BLACK DIAMOND INCOME FUND

NEWS RELEASE **May 2, 2007**

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BLACK DIAMOND INCOME FUND REPORTS RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007

Calgary, Alberta — (TSX: BDI.UN) Black Diamond Income Fund ("Black Diamond" or the "Fund") is pleased to announce the results of operations for the three month period ended March 31, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of May 1, 2007 and is provided to assist readers in understanding Black Diamond Income Fund's financial performance for the period from January 1, 2007 to March 31, 2007 and significant trends that may affect future performance of the Fund. This MD&A should be read in conjunction with the audited consolidated financial statements and related notes as well as the Fund's Annual Information Form ("AIF"). The accompanying consolidated financial statements of Black Diamond Income Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Fund's units trade on the Toronto Stock Exchange under the symbol "BDI.UN".

Additional information relating to Black Diamond Income Fund, including the AIF, may be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

This MD&A may contain certain "forward looking statements". These statements relate to future events or future performance and reflect our expectations and belief regarding our growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward looking statements reflect our current internal projections, expectations or beliefs and are based on information currently available to us. In some cases, forward looking statements can be identified by words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these words or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. Actual results may differ materially from any forward looking statement. Although we believe that the forward looking statements contained in this MD&A are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A, and we do not assume any obligation to update or revise them to reflect new events or circumstances, except as required pursuant to applicable securities laws.

OVERVIEW OF THE FUND

Black Diamond Income Fund (the "Fund") is an unincorporated, open-ended trust established under the laws of the Province of Alberta and was created by the Fund Trust Indenture dated August 16, 2006. The Fund was established to complete an initial public offering (the "Offering") of Units and to indirectly acquire (the "Acquisition") certain assets and liabilities and the business operations of Black Diamond Leasing Inc. (the "Business"). The Fund holds, indirectly, 77.8% of the limited partnership units of Black Diamond Limited Partnership ("the Black Diamond Partnership"), a limited partnership established under the laws of Alberta. Black Diamond Commercial Trust (the "Commercial Trust") is an unincorporated, open-ended trust established under the laws of the Province of Alberta created under a Trust Indenture dated

August 16, 2006. The Commercial Trust was established to acquire and hold units of the Limited Partnership. Principals of Black Diamond Leasing Inc. own the remaining 22.2% interest in the Limited Partnership through their ownership of Exchangeable Partnership Units. Black Diamond Group Inc. (the "Manager") is a wholly owned subsidiary of the Fund incorporated under the laws of the Province of Alberta. The Manager was created to act as the general partner of Black Diamond Partnership and the administrator of the Fund and the Commercial Trust.

On September 26, 2006, the Fund, in conjunction with the acquisition of the Business, completed the Offering of trust units for $10 per trust unit. The gross proceeds from the Offering were $35 million. The net proceeds of $32.1 million were used as follows: $15 million to purchase shares held by shareholders of Black Diamond Leasing Inc., $17 million in the repayment of debt facilities assumed upon the acquisition of the Business, and the remainder as an addition to working capital.

On March 27, 2007, the Fund announced a secondary Offering of trust units for $8.90 per trust unit. The gross proceeds from the Offering, including the underwriter's over -allotment were $14.68 million. Net proceeds of the financing will be used to finance its accretive growth capital expansion which includes the recently announced oil sands camp expansion, its workforce accommodation acquisition, its Southern Ontario space rentals fleet acquisition, and for general working capital purposes. The transaction was completed April 18, 2007.

The Fund has structured its operations in three principal business segments – Workforce Accommodations, Space Rentals and Site Services.

Workforce Accommodations provides modular structures designed for remote site accommodation. The structures when assembled together form large dormitories, kitchen/diner facilities, recreation complexes, drill camps, completions camps, free standing sleepers, geologist/engineer quarters and staff quarters. The majority of the equipment in this segment operates in Alberta.

Space Rentals provides high quality, cost effective modular space solutions to a diverse customer base in Alberta and Southern Ontario. The structures provided include office units, guard kiosks, storage units, office complexes, training facilities and custom manufactured structures.

Site Services repairs, installs, dismantles and renovates modular buildings. These services are provided to modular building fleet operators in Alberta and Northeastern British Columbia. In addition, these services are provided to the Workforce Accommodation and Space Rental customers as part of turnkey solutions.

HIGHLIGHTS OF THE FUND TO MARCH 31, 2007

Results of the Fund for the period January 1 to March 31, 2007 were positive and in line with management's expectations. The results reflect the strong demand for the Fund's fleet of modular structures used for both workforce accommodations and temporary space rentals.

Notable activities for the period included the acquisition of approximately $3 million of workforce accommodation assets which have been contracted under a long term rental arrangement made within the frame work of a long term management contract with a large Canadian oil and gas company. These assets are newly manufactured and consist of 28 modular units along with associated power generation equipment which when assembled provide dormitory, kitchen, dining, and recreation facilities. Management believes that this arrangement demonstrates the Fund's continued success in providing cost effective accommodation solutions to our key customers

Also in the period, the Fund announced and completed the purchase of all of the rental assets of a modular building manufacturing and leasing company based in Southern Ontario. This fleet, of approximately 120 modular buildings, offers mobile temporary space solutions to a variety of customers in the Greater Toronto Area. The uses of these modular structures includes office, storage, training, and workspace. This acquisition will increase the size of the Fund's rental fleet and operations in the Southern Ontario region.

In addition, the Fund announced that it has been awarded a major camp expansion contract by Canadian Natural Resources Limited for their Horizon Oil Sands development project near Fort McMurray, Alberta. The major camp expansion will utilize modular dormitory complexes. The Fund will provide facilities on a rental basis for single occupancy accommodation of 1,029 people. As part of the contract, the Fund will be responsible for the mobilization and assembly of these facilities. Initial mobilization started in March of this year with full occupancy anticipated on or before the end of June 2007. The Fund will use a combination of existing fleet assets and new manufactured equipment to meet this requirement.

See table below for selected financial and operational information for the Fund.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following is a summary of selected financial and operating information that has been derived from and should be read in conjunction with the unaudited consolidated financial statements for Black Diamond Income Fund for the three month period ended March 31, 2007. As results from the comparable period in the previous year are not available, selected financial and operating information for the period from inception on September 26, 2006 to December 31, 2006 has been provided.

Financial Highlights	Three months ended March 31, 2007 $	Three months ended December 31, 2006 $
Total Revenue	7,006,051	5,608,565
Gross profit	5,062,015	3,699,680
Gross profit %	72.3%	66.0%
Selling, general & administrative	1,070,445	1,212,783
Selling, general & administrative %	15.3%	21.6%
EBITDA (1)	3,973,240	2,486,897
EBITDA %	56.7%	44.3%
Net earnings	2,297,037	1,052,044
Capital expenditures	9,738,174	15,260,512
Property, Plant & Equipment (net)	53,903,055	45,280,207
Total assets (as at period end)	101,022,080	92,717,469
Long Term Debt	22,419,888	15,669,888
Reconciliation of Net earnings to EBITDA (1)		
Net earnings	2,297,037	1,052,044
Adjustments to net earnings:		
Depreciation & amortization	1,362,727	1,171,619
Interest expense	313,476	263,234
EBITDA	3,973,240	2,486,897
Operational Highlights (unaudited)		
Workforce Accommodation units in operation at end of period	530	494
Average units in operation for the period	482	318
Utilization	91%	73%
Space Rental units in operation at end of period	616	423
Average units in operation for the period	526	351
Utilization	85%	85%

Note:

(1) EBITDA is not a recognized measure of GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for further details.

RESULTS OF OPERATIONS

Revenue

Consolidated revenues generated for the period from January 1 to March 31, 2007 (hereafter referred to as the "Period") were $7.01 million. Revenues are derived from the two rental fleets deployed by the Fund as well as from the provision of services. Workforce accommodation revenues were $5.43 million (77.5% of revenues) for the Period. Utilization of the workforce accommodation fleet averaged 91% for this period ranging from a low of 87% during March to a high of 94% during January 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 accommodation units have some seasonality to their usage with the drill camp fleet having a higher degree of utilization during the winter months. However, the Fund has taken a large degree of the seasonality out of its revenue generation due to longer term, paid monthly contracts that a significant portion of the drill camp fleet is contracted under.

Revenues for the space rentals segment for the Period were $1.18 million (16.8% of revenues). Utilization of the space rental fleet for the period ended March 31, 2007 averaged 85%.

The Fund's service division generated $0.91 million of revenue for the Period. 54% of this revenue is generated by providing service to the other divisions of the Fund and is eliminated on consolidation. The remaining 46% of the revenue is generated from third parties representing customers from across the workforce accommodation and space rental sectors. The impact of lower drilling activity in western Canada has resulted in slightly less than anticipated service revenues for this quarter. This has a marginal impact on overall results, as the service division represents 5-6% of the Fund's revenue base.

Direct Costs & Gross Profit

Direct costs were $1.94 million for the Period resulting in a gross profit of $5.06 million or a gross profit margin of 72%. Direct costs attributable to the revenues in arriving at the gross profit are the labor, fuel, freight and maintenance required in maintaining, servicing and moving the units to the contracted sites. In addition, there are often opportunities for the Fund to sell some units from its fleet, rent equipment from third parties and re-rent the equipment, provide transportation services or to provide installation and other services to customers. These ancillary revenue streams are generally at lower gross margins than the fleet rental operations. Therefore, depending on the level of activity of these other areas of operations in a period, the gross profit margins may be effected. For the Period, approximately 8% of the revenues were derived from these ancillary revenue streams which have gross profit margins ranging from 10% to 31%.

Selling, General & Administrative Costs

Selling, general & administrative costs ("SG&A") including stock based compensation charges for the Period were $1.09 million or 15% of revenue. Within this figure, personnel costs were the largest item representing approximately 41% of the SG&A while other significant items included occupancy costs and insurance combining for 26%. Stock-based compensation charges included in the SG&A were $0.02 million. Stock based compensation was determined using the Black-Scholes valuation method for options granted. The assumptions used in the valuation of options granted in te Period were as follows: Dividend yield of 11.11%, average volatility of 42%, risk-free rate of 4% and an expected life of 5 years. This resulted in a value per option granted in the Period of $1.27. As at March 31, 2007, the Fund employed 18 people in sales and administrative positions.

EBITDA

The Fund's Earnings before Income Taxes, Depreciation and Amortization ("EBITDA" see "Non-GAAP measures") was $3.97 million for the Period. This represents an EBITDA margin of 57%. As noted above, this margin will fluctuate from period to period depending on the level and mixture of the revenues generated from the rental of the fleet assets as compared to the ancillary revenue streams such as transportation, installation, sublease and services provided.

Depreciation & Amortization

For the Period, the charge for depreciation and amortization was $1.36 million. This included charges of $1.12 million with respect to depreciation taken on the property and equipment of the Fund and $0.24 million in respect to the amortization of the intangible assets. The intangible assets were valued and booked in respect of the purchase of the business from Black Diamond Leasing Inc. at the time of the initial public offering and have estimated useful lives ranging from 2 to 20 years.

Interest Expense

Interest expense for the Period was $0.31 million. This represents interest that was charged on the credit facilities in place throughout the Period.

SUMMARY OF QUARTERLY RESULTS

The Fund completed its IPO on September 26, 2006. Results for the comparable period in prior years are not available. The following is a summary of results for the quarterly periods since the Fund's initial public offering:

(Expressed in thousands of $'s, except for per unit amounts)

	Q1 2007	Q4 2006
	$	$
Revenue	7,006	5,609
Net Earnings	2,297	1,052
Per Unit - basic and diluted	0.30	0.14

The Fund's operations are mainly carried out in Western Canada. The oilfield service industry's ability to move heavy equipment in exploration and production areas is dependent on weather conditions. With the onset of spring, melting snow together with frost coming out of the ground renders many secondary roadways incapable of supporting heavy equipment until sufficient time has passed for them to dry out. In addition, certain exploration areas in Canada are typically only accessible during winter months, when the surface is frozen enough to support heavy equipment. As a result, the activity levels of the Fund are directly impacted by the seasonality, whereby activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

DISTRIBUTABLE CASH FROM OPERATIONS

The Fund declared distributions to unitholders of $1.92 million during the Period. This is $0.25 per unit for the Period, or the equivalent of $1.00 per unit on an annualized basis. A summary of the distributions declared is as follows:

January 2007	641,410
February 2007	641,410
March 2007	641,410
Total	$1,924,230

Distributable cash from operations (see "Non-GAAP measures") for the period was $2.87 million after deducting the maintenance capital expenditures for the Period of $0.07 million. Maintenance capital expenditures are capital expenditures incurred during the period to maintain existing levels of productive capacity and service or expenditures that were incurred to enhance the operational life of existing property and equipment. Growth capital expenditures are excluded from this calculation. On a go forward basis, management expects that future maintenance capital requirements of the Fund will trend toward five percent of the revenue received from the rental of the fleet units.

Distributions declared represent 67% of Distributable Cash from Operations (see "Non-GAAP measures"). The Fund has not developed a policy for distributions as a percentage of Distributable Cash from Operations as defined. Management is focused on the distributions as a percentage of Funds Flow from Operations (see "Non-GAAP measures"). 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 Flow from Operation (see "Non-GAAP measures") is more indicative of the cash generated by the operations in a period which would be available for distribution to unitholders. Funds Flow from Operations for the Period was $3.61 million after adjusting for maintenance capital as defined above. Distributions for the Period represent 53% of Funds Flow from Operations.

With regards to the Fund's strategy and maintaining the debt component of its capital structure, management intends to utilize its credit facilities to fund future capital growth. Operating within the covenants of the credit facility, management expects to be able to finance the addition of rental units into its fleet for operations growth and thus enhance the generation of Funds Flow from Operations. With increased cash retention in the business as a result of the decline in the payout ratio of the Fund, future capital expenditures shall be financed through a combination of excess Funds Flow from Operations and the use of the Fund's credit facilities.

See "Risks and Uncertainties" for a discussion on the changes in tax legislation in Canada and how they may impact the Fund's generation of Distributable Cash from Operations.

LIQUIDITY & CAPITAL RESOURCES

As of March 31, 2007, the Fund had a working capital surplus balance of $0.22 million. The Fund also has an operating credit facility of $2.0 million and an acquisition credit facility of $30.0 million. As at March 31, 2007, the Fund had not drawn on the operating credit facility and had drawn down on the acquisition facility in the amount of $22.4 million. Both facilities are charged interest at an interest rate above the bank's prime rate based on the previous quarter's funded debt to EBITDA ratio. As at March 31, 2007 the interest rates being charged on the facilities were 6.50% and 7.00% respectively. Both facilities are interest-only with no principal obligations. The Fund does not anticipate any covenant violations or restrictions in the future financing of its operations and capital expenditure programs.

At March 31, 2007 the Fund had the equivalent of 7.7 million units outstanding. This was a combination of 5.35 million Fund units issued and 2.35 million exchangeable partnership units outstanding which are exchangeable into Fund units at a rate of 1 exchangeable partnership unit for 1 Fund unit. In addition, the Fund had issued 386,120 options pursuant to its Trust unit option plan established in September 2006 in conjunction with the IPO. On April 18, 2007, the Fund closed a bought deal financing, including an over allotment option, for 1,650,000 trust units at a price of $8.90 per trust unit for gross proceeds of $14.69 million. Net proceeds of approximately $13.75 million were received. The Fund utilized these net proceeds to repay certain indebtedness under the Fund's credit facilities.

Management believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for maintenance costs, SG&A costs, interest costs incurred as well as distributions to unitholders. The Fund's actual cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other factors, including elements beyond Black Diamond's control. Management also believes that, dependent on capital market conditions, the Fund has the ability to raise additional capital through the public and or private issuance of additional units, if required.

Outstanding Unit Data

The following table summarizes Black Diamond's capitalization as at May 1, 2007:

Trust units	7,276,301
Exchangeable partnership units	2,073,699
Trust unit options	386,120

The exchangeable partnership units are convertible into Fund units at the option of the holder at any time prior to September 26, 2011 on the basis of one exchangeable partnership unit for each Fund unit.

Capital Expenditures

For the Period, the Fund expended $9.74 million on additions to property and equipment. The additions to the property and equipment consisted of:

- $4.45 million on workforce accommodation structures and ancillary equipment rented along with these units
- $5.13 million on space rental structures with some ancillary equipment rented along with these units
- $0.16 million on computers, furniture and service related equipment

At March 31, 2007, the Fund had made capital expenditure commitments with key manufacturers of modular structures in the amount of $17.03 million for delivery throughout the remainder of 2007. 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.

FINANCIAL INSTRUMENTS

All of the Fund's financial instruments as at March 31, 2007 relate to standard working capital and credit facility items. There are no significant differences between the carrying value of these financial instruments and their estimated fair values. There are no unusual off balance sheet arrangements and the Fund does not use any financial instruments such as derivatives. Of Black Diamond's financial instruments, only accounts receivable represents credit risk, and Management views the credit risk related to accounts receivable as minimal.

RELATED PARTY TRANSACTIONS

During the period, the Fund did not conduct any operational business with any related parties. As a result of the payment for the business acquired from Black Diamond Leasing Inc. and the transition of the cash management at the time of the purchase transaction, as well as the accrued distribution owing at December 31, 2006 on the Exchangeable Partnership Units, the Fund owed Black Diamond Leasing Inc. $0.88 million at December 31, 2006. During the period, the Fund repaid Black Diamond Leasing Inc. the $0.88 million and advanced an additional $0.05 million with no set terms of repayment. Black Diamond Leasing Inc. is related to the Fund due to the common members of the Board of Directors of that entity and the Fund.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

Management believes that the accounting estimates that are critical to the financial statements relate to property and equipment, intangible assets, goodwill, unit based compensation and the determination of depreciation and amortization expense.

The preparation of financial statements in accordance with GAAP requires management to make assumptions and estimates that can have a material impact on the results of operations as reported on a periodic basis.

The value of property and equipment, intangible assets and goodwill is subject to market conditions in the industry sectors in which the Fund operates. Unit based compensation expense, associated with unit options at the date of grant, is subject to changes in the variables used in the valuation of the options such as changes in the risk free rate, unit price volatility and distribution yields. This estimate may vary due to changes in the actual unit price. Depreciation and amortization is determined using the estimated useful lives of the assets. These estimates could change due to a number of factors including unusual wear and tear, technology, change in economic circumstances and obsolescence. Such changes could have a material effect on the amount of future depreciation expense. See the notes to the consolidated financial statements for a schedule outlining the depreciation policies of the Fund.

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

NON-GAAP MEASURES

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

These measures include:

EBITDA refers to earnings as determined in accordance with generally accepted accounting principles before interest expense, tax expense and depreciation and amortization. Black Diamond uses EBITDA primarily as a measure of operating performance. Management feels that the operating performance as determined by EBITDA is meaningful because it presents the performance of the operation on a basis which excludes the impact of how it has been financed.

The following is a reconciliation of Net Income to EBITDA for the three month period ending March 31, 2007:

Net income	2,297,037
Add:	
Depreciation and amortization	1,362,727
Interest	313,476
EBITDA	3,973,240

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

Distributable Cash from Operations is calculated as the cash flow from operating activities as defined by GAAP including the changes in non-cash working capital and adjusted for 1) maintenance capital expenditures made in the period, 2) funding of long term unfunded contractual obligations arising from operations and 3) restrictions on distributions arising from compliance with financial covenants at the date of the calculation. Maintenance capital expenditures are capital expenditures incurred during the period to maintain existing levels of productive capacity and service or expenditures that were incurred to enhance the operational life of existing property and equipment. Growth capital expenditures are excluded from this calculation.

The following is a reconciliation of Cash Flow from Operating Activities to Distributable Cash from Operations for the period January 1 to March 31, 2007:

Cash Flow from Operating Activities	2,937,253
Deduct:	
Maintenance capital expenditures	(66,395)
Distributable Cash from Operations	2,870,858

Funds Flow from Operations is calculated as the cash flow from operating activities as defined by GAAP excluding the changes in non-cash working capital and adjusted for 1) maintenance capital expenditures made in the period, 2) funding of long term unfunded contractual obligations arising from operations and 3) restrictions on distributions arising from compliance with financial covenants at the date of the calculation. Maintenance capital expenditures are capital expenditures incurred during the period to maintain existing levels of productive capacity and service or expenditures that were incurred to enhance the operational life of existing property and equipment. Growth capital expenditures are excluded from this calculation. Management believes that Funds Flow from Operations is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments. Changes in non-cash working capital items have been excluded as such changes are financed using the Fund's operating line of credit facility. Funds not distributed are then available for re-investing in the business and funding the growth of the Fund.

The following is a reconciliation of Cash Flow from Operating Activities to Funds Flow from Operations for the period January 1 to March 31, 2007:

Cash Flow from Operating Activities	2,937,253
Deduct:	
Changes in non-cash working capital	740,841
Maintenance capital expenditures	(66,395)
Funds Flow from Operations	3,611,699

Gross Profit refers to revenues less direct costs, and prior to the deduction of selling, general and administrative costs, interest expense, tax expense, depreciation and amortization and any gains or losses on disposal of assets. Management believes that, in addition to net earnings, Gross Profit is a useful supplemental measure as it provides information of the contribution to earnings from the Fund's principal business activities.

Payout Ratio is calculated as the distributions declared for the period divided by the Funds Flow from Operations.

Readers are cautioned that the Non-GAAP measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of the Company'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.

RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on the business' financial condition, results of operations or cash flow, and therefore possibly on the cash available for distribution. Some of these risks are summarized below. Additional risks and uncertainties that management may be unaware of may become important factors which affect the Fund. Identified below are the principal risks that affect our business and our ability to meet our financial goals. Additional information regarding the business risks faced by Black Diamond is outlined in the Fund's Annual Information Form.

Volatility of Industry Conditions

The demand, pricing and terms for workforce accommodation and temporary work space largely depend upon the level of industry activity for Canadian resource companies and infrastructure development. Industry conditions are influenced by numerous factors over which the Fund has no control, including: the level of commodity prices; expectations about future commodity prices; the cost of exploring for, producing and delivering commodities; the expected rates of declining current production; the discovery rates of reserves; available infrastructure capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of large project-oriented customers to raise equity capital or debt financing. The level of activity in the Canadian resource production industry is volatile. No assurance can be given that expected trends in resource production activities will continue or that demand for workforce accommodation will reflect the level of activity in the industry. Any prolonged substantial reduction in resource prices would likely affect resource production levels and therefore affect the demand for services to oil and gas customers. A material decline in resource prices or Canadian industry activity could have a material adverse effect on the Fund's business, financial condition, results of operations and cash flows and therefore on the distributions to Unitholders.

Competition

The Fund will provide workforce accommodation and temporary workspace solutions to various entities located in Alberta, British Columbia and Southern Ontario. The workforce accommodation and temporary workspace business in which the Fund will operate is highly competitive. To be successful, the Fund must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which the Fund operates are service quality and availability, reliability and performance of the equipment used to perform its services, experience and reputation for service and price. As a result of competition, the Fund may be unable to continue to provide its present services or to acquire additional business opportunities, which may affect the Fund's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Sources, Pricing and Availability of Equipment

The Fund sources its equipment from a variety of suppliers, most of whom are located in Canada and the United States. Should any suppliers be unable to provide the necessary equipment or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have an material adverse effect on the Fund's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Workforce Availability

The Fund's ability to provide high quality and timely service to our customers through the site services division is dependent on the attraction and retention of well trained and experienced employees. Current market conditions and the demand for the types of skilled personnel has resulted in a shortage of qualified people in the industry. The Fund needs to continue to attract and retain good employees to ensure there is the ability to provide high quality service and to be able to take advantage of growth opportunities.

Changes in Canadian Taxation Legislation

On October 31, 2006 the Federal Minister of Finance proposed to apply a tax at the fund level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "October 31 Proposals"). On December 21, 2006 the Federal Minister of Finance released draft legislation to implement the October 31, 2006 Proposals pursuant to which, commencing January 1, 2011 (provided the Fund only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Fund which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the trust level. Assuming the October 31 Proposals are ultimately enacted in their form, the implementation of such legislation would be expected to result in adverse tax consequences to the Fund and certain Unitholders (including most particularly Unitholders that are tax deferred or non-residents of Canada) and may impact cash distributions from the Fund. On March 29, 2007, Bill C-52, containing the legislative amendments to implement these proposals obtained first reading in the House of Commons. There is no assurance that the Proposals will be enacted in the manner proposed or at all.

As a result of the uncertainty with regard to the legislation, management has not made any decisions with respect to the future capital structure of the Fund and has many options available to it including operating under the current trust structure, converting to a public corporation or converting to a privately held organization.

Also as a result of the above uncertainty, management is not in a position to determine what the impact, if any, will be on the generation of cash available for distribution to unitholders. If the Fund remains structured as an income trust (i.e. status quo), then beginning in 2011, it can be assumed that there will be a tax incurred at the Fund level prior to the distribution of cash to unitholders. This would have the effect of reducing the cash available to unitholders. The current proposals include a tax credit being made available to unitholders, so unitholders that hold their investment in a taxable account will be no worse off than they are currently as they would be given recognition of the taxes incurred at the Fund level prior to distribution.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Fund and its principal customers. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Fund and its operations and financial condition.

See the risk factors described in the Fund's annual information form.

DISCLOSURE CONTROLS AND PROCEDURES

The Fund’s Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Fund’s disclosure controls and procedures to provide reasonable assurance that material information related to the Fund is made known to them. The Fund conducted a review and evaluation of the effectiveness of the Fund’s disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer conclude that as at March 31, 2007 the Fund’s disclosure controls and procedures are adequate to provide reasonable assurance that material information related to the Fund is made known by others within the Fund. All material information with respect to the operations and transactions of the Fund is effectively communicated to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting have been designed or have caused to be designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. They are assisted in these responsibilities by other members of the Fund’s senior management team. During the Fund’s assessment of its system of internal controls over financial reporting as defined under Multilateral Instrument 52-109, the Fund identified certain weaknesses in internal controls over financial reporting:

a) due to the limited number of staff, it is not feasible to achieve the complete segregation of incompatible duties; and

b) due to the limited number of staff, the Fund relies on a third party as participants in the internal controls with respect to information technology infrastructure and programs utilized in the business.

The broad scope of senior management’s oversight and strong entity level control are expected to compensate for any individual internal control weakness. In addition, the weaknesses identified are mitigated by: the active involvement of senior management in all the affairs of the Fund; open lines of communication within the Fund and its divisions; the present levels of activities and transactions within the Fund being readily transparent; the thorough review of the Fund's financial statements by management and the establishment of a whistle-blower policy. However, these mitigating factors will not necessarily prevent the likelihood that a material misstatement will occur as a result of the aforesaid weaknesses in the Fund's internal controls over financial reporting.

It should be noted that a control system, including the Fund's disclosure and internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls will prevent all errors or fraud.

OUTLOOK

The near term outlook for Black Diamond remains positive. Management anticipates that the Fund will generate second quarter revenues at levels similar to the first quarter. This is due in part to the commencement of operations and rental revenue from the recently awarded camp expansion at Canadian Natural Resources' Horizon project. Additional revenues will also be realized from an increase in our space rentals fleets due to delivery of new manufactured rental units and the acquisition of fleet assets in Ontario.

The Fund continues to broaden its operating platform through the addition of rental assets and through strategic agreements with key customers. This operating platform continues to be weighted towards large workforce accommodation facilities operating under longer term rental contracts. The majority of the Fund's rental revenue is being generated from large infrastructure projects in and around the Alberta Oil Sands. These factors provide the Fund's Management with a high degree of visibility for revenues and cash flow over the next several quarters. Based on this visibility, Management remains confident that, should the current operating environment remain stable, the Fund will be able to generate cash adequate to maintain current monthly distributions while meeting its target payout ratio of less than 60%.

The Fund has approximately $17 million of committed capital expenditures outstanding at the end of the first quarter. All of this capital expenditure is for rental fleet equipment additions with deliveries scheduled throughout the remaining three quarters of this fiscal year. The Fund's total capital expenditure for 2007 is estimated at $26 million. The majority of the expenditures are targeted to increasing the large workforce accommodation component of our Black Diamond Camps fleet and towards increasing the size of both the Alberta and Ontario space rentals fleets of BOXX Modular. This continued growth of our rental fleets throughout 2007 will allow the Fund to continue to build its revenue base. Management is confident that customer demand and current opportunities will provide adequate market absorption for this additional equipment.

Utilization in the workforce accommodation fleet is expected to decline in the second quarter given the traditional seasonality of the Alberta oil industry. However, due to the start up of the Horizon camp expansion, expected to occur by late May, and the volume of long term monthly contracts in place, this decline is expected to be moderate. Approximately half of the Fund's drill camp fleet is now committed under long term paid monthly contracts. This will insulate the Fund from the current slow down in drilling activity and from the seasonality of drilling related revenues.

Utilization and rental rates for the BOXX Modular division's space rentals units remain consistent and high. Continued growth of this segment offers a counterbalance to the more cyclical nature of the Fund's operations in the energy sector.

Management anticipates much higher revenues for the Black Diamond Site Services division in the second quarter due to a strong back log of installation and retrofit work for large workforce accommodation sites including the Horizon camp expansion. Additional opportunities are being pursued which if they come to fruition would ensure that this division's backlog of work continues well into the third quarter.

During the first quarter the Fund entered into a long term agreement with a large Canadian oil and gas company whereby the Fund will provide management of field camps, worker housing, and coordination of food services to the company. This agreement is generating monthly fees and service revenue for the Fund. In accordance with this agreement, the Fund has recently purchased two workforce housing facilities for this customer under a long term rental arrangement. It is anticipated that the Fund will provide additional long term facility rentals as part of this strategic arrangement.

It is the belief of management that the scale, growth, and diversity of the Fund's rental fleets, the long term rental contracts it has in place, and the strategic arrangements that the Fund has secured, will translate into sustainable revenues, profitability and cash generation for the foreseeable future.

Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or at the Fund's website at www.blackdiamondincomefund,com.

Black Diamond Income Fund
CONSOLIDATED BALANCE SHEETS

As at

	March 31, 2007	December 31, 2006
	$	$
	(unaudited)	(audited)
ASSETS *[notes 5 & 6]*		
Current		
Cash	244,351	451,390
Accounts receivable *[note 11]*	4,749,410	4,699,171
Due from related party *[note 12]*	49,736	—
Prepaid expenses	291,781	264,341
	5,335,278	5,414,902
Property and equipment *[note 3]*	53,903,055	45,280,207
Intangibles *[note 4]*	12,467,657	12,706,270
Goodwill	29,316,090	29,316,090
	101,022,080	92,717,469
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	4,474,133	2,427,818
Distributions payable *[note 9]*	641,410	641,410
	5,115,543	3,069,228
Long-term debt *[note 6]*	22,419,888	15,669,888
Due to related party *[note 12]*	—	882,841
	27,535,431	19,621,957
Commitments *[note 15]*		
Unitholders' equity		
Trust units and exchangeable partnership units *[note 7]*	74,039,294	74,039,294
Contributed surplus *[note 8]*	32,204	13,874
Accumulated earnings (loss), net of accumulated distributions	(584,849)	(957,646)
	73,486,649	73,095,512
	101,022,080	92,717,469

See accompanying notes to the consolidated financial statements

Black Diamond Income Fund
CONSOLIDATED STATEMENT OF EARNINGS AND ACCUMULATED LOSS
(Unaudited)

For the three month period ended	**March 31, 2007** **$**
Revenue	7,006,051
Direct costs	1,944,036
	5,062,015
Expenses	
Selling, general and administrative costs	1,070,445
Amortization of property and equipment	1,115,326
Amortization of intangibles	247,401
Interest on long-term debt	313,476
Unit-based compensation *[note 7]*	18,330
	2,764,978
Net earnings and comprehensive income for the period *[note 11]*	2,297,037
Accumulated loss, beginning of period	(957,656)
Distributions declared *[note 9]*	(1,924,230)
Accumulated loss, end of period	(584,849)
Earnings per unit *[note 7]*	
Basic and diluted	0.30

See accompanying notes to the consolidated financial statements

Black Diamond Income Fund
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

For the three month period ended

	March 31, 2007 $
Operating activities	
Net earnings for the period	2,297,037
Add non-cash items:	
Amortization of property and equipment	1,115,326
Amortization of intangibles	247,401
Unit-based compensation expense	18,330
	3,678,094
Change in non-cash working capital related to operating activities *[note 10]*	(740,841)
	2,937,253
Investing activities	
Purchase of property and equipment	(9,738,174)
Additions to intangibles	(8,788)
Change in non-cash working capital related to investing activities *[note 10]*	1,776,900
	(7,970,062)
Financing activities	
Proceeds from long-term debt	6,750,000
Distribution payments	(1,924,230)
	4,825,770
Decrease in cash	(207,039)
Cash, beginning of period	451,390
Cash, end of period	244,351

See accompanying notes to the consolidated financial statements

1. ORGANIZATION AND NATURE OF BUSINESS

Black Diamond Income Fund (the "Fund") is an unincorporated, open-ended trust established under the laws of the Province of Alberta and was created by the Fund Trust Indenture dated August 16, 2006. The Fund was established to complete an initial public offering (the "Offering") of Units and to indirectly acquire (the "Acquisition") certain assets and liabilities and the business operations of Black Diamond Leasing Inc. (the "Business"). The Fund holds, indirectly, 69.4% of the limited partnership units of Black Diamond Limited Partnership (the "Limited Partnership"), a limited partnership established under the laws of Alberta. Principals of Black Diamond Leasing Inc. own the remaining 30.6% interest in the Limited Partnership through their ownership of Exchangeable Partnership Units. Black Diamond Group Inc. (the "Manager") is a wholly owned subsidiary of the Fund incorporated under the laws of the Province of Alberta. The Manager was created to act as the general partner of Black Diamond Partnership and the administrator of the Fund.

The Fund's operations are mainly carried out in Western Canada. The oilfield services industry's ability to move heavy equipment in exploration and production areas is dependent on weather conditions. With the onset of spring, melting snow together with frost coming out of the ground renders many secondary roadways incapable of supporting heavy equipment until sufficient time has passed for them to dry out. In addition, certain exploration areas in Canada are typically only accessible during winter months, when the surface is frozen enough to support heavy equipment. As a result, the activity levels of the Fund are directly impacted by the seasonality, whereby activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters.

On September 26, 2006, the Fund, in conjunction with the acquisition of the Business, completed the Offering of 3,500,000 trust units for $10 per trust unit. The gross proceeds from the Offering were $35 million. The net proceeds of $32.04 million were used as follows: $15 million in a secondary offering to purchase shares held by shareholders of Black Diamond Leasing Inc., $17 million in the repayment of debt facilities assumed upon the acquisition of the Business, and the remainder as an addition to working capital.

As the Fund completed its IPO in September of 2006, results for the comparable period in prior years are not available.

The Fund rents and sells modular structures for use as workforce housing, temporary office space rentals and provides site services to various industries.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the period ended December 31, 2006, except as noted below and for the fact that certain disclosures required in annual financial statements have been condensed or omitted and except as disclosed below. Accordingly the unaudited interim consolidated financial statements should be read in conjunction with the Fund's audited consolidated financial statements and notes to the

Fund's consolidated financial statements as at and for the period ended December 31, 2006. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements involves the use of estimates and approximations. Accordingly, actual results could differ significantly from those estimates.

As of January 1, 2007 the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506, "Accounting Changes"; Section 1530, "Comprehensive Income"; Section 3251, "Equity"; Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3861, "Financial Instruments – Disclosure and Presentation".

CICA Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges. The application of this revised standard did not result in comprehensive earnings (loss) being different from net earnings for the period presented. Should the Fund recognize any other comprehensive income in the future, the cumulative changes in other comprehensive income would be recognized in accumulated other comprehensive income which would be presented as a new category within unitholders equity on the balance sheet.

CICA Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

- Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise.

The application of CICA Section 3855 did not have any impact on the Fund's consolidated financial statements.

In addition, the Fund has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Fund:

- As of January 1, 2008, the Fund will be required to adopt a new CICA standard Section 1535, "Capital Disclosures" which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Fund is assessing the impact on its consolidated financial statements.

- In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Fund continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

CICA Section 1506, "Accounting Changes," provides expanded disclosures for changes in accounting policies, accounting estimates and correction of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information. The application of this revised standard did not have a material impact on the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

	March 31, 2007		
	Cost $	**Accumulated Amortization** $	**Net book value** $
Computers, furniture and service equipment	346,862	36,891	309,971
Space rentals fleet equipment	13,833,715	288,754	13,544,961
Workforce housing fleet equipment	40,785,421	1,604,487	39,180,934
Leasehold improvements	83,463	698	82,765
Deposit on equipment	784,424	—	784,424
	55,833,885	**1,930,830**	**53,903,055**

	December 31, 2006		
	Cost $	**Accumulated Amortization** $	**Net book value** $
Computers, furniture and service equipment	260,787	18,098	242,689
Space rentals fleet equipment	8,789,588	128,755	8,660,833
Workforce housing fleet equipment	36,587,868	668,652	35,919,217
Leasehold improvements	3,962	—	3,962
Deposit on equipment	453,506	—	453,506
	46,095,711	**815,504**	**45,280,207**

Deposits on equipment are not subject to amortization.

4. INTANGIBLES

	March 31, 2007		
	Cost	**Accumulated Amortization**	**Net book value**
	$	$	$
Customers contracts	10,951,200	294,419	10,656,781
Supply commitments	2,002,400	200,239	1,802,161
Trademarks	8,788	73	8,715
	12,962,388	**494,731**	**12,467,657**

	December 31, 2006		
	Cost	**Accumulated Amortization**	**Net book value**
	$	$	$
Customers contracts	10,951,200	147,210	10,803,990
Supply commitments	2,002,400	100,120	1,902,280
	12,953,600	**247,330**	**12,706,270**

5. OPERATING FACILITY

The Fund has a revolving demand loan facility authorized to a maximum of $2,000,000 or 75% of recoverable Canadian accounts receivable under 90 days old, accessible in multiples of $100,000. The facility bears interest at bank prime plus 0.50% per annum (March 31, 2007 - effective rate of 6.50%) and is payable on demand. The facility is collateralized by a general security agreement, general assignment of book debts, promissory notes, letters of guarantee from each of the Fund's two subsidiary entities and assignment of monies due from insurance. As at March 31, 2007, no amounts have been drawn on this facility.

6. LONG-TERM DEBT

	March 31, 2007	**December 31, 2006**
	$	$
Committed Revolving Capex facility bearing interest at bank prime plus 1% per annum (March 31, 2007 - effective rate of 7.00%). The committed facility is $30,000,000 to April 30, 2008 and may not exceed 60% of net book value of property and equipment. No set principal repayment has been established as the facility is interest only payable monthly in arrears until March 31, 2008. The facility is collateralized by a general security agreement, general assignment of book debts, promissory notes, letters of guarantee from each of the Fund's two subsidiary entities and assignment of monies due from insurance.	22,419,888	15,669,888
	22,419,888	15,669,888
Amounts payable within one year	—	—
	22,419,888	**15,669,888**

7. TRUST UNITS AND EXCHANGEABLE PARTNERSHIP UNITS

a) Authorized:

An unlimited number of Trust units

An unlimited amount of Exchangeable Partnership Units

b) Issued:

Trust Units	Number	Amount
Balance December 31, 2006 and March 31, 2007	**5,345,174**	**$50,491,034**
Exchangeable Partnership Units		
Balance December 31, 2006 and March 31, 2007	**2,354,826**	**$23,548,260**
Total		**$74,039,294**

i) Trust Units. Each Trust Unit is transferable and represents an equal and undivided beneficial interest in any distributions from the Fund, whether of net earnings, net realized capital gains or other amounts and in the net assets of the Fund in the event of a termination or wind-up of the Fund. All Trust units have voting rights and privileges.

ii) Exchangeable Partnership Units. The Exchangeable Partnership Units issued by the Limited Partnership have economic and voting rights equal, in all material respects, to the Trust Units. As a result, they have been treated for accounting purposes as Trust Unit equivalents. They are exchangeable on a one for one basis for Trust Units at the option of the holder. Exchangeable Partnership Units are not transferable to any third parties prior to their conversion to Trust units. Each Exchangeable Partnership Unit entitles the holder to receive distributions from Black Diamond Limited Partnership pro rata with the distributions made to holders of Trust Units.

c) Trust Unit Option Plan

The Fund established a Trust Unit Option Plan in September 2006 providing for the issuance of units. At March 31, 2007, a total of 770,000 options to purchase trust units are reserved to be granted for issuance to employees, directors and key executives. Of the amount reserved, 386,120 options have been granted. Under the plan, the exercise price of each option equals the average of the closing price for the five days preceding the grant date. Options granted under the plan vest equally over three years and the option term is five years from the date of grant.

The following table summarizes information about outstanding and exercisable unit options:

	Number of options outstanding	**Weighted average exercise price** $
Balance, Beginning of period	296,120	9.42
Granted	90,000	9.19
Balance, End of period	**386,120**	**9.37**

As at March 31, 2007, none of the unit options outstanding are exercisable and expire as follows:

Exercise price	Options outstanding	Weighted average remaining contractual life (years)
$8.00	86,120	4.19
$9.19	90,000	4.90
$10.00	210,000	4.56
	386,120	

During the three month period ended March 31, 2007, the Fund recorded unit-based compensation expense of $18,330 related to options granted and vested under the plan. The fair value of the options issued during this period have an estimated fair value of $1.27 per option using the Black-Scholes pricing model with the following assumptions:

Date of grant	Dividend yield %	Expected average volatility %	Average risk-fee rate %	Expected life (years)
September 26, 2006	10.00	35	4.00	5
October 20, 2006	10.00	35	4.00	5
February 23, 2007	11.11	42	4.00	5

d) Earnings per Unit

The basic number of Trust Units outstanding for the period was 7,700,000. Diluted weighted average number of Trust Units outstanding for the period was 7,705,161. Approximately 380,959 options have been excluded from the calculation of diluted per unit amounts as they are anti-dilutive.

8. CONTRIBUTED SURPLUS

	March 31, 2007
	$
Balance, beginning of period	13,874
Stock-based compensation expense	18,330
Balance, end of period	**32,204**

9. ACCUMULATED DISTRIBUTIONS

Cash distributions are normally paid by the Fund on a monthly basis to Unitholders of record on the last business day of each month. Distributions are payable on or about the 15th day of the month following the record date. The following table summarizes the Fund's distributions on units of record during the period January 1 to March 31, 2007:

Record Date	Distribution per Unit	Distributions
	($)	**($)**
January 31, 2007	0.0833	641,410
February 28, 2007	0.0833	641,410
March 31, 2007	0.0833	641,410
Balance, end of period		**1,924,230**

On October 31, 2006 the Federal Minister of Finance proposed to apply a tax at the fund level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "October 31 Proposals"). On December 21, 2006 the Federal Minister of Finance released draft legislation to implement the October 31, 2006 Proposals pursuant to which, commencing January 1, 2011 (provided the Fund only experiences "normal growth" and no "undue expansion" before then) certain distributions from the Fund which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the trust level. Assuming the October 31 Proposals are ultimately enacted in their present form, the implementation of such legislation would be expected to result in adverse tax consequences to the Fund and certain Unitholders (including most particularly Unitholders that are tax deferred or non-residents of Canada) and may impact cash distributions from the Fund. On March 29, 2007, Bill C-52, containing the legislative amendments to implement these proposals obtained first reading in the House of Commons. There is no assurance that the Proposals will be enacted in the manner proposed or at all.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital for the period ended March 31, 2007 was as follows:

	Three months ended March 31, 2007
	($)
Accounts receivable	(50,239)
Prepaid expenses	(27,440)
Accounts payable and accrued liabilities	2,046,315
Amounts owed to related party	(932,577)
	1,036,059
Attributable to investing activities	1,776,900
Attributable to operating activities	(740,841)
Interest paid in the period	313,476

11. FINANCIAL INSTRUMENTS AND OTHER COMPRESHENSIVE EARNINGS

a) Credit Risk

Credit risk arises from the possibility that the entities to which the Fund provides rentals and/or service are unable to meet their obligations. The Fund manages this risk by assessing the credit worthiness of its customers on an ongoing basis and by monitoring the age of balances outstanding. To date, the Fund's bad debts have been within expectations and are limited to specific customer circumstances.

As at March 31, 2007, 16% of the Fund's consolidated accounts receivable are owed from one customer. This customer is a significant customer of the Fund and is considered to have high credit worthiness.

b) Interest Rate Risk

The Fund is subject to interest rate risk on its credit facilities because they are based on floating rates of interest. The required cash flow to service the credit facilities will fluctuate as a result of changes in market rates. The Fund has not entered into any derivative agreements to mitigate these risks.

c) Fair Values of Financial Instruments

Upon adoption of section 3855 of the Handbook, the standard requires that an entity designate its financial instruments as one of the following categories: 1) loans and receivables, 2) assets held-to-maturity, 3) assets available-for-sale, 4) other financial liabilities and 5) held-for-trading (assets and liabilities). Effective January 1, 2007, the Fund elected to designate its financial instruments as follows:

Loans and receivables

Accounts receivable

Amounts owed to and from related parties

Long term debt

Other financial liabilities

Accounts payable

Distributions payable

Long term debt

Held-for-trading (assets and liabilities)

Cash

There are no differences in the carrying amounts of these financial instruments and their fair value due to their terms.

12. RELATED PARTY TRANSACTIONS

As at December 31, 2006, the Fund owed Black Diamond Leasing Inc. $0.88 million in respect of monies owing by the entity for anticipated tax liabilities and for which the cash had been transferred to the Fund at the time of the IPO with no terms of repayment. Due to some steps taken in the minimization of tax in Black Diamond Leasing Inc., the funds were repaid in full and an additional $0.05 million advanced from the Fund during the period. As a result of the winding down of that business, this additional advance will be repaid in the current fiscal year. There are no additional terms of repayment. Black Diamond Leasing Inc. is related to the Fund due to the common members of the Board of Directors of that entity and the Fund.

13. SEGMENTED INFORMATION

The Fund determines its reportable segments based on the structure of its operations, which are primarily focused in three principal business segments – Workforce Accommodations, Space Rentals and Site Services.

Workforce Accommodations provides modular structures designed for remote site accommodation. The structures when assembled together form large dormitories, kitchen/diner facilities, recreation complexes, drill camps, completion camps, free standing sleepers, geologist/engineer quarters and staff quarters. The majority of the equipment in this segment operates in Alberta.

Space Rentals provides high quality, cost effective modular space solutions to a diverse customer base in Alberta and Southern Ontario. The structures provided include office units, guard kiosks, storage units, office complexes, training facilities and custom manufactured structures.

Site Services repairs, installs, dismantles and renovates modular buildings. These services are provided to modular building fleet operators in Alberta and Northeastern British Columbia. In addition, these services are provided to the Workforce Accommodation and Space Rental customers as part of turnkey solutions.

For the period January 1 to March 31, 2007, the Fund did not earn any revenues outside of Canada.

	Three months ended March 31, 2007
Revenue	**($)**
Workforce Accommodations	5,430,210
Space Rentals	1,178,980
Site Services	912,650
Intersegment eliminations(1)	(515,789)
	7,006,051

(1) All intersegment revenue eliminated is in respect of the Site Services segment providing services to the Workforce Accommodations and Space Rentals segments.

Net Earnings	**($)**
Workforce Accommodations	2,027,474
Space Rentals	313,999
Site Services	29,807
Corporate	(43,324)
Intersegment eliminations	(30,919)
	2,297,037

Capital Expenditures	**($)**
Workforce Accommodations	4,450,313
Space Rentals	5,131,970
Site Services	-
Corporate	155,891
	9,738,174

	As at March 31, 2007 ($)	As at December 31, 2006 ($)
Property and Equipment (net)		
Workforce Accommodations	39,461,004	35,949,002
Space Rentals	14,113,592	9,143,961
Site Services	78,161	84,329
Corporate	250,298	102,915
	53,903,055	45,280,207
Intangible Assets (net)		
Workforce Accommodations	12,148,742	12,375,970
Space Rentals	129,600	136,800
Site Services	180,600	193,500
Corporate	8,715	-
	12,467,657	12,706,270
Goodwill		
Workforce Accommodations	24,277,756	24,277,756
Space Rentals	4,845,037	4,845,037
Site Services	193,297	193,297
Corporate	-	-
	29,316,090	29,316,090
Total Assets		
Workforce Accommodations	75,887,502	72,602,728
Space Rentals	19,088,229	14,125,798
Site Services	452,058	471,126
Corporate	5,594,291	5,517,817
	101,022,080	92,717,469

14. COMMITMENTS

The Fund rents premises under multiple operating leases with varying expiration dates. The minimum lease payments under these leases over the next five fiscal years are as follows:

	$
2007	551,078
2008	725,982
2009	679,320
2010	679,320
2011	704,424
	3,340,124

The Fund has committed to purchase $17,030,890 of fleet equipment for delivery throughout the remainder of 2007.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period financial statement presentation.

16. SUBSEQUENT EVENT

On April 18, 2007, the Fund closed a bought deal trust unit financing in which a syndicate of underwriters purchased 1,650,000 trust units at a price of $8.90 per trust unit for gross proceeds of $14,685,000.

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 transportation, 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 Site 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 and Chief Financial Officer
Phone: (403) 206-4740
Fax: (403) 264-9281

Forward-Looking Statements

Certain information set forth in this press release, including a discussion of future plans and operations, contains forward looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond management's control, including but not limited to, 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. Actual results, performance or achievement could differ materially from those expressed in or implied by these forward-looking statements. For more information please contact Black Diamond Income Fund, by its Manager, Black Diamond Group Inc.