## MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") was prepared as of August 11, 2011 and is provided to assist readers in understanding Black Diamond Group Limited's ("Black Diamond" or the "Company" and formerly Black Diamond Income Fund) financial performance for the three and six months ended June 30, 2011 and significant trends that may affect the future performance of Black Diamond. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2010. The accompanying unaudited condensed consolidated interim financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). Black Diamond's common shares trade on the Toronto Stock Exchange under the symbol "BDI".*

*Additional information relating to Black Diamond, for the year ended December 31, 2010, may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.*

*As of January 1, 2011, Black Diamond adopted IFRS, and the following disclosures, as well as associated unaudited condensed consolidated interim financial statements have been reported in accordance with IFRS. Black Diamond's effective transition date is January 1, 2010 to accommodate 2010 IFRS comparative information. A comprehensive summary of all the significant changes including reconciliations of Canadian GAAP financial statements to those prepared under IFRS are included in note 30 of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2011.*

*Certain information set forth in this MD&A contains forward-looking statements including management's assessment of Black Diamond's future operations, performance, business prospects and opportunities. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: the impact of general economic conditions, industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information form for the year ended December 31, 2010 and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed through the SEDAR website at www.sedar.com. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.*

## OVERVIEW OF THE COMPANY

Black Diamond was incorporated on October 7, 2009 under the laws of the Province of Alberta. Black Diamond was incorporated pursuant to 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 unitholders of the Fund. Effective December 31, 2009, pursuant to the plan of arrangement, the Fund restructured (the "Conversion") from an unincorporated open-ended income fund trust to Black Diamond, a publicly listed corporation.

Black Diamond, whose principal undertakings, through its wholly-owned subsidiaries, Black Diamond Limited Partnership, Nortex Modular Leasing and Construction Company ("Nortex") and through its 50% participation in Black Diamond Dene Limited Partnership and Black Diamond West Moberly Limited Partnership, are 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 operating remote lodging facilities, transportation, installation, dismantling, repair and maintenance of modular structures and oilfield equipment, as well as related services. Black Diamond operates through three operating divisions consisting of Black Diamond Camps and Logistics, BOXX Modular and Black Diamond Energy Services.

Black Diamond has structured its operations in three principal business segments – Workforce Accommodations, Space Rentals and Energy Services.

Workforce Accommodations 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 Lodges where the Company owns and operates remote lodging facilities. The majority of the business activity within this segment occurs in Western Canada.

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

Energy Services provides an accommodations fleet for drill camps, geologist/engineer quarters and staff quarters. Energy Services also provides a complement of surface rental assets that would typically support a drilling or completions operation such as solids and liquids containment, rig matting, and support equipment.

## SECOND QUARTER 2011 HIGHLIGHTS

Revenue levels for the three months ended June 30, 2011 (hereafter referred to as the 'Period') increased by 82% to $56.8 million compared to the three month period ended June 30, 2010 (hereafter referred to as the 'Comparative Period'). Rental revenue was 85% higher at $18.2 million compared to the Comparative Period, while non-rental revenue was 108% higher at $26.3 million and lodging revenue was 41% higher at $12.3 million compared to the Comparative Period.

One of the primary drivers of Black Diamond’s business continues to be the rental income from fleet units. The 85% or $8.4 million increase in rental revenue generated in the Period compared to the Comparative Period is due to the book value of the Company’s portfolio of rental assets being 36% larger, but also due to the increase across all divisions in the utilization rates and increases in the rental rates achieved on the equipment. During the three month period ended June 30, 2011, the fleet of Workforce Accommodation units grew by 5% or 84 units. The majority of this growth was the addition of camp assets in the Horn River area of Northern British Columbia and for a remote mining project. The Space Rentals fleet grew by 2% or 45 units. The Energy Services accommodations fleet increased by 3% during the Period or 5 units, while the number of surface rental pieces of equipment increased by 5% or 61 units.

The utilization of these fleet assets was strong throughout the Period averaging 93% for Workforce Accommodation compared with 83% for the Comparative Period. Space Rental fleet utilization increased to 75% from 68% for the Period. Drilling accommodations and surface rental equipment utilization rates were 36% and 36%, respectively, compared to 30% and 18% in the Comparative Period.

The Company’s business continues to be driven by the resource sector with revenue generated from oil sands related projects amounting to 32% of consolidated revenue, 38% was sourced from conventional oil and gas activity in Western Canada, 12% coming from mining and metal extraction, with the balance of 18% generated from business not related to the resource sector activity.

The Administrative Expenses for the Period were 13% of revenue, which is a decline from the 17% level of Administrative expenses incurred in the Comparative Period, as a result of a larger revenue base and the incurrence of some acquisition related costs in Q2 2010. EBITDA (see “Non-GAAP measures”) for the Period was $21.5 million or 38% of revenue versus $10.4 million or 33% of revenue for the Comparative Period.

Net income for the Period was $9.9 million compared to $2.9 million for the Comparative Period.

Black Diamond paid dividends of $0.095 per share per month (the equivalent of $1.14 per share annually) resulting in a payout ratio (see “Non-GAAP measures”) for the Period of 24%, compared to 43% for the Comparative Period.

**SELECTED FINANCIAL AND OPERATING INFORMATION**

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements of Black Diamond for the three and six months ended June 30, 2011, 2010 and 2009.

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| (in thousands, except as noted) | 2011 | 2010 [3] | 2009 | 2011 | 2010 [3] | 2009 |
| **Financial Highlights** | $ | $ | $ | $ | $ | $ |
| Total revenue | 56,801 | 31,161 | 16,669 | 112,532 | 62,132 | 43,542 |
| Gross Profit | 28,459 | 15,291 | 11,145 | 56,507 | 31,746 | 26,681 |
| Gross Profit % | 50% | 49% | 67% | 50% | 51% | 61% |
| Administrative expenses | 7,368 | 5,444 | 2,870 | 13,994 | 10,259 | 5,585 |
| Administrative expense % | 13% | 17% | 17% | 12% | 17% | 13% |
| EBITDA [1] | 21,544 | 10,352 | 8,275 | 43,406 | 22,791 | 21,096 |
| EBITDA % | 38% | 33% | 50% | 39% | 37% | 48% |
| Net income before taxes | 13,084 | 4,296 | 4,243 | 27,054 | 10,685 | 13,189 |
| Net income [2] | 9,936 | 2,868 | 3,466 | 20,225 | 7,624 | 12,634 |
| Per share - Basic | 0.53 | 0.19 | 0.29 | 1.13 | 0.49 | 1.07 |
| - Diluted | 0.52 | 0.18 | 0.29 | 1.10 | 0.48 | 1.06 |
| Capital expenditures [2] | 19,850 | 15,783 | 1,931 | 45,135 | 61,389 | 11,902 |
| Property & equipment (NBV) | 278,599 | 205,935 | 134,723 | 278,599 | 205,935 | 134,723 |
| Total assets | 393,116 | 278,769 | 187,157 | 393,116 | 278,769 | 187,157 |
| Long-term debt and capital lease obligations | 62,973 | 43,728 | 39,885 | 62,973 | 43,728 | 39,885 |
| Dividends/ Distributions declared | 5,105 | 4,427 | 3,195 | 9,810 | 8,529 | 6,391 |
| Per share/ Unit | 0.29 | 0.27 | 0.27 | 0.57 | 0.54 | 0.54 |
| Payout ratio | 24% | 43% | 26% | 23% | 38% | 26% |
| **Operational Highlights** | | | | | | |
| Workforce accommodation units in fleet at end of period | 1,692 | 956 | 906 | 1,692 | 956 | 906 |
| Average utilization during the period | 92% | 83% | 89% | 94% | 84% | 90% |
| Workforce accommodation units in Sunday Creek Lodges at end of period | 239 | 260 | - | 239 | 260 | - |
| Utilization rate during the period | 100% | 100% | - | 100% | 100% | - |
| Space rental units at end of period - combined | 2,621 | 2,405 | 1,272 | 2,621 | 2,405 | 1,272 |
| Canada | 1,379 | 1,271 | 1,272 | 1,379 | 1,271 | 1,272 |
| USA | 1,242 | 1,134 | - | 1,242 | 1,134 | - |
| Average utilization during the period- combined | 74% | 68% | 62% | 73% | 69% | 65% |
| Canada | 81% | 70% | 62% | 80% | 70% | 65% |
| USA | 67% | 66% | - | 66% | 68% | - |
| Drilling accommodation units at end of period | 213 | 224 | 240 | 213 | 224 | 240 |
| Average utilization during the period | 36% | 30% | 77% | 58% | 46% | 82% |
| Surface rental equipment at end of period | 1,410 | 1,245 | 1,016 | 1,410 | 1,245 | 1,016 |
| Average utilization during the period | 36% | 18% | 10% | 42% | 26% | 24% |

Notes:

(1) EBITDA and Payout ratio are supplemental non-GAAP measurements and do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA and Payout ratio may not be comparable to similar measures presented by other issuers. See “Non-GAAP Measures” for further details.

(2) Net income for the year 2009 was calculated using a tax structure for a trust, thus making it incomparable with that of subsequent periods.

(3) The 2010 comparatives have been restated from previous Canadian GAAP upon transition to IFRS, as explained later in this document.

(4) Per the Statement of Cash Flows of Black Diamond for the period ended June 30, 2011, the cash expended on the purchase of property and equipment was $25,886. The difference to the capital expenditure number above is due to shares issued for property and equipment additions, equipment obtained through business combinations and the sale of older fleet units in the normal course of business.

## OUTLOOK

Over the course of the second half of 2010 and through the first half of 2011, Black Diamond has focused on the strategy of growing the business in a disciplined and measured manner through organic capital spend. Geographic diversification as well as a significant increase in the types of industries and customers being served throughout this growth continues to broaden the Company’s operating platform. Management expects the second half of 2011 will see continued growth through additions to the scale of the business as well as diversity in the geography and customers serviced. Management of Black Diamond will continue to pursue long term contracts against the assets under management and deployment of new capital in a generally non-speculative manner. This is expected to continue to build and enhance the stability and visibility of the revenue and cash flows generated.

Black Diamond now has meaningful Workforce Accommodations revenue from shale gas, mining, oil sands as well as conventional oil and gas. Black Diamond has turnkey and open lodging revenue in addition to pure dedicated facility rentals. Accommodation requirements in the oil sands areas of Alberta appear to have accelerated and Black Diamond anticipates additional capital will be deployed on several projects over the course of the next 12 months. The ongoing installation of new accommodation facilities as well as the commitment of occupancy at Sunday Creek Lodge is expected to cause revenue growth from the workforce accommodations division for the balance of 2011.

The above mentioned increase in economic activity also bodes well for continued increases in the utilization rates and strengthening rental rates being realized in the Space Rentals division especially in Canada. Deployment on several long term U.S. public sector contracts also increases the revenue and cash flows being realized from this division’s U.S. business. Significant custom sales in both Canada and the U.S. along with contracted fleet expansion are anticipated to result in positive year over year results for the Space Rentals platform throughout the remainder of 2011.

Strengthened activity in the Bakken oil shale’s, potash drilling, Horn River and Montney shale gas resource areas are driving higher utilization and rental rates for the surface rentals fleet of the Company’s Energy Services division. The Company’s strategic partnership in the Fort St. John region of British Columbia with the West Moberly First Nation is expected to deliver strong monthly revenues from this large and flourishing activity area.

In Summary all divisions of the Company are extremely healthy with significant growth opportunities being realized. Despite global macro economic concerns, it is anticipated that the strong strategic positioning of the Company, significant capex, and disciplined execution will continue to generate strong results for the balance of 2011. It is anticipated the third quarter will compare very favorably to the 2010 period. The second quarter of 2011 saw the Company generate a high percentage of revenue from non-recurring installation operations and one time sales. The third quarter of 2011 is expected to have a lesser percentage of revenue coming from these activities leading management of Black Diamond to expect slightly lower top line revenue in the third quarter compared to the second quarter of 2011. However, given the increased rental fleet and robust utilization, it is expected that growth of recurring rental and operations revenues will provide stronger EBITDA margins leading management to expect in-line or slightly higher EBITDA in the third quarter as compared to second quarter of 2011. Both rental and non-rental revenues are expected to grow through the fourth quarter of 2011 and into 2012 in concert with the Company's capital expenditure program.

The Company has announced a $20 million increase in its 2011 capital expenditure program. This brings the total 2011 capital expenditure program to $100 million which will be allocated amongst the three operating divisions in a generally non-speculative manner and entirely through new asset purchases from suppliers. The increased expenditure is required to meet strong demand from the Company's customers across all business units. It is expected that substantially all of the program will have been expended prior to the end of the year with a small amount carrying into the first quarter of 2012. It is expected that the full effect of the expanded program will be realized through rental and operations revenue growth in the first two quarters of 2012. There is no immediate indication of any degradation of the Company's business trends on account of recent financial market turmoil.

## RESULTS OF OPERATIONS

### Revenue

***Consolidated***

| ($ millions, except as noted) | **Q2** | | **YTD** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | $ | $ | $ | $ |
| Revenue | 56.80 | 31.16 | 112.53 | 62.13 |
| Rental Revenue | 18.19 | 10.33 | 37.54 | 21.54 |
| % of consolidated revenue | 32% | 33% | 33% | 35% |
| Lodging Revenue | 12.28 | 8.71 | 23.77 | 15.41 |
| % of consolidated revenue | 22% | 28% | 21% | 25% |
| Non-Rental Revenue | 26.33 | 12.12 | 51.22 | 25.18 |
| % of consolidated revenue | 46% | 39% | 46% | 40% |

There has been a significant increase in rental revenues from the prior year in the Period, reflecting the increase in the rental fleet which resulted from organic build and acquisition of modular structures and oilfield service equipment in the past year, as well as marked improvements in utilization and rental rates due to increased economic activity in the markets in which the Company operates. The rental revenue stream generates gross margins generally in excess of 90%, whereas the lodging revenue stream generates gross margins of approximately 35% and the non-rental or ancillary revenue streams generate gross margins of 20-30%.

*Workforce Accommodations*

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Revenue | 35.11 | 18.67 | 69.91 | 34.80 |
| *% of Consolidated Revenue* | 63% | 60% | 62% | 56% |
| Rental Revenue | 10.52 | 4.51 | 21.00 | 9.34 |
| *% of Workforce Accommodations Revenue* | 30% | 24% | 30% | 27% |
| Lodging Revenue | 12.29 | 8.71 | 23.77 | 15.41 |
| *% of Workforce Accommodations Revenue* | 35% | 47% | 34% | 44% |
| Non-Rental Revenue | 12.30 | 5.45 | 25.14 | 10.05 |
| *% of Workforce Accommodations Revenue* | 35% | 29% | 36% | 29% |
| Utilization | 92% | 83% | 95% | 84% |

Revenue was significantly higher in the Period as compared to the Comparative Period, as the lodging revenue generated at the Sunday Creek Lodges augmented the increase in rental revenue from traditional Workforce Accommodation assets being utilized on new projects since the Comparative Period.

At June 30, 2011, the Workforce Accommodation rental fleet had 1,692 units. This represents an increase of 736 units (77 %) compared to the end of June 2010.

The continued high levels of utilization are a reflection of the type of equipment Black Diamond deploys as well as the longer term nature of the rental contracts Black Diamond has favoured. The Workforce Accommodation units typically do not experience significant seasonality due to the longer term nature of the contracts on projects requiring larger complements of labour in remote areas, which tend to start and operate without regard to the time of year

Lodging revenue is generated from several full service camps including the Sunday Creek Lodges, which had 239 units at the end of the Period. Revenue associated with room and board at the Sunday Creek Lodges operated camp was $7.48 million and $15.50 million for the Period and year to date respectively, with utilization rates of 100%. The balance of the lodging revenue was generated from several operated camps in the Horn River area. There may be variability in revenue with respect to services related to daily occupancy levels in the given period. The remaining lodging revenue is generated from two operated camps through the Company’s Black Diamond Dene Limited Partnership.

At June 30, 2011, the average remaining rental term outstanding was approximately 16 months with total revenue of approximately $49.8 million. These are augmented by 18 month accommodation services contracts at Sunday Creek Lodges that commenced on April 1, 2011 and have committed revenues of approximately $39.8 million. The revised contract will utilize seventy percent of the lodge's capacity. Anticipated revenue for the remainder of 2011 from rental contracts in place at June 30, 2011 is $17.1 million and $15.9 million for lodging contracts.

***Space Rentals***

*Combined Canada and USA Operations*

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | $ | $ | $ | $ |
| Revenue | 15.73 | 9.85 | 27.99 | 18.32 |
| *% of Consolidated Revenue* | 28% | 31% | 25% | 29% |
| Rental Revenue | 4.90 | 4.05 | 9.60 | 7.97 |
| *% of Combined Space Rentals Revenue* | 31% | 41% | 34% | 44% |
| Non-Rental Revenue | 10.83 | 5.80 | 18.39 | 10.35 |
| *% of Combined Space Rentals Revenue* | 69% | 59% | 66% | 56% |
| Utilization | 74% | 68% | 73% | 69% |

Revenue for the space rentals segment for the Period was higher as a result of the increased utilization and growth in the rental fleet year over year. The space rentals segment had a total of 2,621 units at June 30, 2011 compared to 2,405 units at June 30, 2010.

*Canada*

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Revenue | 10.30 | 4.31 | 16.12 | 7.61 |
| *% of Consolidated Revenue* | 18% | 14% | 14% | 12% |
| Rental Revenue | 3.26 | 2.55 | 6.31 | 4.88 |
| *% of Canadian Space Rentals Revenue* | 32% | 59% | 39% | 64% |
| Non-Rental Revenue | 7.04 | 1.76 | 9.81 | 2.73 |
| *% of Canadian Space Rentals Revenue* | 68% | 41% | 61% | 36% |
| Utilization | 81% | 70% | 80% | 70% |

In Canada, revenue for the Period and year to date was higher due to increased utilization and a 9% or 108 unit increase in fleet size to 1,379 units, compared to the Comparative Period. The recovery in utilization in the Period was indicative of the gradual recovery in the economy in all regions where Black Diamond has space rental operations. Downward pressure on rental pricing in the industry was experienced through the economic downturn and has been slow to recover, which led to a smaller increase in rental revenues than anticipated given the recovery experienced in utilization. In many of the markets the Company operates, there have been modest increases in rental rates, whereas in a few markets these increases have been more pronounced.

The significant increase in non-rental revenue during the Period resulted from sales of new manufactured units to several key customers.

At June 30, 2011, the average remaining contract term outstanding is approximately seven months with total revenue of approximately $5.7 million. Anticipated rental revenue for the remainder of 2011 from contracts in place at June 30, 2011 is $2.7 million. This does not include several month-to-month projects that are expected to continue to contribute to rental revenue throughout the year.

*USA*

| (millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Revenue | 5.43 | 5.54 | 11.87 | 10.72 |
| *% of Consolidated Revenue* | 10% | 18% | 11% | 17% |
| Rental Revenue | 1.64 | 1.59 | 3.29 | 3.19 |
| *% of US Space Rentals Revenue* | 30% | 29% | 28% | 30% |
| Non-Rental Revenue | 3.79 | 3.95 | 8.58 | 7.53 |
| *% of US Space Rentals Revenue* | 70% | 71% | 72% | 70% |
| Utilization | 67% | 66% | 66% | 68% |

Rental revenue and utilization rates for the Period were trending in line with the results of the prior year, while non-rental revenue in the Period was consistent with previous quarters as a result of the continued installation phases of several major projects. These ancillary revenue streams employ little of Black Diamond's capital and typically generate lower gross margins as compared to the rental gross margins of approximately 90%.

The U.S. space rentals fleet had 1,242 units at June 30, 2011, an increase of 108 units (10%) from the prior year.

At June 30, 2011, the average remaining contract term outstanding is approximately 13 months with total revenue of approximately $5.4 million. Anticipated rental revenue for the remainder of 2011 from contracts in place at June 30, 2011 is $1.5 million.

***Energy Services***

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Revenue | 5.93 | 2.64 | 14.63 | 9.01 |
| *% of Consolidated Revenue* | 11% | 8% | 13% | 14% |
| Rental Revenue | 2.72 | 1.77 | 6.93 | 4.23 |
| *% of Energy Services Revenue* | 46% | 67% | 47% | 47% |
| Non-Rental Revenue | 3.21 | 0.87 | 7.80 | 4.78 |
| *% of Energy Services Revenue* | 54% | 33% | 53% | 53% |
| Drilling Accommodation Utilization | 36% | 30% | 58% | 46% |
| Surface Rental Utilization | 36% | 18% | 42% | 26% |

Revenue increased in the Period, as utilization rates continued to increase due to the economic improvements and increased demand for year round energy services from customers.

The drilling accommodations fleet amounted to 213 units at the end of June 2011 versus 224 units at June 2010. This total includes drill camps as well as a complement of wellsite units, free standing sleepers and support units. The decline in these fleet units was due to the sale of some units and the transfer of other units to the Workforce Accommodations fleet. The surface rental fleet amounted to 1,410 units compared to 1,245 units at June 30, 2010. The increase in the utilization for all Energy Services equipment types was due to the recovery of the economy starting to stimulate increased drilling and completion activity in western Canada

Rental revenue tends to have a higher degree of seasonality in this division. Drilling accommodations and the surface rental assets typically have a higher degree of utilization during the winter months when drilling activity is greater, and reduces over the summer months.

At June 30, 2011, the Energy Services division had entered into two longer term contracts with average remaining contract terms outstanding of approximately 22 months with total revenue of approximately $9.3 million. Anticipated rental revenue for 2011 from these two contracts in place at June 30, 2011 is $2.8 million.

**Direct Costs and Gross Profit**

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Direct Costs | 28.34 | 15.87 | 56.03 | 30.39 |
| *% of Consolidated Revenue* | 50% | 51% | 50% | 49% |
| Gross Profit | 28.46 | 15.29 | 56.51 | 31.75 |
| *% of Consolidated Revenue* | 50% | 49% | 50% | 51% |

Gross profit increased in the Period and year to date compared to 2010 as the size of the rental platform and revenue generation has increased. However, the margin percentage decreased slightly as a larger portion of Black Diamond's revenue was derived from lodging revenue and non rental revenue from the Workforce Accommodation segment. These activities generate lower gross margin percentages than rental revenue associated with the equipment.

Direct costs attributable to revenue when arriving at the gross profit are the labour, fuel, materials, freight and maintenance required in maintaining, servicing and moving the units to the contracted sites. In addition, there are often opportunities for Black Diamond to sell some units from its fleet, rent equipment from third parties and re-rent the equipment, provide logistics services or to provide installation and other services to customers. The net book value of sold units, costs of units sub-leased from others and the cost of transport from third parties are included in the direct costs. Revenue streams ancillary to the rental revenue are generally at lower gross margins than the fleet rental operations. Therefore, depending on the proportion of revenue generated from these other activities in any given period, gross profit margins may fluctuate.

**Administrative Expenses**

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Administrative expenses | 7.37 | 5.44 | 13.99 | 10.26 |
| *% of Consolidated Revenue* | 13% | 17% | 12% | 17% |
| Personnel | 4.18 | 2.63 | 7.69 | 4.91 |
| *% of Administrative expenses* | 57% | 48% | 55% | 48% |
| Occupancy & Insurance | 0.66 | 0.64 | 1.63 | 1.27 |
| *% of Administrative expenses* | 9% | 12% | 12% | 12% |
| Other Administrative Expenses | 2.53 | 2.17 | 4.67 | 4.08 |
| *% of Administrative expenses* | 34% | 40% | 33% | 40% |

Administrative expenses increased in the Period predominately as a result of the increased scale of the business.

For the Period, personnel costs are the largest item representing approximately 57% of the administrative expenses. Occupancy and insurance costs remained consistent during the Period. Other administrative expenses consist of items such as audit, legal, travel, meals and entertainment, bank charges and promotional items.

For the year to date, personnel costs are the largest item representing approximately 55% of the administrative expenses. Occupancy and insurance costs remained consistent during the year. Other administrative expenses decreased compared to 2010 due to the absence of corporate restructuring and integration of acquisitions, as seen in 2010.

Stock-based compensation charges are reported within administrative expenses and were $0.47 million for the Period and $0.90 million year to date compared with $0.52 million and $1.05 for the comparable periods in 2010. Stock-based compensation was determined using the Black-Scholes valuation method.

**EBITDA**

| ($ millions, except as noted) | Q2 | | YTD | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| EBITDA | 21.54 | 10.35 | 43.41 | 22.79 |
| *% of Consolidated Revenue* | 38% | 33% | 39% | 37% |

The EBITDA percentage is consistent with the prior period and year, due to the increased scale of the business within the Period and year to date. This percentage margin may fluctuate from period to period depending on the level and mixture of the revenue generated from the rental of the fleet assets as compared to the ancillary revenue streams such as lodging services, custom manufactured sales, logistics, installation, sublease and services provided.

**Depreciation and Amortization**

For the Period, the charge for depreciation and amortization was $7.01 million compared to $5.00 million in 2010. This included charges of $6.64 million with respect to depreciation taken on the property and equipment of Black Diamond, and $0.37 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the Comparative Period of 2010 was $4.62 million and $0.38 million, respectively.

For the six months ended June 30, 2011, the charge to depreciation and amortization was $13.42 million compared to $9.71 million in 2010. This included charges of $12.66 million with respect to depreciation taken on property and equipment of Black Diamond, and $0.76 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the same period of 2010 was $8.94 million and $0.77 million, respectively.

**Finance Costs**

Finance costs for the Period were $0.99 million compared with $0.55 million in 2010. For the six months ended June 30, 2011 finance costs were $2.04 million compared to $1.09 million in the same period of 2010. This represents interest that was charged on the utilization of the credit facilities and on the capital lease in the respective periods. Average interest rates in the Period were 4.7% and 4.6% year to date, compared with 5.45% and 4.8% in 2010. Average long-term debt in the Period was $40 million higher than that in the second quarter of 2011.

**Income Taxes**

For the Period, Black Diamond incurred a current income tax provision of $0.02 million and incurred a future income tax provision of $3.13 million. This future income tax provision arises due to the differences in the book value and the tax value of the net assets held by Black Diamond that is expected to reverse after 2010. It has been calculated at the enacted tax rate of 26.5% in Canada and 40% in the US.

**Non-controlling Interest**

Earnings attributable to non-controlling interest were $0.55 million during the Period and $0.95 million for the six months ended June 30, 2011, compared to $(0.16) million and $0.07 million for the same periods in 2010. The non-controlling interest represents earnings attributable to the Fort Nelson First Nation's 50% interest in the Black Diamond Dene Limited Partnership and the West Moberly First Nation's 50% interest in the Black Diamond West Moberly Limited Partnership.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous eight quarters:

(in $000's, except for per share amounts)

| | **Q2 2011** | **Q1 2011** | **Q4 2010 (1)** | **Q3 2010 (1)** |
|---|---|---|---|---|
| Revenue | 56,801 | 55,732 | 43,410 | 34,221 |
| EBITDA | 21,544 | 21,865 | 15,124 | 12,446 |
| Net Income attributable to Black Diamond Group Limited | 9,385 | 9,897 | 6,021 | 3,924 |
| Per Share - Basic | 0.53 | 0.60 | 0.37 | 0.24 |
| Per Share - Diluted | 0.52 | 0.59 | 0.36 | 0.23 |

| | **Q2 2010 (1)** | **Q1 2010 (1)** | **Q4 2009** | **Q3 2009** |
|---|---|---|---|---|
| Revenue | 31,160 | 30,971 | 15,547 | 14,918 |
| EBITDA | 10,369 | 12,423 | 5,606 | 7,776 |
| Net Income attributable to Black Diamond Group Limited | 3,028 | 4,521 | 4,217 | 2,275 |
| Per Share - Basic | 0.19 | 0.31 | 0.34 | 0.19 |
| Per Share - Diluted | 0.18 | 0.30 | 0.33 | 0.19 |

(1) The 2010 figures have been restated upon transition to IFRS as explained subsequently in this document

## LIQUIDITY & CAPITAL RESOURCES

As of June 30, 2011, Black Diamond's principal sources of liquidity include:

- working capital of $37.6 million (see "Non-GAAP measures") excluding CAPEX in accounts payable of $4.8 million,
- a committed revolving operating facility in the amount of $10.0 million of which all $10.0 million is available and $5.0 million is drawn at June 30, 2011,
- a committed revolving capital expenditure facility of $115.0 million, all of which is available, and $63.0 million is drawn at June 30, 2011, and
- a committed operating facility in the U.S. in the amount of US$3 million all of which is available and $nil is drawn at June 30, 2011.

Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through 2011 and beyond, and pursue its planned business objectives. This is due to the longer term nature of the contracts and the credit worthiness of Black Diamond's customers.

Based on Black Diamond's current business plan, internal forecasts and the risks that are present in the current global economy, management believes that cash generated from operations will continue to exceed the funds required to pay dividends. Management believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, and interest costs. Black Diamond's cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including elements beyond Black Diamond's control. Management also believes that, dependent on capital market conditions, Black Diamond has the ability to raise additional debt or equity through the issuance of additional shares, if required.

The Company is committed to maintaining a strong balance sheet and flexible capital structure.

### Working Capital

The net working capital position of Black Diamond at June 30, 2011 was $37.1 million after extracting $4.8 million of capital expenditure in accounts payable and debt, an increase from the working capital position of December 31, 2010 by $19.2 million. This increase in working capital was due to higher activity levels during the Period.

Current assets at June 30, 2011 were $68.8 million, an increase of $31.3 million from December 31, 2010. The increase is as a result of an increase in accounts receivable of $23.2 million and an increase in other current assets by $8.1 million.

Current liabilities at June 30, 2011 were $31.7 million, excluding $5.0 million of debt and $4.8 million of capital expenditure, consistent with December 31, 2010.

**Indebtedness**

Black Diamond has established syndicated credit facilities with two Canadian chartered banks as follows: a committed revolving operating facility of $10.0 million and a committed revolving capital expenditure facility of $115.0 million as well as a treasury management facility of $5.0 million. As at June 30, 2011, Black Diamond had decreased bank indebtedness by $1.7 million from December 31, 2010, and had drawn on the revolving capital expenditure facility in the amount of $63.0 million. Drawings on the operating and capital expenditure facilities are charged interest based on the previous quarter's funded debt to EBITDA ratio as defined in Black Diamond's credit agreement. As at June 30, 2011, the interest rate applied to amounts drawn on the capital expenditure facility was 4.75%.

All facilities are 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. The revolving operating facility matures on December 31, 2013, it is interest only until maturity and drawdowns there under may not exceed 75% of aged accounts receivable less than 90 days. The revolving capital expenditure facility matures on December 31, 2013 and drawdowns may not exceed 60% of the net book value of tangible capital property and equipment. The capital expenditure facility is interest only payable monthly in arrears until December 31, 2012 and, if not extended by one year by January 1, 2012, will be reduced in 2013 by equal quarterly reductions in an amount equal to 1/16$^{th}$ of the commitment on December 31, 2012. By January 1, 2012, the Company may elect to request a one year extension of the credit facilities

Black Diamond's financial debt covenants are as follows:

| Covenant | Required | Actual |
|---|---|---|
| **Current Ratio** | >1.25:1 | 1.80 |
| **Total Funded Debt to EBITDA** | <2.50:1 | 0.96 |
| **Fixed Charge Coverage** | >1.00:1 | 3.20 |
| **Tangible Net Worth** | >$140.0M | $207.0M |

Management includes a reconciliation from the cash flow provided by operations to the EBITDA used in the covenant calculations (see "Non-GAAP measures"). EBITDA is a non-GAAP measure that management uses to assist in evaluation of Black Diamond's liquidity and is used by Black Diamond's bank lenders to calculate compliance with certain financial covenants.
As at June 30, 2011, Black Diamond was in compliance with all financial debt covenants. Management continues to monitor compliance with debt covenants carefully and believes that the Company will continue to be in compliance with debt covenants.

Black Diamond, through its wholly owned subsidiary, Nortex Modular Leasing and Construction Company, also has a U.S. $3 million committed revolving loan facility to fund working capital requirements in the U.S. The facility bears interest at a rate of U.S. prime plus 1% subject to a 5% minimum rate. At June 30, 2011, the effective rate was 5%. Interest on drawings is to be paid monthly with any principal outstanding to be repaid upon the maturity date of November 30, 2011. The facility is secured by a letter of credit issued by the Company's Canadian lenders. At June 30, 2011, there was $nil million drawn on the facility.

**Commitments**

Black Diamond has entered into operating leases outlined within the table presented in the Capital Expenditures section below. These operating leases pertain to rental of office and yard space for branch locations as well as vehicle leases.

**Share Capital**

At June 30, 2011, Black Diamond had 18.56 million common shares outstanding. In addition at June 30, 2011, Black Diamond had 1,526,203 common shares reserved for issuance pursuant to the exercise of options which have been granted pursuant to Black Diamond's share option plan.

The following table summarizes Black Diamond's capitalization as at August 11, 2011:

| | |
|---|---|
| Common shares | 18,567,157 |
| Stock options | 1,516,203 |

**Capital Expenditures**

For the Period, Black Diamond expended $19.85 million (2010 – $15.78 million) on additions to property and equipment. The additions consisted of:

- $7.69 million (2010 – $11.82 million) on camps and workforce accommodation structures and ancillary equipment;
- $2.08 million (2010 – $3.35 million) on space rental structures with some ancillary equipment in Canada;
- $0.87 million (2010 – $0.34 million) on space rental structures with some ancillary equipment in the U.S.;
- $4.44 million (2010 – $0.04 million) on energy services accommodation structures and surface rental equipment; and
- $4.77 million (2010 – $0.23 million) on land, leasehold improvements, computers, furniture and service related equipment.

For the six months ended June 30, 2010, Black Diamond expended $45.14 million (2010 – $34.24 million) on additions to property and equipment. The additions consisted of:

- $26.19 million (2010 – $21.55 million) on camps and workforce accommodation structures and ancillary equipment;
- $3.21 million (2010 – $6.83 million) on space rental structures with some ancillary equipment in Canada;

- $1.81 million (2010 – $1.90 million) on space rental structures with some ancillary equipment in the U.S.;
- $8.03 million (2010 – $3.12 million) on energy services accommodation structures and surface rental equipment; and
- $5.90 million (2010 – $0.84 million) on land, leasehold improvements, computers, furniture and service related equipment.

At June 30, 2011, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of $29.67 million for delivery in 2011. It is management's intention to meet the funding requirements for these commitments through a combination of internally generated cash flow, available funds from credit facilities and net proceeds from the equity financing completed on May 10, 2011.

The table below outlines the timing of payments for Black Diamond's contractual obligations.

| | Payments Due by Period | | | |
|---|---|---|---|---|
| ($ millions) | Total | Less than 1 year | 1-5 years | After 5 years |
| Capital Lease Obligations | 0.2 | 0.2 | - | - |
| Operating Leases | 6.8 | 1.7 | 4.9 | 0.2 |
| Purchase Obligations | 29.7 | 29.7 | - | - |
| Asset Retirement Obligations | 1.8 | - | - | 1.8 |
| **Total Contractual Obligations** | **38.5** | **31.6** | **4.9** | **2.0** |

## FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at June 30, 2011 relate to standard working capital accounts, credit facility items, a capital lease obligation and an interest rate swap. There are no significant differences between the carrying value of these financial instruments and their estimated fair values.

In addition, Black Diamond is subject to cash flow risk on its credit facilities because they are based on floating rates of interest. The required cash flow to service the credit facilities will fluctuate as a result of changes in market rates. On April 20, 2010, Black Diamond entered into a swap transaction to fix the rate of interest at 3.63% plus the credit spread on a notional $25 million of debt for a five year period expiring on April 10, 2015.

## CRITICAL ACCOUNTING POLICIES & ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that can have a material impact on the results of operations as reported on a periodic basis. Management believes that the accounting estimates that are critical to the financial statements relate to property and equipment, intangible assets, goodwill, stock based compensation, the determination of depreciation and amortization expense and risk management activities.

The value of property and equipment, intangible assets and goodwill are subject to market conditions in the industry sectors in which Black Diamond operates. Goodwill is assessed for impairment at least annually or whenever a potential impairment may arise as a result of an event or change in circumstances to ensure that the fair value of the Cash Generating Unit (CGU) to which goodwill has been allocated is greater than or at least equal to its carrying value. Fair value is determined using valuation models that take into account such factors as projected earnings, earnings multiples, discount rates, other available external information and market comparables. The determination of fair value requires management to apply judgment in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges. An impairment test was performed on goodwill during the fourth quarter 2010 and the results concluded that the fair value was higher than the carrying amount so no impairment charge was required.

Stock-based compensation expense, associated with stock options at the date of grant, is subject to changes in the variables used in the valuation of the options such as changes in the risk free rate, stock price volatility and dividend yields. This estimate may vary due to changes in the actual stock price.

Depreciation and amortization is determined using the estimated useful lives of the assets. These estimates could change due to a number of factors including unusual wear and tear, technology, change in economic circumstances and obsolescence. Such changes could have a material effect on the amount of future operating results. See the notes to the unaudited condensed consolidated interim financial statements for a schedule outlining the depreciation policies of Black Diamond.

The Company uses derivative financial instruments to manage its fixed to floating interest rate exposure on certain long-term debt. These instruments are entered into solely for hedging purposes and are not used for speculative purposes. The estimated fair value of the instruments has been based on appropriate valuation models using assumptions concerning the amount and timing of future cash flows and discount rates.

While management applies judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

## Changes in Accounting Policies

*International Financial Reporting Standards*

Effective January 1, 2011, the Company is required to report its interim and annual consolidated financial statements in accordance with IFRS including information for the comparative 2010 period. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies have been addressed.

The transition progressed according to plan. The differences identified between IFRS and current Canadian GAAP did not have a significant impact on Black Diamond's reported results and financial position.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company has analyzed the various accounting policy choices available and has implemented those determined to be most appropriate in the Company's circumstances.

A summary of IFRS standards that have and are expected to have an impact on Black Diamond's financial reporting were discussed and summarized in the Management Discussion and Analysis for the three and six months ended June 30, 2011. This summary highlighted those areas believed to be most significant, with analysis of changes completed and decisions made where choices of accounting policies are available. The differences described were based on previous Canadian GAAP and IFRS as at the time of the preparation of these statements. It should be noted that the International Accounting Standards Board (IASB) have significant ongoing projects that could affect the ultimate differences between previous Canadian GAAP and IFRS and the impact on the Company's consolidated financial statements in the future. The Company will continue to monitor changes to existing IFRS standards. Most adjustments required on transition to IFRS have been made, retrospectively, against opening retained earnings on the first comparative balance sheet. Transitional adjustments relating to those standards where comparative figures are not required to be restated and are applied prospectively have only been made as of January 1, 2011.

## NON-GAAP MEASURES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain supplementary information and measures not recognized under IFRS are provided where management believes they assist the reader in understanding Black Diamond's results. Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers for these non-GAAP measures. These measures include:

**EBITDA** refers to consolidated earnings before interest expense, tax expense, depreciation, amortization, accretion, foreign exchange, stock-based compensation, acquisition costs and non-controlling interest. Black Diamond uses EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by EBITDA, is meaningful because it presents the performance of the operation on a basis which excludes the impact of how it has been financed.

The following is a reconciliation of consolidated Net Income to EBITDA:

| For the three months ended June 30<br>(in thousands of dollars) | 2011 | 2010 | $ Change |
|---|---|---|---|
| Net income | 9,385 | 3,028 | 6,357 |
| Add: | | | |
| Depreciation and amortisation | 7,014 | 5,000 | 2,014 |
| Finance costs | 993 | 551 | 442 |
| Deferred tax expense | 3,129 | 1,100 | 2,029 |
| Current income tax expense | 19 | 328 | (309) |
| Non-controlling interest | 551 | (159) | 710 |
| Foreign exchange (gain)/loss - unrealized | (12) | (17) | 5 |
| Stock-based compensation | 465 | 521 | (56) |
| EBITDA | 21,544 | 10,352 | 11,192 |

| For the six months ended June 30<br>(in thousands of dollars) | 2011 | 2010 | $ Change |
|---|---|---|---|
| Net income | 19,280 | 7,549 | 11,731 |
| Add: | | | |
| Depreciation and amortisation | 13,418 | 9,710 | 3,708 |
| Finance costs | 2,041 | 1,092 | 949 |
| Deferred tax expense | 6,793 | 2,476 | 4,317 |
| Current income tax expense | 36 | 585 | (549) |
| Acquisition costs | - | 289 | (289) |
| Non-controlling interest | 945 | 75 | 870 |
| Foreign exchange (gain)/loss - unrealized | (4) | (28) | 24 |
| Stock-based compensation | 897 | 1,043 | (146) |
| EBITDA | 43,406 | 22,791 | 20,615 |

**EBITDA Margin** is calculated by dividing EBITDA by the revenue for the period.

**Funds available for dividends** is calculated as the cash flow from operating activities excluding the changes in non-cash working capital adjusted for 1) maintenance capital expenditures made in the Period, 2) funding of long term unfunded contractual obligations arising from operations and 3) restrictions on dividends arising from compliance with financial covenants at the date of the calculation. Growth capital expenditures are excluded from this calculation. Management believes that Funds available for dividends is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments. Changes in non-cash working capital items have been excluded as such changes are financed using the operating line of Black Diamond's credit facility. Funds not distributed are available for re-investing in the business and funding the growth of Black Diamond.

The following is a reconciliation of Cash Flow from Operating Activities to Funds available for dividends:

| For the three months ended June 30<br>*(in thousands of dollars)* | 2011 | 2010 | $ Change |
|---|---|---|---|
| Cash Flow from Operating Activities | 13,544 | 7,832 | 5,712 |
| Add: | | | |
| Changes in non-cash working capital | 8,004 | 2,519 | 5,485 |
| Funds available for dividends | 21,548 | 10,351 | 11,197 |

| For the six months ended June 30<br>*(in thousands of dollars)* | 2011 | 2010 | $ change |
|---|---|---|---|
| Cash Flow from Operating Activities | 6,393 | 13,790 | (7,397) |
| Add: | | | |
| Changes in non-cash working capital | 37,017 | 8,712 | 28,305 |
| Funds available for dividends | 43,410 | 22,502 | 20,908 |

**Gross Profit Margin** is calculated by dividing Gross Profit by the revenue for the period.

**Payout Ratio** is calculated as the dividends declared for the period divided by Funds available for dividends.

**Working Capital** is calculated as current assets minus current liabilities (excluding debt and amounts for PP&E).

Readers are cautioned that the Non-GAAP measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of Black Diamond's performance or cash flows, a measure of liquidity or as a measure of actual return on the shares of Black Diamond. These Non-GAAP measures should only be used in conjunction with the consolidated financial statements of Black Diamond.

## RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond's financial condition, results of operations and cash flow, and therefore on cash available for dividends. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2010 available on SEDAR at www.sedar.com. Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

## DISCLOSURE CONTROLS AND PROCEDURES

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Black Diamond is made known to Black Diamond's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Black Diamond in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of Black Diamond's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Black Diamond is required to disclose herein any change in Black Diamond's internal controls over financial reporting that occurred during the period beginning on April 1, 2011 and ended on

June 30, 2011 that has materially affected, or is reasonably likely to materially affect, Black Diamond's internal controls over financial reporting.

It should be noted that a control system, including Black Diamond’s disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. Other than changes related to the transition to IFRS, no material changes in Black Diamond’s internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond’s internal controls over financial reporting.

Additional information relating to Black Diamond, including Black Diamond’s annual information form for the year ended December 31, 2010 is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.