



**NEWS RELEASE**

**May 5, 2008**

**BLACK DIAMOND INCOME FUND REPORTS RESULTS OF OPERATIONS FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**Calgary, Alberta** — (TSX: BDI.UN) Black Diamond Income Fund (“Black Diamond” or the “Fund”) is pleased to announce the results of operations for the first quarter ended March 31, 2008.

Results of the Fund for the period January 1 to March 31, 2008 were very positive. The results reflect continued strong demand for the Fund’s fleet of modular structures, used for both workforce accommodations and space rentals, in all the markets in which the Fund operates.

Fleet growth and high levels of utilization enabled the Fund to grow revenues in the three month period ended March 31, 2008 by 3% over the previous quarter and by 118% over the same period in the previous year. The Workforce Accommodations division accounted for 64% or \$9.8 million of the revenues. 19% or \$2.9 million of the revenues were derived from the Energy Services division, while 17% or \$2.6 million was derived from the Space Rentals division. The Fund continues to provide a significant amount of accommodation and space rental structures into the oilsands sector. For the period, the revenue generated from oilsands and oilsands related projects amounted to 71% of the consolidated revenue. 16% of the Fund’s revenue was generated from space rental assets not related to oilsands activity with the remaining 13% being sourced from conventional oil and gas activity in western Canada.

The primary driver of the Fund’s business remains the rental income derived from the fleet of modular structures owned. From March 2007 to March 2008, the fleet of workforce accommodation units grew by 64% or 243 units, while the space rentals fleet grew by 38% or 236 units. The energy services accommodations fleet grew by 16% or 24 units while this division added 55 units in respect of surface rental assets. The utilization of these fleets remained strong throughout the three months ended March 31, 2008 averaging 97% for the workforce accommodation units, 79% for the space rental fleet, 94% for the drilling accommodation units and 43% for the surface rental equipment.

Gross profit margin for the period remained strong averaging 59%. This is reflective of the varying amounts of non-rental revenue generated in a particular period as these ancillary revenue streams are conducted at lower margin levels but do not require the use of capital.

The operations of the Fund continue to grow without the addition of significant amounts of overhead. The selling, general and administrative cost for the period averaged 11% of revenue. Over the previous six months, the Fund added to its management and staff complement and now is positioned to continue to significantly expand the business without the addition of significantly more personnel.

The EBITDA for the period was \$7.29 million or 48% of revenue.

The Fund was successful in completing a purchase of workforce assets in February for an aggregate amount of \$8.7 million. The transaction was concluded by the assumption of \$2.3 million in capital lease obligations, the issuance of 220,000 units and a cash payment of \$3.6 million. Following this transaction, and the exercise of some unit options in the period, the Fund has a total of 9,573,500 units outstanding.

The Fund currently distributes \$0.09 per unit per month (\$1.08 per unit annual equivalent) and achieved a payout ratio for the period of 38% compared to 53% in 2007.

Effective January 1, 2008, the Fund redefined its reporting segments to those described above. Previously, accommodations associated with drill camps, completions camps, free standing sleepers, geologist/engineer quarters and staff quarters were included in the workforce accommodations segment while the site service component was a stand alone segment. The drill camps, completions camps, free standing sleepers, geologist/engineer quarters and

staff quarters have been separated and included with the Energy Services reporting segment along with the compliment of ancillary equipment the Fund provides in concert with drilling activity in Western Canada. Also included in this Energy Services segment is the site services component that repairs, installs, dismantles and renovates modular buildings. The workforce accommodations reporting segment now comprises only the equipment and related services associated with long term workforce accommodation projects. The reason for this re-definition in the segments was to align the management of the different parts of the business with the areas of expertise of the management giving recognition to the different customer base among the segments. This reporting also clarifies what assets and operations the Fund has that is focused on longer term, larger scope accommodation projects and what assets and operations the Fund has that are more exposed to the commodity price cycles and shorter term opportunities.

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 interim consolidated financial statements for Black Diamond for the three months ended March 31, 2008.

<b>For the three months ended</b>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
<b>Financial Highlights</b>	\$	\$
Total revenue	15,253,825	7,006,051
Gross profit	8,946,458	5,062,015
Gross profit %	59%	72%
Selling, general & administrative	1,655,900	1,070,445
Selling, general & administrative %	11%	15%
EBITDA	7,290,558	3,973,240
EBITDA %	48%	57%
Net earnings before taxes	4,771,441	2,297,037
Net income	3,966,494	2,297,037
Capital expenditures	15,041,073	9,738,174
Property, plant & equipment	84,999,398	53,903,055
Total assets (as at period end)	138,289,518	101,022,080
Long-term debt	32,419,888	22,419,888
<b>Operational Highlights</b>		
Workforce accommodation units in operation at end of period	624	381
Average utilization	97%	91%
Drilling accommodation units in operation at end of period	173	149
Average utilization	94%	86%
Surface rental equipment in operation at end of period	55	-
Average utilization during the period	43%	-
Space rental units in operation at end of period	852	616
Average utilization	79%	85%

## **Results of Operations**

### **Revenue**

Consolidated revenue generated for the first quarter of 2008 (hereafter referred to as the "Period") was \$15.25 million compared to \$7.01 million in 2007.

### **Workforce accommodations**

Workforce accommodations revenue was \$9.76 million (64.0% of revenue) for the Period compared to \$4.10 million for the same period in 2007.

At the end of March 2008, the workforce accommodation fleet had 624 units. This represents an increase of 243 units (64%) from March 2007. The fleet grew by 110 units or 21% in the first quarter of 2008.

Utilization of the workforce accommodation fleet averaged 97% for the Period compared to 91% in 2007. The utilization is a reflection of the type of equipment the Fund deploys as well as the longer term nature of the rental contracts the Fund has favored. The workforce accommodation units typically do not experience any significant seasonality. Their usage on projects requiring larger complements of labor in remote areas tend to start and operate without regard to the time of year.

During the Period, the workforce accommodations division generated \$4.35 million (45%) of its revenue from the rental of its modular accommodation units. The remaining revenue of \$5.41 million (55%) was primarily generated from sub-lease activity as well as the provision of installation services related to the additional accommodations contracted for at the Canadian Natural Resources Horizon oilsands site. The sub-lease and installation activities do not employ any of the Fund's capital and therefore generate lower gross margins. Comparatively, for the period ended March 31, 2007, the rental revenue generated by the workforce accommodations division was \$2.59 million (63%), while the revenue generated from all other non-rental streams was in aggregate \$1.51 million (37%).

### **Space rentals**

Revenue for the space rentals segment for the Period was \$2.59 million (17% of consolidated revenue) compared to \$1.18 million for 2007 (17% of consolidated revenue).

The fleet size of space rentals has increased by of 38% or 236 units from March 2007. During the first quarter of 2008, the fleet grew by 8% or 64 units. The majority of the fleet additions occurred in Alberta, in concert with the stronger economic environment.

Utilization of the space rental fleet averaged 79% for the Period compared to 85% for the same period in 2007. This small decline in utilization rate was primarily due to the arrival of newly manufactured fleet units towards the end of the Period and a small timing difference as to when they go on rent with customers.

Rental revenue for the Period for the space rentals division was \$1.65 million (64%) compared to \$0.81 million (69%) in 2007 while revenue from other activities such as logistics, installation, sub-lease of additional fleet and unit sales represented \$0.94 million (36%) compared to \$0.37 million (31%) in 2007. The split in the rental revenue versus other revenue streams in the space rentals division does not fluctuate from period to period as much as can be seen in the workforce accommodations division.

### **Energy services**

Revenue generated by Energy Services was \$4.37 million for the Period compared with \$2.25 million in 2007. Rental revenue for the Period was \$1.44 million (33%) compared to \$1.33 million (59%) in 2007 while revenue from other activities such as logistics, installation, sub-lease of additional fleet and unit sales represented \$1.07 million (25%) compared to nil in 2007. The remaining \$1.86 million was generated in the Period by providing repair, installation and dismantling services to external customers and to other segments of the Fund. Of the \$1.86

million of service work provided in the Period, \$0.39 million (21%) of the revenue was generated from third party customers, while \$1.47 million (79%) was generated by providing services to the Workforce Accommodations and Space Rental divisions and was thus eliminated on consolidation.

Rental revenues would tend to have a higher degree of seasonality in this division. The drill camps, free standing fleet, geologist/engineer quarters and staff quarters as well as the surface rental assets would typically have a higher degree of utilization during the winter months when drilling activity is higher. The Fund has taken a large degree of the seasonality out of its revenue generation by contracting a significant portion of its drill camp fleet under longer term, paid monthly contracts.

Drilling accommodations equated to 173 units at the end of March 2008 versus 149 at March 2007. This represented drill camps as well as a compliment of free standing sleepers and support units. This fleet averaged utilization of 94% for the Period, compared with 90% for the same period in 2007. Substantially all of the drill camps are under long term contract to large oil companies, with an average remaining contract term of approximately 30 months. The drilling accommodations comprise 92% of the asset value within the Energy Services segment.

Surface equipment rentals began in January 2008 and showed utilization of 43% for the Period on an asset base of 55 units. This fleet is complementary to the drilling accommodations and represents a small percentage of the Fund's asset value.

### **Direct Costs & Gross Profit**

Direct costs were \$6.31 million for the quarter resulting in a gross profit of \$8.95 million or a gross profit margin of 59%. Direct costs for the comparable period in 2007 were \$1.95 million, which resulted in gross profit of \$5.06 million and a gross profit margin of 72%. The decrease in gross profit percentage from 2007 is due to a higher proportion of the Fund's consolidated revenue being derived from non-rental sources. For the Period, approximately 51% of the consolidated Fund revenue was derived from these ancillary revenue streams which had gross profit margins ranging from 10% to 30%.

### **Selling, General & Administrative Costs**

Selling, general & administrative costs ("SG&A") excluding unit-based compensation charges for the Period were \$1.66 million (11% of revenue) compared to \$1.07 million (15% of revenue) for the same period in 2007. Within this figure, personnel costs are the largest item representing approximately 56% of SG&A expenses, which is up from 41% in 2007. Occupancy costs and insurance combine for an additional 14% of SG&A costs compared with 26% in the 2007 period. The remaining 30% of SG&A expenses consist of charges for items such as audit, legal, travel, meals & entertainment, bank charges and promotional items which is consistent with the percentage from 2007. As at March 31, 2008, the Fund employed 27 people in sales and administrative positions, which is nine more than at the same date in 2007.

Unit-based compensation charges are reported separately from the SG&A and were \$0.07 million for the period ended March 31, 2008 compared with \$0.02 million for the same period in 2007.

### **EBITDA**

The Fund's EBITDA was \$7.29 million for the quarter which represents an EBITDA margin of 48%. Comparatively EBITDA was \$3.99 million for the same period in 2007, which resulted in an EBITDA margin of 57%. As noted above, this margin will 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 logistics, installation, sublease and services provided. EBITDA of \$7.29 million for the Period represents an increase of 83% over the EBITDA generated in the same period in 2007.

### **Depreciation & Amortization**

For the Period, the charge for depreciation and amortization was \$1.98 million. This included charges of \$1.73 million with respect to depreciation taken on the property and equipment of the Fund and \$0.25 million relating to the amortization of the intangible assets. Comparatively, depreciation and amortization for the first quarter of 2007 was \$1.12 million and \$0.25 million, respectively.

### **Interest**

Interest expense for the Period was \$0.47 million and was \$0.31 million for the comparable period in 2007. This represents interest that was charged on the credit facilities that were drawn down in the respective periods.

### **Income Taxes**

For the quarter ended March 31, 2008, the Fund incurred an income tax provision of \$0.80 million. At March 31, 2008, the future tax liability was calculated at \$11.33 million. This liability arises due to the differences in the book value and the tax value of the assets held by the Fund that are expected to reverse after 2010.

### **DISTRIBUTABLE CASH**

The Fund declared distributions to unitholders of \$2.57 million during the Period and \$1.92 million for the period ended March 31, 2007. This is \$0.27 per unit for the Period, or the equivalent of \$1.08 per unit on an annualized basis.

Management is focused on the distributions as a percentage of Funds available for distribution. In this measure, changes in non-cash working capital are excluded. Changes in non-cash working capital balances will be a source of cash in one period and a use of cash in another depending on changes in the level of activity in a particular period and other factors. Management believes Funds available for distribution is more indicative of the cash generated by the operations in a period which would be available for distribution to unitholders. Funds available for distribution for the Period was \$6.81 million compared with \$3.61 million for the first quarter in 2007.

### **LIQUIDITY & CAPITAL RESOURCES**

As at March 31, 2008, the Fund had a working capital surplus balance of \$2.83 million. As of May 5, 2008, the Fund had revised its credit facilities such that it now has a committed operating credit facility of \$10.0 million (increased from the previous \$5.0 million facility) and a committed capital expenditure credit facility of \$65.0 million (increased from the previous \$40.0 million facility). In addition, the capital expenditure credit facility of the Fund has a \$20 million accordion feature which would allow the Fund to further increase the capital expenditure credit facility upon request and approval as required. As at March 31, 2008, the Fund had drawn \$1.6 million on the operating credit facility and had drawn down on the acquisition facility in the amount of \$32.4 million. Drawings on both facilities are charged interest based on the previous quarter's funded debt to EBITDA ratio. As at March 31, 2008 the interest rate applied to amounts drawn on the acquisition facility was 5.475%. Both facilities are interest-only with no principal repayment obligations. The Fund does not anticipate any covenant violations or restrictions in the future financing of its operations and capital expenditure programs.

During the Period, the Fund assumed a capital lease as part of the consideration in an acquisition of some workforce accommodations assets. The interest rate on the capital lease is 5.86% with blended monthly installments payable until October 2011.

At March 31, 2008, the Fund had the equivalent of 9.57 million trust units outstanding. This was a combination of 7.50 million issued and outstanding trust units issued and 2.07 million trust units reserved for issuance pursuant to the exchange of 2.07 exchangeable partnership units which were issued and outstanding as at March 31, 2008. In addition at March 31, 2008, the Fund had 905,169 trust units reserved for issuance pursuant to the exercise of options which have been granted pursuant to its Trust unit option plan.

### **Capital Expenditures**

For the Period, the Fund expended \$15.04 million (2007 – \$9.74 million) on additions to property and equipment. The additions to the property and equipment consisted of:

- \$9.18 million (2007 – \$4.45 million) on workforce accommodation structures and ancillary equipment;
- \$2.11 million (2007 – nil) on energy services accommodation structures and ancillary equipment;
- \$3.59 million (2007 – \$5.13 million) on space rental structures with some ancillary equipment;
- \$0.16 million (2007 – \$0.16 million) on computers, furniture and service related equipment.

At March 31, 2008, the Fund had made capital expenditure commitments with key manufacturers of modular structures in the amount of \$4.6 million for delivery in 2008. It is management's intention to meet the funding requirements for these commitments through a combination of internally generated cash flow and available funds from credit facilities.

### **NON-GAAP MEASURES**

In the foregoing discussion, the following terms have been referenced: EBITDA (Earnings before Interest, Taxation, Depreciation and Amortization), EBITDA Margin, Gross Profit, Funds available for distribution and Payout ratio. Readers are cautioned that these measures are not defined under Generally Accepted Accounting Principles ('GAAP'). Non-GAAP measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of the Fund's performance or cash flows, a measure of liquidity or as a measure of actual return on the Units. These Non-GAAP measures should only be used in conjunction with the consolidated financial statements of Black Diamond Income Fund. A reconciliation between these measures and measures defined under GAAP is included in the Fund's Management's Discussion and Analysis for the year ended December 31, 2007 filed on SEDAR.

### **OUTLOOK**

Management is very pleased with the operations of the Fund to the end of the first quarter. It is expected that the second quarter of 2008 will see continued strong results in line with those realized in Q1. The seasonal slow down in conventional oil and gas activity due to spring break up should have only a modest effect on the Fund's business. Lower utilization in the drill site rental segment of our Energy Services division should be offset by continued fleet growth and high utilization in our Black Diamond Camps and BOXX Modular divisions. In addition, substantially all of the drill camps operated by Energy Services are contracted under long term monthly rental contracts.

First quarter capital expenditures of \$15 million represent consolidated rental fleet growth of approximately 16% since December 31, 2007. These fleet additions were made throughout the quarter. The full effect of the increased fleet size will be realized beginning in the second quarter. Additional capital expenditures for rental fleet additions of approximately \$7 million are anticipated in the second quarter. Total approved capital expenditure for 2008 is approximately \$36 million. If fully deployed these capital expenditures should translate into an approximate 2008 exit fleet size of 2,250 rental units. Management anticipates that rental fleet additions will result in a corresponding increase in revenue to the Fund.

The Fund continues to experience strong demand from its customers across all three business units. It is this demand that provides management with the confidence that rental fleet additions can be readily absorbed at current rental rates and not reduce overall fleet utilization.

Management anticipates that the Fund's EBITDA margins and payout ratio will continue in line with those generated in the first quarter. Management continues to believe that the Fund's debt facilities along with retained cash after distributions will be adequate to fund our capital expenditure plans for 2008. Furthermore, management remains confident that the Fund can sustain the current distribution payout to unitholders for the foreseeable future.

### **SUMMARY FINANCIAL STATEMENTS**

The following is a summary of the Fund's unaudited interim consolidated balance sheets as at March 31, 2008, the Fund's consolidated statements of net income, comprehensive income and accumulated loss and consolidated statements of cash flows for the three months ended March 31, 2008. These statements should be read in conjunction with the unaudited interim consolidated financial statements including the accompanying notes for the three months ended March 31, 2008 as filed on SEDAR.

**Black Diamond Income Fund**  
**CONSOLIDATED BALANCE SHEETS**

As at

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	—	932,088
Accounts receivable	11,652,348	9,787,675
Prepaid expenses	841,830	411,091
	12,494,178	11,130,854
Property and equipment	84,999,398	71,692,146
Intangibles	11,479,852	11,727,462
Goodwill	29,316,090	29,316,090
	138,289,518	123,866,552
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	1,607,612	—
Accounts payable and accrued liabilities	6,621,524	8,160,288
Distributions payable	861,615	841,500
Current portion of capital lease	576,490	—
	9,667,241	9,001,788
Capital lease obligation	1,655,053	—
Long-term debt	32,419,888	25,419,888
Future income taxes	11,326,350	10,521,403
	55,068,532	44,943,079
<b>Unitholders' equity</b>		
Trust units and exchangeable partnership units	90,616,987	87,750,987
Contributed surplus	198,401	168,337
Accumulated loss, after accumulated distributions	(7,594,402)	(8,995,851)
	83,220,986	78,923,473
	138,289,518	123,866,552



**Black Diamond Income Fund**  
**CONSOLIDATED STATEMENTS OF NET INCOME, COMPREHENSIVE INCOME**  
**AND ACCUMULATED LOSS**

For the three month period ended	March 31, 2008 \$	March 31, 2007 \$
<b>Revenue</b>	15,253,825	7,006,051
<b>Direct costs</b>	6,307,367	1,944,036
	8,946,458	5,062,015
<b>Expenses</b>		
Selling, general and administrative costs	1,655,900	1,070,445
Amortization of property and equipment	1,733,821	1,115,326
Amortization of intangibles	247,610	247,401
Interest on long-term debt	471,858	313,476
Unit-based compensation	65,828	18,330
	4,175,017	2,764,978
<b>Net earnings before income taxes</b>	4,771,441	2,297,037
Future income tax expense	804,947	-
<b>Net income and comprehensive income for the period</b>	3,966,494	2,297,037
Accumulated loss after accumulated distributions, beginning of period	(8,995,851)	(957,656)
Distributions declared	(2,565,045)	(1,924,230)
<b>Accumulated loss after accumulated distributions, end of period</b>	(7,594,402)	(584,849)
Net income per unit – basic and diluted	0.42	0.30

**Black Diamond Income Fund**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three month period ended

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	\$	\$
<b>Operating activities</b>		
Net income for the period	3,966,494	2,297,037
Add non-cash items:		
Amortization of property and equipment	1,733,821	1,115,326
Amortization of intangibles	247,610	247,401
Future income taxes	804,947	—
Unit-based compensation expense	65,828	18,330
	6,818,700	3,678,094
Change in non-cash working capital related to operating activities	(2,034,539)	(740,841)
	4,784,161	2,937,253
<b>Investing activities</b>		
Purchase of property and equipment	(9,924,993)	(9,738,174)
Additions to intangibles	—	(8,788)
Change in non-cash working capital related to investing activities	(1,799,637)	1,776,900
	(11,724,630)	(7,970,062)
<b>Financing activities</b>		
Proceeds from long-term debt	7,000,000	6,750,000
Repayment of capital lease	(46,537)	—
Distribution payments	(2,544,930)	(1,924,230)
Stock options exercised	(7,764)	—
	4,400,769	4,825,770
<b>Decrease in cash</b>	(2,539,700)	(207,039)
Cash, beginning of period	932,088	451,390
<b>Cash/(Bank indebtedness), end of period</b>	(1,607,612)	244,351

The Fund is an unincorporated open ended investment trust governed by the laws of the Province of Alberta. The principal undertaking of the Fund, through its indirect wholly-owned subsidiary, Black Diamond Limited Partnership, is to rent modular structures for use as workforce accommodation and temporary workspace, and to provide complementary services including logistics, installation, dismantling, repair and maintenance of modular structures, as well as related services through three operating divisions consisting of Black Diamond Camps, BOXX Modular, and Black Diamond Energy Services.

**For more information please contact:**

**Black Diamond Income Fund, by its Manager;  
Black Diamond Group Inc.**

**Trevor Haynes**

President and Chief Executive Officer  
Phone: (403) 206-4737  
Fax: (403) 264-9281

**Michael Burnyeat**

Vice President, Finance and Chief Financial Officer  
Phone: (403) 206-4740  
Fax: (403) 264-9281

Website: [www.blackdiamondincomefund.com](http://www.blackdiamondincomefund.com)

Reader Advisory

Certain information in this news release contains forward-looking statements including management's assessment of future plans and operations of Black Diamond including, without limitation, statements relating to utilization rates, fleet size, revenue and operations, cash flows, EBITDA, margins, payout ratios, capital expenditures, the entering into long term rental agreements, demand from existing and new customers, distribution levels and access to capital. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Black Diamond's control including, without limitation, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of exchange rates, environmental risks, industry competition, availability of qualified personnel and management, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the forgoing list of factors is not exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at Black Diamond's website ([www.blackdiamondincomefund.com](http://www.blackdiamondincomefund.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Black Diamond does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

*The Toronto Stock Exchange has neither approved nor disapproved  
the information contained herein.*