

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2018 and 2017



BLACK DIAMOND

GROUP

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 as at September 30, 2018 and December 31, 2017

(Expressed in thousands)	2018 \$	2017 \$
ASSETS		
Current		
Cash and cash equivalents	1,631	2,497
Accounts receivable ^(note 3)	25,054	28,929
Prepaid expenses and other current assets	5,412	10,320
Total Current Assets	32,097	41,746
Non-Current		
Other long-term assets	792	1,697
Property and equipment ^(note 4)	340,503	369,285
Goodwill and intangible assets	17,070	18,167
Total Non-Current Assets	358,365	389,149
Total Assets	390,462	430,895
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	21,761	35,318
Contract liabilities	8,667	3,807
Total Current Liabilities	30,428	39,125
Non-Current		
Long-term debt ^(note 5)	83,586	115,059
Asset retirement obligations ^(note 6)	18,918	9,923
Other long-term liabilities	2,727	3,852
Deferred income taxes	31,998	34,820
Total Non-Current Liabilities	137,229	163,654
Total Liabilities	167,657	202,779
Shareholders' Equity		
Share capital ^(note 7)	377,567	377,814
Contributed surplus	16,048	14,907
Accumulated other comprehensive income	11,778	9,876
Accumulated deficit	(184,117)	(176,524)
Total Shareholders' Equity	221,276	226,073
Non-controlling interests	1,529	2,043
Total Equity	222,805	228,116
Total Liabilities and Equity	390,462	430,895

See accompanying notes to the unaudited interim condensed consolidated financial statements

Refer to Commitments in Note 12.

UNAUDITED CONSOLIDATED STATEMENT OF NET LOSS
 for the three and nine month periods ended September 30,

	Three months ended September 30,		Nine months ended September 30,	
(Expressed in thousands, except per share amounts)	2018 \$	2017 \$	2018 \$	2017 \$
Revenue ^(notes 8 and 11)	36,821	36,467	120,497	111,792
Direct costs ^(note 8)	22,917	18,393	69,415	63,747
Gross profit	13,904	18,074	51,082	48,045
Expenses				
Administrative expenses ^(note 9)	9,267	9,060	28,374	29,671
Depreciation and amortization	9,172	11,745	27,294	35,319
Share based compensation ^(note 7)	498	813	1,663	1,720
Finance costs	1,637	1,737	4,823	5,728
Restructuring costs	—	—	—	2,893
Gain on sale of real estate assets ^(note 4)	—	—	(378)	(2,467)
Loss before income taxes	(6,670)	(5,281)	(10,694)	(24,819)
Income tax expense (recovery)				
Current	(168)	(1,248)	39	(5,747)
Deferred	(1,641)	(718)	(2,906)	(1,918)
Total income taxes	(1,809)	(1,966)	(2,867)	(7,665)
Loss before non-controlling interest	(4,861)	(3,315)	(7,827)	(17,154)
Earnings (loss) attributable to non-controlling interest	(116)	17	(234)	(587)
Loss for the period	(4,745)	(3,332)	(7,593)	(16,567)
Loss per share - basic and diluted ^(note 10)	(0.09)	(0.06)	(0.14)	(0.32)

See accompanying notes to the unaudited interim condensed consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
(Expressed in thousands)	2018	2017	2018	2017
	\$	\$	\$	\$
Loss for the period	(4,745)	(3,332)	(7,593)	(16,567)
Other comprehensive income (loss) to be reclassified to Consolidated Statement of Net Income in subsequent period:				
Translation adjustments	(2,488)	(4,068)	1,902	(6,642)
Total comprehensive income (loss)	(7,233)	(7,400)	(5,691)	(23,209)

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 for the three and nine month periods ended September 30, 2018 and 2017

(Expressed in thousands)	Issued Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2017	345,865	13,062	16,068	(71,891)	303,104	4,317	307,421
Loss for the period	—	—	—	(16,567)	(16,567)	(587)	(17,154)
Translation adjustments	—	—	(6,642)	—	(6,642)	—	(6,642)
Dividends declared	—	—	—	(9,224)	(9,224)	—	(9,224)
Distributions declared to partners	—	—	—	—	—	(1,205)	(1,205)
Share capital issued ^(note 7)	31,900	—	—	—	31,900	—	31,900
Share issue costs, net of tax ^(note 7)	(1,425)	—	—	—	(1,425)	—	(1,425)
Shares issued under DRIP	1,164	—	—	—	1,164	—	1,164
Vesting of shares in trust	310	(310)	—	—	—	—	—
Share based compensation expense ^(note 7)	—	1,393	—	—	1,393	—	1,393
As at September 30, 2017	377,814	14,145	9,426	(97,682)	303,703	2,525	306,228
As at January 1, 2018	377,814	14,907	9,876	(176,524)	226,073	2,043	228,116
Loss for the period	—	—	—	(7,593)	(7,593)	(234)	(7,827)
Translation adjustments	—	—	1,902	—	1,902	—	1,902
Distributions declared to partners	—	—	—	—	—	(280)	(280)
Purchase of shares in trust ^(note 7)	(953)	—	—	—	(953)	—	(953)
Vesting of shares in trust ^(note 7)	706	(706)	—	—	—	—	—
Share based compensation expense ^(note 7)	—	1,847	—	—	1,847	—	1,847
As at September 30, 2018	377,567	16,048	11,778	(184,117)	221,276	1,529	222,805

See accompanying notes to the unaudited interim condensed consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
 for the three and nine month periods ended September 30,

(Expressed in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating activities				
Loss for the period	(4,745)	(3,332)	(7,593)	(16,567)
Add (deduct) non-cash / non-operating activities:				
Share based compensation expense ^(note 7)	803	813	1,847	1,720
Depreciation and amortization	9,172	11,745	27,294	35,319
Finance costs	1,637	1,737	4,823	5,728
Gain on sale of real estate assets	—	—	(378)	(2,467)
Deferred income taxes	(1,641)	(718)	(2,906)	(1,918)
Profit (loss) attributable to non-controlling interest	(116)	17	(234)	(587)
Book value of used fleet sales ^(note 4)	4,913	2,156	10,362	12,174
	10,023	12,418	33,215	33,402
Change in long-term accounts receivable	122	(1,182)	905	(1,140)
Change in non-current deferred revenue	(324)	11	(1,125)	757
Change in non-cash working capital related to operating activities	1,567	(5,752)	1,872	(19,248)
Net cash flows from operating activities	11,388	5,495	34,867	13,771
Investing activities				
Purchase of property and equipment ^(note 4)	(4,083)	(7,707)	(9,054)	(14,504)
Business acquisitions	—	—	—	(42,025)
Proceeds from sale of real estate ^(note 4)	—	—	4,381	11,350
Change in non-cash working capital related to investing activities	(1,368)	1,043	(2,247)	1,757
Net cash flows used in investing activities	(5,451)	(6,664)	(6,920)	(43,422)
Financing activities				
Proceeds from long-term debt	1,908	32,902	28,036	80,674
Repayment of long-term debt	(4,827)	(29,836)	(59,636)	(69,836)
Costs associated with issue and restructuring of debt	—	—	—	(457)
Net interest paid	(1,499)	(1,596)	(4,415)	(4,742)
Net proceeds from issuance of shares ^(note 7)	—	—	—	29,955
Dividends declared	—	(1,384)	—	(9,224)
Consideration on assumption of ARO liability ^(note 6)	—	—	9,339	—
Settlement of ARO liability ^(note 6)	(478)	—	(478)	—
Distributions declared to non-controlling interest	(90)	(598)	(280)	(1,213)
Net purchase of shares in trust ^(note 7)	(953)	—	(953)	—
Change in non-cash working capital related to financing activities	(2)	(783)	24	267
Net cash flows from (used in) financing activities	(5,941)	(1,295)	(28,363)	25,424
Increase (decrease) in cash and cash equivalents	(4)	(2,464)	(416)	(4,227)
Cash and cash equivalents, beginning of the period	1,668	4,516	2,497	6,119
Effect of foreign currency rate changes on cash and cash equivalents	(33)	187	(450)	347
Cash and cash equivalents, end of the period	1,631	2,239	1,631	2,239

See accompanying notes to the unaudited interim condensed consolidated financial statements

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months periods ended September 30, 2018 and 2017

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 nine month periods ended September 30, 2018 and 2017 were authorized for issuance in accordance with a resolution of the Board of Directors on November 6, 2018. 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 nine month periods ended September 30, 2018 and 2017 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, 2017 ("2017 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 2017 Financial Statements. Certain figures in the comparative financial statements have been reclassified to conform to the current period's presentation.

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 nine months periods ended September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosure

Financial Instruments

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

Revenue Recognition

IFRS 15, *Revenue from contracts with customers* ("IFRS 15") supersedes IAS 18, *Revenue*, IAS 11, *Construction contracts*, and a number of revenue-related interpretations. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. A five-step model is used to account for revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires management to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Black Diamond has applied a full retrospective transition method in adopting IFRS 15. The adoption of IFRS 15 did not have a material impact on the Company's financial statements, therefore prior year opening and comparative amounts were not adjusted with the exception of contract liabilities as noted below.

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

(a) Rental

Rental revenue is associated with the rental of Black Diamond's owned assets to customers and is recognized in the period the equipment is used by the customer on a straight-line basis over the term of the related rental agreement. Rental revenue is out of scope of IFRS 15 and will continue to be accounted for under IAS 17. There are no significant revenue recognition differences identified.

(b) Sales

Revenue from the sale of new units, custom manufactured equipment and used rental equipment generally include one performance obligation. Black Diamond has concluded that revenue from the sale of equipment should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The adoption of IFRS 15 had no impact on the timing or amount of sales revenue recognized.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Non-Rental

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

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

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

(d) Lodging

Lodging revenue is generated from provision of full turnkey lodging services provided to customers. Revenue is recognized in the period the service is provided to the customer. The adoption of IFRS 15 had no impact on lodging revenue and the Company continues to recognize it at the time when the services are provided based on set daily rates.

Presentation and disclosure requirements

As required for the interim financial statements, Black Diamond disaggregates revenue recognized from contracts with customers into main streams that depict how the nature, timing and uncertainty of the revenue and cash flows are affected by economic factors. Refer to Note 8 for the disclosures on disaggregated revenue.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and accruals, contract assets, and contract liabilities on the Consolidated Statement of Financial Position. In some contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. When a performance obligation is achieved and revenue is recognized but the timing does not match to the contractual terms for billing, then a contract asset results. When an amount is received as an advance or a deposit from a customer, prior to the recognition of revenue, a contract liability results. These amounts were previously included in accrued receivables and deferred revenue but are now reclassified as contract assets and contract liabilities on the Consolidated Statement of Financial Position. Black Diamond has no contract assets at September 30, 2018 or December 31, 2017.

**NOTES TO UNAUDITED INTERIM
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard issued but not yet effective

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

Leases

IFRS 16, *Leases* ("IFRS 16") specifies how to recognize, measure, present and disclose leases. Lessees will be required to recognize right-of-use ("ROU") assets and lease liabilities while lessors will continue to classify each lease as either an operating lease or a finance lease. Lease and non-lease components must be separated and accounted for separately using the appropriate standards unless a policy election is made to account for the lease and non-lease components as lease components. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 has already been applied or will be applied at the same date as IFRS 16. The Company intends to adopt IFRS 16 using the modified retrospective transition approach. The Company is currently in the contract assessment phase of implementation, and is working towards identifying all contracts that contain leases as defined by IFRS 16. It is anticipated that the adoption of IFRS 16 will have a material impact on the Company's Consolidated Statement of Financial Position due to material operating lease commitments (see Note 12).

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

3. ACCOUNTS RECEIVABLE

	September 30, 2018	December 31, 2017
	\$	\$
Current		
Trade and accrued receivables	25,179	29,187
Finance lease receivables where Company is the lessor	64	91
Provision for doubtful accounts	(189)	(349)
Total current accounts receivable	25,054	28,929

4. PROPERTY AND EQUIPMENT

The Company added assets of \$4,083 and \$9,054 (2017 - \$7,707 and \$14,504) during the three and nine month periods ended September 30, 2018. Additions consisted of leasehold improvements to Sunset Prairie Lodge of \$1,603 in Q2 2018, along with additions to fleet assets. There were also disposals of fleet assets with a net book value of \$4,913 and \$10,362 (2017 - \$2,156 and \$12,174) during the three and nine month periods ended September 30, 2018, which is included in direct costs. The net realizations from the sale of fleet assets is included in gross profit. Black Diamond completed several sales of real estate properties during the first nine months of 2018 for cash consideration of \$4,381, resulting in a gain of \$378.

**NOTES TO UNAUDITED INTERIM
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5. LONG-TERM DEBT

	September 30, 2018	December 31, 2017
	\$	\$
Demand operating facilities	—	1,216
Committed extendible revolving operating facility	29,645	49,400
Senior secured notes	54,171	64,800
Costs associated with issue and restructuring of long-term debt	(230)	(357)
Total long-term debt	83,586	115,059

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

Debt Covenants

At September 30, 2018, 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 September 30, 2018	Required	Actual
Funded Debt to Bank EBITDA Ratio	≤ 4.50:1	2.43
Interest Coverage Ratio	≥ 3.00:1	6.08

6. ASSET RETIREMENT OBLIGATIONS

Black Diamond's asset retirement obligations ("ARO") relate to closure and post-closure costs related to camps where the Company has assumed the land lease obligations. Management has estimated the value of this obligation at September 30, 2018 to be \$18,918 (December 31, 2017 - \$9,923) using an inflation rate of 2.0% (December 31, 2017 - 2.0%) and pre-tax weighted average risk-free interest rate of 2.0% (December 31, 2017 - 1.5%) that reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2018 to 2026.

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

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6. ASSET RETIREMENT OBLIGATIONS (continued)

	Nine months ended September 30, 2018	Year ended December 31, 2017
	\$	\$
Balance, beginning of period	9,923	8,790
Additions	9,339	1,842
Accretion in year	281	86
Revisions / settlements	(625)	(795)
Balance, end of period	18,918	9,923

Additions to ARO during 2018 related to the dismantlement and reclamation liabilities assumed on the conversion of a lodge from a rental camp to an open camp.

7. 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.

	Number of shares	\$
Issued - Common shares		
January 1, 2017	46,102	345,865
Issued on share offering	8,507	31,900
Share issue costs, net of tax	—	(1,425)
Issued under dividend reinvestment plan ("DRIP")	408	1,237
Purchase of shares in trust	(27)	(73)
Vesting of shares in trust	53	310
December 31, 2017	55,043	377,814
Purchase of shares in trust	(300)	(953)
Vesting of shares in trust and share awards	200	706
September 30, 2018	54,943	377,567

b) Share Based Compensation Plans

(i) Share option plan

As at September 30, 2018, there were 2,817 common shares (December 31, 2017 - 2,481) 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.

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7. SHARE CAPITAL (continued)

(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
		\$			\$
November 15, 2013	85	27.43	0.13	85	5.21
January 9, 2015	455	12.35	1.28	445	1.46
March 20, 2015	10	13.67	1.47	10	1.78
March 11, 2016	339	4.72	2.45	226	1.03
March 21, 2017	638	3.60	3.47	213	0.81
August 14, 2017	411	1.74	3.87	137	0.74
September 12, 2017	120	1.91	3.95	40	0.83
September 22, 2017	60	1.86	3.98	20	1.00
March 15, 2018	699	2.53	4.45	—	0.86
Balance September 30, 2018	2,817			1,176	
Weighted average		5.26	3.22	8.63	⁽¹⁾

(1) Amount refers to the weighted average exercise price of the exercisable options as at September 30, 2018.

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

	Number of options outstanding	Weighted average exercise price per share
		\$
January 1, 2017	2,686	16.38
Granted	1,397	2.83
Expired	(1,006)	20.40
Forfeited	(596)	10.62
December 31, 2017	2,481	8.33
Granted	699	2.53
Expired	(363)	20.98
September 30, 2018	2,817	5.26

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7. SHARE CAPITAL (continued)

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
	%	%	%
November 15, 2013	2.95	31	1.09
January 9, 2015	8.00	34	1.00
March 20, 2015	7.31	37	0.46
March 11, 2016	11.61	52	0.49
March 21, 2017	8.33	51	1.02
August 14, 2017	—	54	1.52
September 12, 2017	—	54	1.76
September 22, 2017	—	54	1.81
March 15, 2018	—	61	1.78

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

Included in share-based compensation expense for the three and nine month periods ended September 30, 2018 was \$108 and \$270 (2017 - \$335 and \$465) for the costs related to the Share Option Plan.

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7. SHARE CAPITAL (continued)

(ii) Other share-based plans

Changes in the number of units issued under Black Diamond's other share-based plans, along with their weighted average fair value, are summarized below:

	Incentive Award Plan		Share Award Plan		Deferred Share Unit Plan ⁽¹⁾	
	Number of units	Weighted fair value per unit \$	Number of units	Weighted fair value per unit \$	Number of units	Weighted fair value per unit \$
January 1, 2017	297	5.52	153	4.72	43	4.78
Granted	230	3.60	466	2.80	57	3.40
Reinvested	23	3.04	20	2.93	5	2.92
Forfeited	(124)	4.78	(93)	4.03	(11)	4.19
Vested	(57)	6.97	—	—	—	—
December 31, 2017	369	4.19	546	3.13	94	3.91
Granted	221	2.53	473	2.53	67	2.56
Forfeited	(61)	3.73	—	—	—	—
Vested	(91)	5.19	(127)	2.80	—	—
September 30, 2018	438	3.21	892	2.86	161	3.35

(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 September 30, 2018, these share-based plans include 55 units (December 31, 2017 - 139) that are expected to be settled in cash.

Included in share-based compensation expense for the three and nine month periods ended September 30, 2018 was \$390 and \$1,393 (2017 - \$478 and \$1,255) 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 September 30, 2018 there are 587 shares held in the Trusts (December 31, 2017 - 365).

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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8. REVENUE AND DIRECT COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Workforce Solutions				
Rental revenue	5,512	8,067	17,519	23,959
Lodging revenue	4,418	4,070	22,934	11,732
Sales revenue	5,107	3,420	7,490	14,504
Non-rental revenue	5,464	4,626	21,937	16,497
Total Workforce Solutions revenue	20,501	20,183	69,880	66,692
Modular Space Solutions				
Rental revenue	7,402	7,930	21,755	22,236
Sales revenue	4,125	2,760	13,439	8,300
Non-rental revenue	4,791	5,570	15,388	14,494
Total Modular Space Solutions revenue	16,318	16,260	50,582	45,030
Corporate and Other	2	24	35	70
Total Revenue	36,821	36,467	120,497	111,792

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 contract liabilities in the Consolidated Statement of Financial Position. These amounts are expected to be recognized within the next twelve months.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Direct Costs				
Used fleet sales	4,913	2,156	10,362	12,174
Construction and transportation services	5,193	6,081	15,785	19,264
Repairs and maintenance	3,112	2,062	8,142	8,830
Catering, utilities and other consumable costs	4,710	3,417	17,463	9,237
Subleased equipment	1,644	1,558	7,337	5,092
Personnel costs	1,210	1,265	4,202	3,755
Other direct costs	2,135	1,854	6,124	5,395
Total direct costs	22,917	18,393	69,415	63,747

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9. ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Personnel costs	5,107	4,752	14,963	15,200
General administrative expenses	1,745	1,903	6,250	6,120
Occupancy and insurance	2,415	2,405	7,161	7,715
Acquisition costs	—	—	—	636
Total administrative expenses	9,267	9,060	28,374	29,671

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

10. LOSS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Reconciliation of weighted average number of shares				
Weighted average common shares outstanding - basic and diluted	55,142	54,985	55,120	52,120

Excluded from diluted weighted average number of shares are 2,817 anti-dilutive options for the three and nine months ended September 30, 2018 (2017 - 2,506). Also excluded from diluted weighted average number of shares are 892 anti-dilutive Share Award Plan units for the three and nine months ended September 30, 2018 (2017 - 546).

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11. SEGMENTED INFORMATION

Effective January 1, 2018, Black Diamond changed the basis of its segmentation for reporting purposes to align with how the information is being reported internally to the chief operating decision makers. Previously, the segments were disclosed as BOXX Modular, Camps & Lodging, Energy Services and International. The new segments are Modular Space Solutions and Workforce Solutions and are based on the type of product and service offering. The comparative numbers at September 30, 2017 or December 31, 2017 have been restated to conform to this segmentation.

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

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

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

**NOTES TO UNAUDITED INTERIM
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
 For the three and nine months periods ended September 30, 2018 and 2017

11. SEGMENTED INFORMATION (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue				
Modular Space Solutions	16,318	16,260	50,582	45,030
Workforce Solutions	20,501	20,183	69,880	66,692
Corporate and Other	2	24	35	70
Total Revenue	36,821	36,467	120,497	111,792
Depreciation of Property and Equipment				
Modular Space Solutions	2,538	2,624	7,629	7,070
Workforce Solutions	5,798	8,215	17,347	25,096
Corporate and Other	403	358	992	1,140
Total Depreciation	8,739	11,197	25,968	33,306
Profit (loss)				
Modular Space Solutions	1,220	2,753	4,305	4,955
Workforce Solutions	(2,807)	(1,916)	52	(9,680)
Corporate and Other	(3,158)	(4,169)	(11,950)	(11,842)
Total Profit (Loss)	(4,745)	(3,332)	(7,593)	(16,567)
Capital Expenditures (Additions)				
Modular Space Solutions ⁽¹⁾	1,792	3,264	4,310	8,250
Workforce Solutions	2,256	339	4,482	2,150
Corporate and Other	35	4,104	262	4,104
Total Capital Expenditures	4,083	7,707	9,054	14,504

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

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11. SEGMENTED INFORMATION (continued)

	September 30, 2018	December 31, 2017
	\$	\$
Property and Equipment		
Modular Space Solutions	142,759	150,875
Workforce Solutions	181,195	197,407
Corporate and Other	16,549	21,003
Total Property and Equipment	340,503	369,285
Intangible Assets		
Modular Space Solutions	7,169	8,422
Total Intangible Assets	7,169	8,422
Goodwill		
Modular Space Solutions	9,901	9,745
Total Goodwill	9,901	9,745
Assets		
Modular Space Solutions	168,423	178,549
Workforce Solutions	199,549	217,436
Corporate and Other	22,490	34,910
Total Assets	390,462	430,895

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11. SEGMENTED INFORMATION (continued)

Geographic and customer information

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue				
Canada	24,272	24,624	87,824	80,532
United States	8,192	8,030	23,817	23,953
Australia	4,357	3,813	8,856	7,307
Total Revenue	36,821	36,467	120,497	111,792

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

	September 30, 2018	December 31, 2017
	\$	\$
Property and Equipment, Intangibles and Goodwill		
Canada	247,556	271,233
United States	98,297	103,216
Australia	11,720	13,003
Total Property and Equipment, Intangibles and Goodwill	357,573	387,452

12. COMMITMENTS

At September 30, 2018, Black Diamond had made capital expenditure commitments with key manufacturers of modular structures in the amount of \$6,773 (December 31, 2017 - \$2,535).

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:

	September 30, 2018	December 31, 2017
	\$	\$
Due within one year	6,898	6,831
Due later than one year and less than five	21,565	21,070
Due after five years	17,136	17,302
	45,599	45,203

**NOTES TO UNAUDITED INTERIM
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine months periods ended September 30, 2018 and 2017

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties include distributions and royalties payable to the non-controlling interests. They are non-interest bearing and due on demand.

The following table provides the total amount of transactions that have been entered into with related parties during the three and nine month periods ended September 30, 2018 and 2017, as well as balances with related parties as at September 30, 2018 and December 31, 2017.

	For the three months ended September 30,		For the nine months ended September 30,		Due to related party as at	
	2018	2017	2018	2017	September 30, 2018	December 31, 2017
	\$	\$	\$	\$	\$	\$
Non-controlling interests						
Limited partners						
Royalties and distributions declared	182	677	689	1,587	186	246