space Rentals and Camps and Logistics operating segments.

Trade and accrued receivables are aged with respect to the payment terms specified in the terms and conditions established with customers. Amounts not yet due include accrued receivables and amounts invoiced but outstanding for less than 30 days. The aging of the trade and accrued receivables is as follows:

As at	December 31, 2011	December 31, 2010	January 1, 2010
Amounts not yet due	42,781	23,852	11,528
Past due not more than 30 days	2,521	8,468	791
Past due not more than 60 days	207	843	199
Past due not more than 90 days	925	993	122
Past due greater than 90 days	1,445	995	120
	47,879	35,151	12,760

For the years ended December 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

5. PROPERTY AND EQUIPMENT

Net book value

	As at 12/31/2011	As at 12/31/2010	As at 1/1/2010
Computers, furniture and service equipment	3,940	3,207	1,221
Space rentals fleet equipment	78,403	72,899	43,737
Camps and workforce housing fleet equipment	159,514	139,336	90,340
Surface rental equipment	33,012	14,893	12,096
Carry-on options	1,834	2,065	725
Land	6,805	2,278	907
Leasehold improvements	8,180	8,647	4,770
Assets under Construction	-	-	807
Deposits on equipment	7,985	2,299	297
Asset retirement obligation	1,400	1,536	1,588
	301,073	247,160	156,488

Cost	As at 1/1/2011	Additions	Disposals	Transfers	Exchange rate adjustment	As at 12/31/2011
Computers, furniture and service equipment	5,796	1,411	(248)	409	51	7,419
Space rentals fleet equipment	80,687	14,062	(4,761)	(1)	606	90,593
Camps and workforce housing fleet equipment	168,018	45,347	(10,897)	(2,482)	102	200,088
Surface rental equipment	18,634	21,116	(3,069)	2,437	-	39,118
Carry-on options	4,102	1,279	(1,217)	100	2	4,266
Land	2,278	4,509	-	-	18	6,805
Leasehold improvements	9,607	1,236	-	(463)	(3)	10,377
Deposits on equipment	2,299	5,689	-	-	(3)	7,985
Asset retirement obligation	1,692	88	-	-	-	1,780
Total Cost	**293,113**	**94,737**	**(20,192)**	**-**	**773**	**368,431**

Accumulated Depreciation	As at 1/1/2011	Charge for the period	Disposals	Transfers	Exchange rate adjustment	As at 12/31/2011
Computers, furniture and service equipment	2,589	861	(71)	67	33	3,479
Space rentals fleet equipment	7,789	5,101	(699)	(102)	101	12,190
Camps and workforce housing fleet equipment	28,682	15,396	(2,843)	(661)	-	40,574
Surface rental equipment	3,740	2,916	(1,207)	657	-	6,106
Carry-on options	2,037	1,556	(1,201)	39	1	2,432
Leasehold improvements	960	1,231	-	-	6	2,197
Asset retirement obligation	156	224	-	-	-	380
Total Accumulated Depreciation	**45,953**	**27,285**	**(6,021)**	**-**	**141**	**67,358**

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

5. PROPERTY AND EQUIPMENT (continued)

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	109,943	61,647	(4,628)	1,128	-	(72)	168,018
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
Asset retirement obligation	1,629	63	-	-	-	-	1,692
Total Cost	**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	2,080	-	(67)	(67)	2,589
Space rentals fleet equipment	4,726	3,390	(262)	(19)	(46)	7,789
Camps and workforce housing fleet equipment	19,603	10,337	(1,292)	39	(5)	28,682
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
Asset retirement obligation	41	115	-	-	-	156
Total Accumulated Depreciation	**28,121**	**19,529**	**(1,571)**	**-**	**(126)**	**45,953**

Asset retirement obligation is classified within camps and workforce housing fleet equipment for depreciation purposes.

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

The cost of property and equipment under finance lease at December 31, 2011 is $nil (December 31, 2010 and January 1, 2010- $2,954) with accumulated depreciation of $nil (December 31, 2010- $739, January 1, 2010- $493).

(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	56	-	-	-	56
	14,413	2,002	450	11	16,876
Accumulated amortization					
At 1/1/2011	2,825	1,702	225	4	4,756
Charge for the period	889	300	225	1	1,415
Disposals	-	-	-	-	-
Exchange differences	15	-	-	-	15
	3,729	2,002	450	5	6,186
Net book value at 12/31/2011	**10,684**	**-**	**-**	**6**	**10,690**

Intangible assets and other non-current assets also include $88 relating to other non-current assets with indefinite lives, which are reviewed for impairment on an annual basis.

All additions to intangible assets during the year ended December 31, 2010 were as a result of business combinations as seen in note 3 and 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	66
As at 12/31/2011	34,657

8. ASSET IMPAIRMENT

The recoverable amounts of all CGUs at December 31, 2011 were determined in connection with the goodwill impairment test, and were based on FVLCTS calculations. The specific approach used to determine FVLCTS 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 FVLCTS calculations. The key assumptions used in the FVLCTS calculations for each CGU were based on: a review of historical performance; a review of historical performance of guideline companies; the 2012 budget approved by the Board; and consideration of the cyclicality and expected future macro-economic changes impacting each CGU. Estimated growth for 2012 is higher than industry average, but in line with the Company's historical growth. Growth rates assumed for the following four years are in line with industry averages. The terminal growth rate is in line with inflation for the industry.

	Traditinal camps	Open camps	BOXX West	BOXX East	BOXX US	Energy Services	Consolidated
Intangible assets	7,924	-	6	-	2,670	90	10,690
Goodwill	24,471	-	3,873	972	3,972	1,369	34,657
Post tax discount rate	14.5%	16.3%	14.5%	14.5%	14.8%	17.0%	
Terminal growth rate	3.0%	3.5%	3.5%	3.0%	3.0%	3.5%	

With regard to the assessment of FVLCTS, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU's to materially exceed their recoverable amount.

9. OPERATING FACILITY

Black Diamond has a committed revolving operating loan facility authorized to a maximum of the lesser of (i) $10,000 and (ii) 75% of recoverable Canadian accounts receivable and 60% of recoverable US accounts receivable, in each case, less than 90 days old. The operating facility is accessible in multiples of $100 and matures on December 31, 2013. By December 31, 2012, the Company may elect to request a one year extension. As at December 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 [(1)] and is established in concert with each of the Company's quarterly financial statements. At December 31, 2011, the rate charged on this facility is bank prime plus 1.25% (December 31, 2010 – 1.375% 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 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 up to a maximum of $5,000. 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 of Nortex, all of which was available at December 31, 2011. The facility bears interest at a rate of US prime plus 1% subject to a 5% minimum rate. At December 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 maturity. The facility is collateralized by a letter of credit issued by the Company's Canadian lenders under the capex facility. At December 31, 2011 there was $nil (December 31, 2010 - $1,200 and January 1, 2010 - $nil) drawn on the Nortex facility.

(1) EBITDA is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of the Company's ability to generate cash flow in order to fund working capital, service debt and fund capital programs, and it is regularly provided to the Chief Operating Decision Maker. The Company's method of calculating EBITDA may differ from other entities and accordingly, may not be comparable to measures used by other entities.

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

10. LONG-TERM DEBT

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Committed Revolving Capex facility bearing interest at an effective variable rate of 4.25%, as at December 31,2011. 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 (December 31, 2010- $85,000) is available to December 31, 2013 and may not exceed 60% of the net book value of tangible capital property and equipment less the principal and any accrued and unpaid interest on the Senior Secured Notes. As at December 31, 2011 $106,580 (December 31, 2010- $85,000) was available. The facility is interest only payable monthly in arrears until December 31, 2012 and, if not extended by one year by December 31, 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.	25,000	66,000	31,472
Private placement of Senior Secured notes, ranked pari passu with the senior credit facilities with the same collateral, at an interest rate of 5.44% per annum and maturing on July 8, 2019. The amortizing scheduled annual repayment of the notes begins on July 7, 2015.	62,000	-	-
Costs associated with issue of Senior Secured notes	(949)	-	-
Amortization of costs associated with issue	79	-	-
	86,130	66,000	31,472
Amounts payable within one year	—	—	—
	86,130	**66,000**	**31,472**

At December 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.

At December 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, 2012.

(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 [(1)] ratio, and the Dividends/ (EBITDA – interest expense) ratio. The first ratio is calculated using interest bearing net debt net of cash and cash equivalents per the Statement of Financial Position and EBITDA, which is defined as follows:

	Years ended	
	December 31, 2011	December 31, 2010
	$	$
Net income	40,979	17,441
Add:		
Depreciation, amortization	28,700	21,076
Finance costs	4,805	2,662
Amortization of debt issuance costs	79	-
Unrealized foreign exchange loss	7	1
Deferred income taxes	13,996	6,349
Current income taxes	60	69
Non-controlling interest	3,602	503
Acquisition costs	-	289
Share-based compensation	1,843	1,973
EBITDA	94,071	50,363

The Company targets to maintain the first ratio at a level below 2.0. At December 31, 2011, the ratio is 0.67 (December 31, 2010 - 1.46).The second ratio uses dividends per Note 20 to the consolidated financial statements, EBITDA as defined above, and interest on long-term debt per Note 26 to the consolidated financial statements. Black Diamond targets to maintain this ratio below a level of 0.6. For the year ended December 31, 2011 the ratio is 0.27 (December 31, 2010 - 0.34).

(1) EBITDA is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of the Company's ability to generate cash flow in order to fund working capital, service debt and fund capital programs, and it is regularly provided to the Chief Operating Decision Maker. The Company's method of calculating EBITDA may differ from other entities and accordingly, may not be comparable to measures used by other entities.

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

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at 12/31/2011	As at 12/31/2010	As at 1/1/2010
Current	$	$	$
Trade payables	8,624	14,316	3,535
Accruals	12,330	13,844	5,098
Deferred revenue	1,992	3,706	321
Other payables	1,762	262	195
	24,708	32,128	9,149
Non-current			
Deferred revenue	80	543	-

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Accruals are trade payables where the invoices have not yet been received but goods and services have been delivered.
- Deferred revenue is non-interest bearing and has an average term of six months
- Other payables are non-interest bearing and are normally settled within six months.

For explanations on the Company's credit risk management process, refer to note 11.

13. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations relate to closure and post-closure costs concerning the Sunday Creek Lodge. Black Diamond estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at December 31, 2011 to be $2,060. This amount has increased from $1,800 at January 1, 2010, by $100 at March 31, 2010 and a further $160 at December 31, 2011 due to additional infrastructure improvements made at the Sunday Creek Lodge open camp. Management has estimated the value of this obligation at December 31, 2011 to be $1,907 (December 31, 2010 $1,780 and January 1, 2010 $1,645) using an inflation rate of 2% and pre-tax risk-free interest rate of 3% 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 2020.

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

13. ASSET RETIREMENT OBLIGATIONS (continued)

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	87
Accretion in period	40
Disposals	-
As at 12/31/2011	**1,907**

14. FINANCE LEASE OBLIGATION

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

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

All equipment under finance lease is workforce housing fleet equipment.

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

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.

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 3)*	485,800	8,609
Issued on acquisition of Canadian subsidiary *(note 3)*	254,427	4,410
Issued on public offering, net of costs	1,344,000	23,716
Tax savings from share issuance costs	-	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 public offering, net of costs	1,980,000	48,772
Tax savings from share issuance costs	-	698
Issued on exercise of options *(note 15 (b))*	175,431	1,528
Purchase of shares in Trust *(note 15 (c))*	(7,718)	(220)
Sale of shares in trust	8,483	74
Vesting of shares in trust	21,758	153
Transfer from contributed surplus	-	1,218
Effect of share split	18,607,393	-
Balance after share split	**37,214,786**	**240,148**
Issued on exercise of options *(note 15 (b))*	26,800	127
Transfer from contributed surplus	-	75
Balance December 31, 2011	**37,241,586**	**240,350**

On August 25, 2011 the Company completed a split of all of the issued and outstanding common shares on a basis of two common shares for every one existing common share held.

As at December 31, 2011, there are 40,000 shares held in escrow as a result of the terms of the Nortex acquisition completed in January 2010.

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.

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

15. SHARE CAPITAL (continued)

Due to the share split mentioned previously, the number of options outstanding, their fair value and their exercise price were also adjusted on a basis of two options for every one existing option held, as reflected in the table below.

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 December 31, 2011, there were 2,971,940 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 straight line 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	Remaining contractual life (years)	Number exercisable	Weighted average exercise price for exercisable options
February 23, 2007	17,000	$3.05	0.15	17,000	$0.05
May 2, 2007	100,000	$3.40	0.33	100,000	$0.35
October 1, 2007	80,000	$4.74	0.75	80,000	$0.40
March 20, 2008	128,336	$5.87	1.22	128,336	$0.78
March 9, 2009	499,604	$2.81	2.19	259,604	$0.76
April 1, 2010	1,125,000	$9.81	3.25	375,000	$3.83
March 25, 2011	1,022,000	$12.97	4.24	-	$0.00
Balance, December 31, 2011	2,971,940			959,940	
Weighted average		$9.16	3.14		$6.17

For the years ended December 31, 2011 and 2010
(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 outsanding	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	(175,431)	$8.71
Effect of share split	1,499,370	$0.00
Balance after share split	2,998,740	
Exercised	(26,800)	$4.73
Balance, December 31, 2011	**2,971,940**	**$9.16**

During the year ended December 31, 2011, the Company recorded share-based compensation expense of $1,668 (2010 – $1,867) related to options granted under the Plan. Options granted in 2011 have an estimated fair value of $1.73 per option (2010 - $2.58).

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 a forfeiture rate of 5%, based on historical experience, and 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

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

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 that are the subject of a right granted under the LTIP will vest on each anniversary of the grant over a three year period. During the year ended December 31, 2011, the Company recorded share-based compensation expense of $175 (2010 – $106) related to shares granted under the LTIP.

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

15. SHARE CAPITAL (continued)

To satisfy the Company's obligation to deliver shares, the Company purchased 7,718 common shares (2010- 4,900) on the open market for $220 (2010 - $100) during the year ended December 31, 2011.

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, except when shares are forfeited by the employee and sold in the open market.

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 income attributable to Black Diamond Group Limited per the consolidated statement of net income for the period.

Reconciliation of weighted average number of shares

	As at December 31, 2011	As at December 31, 2010
Weighted average common shares outstanding- basic	35,650,404	31,935,579
Effect of share option plan	916,267	509,000
Weighted average common shares outstanding- diluted	36,566,671	32,444,579

All amounts have been adjusted for the two for one share split that occurred during the year, including prior year balances for comparative purposes.

Excluded from diluted weighted average number of shares are 1,022,000 anti-dilutive options for the year ended December 31, 2011 (2010- 1,165,000).

17. CONTRIBUTED SURPLUS

	$
Balance, January 1, 2010	**6,586**
Share-based compensation	1,867
LTIP expense	106
Options exercised in the period	(4,313)
Balance, December 31, 2010	**4,246**
Share-based compensation	1,668
LTIP expense	175
Vesting of LTIP	(153)
Gain on sale of LTIP	135
Options exercised in the period	(1,293)
Balance, December 31, 2011	**4,778**

(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. Management determines that the Company has control of both of the Partnerships as the control the general partner in both cases.

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 Inc., as general partner, 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 year ended December 31, 2011, a distribution of $2,374 (2010- $206) was declared to Fort Nelson First Nation, as per the limited partnership agreement. For the year ended December 31, 2011, a distribution of $217 (2010- $nil) was declared to West Moberly First Nation, as per the limited partnership agreement.

	$
Non-controlling interest, January 1, 2010	**51**
Net income attributable to non-controlling interest	503
Distribution to partners	(206)
Balance December 31, 2010	**348**
Net income attributable to non-controlling interest	3,602
Distribution to partners	(2,591)
Balance December 31, 2011	**1,359**

For the years ended December 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

19. OTHER RESERVES

Accumulated other comprehensive income	$
As at 1/1/2010	-
Unrealized loss on cash flow hedge	(1,877)
Realized portion of cash flow hedge	475
Tax effect of cash flow hedge	350
Net movement in cash flow hedge	**(1,052)**
Exchange loss on translation of US operations	(2,099)
As at 12/31/2010	**(3,151)**
Unrealized loss on cash flow hedge	(1,333)
Realized portion of cash flow hedge	663
Tax effect of cash flow hedge	168
Net movement in cash flow hedge	**(502)**
Exchange gain on translation of US operations	764
As at 12/31/2011	**(2,889)**

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. All per share amounts have been adjusted for the share split that occurred during the year, including prior year amounts. During the year ended December 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	0.0475	1,567	0.045	1,301
February 28	0.0475	1,567	0.045	1,333
March 31	0.0475	1,571	0.045	1,467
April 30	0.0475	1,573	0.045	1,474
May 31	0.0475	1,765	0.045	1,474
June 30	0.0475	1,767	0.045	1,480
July 31	0.0475	1,768	0.045	1,480
August 31	0.0475	1,769	0.045	1,481
September 30	0.0475	1,770	0.045	1,481
October 31	0.0475	1,770	0.045	1,481
November 30	0.0475	1,770	0.045	1,481
December 31	0.0475	1,771	0.045	1,481
Total dividends declared		20,428		17,414

For the years ended December 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were as follows:

	Year ended	
	December 31, 2011	December 31, 2010
	$	$
Accounts receivable	(14,436)	(22,967)
Prepaid expenses and other current assets	(5,361)	(1,617)
Accounts payable and accrued liabilities	(3,872)	24,386
	(23,669)	(198)
Working capital acquired	-	(469)
Attributable to operating activities	(35,748)	10,804
Attributable to investing activities	9,506	(11,697)
Attributable to financing activities	2,573	695

22. INCOME TAXES

Tax charged to net income

	Year ended	
	December 31, 2011	December 31, 2010
	$	$
Income/(loss) before income taxes by jurisdiction is as follows:		
Canada	58,583	24,317
US	54	45
	58,637	24,362
Components of the income tax expense are as follows:		
Current income tax expense		
Canada	-	-
US	60	69
	60	69
Deferred income tax expense/(recovery)		
Canada	14,385	6,005
US	(389)	344
	13,996	6,349

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

22. INCOME TAXES (continued)

The following is a reconciliation of income taxes, calculated at the statutory Canadian combined federal and provincial tax rate, to the income tax provision (effective tax rate) included in the consolidated statement of net income for the years ended December 31, 2011 and 2010.

	Year ended	
	December 31, 2011 $	December 31, 2010 $
Income before income taxes and non-controlling interests	58,637	24,362
Provision for income taxes at statutory rate of 26.5% (2010- 28.0%)	15,539	6,821
Increase/(Decrease) in income taxes due to:		
Non-deductible items	536	261
Non-controlling interests	(735)	(130)
Changes in tax rates impacting deferred taxes	(873)	(731)
Foreign jurisdiction rate difference	5	158
Valuation allowance	(62)	62
Other	(354)	(23)
Income tax expense	**14,056**	**6,418**

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

	Balance as at 1/1/2011	Recognized in net income	Recognized in equity	Exchange differences	Balance as at 12/31/2011
Property, plant and equipment	25,328	17,392	-	(424)	42,296
Goodwill and intangible assets	3,861	(491)	-	-	3,370
Finance fees from equity issuance:	(859)	(421)	-	-	(1,280)
Interest rate swap	(351)	(585)	(167)	-	(1,103)
Asset retirement obligation	(65)	129	-	-	64
Unrealised FX loss	(35)	-	-	(84)	(119)
Net operating losses	(2,370)	(1,966)	-	-	(4,336)
Valuation allowance	62	(62)	-	-	-
	25,571	13,996	(167)	(508)	38,892

Tax losses have been recognised on the basis that the Company is forecasted to have sufficient taxable profits in the future to enable these to be utilised.

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

23. 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 financial assets, or liabilities at fair value through profit or loss at December 31, 2011, December 31, 2010 or January 1, 2010.

As at December 31, 2011	Loans and receivables at amortized cost	Financial liabilities measured at amortized cost	Derivatives used for hedging
Long term debt	-	86,130	-
Accounts receivable	47,641	-	-
Due from related parties	1,313	-	-
Accounts payable & Deferred Revenue	-	24,788	-
Due to related parties	-	1,415	
Asset retirment obligation	-	1,907	-
Dividends payable	-	1,771	-
Risk management liability	-	-	2,074
	48,954	116,011	2,074

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	-	-
Due from related parties	1	-	-
Accounts payable & Deferred Revenue	-	32,670	-
Due to related parties	-	448	-
Asset retirment obligation	-	1,780	-
Dividends payable	-	1,482	-
Finance lease payable	-	561	-
Bank Indebtedness	-	6,776	-
Risk management liability	-	-	1,402
	35,081	109,717	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	-
Asset retirement obligation	-	1,645	-
Dividends payable	-	1,234	-
Finance lease payable	-	1,200	-
Bank Indebtedness	-	9	-
	12,553	44,709	-

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

23. 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 amortized 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 amortized 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 both cash flow interest rate risk on its Capex facility and interest rate 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. 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 December 31, 2011, Black Diamond had the following interest rate swap contract outstanding:

	Remaining term	Notional amount	Fixed rate	Floating rate
Swaps - Floating to fixed	January 2012 - April 2015	$25,000	3.63%	30 day CDOR

All interest rate related derivative financial instruments designated as hedges at December 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 2011 net income sensitivity of approximately $280.

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

23. 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 December 31, 2011	On demand	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
Trade and other payables	-	24,708	-	80	-	24,788
Due to related parties	-	1,415	-	-	-	1,415
Long term debt	-	-	-	49,800	36,330	86,130
Asset retirement obligation	-	-	-	-	1,907	1,907
Risk management liability	-	-	-	2,074	-	2,074
	-	26,123	-	51,954	38,237	116,314

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	-	32,127	-	543	-	32,670
Due to related parties	-	448	-	-	-	448
Finance leases	-	-	561	-	-	561
Long term debt	-	-	-	66,000	-	66,000
Asset retirement obligation	-	-	-	-	1,780	1,780
Risk management liability	-	-	-	1,402	-	1,402
	-	39,351	561	67,945	1,780	109,637

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
Asset retirement obligation	-	-	-	-	1,645	1,645
Long term debt	-	-	-	31,472	-	31,472
	-	9,158	639	32,033	1,645	43,475

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 28. 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 obligations.

For the years ended December 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

24. REVENUE

	Year ended	
	December 31, 2011	**December 31, 2010**
Rental revenue	83,342	47,078
Lodging revenue	49,016	39,145
Non-rental revenue	109,450	53,539
	241,808	139,762

25. AMOUNTS CHARGED IN ARRIVING AT OPERATING PROFIT

	Year ended	
	December 31, 2011	**December 31, 2010**
Direct costs of operations	119,485	68,277
Administrative expenses		
Personnel costs	17,227	12,743
Administrative expenses	7,637	6,430
Occupancy and insurance	3,467	2,769
Share based compensation	1,843	1,973
Acquisition costs	-	289
Realized foreign exchange gain	-	(820)
Unrealized foreign exchange loss	7	1
Total Administrative expenses	30,181	23,385
Depreciation of property and equipment	27,285	19,529
Amortization of intangibles	1,415	1,547
	178,366	112,738

26. FINANCE COSTS

	Year ended	
	December 31,2011	**December 31,2010**
Interest payable on:		
- Operating facility	79	87
- Long term debt	4,660	2,449
- Capital lease	26	56
Total interest payable	4,765	2,592
Accretion of asset retirement obligation	40	70
Total finance costs	4,805	2,662

27. SEGMENTED INFORMATION

Black Diamond determines its reportable segments based on the structure of its operations in a manner consistent with the internal reporting provided to the chief operating decision maker. Operations are primarily focused in three business segments – Camps and Logistics, Space Rentals and Energy Services. This determination is based primarily on product offering.

Camps and Logistics provides 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 Lodge 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.

Black Diamond Group Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. SEGMENTED INFORMATION (continued)

For the year ended	December 31,2011			December 31, 2010		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Revenue						
Camps and Logistics	153,748	-	153,748	81,494	-	81,494
Space Rentals	39,680	21,871	61,551	17,403	24,755	42,158
Energy Services	37,062	-	37,062	18,429	-	18,429
Intersegment eliminations [1]	(10,553)	-	(10,553)	(2,319)	-	(2,319)
	219,937	21,871	241,808	115,007	24,755	139,762

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

Depreciation of Property and Equipment						
Camps and Logistics	16,738	-	16,738	10,173	-	10,173
Space Rentals	2,906	2,941	5,847	2,642	2,839	5,481
Energy Services	3,896	-	3,896	3,443	-	3,443
Corporate	804	-	804	432	-	432
	24,344	2,941	27,285	16,690	2,839	19,529
Finance costs						
Camps and Logistics	2,665	-	2,665	1,506	-	1,506
Space Rentals	774	583	1,357	451	391	842
Energy Services	783	-	783	314	-	314
	4,222	583	4,805	2,271	391	2,662
Net Income (Loss) attributable to Black Diamond Group Limited						
Camps and Logistics	38,523	-	38,523	17,565	-	17,565
Space Rentals	8,828	(731)	8,097	3,833	1,937	5,770
Energy Services	7,233	-	7,233	1,665	-	1,665
Corporate	(12,874)	-	(12,874)	(7,559)	-	(7,559)
	41,710	(731)	40,979	15,504	1,937	17,441
Capital Expenditures (net of disposals)						
Camps and Logistics	42,329	-	42,329	62,816	-	62,816
Space Rentals	7,755	2,912	10,667	10,732	3,471	14,203
Energy Services	20,287	-	20,287	1,695	-	1,695
Corporate	7,204	-	7,204	2,977	-	2,977
	77,575	2,912	80,487	78,220	3,471	81,691
Capital Expenditures (gross)						
Camps and Logistics	50,428	-	50,428	65,570	-	65,570
Space Rentals	10,293	4,460	14,753	11,388	5,468	16,856
Energy Services	22,138	-	22,138	1,962	-	1,962
Corporate	7,337	-	7,337	2,977	-	2,977
	90,196	4,460	94,656	81,897	5,468	87,365

For the years ended December 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

27. SEGMENTED INFORMATION (continued)

As at	December 31, 2011			December 31, 2010			January 1, 2010
	Canada	USA	Total	Canada	USA	Total	Total
	$	$	$	$	$	$	$
Property and Equipment							
Camps and Logistics	159,677	-	159,677	135,726	-	135,726	78,668
Space Rentals	47,087	35,448	82,535	42,466	34,882	77,348	43,733
Energy Services	47,661	-	47,661	29,491	-	29,491	31,211
Corporate	11,200	-	11,200	4,595	-	4,595	2,876
	265,625	35,448	301,073	212,278	34,882	247,160	156,488
Intangible Assets							
Camps and Logistics	7,924	-	7,924	8,727	-	8,727	9,688
Space Rentals	-	2,758	2,758	22	2,983	3,005	125
Energy Services	90	-	90	325	-	325	-
Corporate	6	-	6	7	-	7	8
	8,020	2,758	10,778	9,081	2,983	12,064	9,821
Goodwill							
Camps and Logistics	24,471	-	24,471	24,471	-	24,471	24,471
Space Rentals	4,845	3,972	8,817	4,845	3,906	8,751	4,845
Energy Services	1,369	-	1,369	1,369	-	1,369	-
	30,685	3,972	34,657	30,685	3,906	34,591	29,316
Total Assets							
Camps and Logistics	221,860	-	221,860	179,334	-	179,334	112,827
Space Rentals	60,647	45,112	105,759	53,542	50,620	104,162	48,703
Energy Services	62,201	-	62,201	34,277	-	34,277	31,211
Corporate	36,610	-	36,610	13,613	-	13,613	16,311
	381,318	45,112	426,430	280,766	50,620	331,386	209,052

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

28. 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:

As at	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Due within on year	2,009	1,876	1,413
Due later than one year and less than five	5,163	4,713	4,982
Due after five years	232	1,120	2,006
	7,404	7,709	8,401

Black Diamond has committed to purchase $8,404 of fleet equipment for delivery in 2012. These purchases will be financed through a combination of operating cash flow and draws on Black Diamond's credit facilities.

29. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

Year ended	December 31, 2011	December 31, 2010
Sales of goods and services (A)	1,763	14
Purchases of goods and services (B)	409	630
Trade amounts owing from related parties	1,313	1
Due to related parties (D)	1,415	448

(A) Disclosures in respect of transactions with jointly controlled entities represent the amount of such transactions which do not eliminate upon consolidation.

(B) All amounts above are deemed transactions with related parties due to common directorship by the Company's key management personnel.

(C) Excludes amounts remitted as reimbursement for directors' activities within the period.

(D) The amount due to related parties relates to the distribution and royalties payable to the non-controlling interests.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those made in an arm's length transaction at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There are no guarantees provided or received for any related party receivables or payables.

No provision for doubtful accounts has been recognized in relation to any outstanding balances and no expense has been recognized in respect of bad or doubtful debts due from related parties.

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

29. RELATED PARTY TRANSACTIONS (continued)

Table detailing transactions with related parties		**Sales of goods and services**	**Purchase of goods and services**	**Trade amounts owing from related parties**
Athabasca Oilsands	2011	1,744	-	1,311
	2010	-	-	-
CF Construction Services Ltd	2011	5	-	-
	2010	-	10	-
NC Services Group Ltd	2011	14	-	2
	2010	14	-	1
Burnet, Duckworth & Palmer	2011	-	380	-
	2010	-	620	-
Claryn Equities Inc	2011	-	20	-
	2010	-	-	-
Petroleum Services Association of Canada	2011	-	9	-
	2010	-	-	-

Key management personnel compensation

	December 31, 2011	December 31, 2010
Salaries, bonuses and other short-term employee benefits	2,169	1,653
Other long-term benefits	-	-
Share-based compensation	1,284	2,737
	3,453	4,390

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel.

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

29. RELATED PARTY TRANSACTIONS (continued)

Key management personnel's interest in the Share Option Plan

Share options held by key management personnel have the following grant dates and exercise prices:

Grant date	Exercise price	Number outstanding December 31, 2011	Number outstanding December 31, 2010
May 2, 2007	3.40	100,000	164,666
October 1, 2007	4.74	80,000	80,000
March 20, 2008	5.87	128,336	222,136
March 9, 2009	2.81	332,938	460,136
April 1, 2010	9.81	845,000	865,000
March 25, 2011	12.97	742,000	-
		2,228,274	1,791,938

30. EXPLANATION OF TRANSITION TO IFRS

These consolidated financial statements for the year ended December 31, 2011 are the Company's first annual 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 and December 31, 2010
iii. Reconciliation of comprehensive income for the year ended December 31, 2010
iv. Explanation of the adjusting entries
v. Adjustments to the statement of cash flows

i. <u>Transition elections under IFRS 1</u>

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 November 7, 2002. A first time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments granted after November 7, 2002 and vested before the transition date.

Upon transition the Company elected not to revalue share options granted prior to the transition date.

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 assumptions prior to transition and the only adjustment that the Company made to the asset retirement obligation 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.

For the years ended December 31, 2011 and 2010
(Amounts expressed in thousands, except share and per share amounts)

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

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	32,559	-	17	-	17	32,576
Dividends payable	1,481	-	-	-	-	1,481
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
Accumulated other comprehensive income	(1,052)	-	(2,099)	-	(2,099)	(3,151)
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

iii) 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 and December 31, 2010 and the statement of comprehensive income at 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 8% to 4% from the layering approach utilized under previous CGAAP to the current period risk-free discount rate utilized under IFRS. The increase in carrying value of the asset is amortized, and the obligation is accreted to its expected value, over the remaining useful life of the related assets. 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 was applied to all non-vested grants at the date of transition and had the effect of increasing contributed surplus and reducing retained earnings at the date of transition and prospectively.

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.