

# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2019 and 2018



**BLACK DIAMOND**  

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**GROUP**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 as at June 30, 2019 and December 31, 2018

(Expressed in thousands)	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	535	3,175
Accounts receivable <sup>(note 3)</sup>	40,871	34,464
Prepaid expenses and other current assets	5,085	6,041
<b>Total Current Assets</b>	<b>46,491</b>	<b>43,680</b>
<b>Non-Current</b>		
Other long-term assets	191	813
Property and equipment <sup>(note 4)</sup>	334,099	339,894
Right-of-use assets <sup>(note 5)</sup>	19,812	—
Goodwill and intangible assets	18,482	18,882
<b>Total Non-Current Assets</b>	<b>372,584</b>	<b>359,589</b>
<b>Total Assets</b>	<b>419,075</b>	<b>403,269</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	32,935	28,734
Deferred revenue	4,099	6,796
Current portion of lease liabilities <sup>(note 7)</sup>	4,447	—
<b>Total Current Liabilities</b>	<b>41,481</b>	<b>35,530</b>
<b>Non-Current</b>		
Long-term debt <sup>(note 6)</sup>	94,037	90,084
Asset retirement obligations	18,438	18,878
Long-term lease liabilities <sup>(note 7)</sup>	19,179	—
Other long-term liabilities	58	2,599
Deferred income taxes	28,679	31,404
<b>Total Non-Current Liabilities</b>	<b>160,391</b>	<b>142,965</b>
<b>Total Liabilities</b>	<b>201,872</b>	<b>178,495</b>
<b>Shareholders' Equity</b>		
Share capital <sup>(note 8)</sup>	379,192	377,567
Contributed surplus	16,205	16,436
Accumulated other comprehensive income	12,075	17,317
Accumulated deficit	(191,690)	(187,908)
<b>Total Shareholders' Equity</b>	<b>215,782</b>	<b>223,412</b>
Non-controlling interests	1,421	1,362
<b>Total Equity</b>	<b>217,203</b>	<b>224,774</b>
<b>Total Liabilities and Equity</b>	<b>419,075</b>	<b>403,269</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

Refer to Commitments in Note 13.

**UNAUDITED CONSOLIDATED STATEMENT OF NET LOSS**  
 for the three and six month periods ended June 30,

	Three months ended June 30,		Six months ended June 30,	
(Expressed in thousands, except per share amounts)	2019 \$	2018 \$	2019 \$	2018 \$
<b>Revenue</b> (notes 9 and 12)	47,346	42,732	92,723	83,676
<b>Direct costs</b> (note 9)	28,080	23,228	56,107	46,498
<b>Gross profit</b>	19,266	19,504	36,616	37,178
<b>Expenses</b>				
Administrative expenses (note 10)	9,224	10,002	18,462	19,109
Depreciation and amortization	9,671	8,898	19,166	18,122
Share based compensation (note 8)	816	669	1,409	1,165
Finance costs	1,840	1,739	3,728	3,186
Gain on sale of real estate assets (note 4)	—	(378)	—	(378)
<b>Loss before income taxes</b>	<b>(2,285)</b>	<b>(1,426)</b>	<b>(6,149)</b>	<b>(4,026)</b>
<b>Income tax expense (recovery)</b>				
Current	5	176	12	207
Deferred	(413)	(525)	(1,687)	(1,265)
<b>Total income taxes</b>	<b>(408)</b>	<b>(349)</b>	<b>(1,675)</b>	<b>(1,058)</b>
<b>Loss before non-controlling interest</b>	<b>(1,877)</b>	<b>(1,077)</b>	<b>(4,474)</b>	<b>(2,968)</b>
Profit (loss) attributable to non-controlling interest	97	(149)	230	(118)
<b>Loss for the period</b>	<b>(1,974)</b>	<b>(928)</b>	<b>(4,704)</b>	<b>(2,850)</b>
<b>Loss per share - basic and diluted</b> (note 11)	<b>(0.04)</b>	<b>(0.02)</b>	<b>(0.09)</b>	<b>(0.05)</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**UNAUDITED CONSOLIDATED STATEMENT OF  
 COMPREHENSIVE INCOME (LOSS)**  
 for the three and six month periods ended June 30,

	Three months ended June 30,		Six months ended June 30,	
(Expressed in thousands)	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Loss for the period</b>	<b>(1,974)</b>	(928)	<b>(4,704)</b>	(2,850)
<b>Other comprehensive income (loss) to be reclassified to Consolidated Statement of Net Income in subsequent period:</b>				
Translation adjustments	(2,881)	1,718	(5,242)	4,390
<b>Total comprehensive income (loss)</b>	<b>(4,855)</b>	790	<b>(9,946)</b>	1,540

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 for the six month period ended June 30, 2019 and 2018

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>As at January 1, 2018</b>	377,814	14,907	9,876	(176,524)	226,073	2,043	228,116
Loss for the period	—	—	—	(2,850)	(2,850)	(118)	(2,968)
Translation adjustments	—	—	4,390	—	4,390	—	4,390
Distributions declared to partners	—	—	—	—	—	(190)	(190)
Vesting of shares in trust	618	(618)	—	—	—	—	—
Share based compensation expense <sup>(note 9)</sup>	—	1,044	—	—	1,044	—	1,044
<b>As at June 30, 2018</b>	<b>378,432</b>	<b>15,333</b>	<b>14,266</b>	<b>(179,374)</b>	<b>228,657</b>	<b>1,735</b>	<b>230,392</b>
<b>As at December 31, 2018</b>	377,567	16,436	17,317	(187,908)	223,412	1,362	224,774
IFRS 16 transition adjustments	—	—	—	922	922	—	922
Loss for the period	—	—	—	(4,704)	(4,704)	230	(4,474)
Translation adjustments	—	—	(5,242)	—	(5,242)	—	(5,242)
Distributions declared to partners	—	—	—	—	—	(171)	(171)
Vesting of shares in trust <sup>(note 8)</sup>	1,625	(1,625)	—	—	—	—	—
Share based compensation expense <sup>(note 8)</sup>	—	1,394	—	—	1,394	—	1,394
<b>As at June 30, 2019</b>	<b>379,192</b>	<b>16,205</b>	<b>12,075</b>	<b>(191,690)</b>	<b>215,782</b>	<b>1,421</b>	<b>217,203</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 for the three and six month periods ended June 30,

(Expressed in thousands)	Three months ended June 30,		Six months ended June 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Operating activities</b>				
Loss for the period	(1,974)	(928)	(4,704)	(2,850)
Add (deduct) non-cash / non-operating activities:				
Share based compensation expense <sup>(note 8)</sup>	796	548	1,394	1,044
Depreciation and amortization	9,671	8,898	19,166	18,122
Finance costs	1,840	1,739	3,728	3,186
Gain on sale of real estate assets <sup>(note 4)</sup>	—	(378)	—	(378)
Deferred income taxes	(413)	(525)	(1,687)	(1,265)
Settlement of ARO liability	(7)	—	(642)	—
Profit (loss) attributable to non-controlling interest	97	(149)	230	(118)
Book value of used fleet sales <sup>(note 4)</sup>	1,729	3,111	3,103	5,450
	<b>11,739</b>	<b>12,316</b>	<b>20,588</b>	<b>23,191</b>
Change in long-term accounts receivable	316	461	622	783
Change in non-current deferred revenue	(116)	(296)	(137)	(802)
Change in non-cash working capital related to operating activities	(4,043)	(4,951)	(1,200)	304
<b>Net cash flows from operating activities</b>	<b>7,896</b>	<b>7,530</b>	<b>19,873</b>	<b>23,476</b>
<b>Investing activities</b>				
Purchase of property and equipment <sup>(note 4)</sup>	(9,684)	(3,623)	(17,530)	(4,970)
Addition to intangible assets	(270)	—	(696)	—
Proceeds from sale of real estate <sup>(note 4)</sup>	—	4,381	—	4,381
Change in non-cash working capital related to investing activities	(533)	1,571	(2,377)	(879)
<b>Net cash flows from (used in) investing activities</b>	<b>(10,487)</b>	<b>2,329</b>	<b>(20,603)</b>	<b>(1,468)</b>
<b>Financing activities</b>				
Proceeds from long-term debt	9,325	2,054	9,875	26,128
Repayment of long-term debt	(3,586)	(23,103)	(6,008)	(54,809)
Net interest paid, including lease liability interest	(1,727)	(1,663)	(3,509)	(2,916)
Payment of lease liabilities	(1,068)	—	(2,090)	—
Consideration on assumption of ARO Liability	—	9,339	—	9,339
Distributions declared to non-controlling interest	(83)	(93)	(171)	(190)
Change in non-cash working capital related to financing activities	133	1,298	59	26
<b>Net cash flows from (used in) financing activities</b>	<b>2,994</b>	<b>(12,168)</b>	<b>(1,844)</b>	<b>(22,422)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>403</b>	<b>(2,309)</b>	<b>(2,574)</b>	<b>(413)</b>
Cash and cash equivalents, beginning of the period	246	4,102	3,175	2,497
Effect of foreign currency rate changes on cash and cash equivalents	(114)	(125)	(66)	(416)
<b>Cash and cash equivalents, end of the period</b>	<b>535</b>	<b>1,668</b>	<b>535</b>	<b>1,668</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2019 and 2018

### 1. GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements ("interim financial statements") of Black Diamond Group Limited, its subsidiaries, and its controlled limited partnerships (collectively "Black Diamond" or the "Company") for the three and six month periods ended June 30, 2019 and 2018 were authorized for issuance in accordance with a resolution of the Board of Directors on August 8, 2019. Black Diamond is headquartered in Calgary, Alberta. The Company was incorporated in Alberta on October 7, 2009. The address of the Company's registered office is Suite 4600, 525 – 8th Avenue S.W., Calgary, Alberta, Canada.

The common shares of the Company are listed on the Toronto Stock Exchange (TSX: BDI).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The interim financial statements for the three and six month periods ended June 30, 2019 and 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### Basis of Presentation and Measurement

These interim financial statements have been prepared on a going concern basis.

Except as otherwise disclosed and for taxes on income, the same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2018 ("2018 Financial Statements"). Taxes on income in interim periods are accrued using the tax rate that would be applicable to the expected total annual profit. These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2018 Financial Statements.

These interim financial statements are presented in Canadian dollars and all amounts are rounded to the nearest thousand (\$'000), except per share amounts or as otherwise noted.

#### Seasonality of operations

The Company's western Canadian operations, which form part of its Modular Space Solutions and Workforce Solutions business units, are exposed to a variable degree of seasonality. Drilling accommodations and surface rental assets of the Workforce Solutions business unit have higher utilization rates during the fall and winter months when drilling activity is higher than during the spring and summer months. Similarly, operations levels at camps operated by the Workforce Solutions business unit are generally higher in the winter. This seasonality is offset by Modular Space Solutions operations outside of the energy sector, which experience the highest customer demand in the summer months when construction is most active and relatively lower demand in the winter months.

**NOTES TO UNAUDITED INTERIM  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and six month periods ended June 30, 2019 and 2018

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Changes in accounting policy and disclosure**

#### *Leases*

IFRS 16 *Leases* ("IFRS 16") specifies how to recognize, measure, present and disclose leases. Lessees are required to recognize right-of-use ("ROU") assets and lease liabilities while lessors continue to classify each lease as either an operating lease or a finance lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 using the modified retrospective transition approach and has not restated prior periods for the impact of IFRS 16.

On initial adoption, the Company applied the following practical expedients permitted under the standard. Some expedients are available on a lease-by-lease basis, while others are applicable by class of underlying asset.

- Certain short-term leases and leases of low value assets (<\$5,000) that have been identified at January 1, 2019 are not recognized on the Consolidated Statement of Financial Position.
- Leases with terms ending within 12 months of January 1, 2019 are treated as short-term leases and not recognized on the Consolidated Statement of Financial Position.
- In their initial measurement upon transition, some leases having similar characteristics are measured as a portfolio by applying a single discount rate.
- Initial direct costs were excluded from the measurement of ROU assets for the purpose of initial measurement on transition.
- At January 1, 2019, the previously recognized onerous contract provision was applied to the associated ROU asset. There was no impairment assessment made under IAS 36 *Impairment of assets* ("IAS 36").

The Company identified all contracts that contain leases as defined by IFRS 16 as at the transition date of January 1, 2019 and quantified the impact of IFRS 16 adoption on the 2019 opening statement of financial position. IFRS 16 increased the Company's total assets and liabilities, and impacted net income. Net income is impacted as the aggregate of depreciation of ROU assets and interest expense on lease liabilities does not correspond to the amount of lease payments in any given period. The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 5% per annum.



**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's leases recognized on the Statement of Financial Position as at January 1, 2019 include leases of real estate, equipment and vehicles. The Company quantified the impact of IFRS 16 on its opening balance sheet as at January 1, 2019 as follows:

	\$
ROU asset	21,590
Increase to total assets, January 1, 2019	21,590
Lease liability	25,006
Other long-term liabilities <sup>(1)</sup>	(2,403)
Onerous contract provision	(1,013)
Deferred taxes	(922)
Retained deficit	922
Increase to total liabilities and shareholders' equity, January 1, 2019	21,590

(1) Amount relates to deferred lease incentives on office space.

The following table presents a reconciliation of commitments as at December 31, 2018 to lease liabilities as at January 1, 2019:

	\$
Off balance sheet lease obligation, December 31, 2018	41,594
Leases with a lease term of 12 months or less (short-term leases)	(790)
Non-lease components	(11,429)
Operating lease obligations, January 1, 2019 (undiscounted)	29,375
Effect of discounting cash flows	(4,369)
Total lease liabilities, January 1, 2019	25,006

The quantified impacts of IFRS 16 disclosed herein are subject to change in future periods pending updates to individual contract terms, assumptions, and other facts and circumstances arising subsequent to the date of these financial statements.

The Company assesses whether a contract contains a lease at inception by exercising judgment about whether a contract pertains to a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Certain classes of lease arrangements that contain both lease and non-lease components within the same contract are recognized as a single lease component.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments (discounted at the interest rate implicit in the lease, if applicable, or the Company's incremental borrowing rate), plus initial direct costs and costs of obligations to retire the asset, less any incentives received. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if indicators of impairment are present.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

When a lease contains an extension or purchase option that the Company is reasonably certain to exercise, the extension and/or cost of the option is included in the lease payments.

The Company has elected not to recognize ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months, or for leases of low value assets (<\$5,000). Payments for these leases are recognized in the Statement of Net Income (Loss) on a straight-line basis over the lease term.

The financial statement impact of IFRS 16 is subject to certain management judgments and estimates. Most notably, extension and termination provisions are included in certain lease contracts. In determining the lease term to be recognized, the Company considers all factors that create an economic incentive to exercise an extension option, or not to exercise a termination option.

## 3. ACCOUNTS RECEIVABLE

	June 30, 2019	December 31, 2018
	\$	\$
<b>Current</b>		
Trade and accrued receivables	41,018	34,599
Provision for doubtful accounts	(147)	(135)
<b>Total current accounts receivable</b>	<b>40,871</b>	<b>34,464</b>

## 4. PROPERTY AND EQUIPMENT

The Company added property and equipment of \$9,684 and \$17,530 (2018 - \$3,623 and \$4,970) during the three and six month periods ended June 30, 2019, substantially all of which were fleet assets. There were also disposals of fleet assets with a net book value of \$1,729 and \$3,103 (2018 - \$3,111 and \$5,450) during the three and six month periods ended June 30, 2019, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit. During the three month period ended June 30, 2018, Black Diamond completed several sales of real estate properties for cash consideration of \$4,381, resulting in a gain of \$378.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

**5. RIGHT-OF-USE-ASSETS**

	Real Estate	Vehicles & Equipment	Total
	\$	\$	\$
<b>Cost</b>			
January 1, 2019	20,624	966	21,590
Additions	1,477	80	1,557
Disposals	(722)	—	(722)
Exchange rate adjustment	(127)	(6)	(133)
<b>June 30, 2019</b>	<b>21,252</b>	<b>1,040</b>	<b>22,292</b>
<b>Accumulated Depreciation</b>			
January 1, 2019	—	—	—
Charge for the period	2,315	165	2,480
<b>June 30, 2019</b>	<b>2,315</b>	<b>165</b>	<b>2,480</b>
<b>Net Book Value</b>			
January 1, 2019	20,624	966	21,590
<b>June 30, 2019</b>	<b>18,937</b>	<b>875</b>	<b>19,812</b>

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

## 6. LONG-TERM DEBT

	June 30, 2019	December 31, 2018
	\$	\$
Demand operating facilities	699	—
Committed extendible revolving operating facility	49,915	39,648
Senior secured notes	43,542	50,629
Costs associated with issue and restructuring of long-term debt	(119)	(193)
<b>Total long-term debt</b>	<b>94,037</b>	<b>90,084</b>

For a full description of the Company's debt instruments, refer to the annual audited consolidated financial statements.

### Debt Covenants

At June 30, 2019, Black Diamond was in compliance with all of its debt covenants. Breach of any term or condition of the committed extendible revolving operating facility or the senior secured notes would result in an event of default in which case Black Diamond may have available specific cure periods to remedy such default. If the default is not remedied or waived, the lenders have the option to declare the obligations of Black Diamond under the extendible revolving operating facility and the senior secured notes to be immediately due and payable without presentment, demand, protest or further notice of any kind.

Covenant as at June 30, 2019	Required	Actual
Funded Debt to Bank EBITDA Ratio	≤ 4.00:1	3.11
Interest Coverage Ratio	≥ 3.00:1	4.86

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

## 7. LEASE LIABILITIES

	\$
Lease liabilities, January 1, 2019	25,006
Additions	1,557
Disposals	(731)
Interest expense	620
Lease payments	(2,710)
Effect of movement in foreign exchange rates	(116)
Lease liabilities, June 30, 2019	23,626
Less: current portion	4,447
<b>Long-term lease liabilities, June 30, 2019</b>	<b>19,179</b>

Lease liabilities mature over the next five fiscal years and thereafter as follows:

	June 30, 2019
	\$
Due within one year	4,447
Due later than one year and less than five years	12,490
Due after five years	6,689
	<b>23,626</b>

Short-term lease payments were \$223 and sub-lease income was \$54 for the three month period ended June 30, 2019. Short-term lease payments were \$431 and sub-lease income was \$95 for the six month period ended June 30, 2019.

**NOTES TO UNAUDITED INTERIM  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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## 8. SHARE CAPITAL

### a) Share capital

Authorized: An unlimited number of voting common shares with no par value and an unlimited number of preferred shares, issuable in series.

Issued - Common shares	Number of shares	\$
<b>January 1, 2018</b>	55,043	377,814
Purchase of shares in trust	(300)	(953)
Vesting of shares in trust	213	706
<b>December 31, 2018</b>	<b>54,956</b>	<b>377,567</b>
Vesting of shares in trust and RSUs	476	1,625
<b>June 30, 2019</b>	<b>55,432</b>	<b>379,192</b>

### b) Share Based Compensation Plans

#### (i) Share option plan

As at June 30, 2019, there were 3,801 common shares (December 31, 2018 - 2,722) reserved for issuance from treasury upon the exercise of share options granted pursuant to the Company's Share Option Plan. The exercise price of each option equals the weighted average trading price of the common shares for the five trading days preceding the date of the grant. Outstanding options granted under the Share Option Plan generally vest on a straight line basis over three years and the option term is five years from the date of grant.

(expressed in thousands except per share amounts and years)

Grant date	Number of options outstanding	Exercise price per share	Remaining contractual life (years)	Number exercisable	Fair value at grant date
		\$			\$
January 9, 2015	455	12.35	0.53	455	1.46
March 11, 2016	339	4.72	1.70	339	1.03
March 21, 2017	638	3.60	2.72	425	0.81
August 14, 2017	411	1.74	3.12	137	0.74
September 12, 2017	120	1.91	3.20	40	0.83
September 22, 2017	60	1.86	3.23	20	1.00
March 15, 2018	699	2.53	3.71	233	0.86
March 14, 2019	1,079	1.96	4.71	—	0.86
<b>Balance June 30, 2019</b>	<b>3,801</b>			<b>1,649</b>	
<b>Weighted average</b>		<b>3.80</b>	<b>3.18</b>	<b>5.88</b>	<sup>(1)</sup>

(1) Amount refers to the weighted average exercise price of the exercisable options as at June 30, 2019.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

### 8. SHARE CAPITAL (continued)

Black Diamond recorded the following share option activity during 2019 and 2018:

	Number of options outstanding	Weighted average exercise price per share	\$
<b>January 1, 2018</b>	<b>2,481</b>	<b>8.33</b>	
Granted	699	2.53	
Expired	(458)	22.20	
<b>December 31, 2018</b>	<b>2,722</b>	<b>4.53</b>	
Granted	1,079	1.96	
<b>June 30, 2019</b>	<b>3,801</b>	<b>3.80</b>	

The Black-Scholes option pricing model was used in determining the fair values of these options using a forfeiture rate of 5%, based on historical experience and future expectations, and the following assumptions:

Date of grant	Dividend yield	Expected average volatility	Average risk-free rate
	%	%	%
January 9, 2015	8.00	34	1.00
March 11, 2016	11.61	52	0.49
March 21, 2017	8.33	51	1.02
August 14, 2017	—	54	1.52
September 12, 2017	—	54	1.76
September 22, 2017	—	54	1.81
March 15, 2018	—	61	1.78
March 14, 2019	—	60	1.65

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 expected life of the options is indicative of future trends, which may not occur.

Included in share-based compensation expense for the three and six month periods ended June 30, 2019 was \$195 and \$313 (2018 - \$110 and \$162) for costs related to the Share Option Plan.

**NOTES TO UNAUDITED INTERIM  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 For the three and six month periods ended June 30, 2019 and 2018

## 8. SHARE CAPITAL (continued)

(ii) Other share-based plans

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

	Incentive Award Plan		Share Award Plan		Deferred Share Unit Plan <sup>(1)</sup>	
	Number of units	Weighted fair value per unit \$	Number of units	Weighted fair value per unit \$	Number of units	Weighted fair value per unit \$
<b>January 1, 2018</b>	<b>369</b>	<b>4.19</b>	<b>546</b>	<b>3.13</b>	<b>94</b>	<b>3.91</b>
Granted	231	2.58	473	2.53	79	2.57
Forfeited	(123)	3.61	—	—	—	—
Vested	(91)	5.19	(140)	2.71	—	—
<b>December 31, 2018</b>	<b>386</b>	<b>3.18</b>	<b>879</b>	<b>2.87</b>	<b>173</b>	<b>3.30</b>
Granted	902	2.00	601	1.96	56	1.95
Forfeited	(35)	2.86	(60)	2.53	—	—
Vested	(188)	3.81	(298)	3.72	(11)	4.18
<b>June 30, 2019</b>	<b>1,065</b>	<b>2.08</b>	<b>1,122</b>	<b>2.17</b>	<b>218</b>	<b>2.91</b>

(1) DSU's are reported as fully vested once settled.

The fair value of awards granted under these share-based plans is equal to the weighted average trading price of the Company's shares for the five trading days immediately preceding the date of grant.

As at June 30, 2019, these share-based plans include 65 units (December 31, 2018 - 49) that are expected to be settled in cash. A liability is included in accounts payable and accrued liabilities in the amount of \$38 related to these units (December 31, 2018 - \$66).

Included in share-based compensation expense for the three and six month periods ended June 30, 2019 was \$621 and \$1,096 (2018 - \$559 and \$1,003 ) for costs related to the other share-based plans.

The Company established the Incentive Award Plan Trust and the Deferred Share Unit Plan Trust (collectively the "Trusts") which are consolidated in the Company's financial statements. Any shares held in the Trusts are accounted for as a reduction of share capital. As at June 30, 2019 there are 410 shares held in the Trusts (December 31, 2018 - 585).





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**9. REVENUE AND DIRECT COSTS**

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Workforce Solutions</b>				
Rental revenue	7,697	4,905	14,677	12,007
Lodging revenue	5,280	8,840	15,431	18,516
Sales revenue	2,440	368	3,358	2,383
Non-rental revenue	11,371	8,504	16,176	16,506
<b>Total Workforce Solutions revenue</b>	<b>26,788</b>	<b>22,617</b>	<b>49,642</b>	<b>49,412</b>
<b>Modular Space Solutions</b>				
Rental revenue	8,218	7,324	15,822	14,353
Sales revenue	3,802	6,903	9,430	9,314
Non-rental revenue	8,538	5,888	17,829	10,597
<b>Total Modular Space Solutions revenue</b>	<b>20,558</b>	<b>20,115</b>	<b>43,081</b>	<b>34,264</b>
<b>Total Revenue</b>	<b>47,346</b>	<b>42,732</b>	<b>92,723</b>	<b>83,676</b>

Non-rental revenues are derived from the delivery, installation, construction, project management and value-added products & services required to support the deployment and remobilization of assets that have been rented or sold to customers. Sales revenues are derived from the sale of both new and used assets.

Customer deposits relating to non-rental revenue for used fleet sales and operations are included in deferred revenue in the Consolidated Statement of Financial Position. These amounts are expected to be recognized within the next twelve months.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Direct Costs</b>				
Construction and transportation services	13,478	5,806	22,934	10,592
Catering, utilities and other consumable costs	3,429	5,845	9,378	12,752
New sales	3,253	1,902	7,639	2,902
Repairs and maintenance	3,175	2,400	6,283	4,658
Personnel costs	1,576	1,436	3,416	2,993
Used fleet sales	1,729	3,111	3,103	5,450
Subleased equipment	1,217	1,870	2,665	5,692
Other direct costs	223	858	689	1,459
<b>Total direct costs</b>	<b>28,080</b>	<b>23,228</b>	<b>56,107</b>	<b>46,498</b>

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## 10. ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Personnel costs	5,912	4,977	11,325	9,856
General administrative expenses	1,937	2,549	4,152	4,507
Occupancy and insurance	1,375	2,476	2,985	4,746
<b>Total administrative expenses</b>	<b>9,224</b>	<b>10,002</b>	<b>18,462</b>	<b>19,109</b>

General administrative expenses includes costs related to professional services, office administration and communication, bad debts, travel and accommodation.

## 11. LOSS PER SHARE

Basic and diluted loss per share is calculated on the loss attributable to Black Diamond for the period.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Reconciliation of weighted average number of shares</b>				
Weighted average common shares outstanding - basic and diluted	55,434	55,172	55,221	55,110

Excluded from diluted weighted average number of shares are 3,801 anti-dilutive options for the six months ended June 30, 2019 (2018 - 2,817). Also excluded from diluted weighted average number of shares are 1,122 anti-dilutive Share Award Plan units for the six months ended June 30, 2019 (2018 - 945).

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## **12. SEGMENTED INFORMATION**

Black Diamond has two operating segments: Modular Space Solutions and Workforce Solutions.

The Modular Space Solutions business unit provides high quality, cost effective, modular space rentals to customers throughout North America. These customers operate in the construction, real estate development, manufacturing, education and resource industries, and also include government agencies. Products include office units, lavatories, storage units, large multi-unit office complexes, classroom facilities, custom manufactured modular facilities and blast resistant structures. Modular Space Solutions also sells both new and used space rentals units and provides delivery, installation, project management and ancillary products and services.

The Workforce Solutions business unit provides complete workforce housing solutions including rental of accommodations and surface equipment, provision of full turnkey lodging and provision of travel management logistics through the Company's online digital marketplace, LodgeLink. Workforce Solutions operates in Canada, the United States and Australia. The primary service offerings in Workforce Solutions are asset rental, lodging and travel management logistics. To support the core rental business, Workforce Solutions also offers associated services such as installation, transportation and dismantlement and at times, management will sell used fleet to ensure a current rentable asset base.

The Corporate and Other business unit includes costs related to administrative activities that support all segments. Included in Corporate and Other are revenues generated from subleasing of real estate properties.

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**12. SEGMENTED INFORMATION (continued)**

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenue</b>				
Modular Space Solutions	20,558	20,115	43,081	34,264
Workforce Solutions	26,788	22,617	49,642	49,412
<b>Total Revenue</b>	<b>47,346</b>	<b>42,732</b>	<b>92,723</b>	<b>83,676</b>
<b>Depreciation of Property and Equipment</b>				
Modular Space Solutions	2,540	2,556	5,048	5,090
Workforce Solutions	5,216	5,605	10,341	11,550
Corporate and Other	242	298	480	589
<b>Total Depreciation</b>	<b>7,998</b>	<b>8,459</b>	<b>15,869</b>	<b>17,229</b>
<b>Profit (loss)</b>				
Modular Space Solutions	2,360	2,286	3,600	3,085
Workforce Solutions	833	1,867	1,018	2,859
Corporate and Other	(5,167)	(5,081)	(9,322)	(8,794)
<b>Total Profit (Loss)</b>	<b>(1,974)</b>	<b>(928)</b>	<b>(4,704)</b>	<b>(2,850)</b>
<b>Capital Expenditures (Additions)</b>				
Modular Space Solutions <sup>(1)</sup>	6,394	1,423	11,184	2,517
Workforce Solutions <sup>(2)</sup>	3,530	2,078	6,917	2,226
Corporate and Other	30	122	125	227
<b>Total Capital Expenditures</b>	<b>9,954</b>	<b>3,623</b>	<b>18,226</b>	<b>4,970</b>

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

(2) Amount includes intangible asset additions.



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**12. SEGMENTED INFORMATION (continued)**

	June 30, 2019	December 31, 2018
	\$	\$
<b>Property and Equipment</b>		
Modular Space Solutions	147,941	145,274
Workforce Solutions	170,120	178,005
Corporate and Other	16,038	16,615
<b>Total Property and Equipment</b>	<b>334,099</b>	<b>339,894</b>
<b>Intangible Assets</b>		
Modular Space Solutions	5,997	6,837
Workforce Solutions	2,528	1,873
<b>Total Intangible Assets</b>	<b>8,525</b>	<b>8,710</b>
<b>Goodwill</b>		
Modular Space Solutions	9,957	10,172
<b>Total Goodwill</b>	<b>9,957</b>	<b>10,172</b>
<b>Assets</b>		
Modular Space Solutions	190,543	174,890
Workforce Solutions	207,872	203,688
Corporate and Other	20,660	24,691
<b>Total Assets</b>	<b>419,075</b>	<b>403,269</b>



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**12. SEGMENTED INFORMATION (continued)**

Geographic and customer information

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenue</b>				
Canada	22,947	32,022	50,727	63,553
United States	21,509	8,429	35,764	15,624
Australia	2,890	2,281	6,232	4,499
<b>Total Revenue</b>	<b>47,346</b>	<b>42,732</b>	<b>92,723</b>	<b>83,676</b>

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

	June 30, 2019	December 31, 2018
	\$	\$
<b>Property and Equipment, Intangibles and Goodwill</b>		
Canada	236,742	244,672
United States	102,944	102,016
Australia	12,895	12,088
<b>Total Property and Equipment, Intangibles and Goodwill</b>	<b>352,581</b>	<b>358,776</b>

**13. COMMITMENTS**

At June 30, 2019, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of \$4,373 (December 31, 2018 - \$10,921).

Black Diamond rents head office space, Workforce Solutions accommodations and equipment, Modular Space Solutions rental premises, office equipment and vehicles under multiple operating leases with varying expiration dates. No arrangements have been entered into for contingent rental payments. The minimum lease payments over the next five fiscal years and thereafter are as follows:

	June 30, 2019	December 31, 2018
	\$	\$
Due within one year	7,293	7,092
Due later than one year and less than five	20,983	21,654
Due after five years	10,668	12,848
	<b>38,944</b>	<b>41,594</b>

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#### 14. RELATED PARTY TRANSACTIONS

The amounts due to limited partners include distributions and royalties payable to the non-controlling interests. They are non-interest bearing and due on demand. The amounts due to other related parties are unsecured and are repayable in cash.

The following table provides the total amount of transactions that have been entered into with related parties during the three and six month periods ended June 30, 2019 and 2018, as well as balances with related parties as at June 30, 2019 and December 31, 2018.

	For the three months ended June 30,		For the six months ended June 30,		Due to related parties as at	
	2019	2018	2019	2018	June 30, 2019	December 31, 2018
	\$	\$	\$	\$	\$	\$
<b>Non-controlling interests</b>						
Limited partners						
Royalties and distributions declared	216	285	560	507	274	256
<b>Other related parties</b>						
Entity controlled by a member of the board of directors						
Purchases of goods and services	336	—	475	—	538	—

Services purchased from the entity controlled by a member of the board of directors include water handling and wastewater treatment services.