NEWS RELEASE **October 16, 2006**

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BLACK DIAMOND INCOME FUND RELEASES FINANCIAL RESULTS FOR ACQUIRED BUSINESS – BLACK DIAMOND LEASING INC.

Calgary, Alberta — Black Diamond Income Fund ("Black Diamond" or the "Fund") (TSX: BDI.UN) completed its initial public offering of 3,500,000 trust units at a price of $10.00 per unit for gross proceeds of $35 million on September 26, 2006. The net proceeds to the Fund from the offering were approximately $32.1 million, which were used to acquire the workforce accommodation and temporary workspace business formerly operated by Black Diamond Leasing Inc.

The Fund also wishes to provide an update to investors on the business of Black Diamond Leasing Inc. Accordingly, attached to this press release are management's discussion and analysis and comparative financial statements for Black Diamond Leasing Inc. as at and for the nine-month period ended August 31, 2006. Investors should note that these are not the financial statements of the Fund (which will be prepared on a going forward basis), but are the financial statements of the acquired business.

About Black Diamond Income Fund

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 a 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.

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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.

BLACK DIAMOND INCOME FUND

Black Diamond Announces Third Quarter Results – October 13, 2006

Black Diamond Income Fund completed its initial public offering of trust units on September 26, 2006. In conjunction with the filing of the final prospectus dated September 19, 2006, Black Diamond Income Fund acquired all of the assets and liabilities of Black Diamond Leasing Inc. (the 'Company').

Black Diamond Income Fund is pleased to announce its financial results for the three and nine months ended August 31, 2006 of Black Diamond Leasing Inc. (the business that was acquired), with comparisons to the comparable periods of the prior year.

PROFILE

Black Diamond Income Fund ('Black Diamond' or 'The Fund') is in the business of renting modular structures for use as workforce accommodation and temporary work space. Black Diamond also provides complementary services for the transportation, installation, dismantling, repair and maintenance of modular structures. We have been in the business of renting modular structures since 2003 and currently conduct our business through three operating divisions: Black Diamond Camps; BOXX Modular; and Black Diamond Site Services. Black Diamond Camps provides workforce accommodation solutions to a diversified client base which includes oil and gas exploration and development companies, oilsands development projects, and large infrastructure construction projects. Boxx Modular provides high quality, cost effective modular space solutions to a diversified client base which includes general contractors, construction trades, real estate developers, manufacturers, commercial businesses, government agencies, and various companies involved in the oil and gas industry. Black Diamond Site Services repairs, installs, dismantles and renovates modular buildings. These services are provided to modular building fleet operators in Alberta and Northeastern British Columbia as well as offering services to Black Diamond's workforce accommodation and space rentals customers as turnkey solutions.

FINANCIAL & OPERATING HIGHLIGHTS

The following is a summary of selected financial and operating information that has been derived from and should be read in conjunction with the consolidated financial statements for the Company.

	Three months ended August 31		Nine months ended August 31	
	2006	2005	2006	2005
Financial Highlights				
Revenue	$ 4,117,224	$ 593,586	$ 14,305,425	$ 2,321,197
Gross profit	1,898,048	315,342	7,187,181	1,477,352
Selling, general & administrative	787,745	271,569	2,697,484	585,431
EBITDA prior to stock-based compensation	1,145,959	233,058	5,242,641	1,127,936
Stock-based compensation	35,300	111,775	752,588	158,505
EBITDA(1)	1,110,659	121,283	4,490,053	969,431
Net earnings	$ 184,583	$ (85,737)	$ 1,472,148	$ 237,481
Capital expenditures	4,696,845	2,768,566	15,540,223	6,485,745
Property and equipment (net)	28,847,630	8,392,466	28,847,630	8,392,466
Total assets (as at period end)	32,830,909	9,122,523	32,830,909	9,122,523
Long term obligations	14,493,000	4,899,800	14,493,000	4,899,800
Operational Highlights				
Workforce units in operation at end of period	295	106	295	106
Average units in operation for the period	183	27	206	39
Utilization	64%	29%	78%	55%
BOXX Modular units in operation at end of period	348	8	348	8
Average units in operation for the period	273	5	218	2
Utilization	81%	100%	80%	100%

Notes:

(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" section for further details.

THIRD QUARTER 2006 HIGHLIGHTS

Both rental divisions continued to add units to their fleets as we take delivery from manufacturers in accordance with our capital expenditure program. Absorption rates remained healthy as demonstrated by the utilization rates generated by both the Black

Diamond Camps and Boxx Modular divisions. Our Black Diamond Site Services division has continued to successfully add to its backlog of installation and maintenance projects. We anticipate our utilization rates and service backlog to continue into the fourth quarter.

The capital expenditure program is on schedule and we still anticipate exiting 2006 with approximately 980 rental units on a consolidated basis. Subsequent to the quarter end, we have made commitments for additional equipment for delivery in mid and late 2007 to enable us to continue to service our markets and maintain our rate of growth. These commitments amount to approximately $12.3 million.

Black Diamond Camps

- Added 36 units in the quarter increasing fleet size to 295 units
- Maintained a utilization rate of 64%
- Signed 15 rental contracts in the period representing 104 units and having an extended contract value of $6.8 million
- Completed the purchase and resale of fleet and third party equipment for gross revenue of $1.1 million
- Average outstanding contract term at the end of the quarter was approximately 36 months

BOXX Modular

- Added 18 units in the quarter increasing fleet size to 348 units
- Maintained a utilization rate of 81%
- Signed 133 sales and rental contracts having an extended contract value of $945 thousand.

Black Diamond Site Services

- Continue to add personnel and capacity
- Maintained a significant backlog of projects

MANAGEMENT DISCUSSION AND ANALYSIS (‘MD&A’)

This MD&A for the Fund, dated October 13, 2006, focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the industry in which it operates. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations for the three and nine months ended August 31, 2006 should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended August 31, 2006 and related notes and material therein. As well, this discussion and analysis of the financial condition and results of operations for the three and nine months ended August 31, 2006 should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2005 and related notes and material contained in the Fund's Initial Public Offering Prospectus dated September 19, 2006. The consolidated financial statements and MD&A contained in this interim report have been prepared by management in accordance with Canadian generally accepted accounting principles ('GAAP').

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.

RESULTS OF OPERATIONS

Revenue

Revenues generated for the three months ended August 31, 2006 were $4.12 million as compared to $0.59 million for the three months ended August 31, 2005 – an increase of 598%. For the nine month period ended August 31, 2006, revenues generated were $14.31 million or an increase of 517% over the $2.32 million of revenue generated in the comparable period of 2005. This was due to the increase in the operational fleet deployed by the Company. Workforce accommodation revenues were $10.86 million for the nine month period to August 31, 2006. Utilization of the workforce accommodation fleet averaged 78% for these nine months ranging from 60% in July 2006 to fully contracted utilization in February 2006. Revenues for the workforce accommodations for the nine months ended August 31, 2005 were $1.79 million. Utilization of the workforce accommodation fleet during the nine months ended August 31, 2005 averaged 55% ranging from 8% in May 2005 to 100% utilization in February 2005. The increase in the average utilization year over year is a reflection of the type of equipment the company has in operation as well as the longer term nature of the rental contracts the company has favored during the 2006 year. Revenues for the space rentals division for the nine months ended August 31, 2006 were $1.99 million as compared to $0.01 million for the nine month period ended August 31, 2005. This increase was due to the operations of the space rentals division of the company not beginning until July of 2005. Utilization of the space rental fleet for the nine months ended August 31, 2006 averaged 80% as compared to the 100% utilization of the few units in operation for the comparable period of 2005. The Company's service division generated $2.01 million of revenue for the nine months ended August 31, 2006 as compared to the generation of $0.53 million for the nine month period to August 31, 2005.

Direct Costs & Gross Profit

Direct costs were $2.22 million for the three month period ended August 31, 2006 resulting in a gross profit of $1.90 million. This is a 494% increase from the gross profit of $0.32 million achieved in the three month period ended August 31, 2005. For the nine months ended August 31, 2006, the gross profit was $7.19 million (50%) as compared to a $1.48 million (64%) gross profit generated during the comparable period of 2005. 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 Company to sell some items from fleet assets, 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 affected.

Selling, General & Administrative Costs

Selling, general & administrative costs ('SG&A') for the three months ended August 31, 2006 were $0.788 million versus $0.272 million for the comparable period of 2005. SG&A costs increased to $2.70 million for the nine months ended August 31, 2006 from $0.59 million for the same period in 2005. The year over year increase of $2.11 million due in large part to the number of personnel employed at the Company. The salary and wages costs increased by 317% to $1.09 million and the stock-based compensation charges incurred increased by 375% to $0.753 million as the Company more than doubled its staff complement to 37 personnel. The additional personnel and increased operations resulted in increases in the travel, promotion and administrative costs incurred. Insurance costs also increase year over year due to the growth in the fleet assets of the Company.

Depreciation & Amortization

The three months ended August 31, 2006 charge for depreciation and amortization was $0.58 million. This was a $0.438 million (308%) increase from the $0.142 million charge incurred in the comparable period of 2005. For the nine months ended August 31, 2006, depreciation and amortization charges were $1.55 million versus the $0.38 million charged for the nine months ended August 31, 2005. The increases are due to the continued capital spending and build up of the fleet asset base of the Company.

Interest Expenses

Interest expense on long-term debt, debentures and the note payable for the three months ended August 31, 2006 was $0.253 million as compared to $0.052 million for the comparable period of 2005 – an increase of $0.201 million. For the nine months ended August 31, 2006, the interest charges for long-term debt, debentures and the note payable were $0.628 million versus $0.145 million incurred in the same period of 2005 – an increase of $0.483 million. The period over period increases are due to the increase in the level of long term debt utilized by the company. The debt levels have increased as a result of the capital expenditures the Company has incurred in building up the fleet. The debentures issued in June of 2005 were settled in exchange for common shares in January 2006. The company also financed part of the fleet acquisition done in October 2005 through the issuance of a note payable of $1.07 million. This note was repaid in full on August 15, 2006.

Income Tax Expenses

A future income tax charge of $0.093 million was incurred for the three month period ended August 31, 2006 as compared to $0.013 million in the corresponding period of 2005. The future tax expense for the nine months ended August 31, 2006 totaled $0.84 million compared to $0.21 million in the corresponding period. The increase period over period is a reflection of the increase in the income before tax. At the expected combined federal and provincial tax rate of 32.49% net earnings before tax of $2.32 million would have resulted in a charge of $0.75 million as compared to the $0.84 million actual provision. The variance of $0.09 million arises from an increase in the provision of $0.26 million for non-deductible items for income tax purposes and a reduction of $0.17 million as a result of announced reductions in the federal and provincial corporate tax rates.

LIQUIDITY & CAPITAL RESOURCES

As of August 31, 2006, the Company had a working capital deficit of $0.15 million. The Company also had an operating credit facility of $2.0 million and an acquisition credit facility of $22.0 million. As at August 31, 2006, the Company had drawn $0.80 million and $14.49 million on these facilities respectively. The operating line of credit is charged interest at prime plus 0.5% and the acquisition facility is charged interest at prime plus 0.75%. Both facilities are interest-only with no principle obligations. All covenants as at August 31, 2006 had been satisfied. The Company does not anticipate any covenant issues or restrictions in the future financing of its operations and capital expenditure programs.

On September 26, 2006, the Fund completed its initial public offering of 3,500,000 units at $10 raising a gross total of $35 million. The net proceeds of $32.1 million were used as follows: $15 million in a secondary offering to purchase shares held by former shareholders of Black Diamond Leasing Inc., $17 million in the repayment of debt facilities then outstanding, and the remainder as an addition to working capital of the Company. Therefore, as at the day of closing of the offering, the Company had no outstanding long term debt and had access to the entire operating credit facility of $2.0 million and acquisition credit facility of $22.0 million.

Management believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for maintenance costs, general and administrative costs of the business, interest costs incurred as well as distributions to unitholders. Black Diamond's actual cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Black Diamond's control.

Capital Expenditures

For the nine months ended August 31, 2006, the Company expended $15.54 million on additions to property and equipment. The additions to the property and equipment consisted of:

- $11.30 million on workforce accommodation structures and ancillary equipment rented along with these units
- $4.15 million on space rental structures with some ancillary equipment rented along with these units
- $0.09 million on computers, furniture and equipment

At August 31, 2006, the Company had capital expenditure commitments in the amount of $19.82 million with suppliers of equipment. The delivery of this equipment is expected to be completed by January 31, 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.

Outstanding Share/Unit Data

The following is a summary reconciliation of the share capital for the Company for the nine month period ended August 31, 2006:

Outstanding at December 1, 2005	1,740,783
Issued for cash	351,245
Issued - exercise of options	193,773
Issued - exercise of warrants	270,908
Issued - Conversion of debenture	91,354
Outstanding at August 31, 2006	**2,648,063**

Subsequent to August 31, 2006, as a result of the initial public offering and the restructuring associated with the offering, the following summarizes the capitalization of the Fund as at September 30, 2006:

Trust units	5,353,954
Exchangeable partnership units	2,346,046
Trust unit options	86,120

FINANCIAL INSTRUMENTS

All of the Fund's financial instruments as at August 31, 2006 related to standard working capital and financing 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 or any unusual financial instruments such as derivatives. Of Black Diamond's financial instruments, only accounts receivable represents credit risk, and Management views the concentration and credit risk related to accounts receivable as minimal.

RELATED PARTY TRANSACTIONS

During the nine months to August 31, 2006, the Company sold and leased equipment to a company controlled by the President of the Company. The value of these transactions was recognized on terms and conditions consistent with third parties for $0.02 million. The Company also paid management fees to companies controlled by the President and Treasurer of the Company of $0.17 million for the nine months ended August 31, 2006. No amounts were outstanding owing to or from related parties at August 31, 2006.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

Management believes that the accounting policies that are critical to the business relate to the use of estimates regarding the depreciation of property and equipment and the provision for repair and maintenance costs.

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

Property and equipment is carried at cost less accumulated depreciation. Depreciation on fleet units related to workforce accommodation is calculated on the basis of its original cost on a 10% declining balance basis. Depreciation on fleet units related to the space rentals is calculated on the basis of its original cost on a 6% declining balance basis. Depreciation on computer equipment, service equipment and furniture and fixtures is calculated on the basis of its original cost on a 30% declining balance basis. The estimated useful life has a direct impact on the amount of depreciation expense; however, there is measurement uncertainty with respect to the remaining useful life of the property and equipment.

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 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. 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.

	Three months ended August 31		Nine months ended August 31	
	2006	2005	2006	2005
Net income (loss)	184,583	(85,737)	1,472,148	237,481
Add:				
Depreciation and amortization	580,296	141,628	1,545,880	381,435
Income taxes	93,067	13,187	843,921	205,623
Interest	252,713	52,205	628,104	144,892
EBITDA	1,110,659	121,283	4,490,053	969,431

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 Company's principal business activities.

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 Leasing Inc.

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 businesses financial condition, results of operations or cash flow, and therefore possibly on the cash available for distribution. Some of these risks and uncertainties are summarized in the Initial Public Offering Prospectus dated September 19, 2006. During the nine month period ended August 31, 2006, there have been no significant changes to those risks and uncertainties.

OUTLOOK

The outlook for the remainder of the year is positive for Black Diamond. Demand for our Black Diamond Camps divisions workforce accommodation structures remains high with continued weighting towards large scale workforce housing facilities as are required at the various oilsands development and related infrastructure projects. A number of additional drill camps have been contracted for delivery and are being delivered for use starting this winter on 3 contract terms with rent paid monthly. Additional dormitories, kitchen/diner units, and recreation facility units for use at large construction sites have been contracted for and are being delivered through to the end of the year to meet commitments for long-term rental contracts entered into by Black Diamond with certain of its customers. This gives us good visibility as to the revenue and cash generation for the immediate future.

Utilization and rental rates for our BOXX Modular division's space rentals units remain consistent and high. With manufacturing contracted for additional units for delivery before the end of the year, the growth of the revenues and cash flow from this division are promising for the next year.

The Black Diamond Site Services division continues to grow adding additional personnel and capacity to meet its current backlog of installation and maintenance commitments which it has negotiated with a variety of customers in various locations throughout Alberta and British Columbia.

Despite the recent declines in oil and gas commodity prices, we continue to find opportunities to deploy our rental equipment on long term contracts. Management believes that these long term commitments, which are predominantly related to the oilsands development projects in Northern Alberta, will continue to provide a stable revenue stream and continued growth opportunities for the Fund. Management further believes that these large oilsands related projects remain viable in the current commodity price environment.

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 Company's website at www.blackdiamondincomefund.com.

"Trevor Haynes"	*"Michael Burnyeat"*
Trevor Haynes	Michael Burnyeat
President &	Vice President Finance &
Chief Executive Officer	Chief Financial Officer

Unaudited Interim Consolidated Financial Statements

Black Diamond Leasing Inc.

For the three and nine months ended August 31, 2006

Black Diamond Leasing Inc.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

As at

	August 31, 2006 $	November 30, 2005 $
ASSETS *[notes 6 & 8]*		
Current		
Cash	—	774,433
Accounts receivable	3,760,106	2,557,302
Notes receivable *[note 3]*	—	126,086
Prepaid expenses	111,277	32,951
	3,871,383	3,490,772
Property and equipment *[note 4]*	28,847,630	14,834,611
Deferred financing fees *[note 5]*	111,896	51,040
	32,830,909	18,376,423
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 6]*	800,000	—
Accounts payable and accrued liabilities	3,201,273	1,088,411
Current portion of long-term debt *[note 8]*	—	1,600,000
Interest payable	—	34,351
Deferred revenue	24,291	131,761
	4,025,564	2,854,523
Long-term debt *[note 8]*	14,493,000	7,119,800
Future income taxes	1,246,268	402,347
Debentures *[note 9]*	—	1,005,000
Note payable *[note 7]*	—	1,070,000
	19,764,832	12,451,670
Commitments *[note 17]*		
Shareholders' equity		
Share capital *[note 10]*	11,113,100	5,204,973
Contributed surplus *[note 11]*	35,300	274,250
Retained earnings	1,917,677	445,530
	13,066,077	5,924,753
	32,830,909	18,376,423

See accompanying notes to the interim consolidated financial statements

Black Diamond Leasing Inc.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(Unaudited)

For the

	Three months ended August 31,		Nine months ended August 31,	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Revenue	4,117,224	593,586	14,305,425	2,321,197
Direct costs	2,219,176	278,244	7,118,244	843,845
	1,898,048	315,342	7,187,181	1,477,352
Expenses				
Amortization of property and equipment	571,536	127,919	1,527,560	365,865
Salary, wages and management fees	443,944	79,912	1,093,099	262,096
Interest on long-term debt	234,889	31,940	557,464	104,582
Insurance, rent and administrative costs	177,293	44,159	445,569	86,680
Travel, entertainment and promotion	80,195	31,502	241,409	59,649
Professional fees	41,409	3,000	142,488	15,709
Stock-based compensation *[note 12]*	35,300	111,775	752,588	158,505
Interest on note payable	17,824	—	60,507	—
Interest and bank charges	9,604	1,221	22,332	2,792
Amortization of deferred financing fees	8,760	13,709	18,320	15,570
Interest on debentures	—	20,265	10,133	40,310
	1,620,754	465,402	4,871,469	1,111,758
Other income				
Gain on disposal of property and equipment	356	77,510	356	77,510
Income (loss) before income taxes	277,650	(72,550)	2,316,068	443,104
Income taxes				
Future	93,067	13,187	843,921	205,623
	93,067	13,187	843,921	205,623
Net income (loss)	184,583	(85,737)	1,472,147	237,481
Retained earnings, beginning of period	1,733,094	359,044	445,530	35,826
Retained earnings, end of period	1,917,677	273,307	1,917,677	273,307
Net income (loss) per share *[note 10]*				
Basic	0.08	(0.07)	0.70	0.19
Diluted	0.08	(0.05)	0.70	0.17

See accompanying notes to the interim consolidated financial statements

Black Diamond Leasing Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the

	Three months ended August 31,		Nine months ended August 31,	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Operating activities				
Net income	184,583	(85,737)	1,472,147	237,481
Add (deduct) non-cash items:				
Amortization of property and equipment	571,536	127,919	1,527,560	365,865
Amortization of deferred financing costs	8,760	13,709	18,320	15,570
Gain on disposal of property and equipment	(356)	(77,510)	(356)	(77,510)
Other	—	—	(106)	—
Stock-based compensation expense	35,300	111,775	752,588	158,505
Future income tax expense	93,067	13,187	843,921	205,623
	892,890	103,343	4,614,074	905,534
Change in non-cash working capital related to operating activities *[note 13]*	806,465	(26,765)	689,911	481,901
	1,699,355	76,578	5,303,985	1,387,435
Investing activities				
Purchase of property and equipment	(4,696,845)	(2,768,566)	(15,540,223)	(6,485,745)
Proceeds on sale of property and equipment	—	—	—	300,000
	(4,696,845)	(2,768,566)	(15,540,223)	(6,185,745)
Financing activities				
Issuance of share capital	—	58,400	3,911,695	253,900
Repayment of note payable	(1,070,000)	—	(1,070,000)	—
Increase in bank indebtedness	50,000	—	800,000	—
Proceeds from debentures	—	502,500	—	1,005,000
Proceeds from long-term debt	3,885,000	3,944,800	17,115,000	4,868,480
Repayment of long-term debt	(391,800)	(2,551,361)	(11,341,800)	(2,981,713)
Funds received through private offering	—	422,023	—	422,023
Deferred financing fees	—	(38,500)	(79,176)	(42,500)
Change in non-cash working capital items related to financing activities *[note 13]*	105,405	(67,647)	126,086	(23,257)
	2,578,605	2,270,215	9,461,805	3,501,933
Decrease in cash	(418,885)	(421,773)	(774,433)	(1,296,377)
Cash, beginning of period	418,885	343,962	774,433	1,218,566
Cash, end of period	—	(77,811)	—	(77,811)
Cash interest paid	252,713	52,205	628,104	144,892

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

1. DESCRIPTION OF OPERATIONS AND BASIS OF PRESENTATION

1072727 Alberta Ltd. was incorporated on October 23, 2003 under the Alberta Business Corporations Act with nominal share capital and commenced operations in December 2003. On June 23, 2005, 1072727 Alberta Ltd. changed its name to Black Diamond Leasing Inc. (the "Company").

The Company rents and sells modular structures for use as work force housing, temporary office space rentals and site services to various industries.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended November 30, 2005, except that certain disclosures required in annual financial statements have been condensed or omitted. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes to the Company's consolidated financial statements as at and for the year ended November 30, 2005, contained in the Company's prospectus dated September 19, 2006. The results of operations for the three and nine month periods ended August 31, 2006 may not be indicative of the results for the 2006 fiscal year.

3. NOTES RECEIVABLE

The notes receivable are due from two employees of the Company as a result of the issuance of common shares. The notes bear interest at 1% above the prime rate (August 31, 2006 - effective rate of 7.00%; November 30, 2005 - effective rate of 5.75%), are secured by the shares and are due on demand. On June 30, 2006, payment was received in full for the notes receivable balances outstanding.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

4. PROPERTY AND EQUIPMENT

	August 31, 2006		
	Cost $	Accumulated Amortization $	Net book value $
Computers, furniture and service equipment	285,414	57,487	227,927
Space rentals fleet equipment	6,653,106	227,665	6,425,441
Workforce housing fleet equipment	22,029,175	1,881,581	20,147,594
Deposit on equipment	2,046,668	—	2,046,668
	31,014,363	**2,166,733**	**28,847,630**

	November 30, 2005		
	Cost $	Accumulated Amortization $	Net book value $
Computers, furniture and service equipment	187,586	22,825	164,761
Space rentals fleet equipment	2,782,252	28,634	2,753,618
Workforce housing fleet equipment	11,599,077	666,349	10,932,728
Deposit on equipment	983,504	—	983,504
	15,552,419	**717,808**	**14,834,611**

Deposit on equipment represents non-refundable deposits ranging from 10% to 15% of the total commitments due in the next fiscal period.

5. DEFERRED FINANCING FEES

	August 31, 2006 $	November 30, 2005 $
Deferred financing fees	141,237	76,560
Less: accumulated amortization	29,341	25,520
	111,896	**51,040**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

6. BANK INDEBTEDNESS

The Company has a revolving demand loan authorized to a maximum of $2,000,000 or 75% of recoverable Canadian accounts receivable under 90 days old, accessible in multiples of $50,000. The facility bears interest at prime plus 0.50% (August 31, 2006 - effective rate of 6.50%) per annum and is payable on demand. The facility is collateralized by a general security agreement covering all present and after-acquired property as well as general assignment of book debts, promissory notes, personal guarantees from two directors in the amount of $425,000 each, a personal guarantee from an additional director in the amount of $150,000, and postponement and subordination of all debentures and notes payable (see note 18).

7. NOTE PAYABLE

On October 1, 2005, the Company purchased mobile equipment from Amtec Leasing Ltd. The purchase price was $2,600,000 for the acquisition of mobile equipment by way of a note payable of $1,070,000 and $1,530,000 cash consideration. The note bears interest at 8% per annum payable quarterly, is unsecured and is due in full on December 1, 2006. This note was repaid in full on August 15, 2006.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

8. LONG-TERM DEBT

	August 31, 2006 $	November 30, 2005 $
Committed Revolving Term Loan bearing interest at prime plus 0.75% (August 31, 2006 - effective rate of 6.75%) per annum. The committed facility is $22,000,000 to April 30, 2010 and may not exceed 60% of net book value of fixed assets. No set principal repayment has been established as the facility is interest only payable monthly in arrears. Any advances and repayments under the facility are in minimum amounts of $250,000. Prepayment of any borrowings under the facility can be done at any time without penalty. The facility is collateralized by a general security agreement, general assignment of book debts, promissory notes, letters of guarantee from each of the Company's three subsidiary companies, assignment of monies due from insurance, personal guarantees from two directors in the amount of $425,000 each, personal guarantee from one additional director in the amount of $150,000, and the $1,070,000 note payable (see note 18).	14,493,000	—
Loan bearing interest at prime plus 0.75% (August 31, 2006 - effective rate of 6.75%; November 30, 2005 - effective rate of 5.50%) per annum, authorized to a maximum of $7,000,000 or 60% of net book value of new and existing equipment, repayable in monthly blended payments established upon each draw. The loan matures on December 26, 2008 and is collateralized by a general security agreement, general assignment of book debts, promissory notes, assignment of monies due from insurance, personal guarantees from two directors in the amount of $425,000 each, personal guarantee from one additional director in the amount of $150,000, and postponement and subordination of debentures and the $1,070,000 note payable.	—	5,919,800
Loan bearing interest at prime plus 0.75% (August 31, 2006 - effective rate of 6.75%; November 30, 2005 - effective rate of 5.50%) per annum, authorized to a maximum of $3,000,000 or 60% of net book value of new and existing equipment, repayable in monthly principal payments of $50,000. The loan matures on August 26, 2008 and is collateralized by a general security agreement, general assignment of book debts, promissory notes, assignment of monies due from insurance, personal guarantees from two directors in the amount of $425,000 each, personal guarantee from one additional director in the amount of $150,000, and postponement and subordination of debentures and the $1,070,000 note payable.	—	2,800,000
	14,493,000	8,719,800
Amounts payable within one year	—	(1,600,000)
	14,493,000	**7,119,800**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As at and for the three and nine months ended August 31, 2006

9. DEBENTURES

During fiscal 2005, the Company issued $1,005,000 in subordinated redeemable debentures bearing interest at 8% per annum, payable quarterly in interest-only payments and maturing November 30, 2009. The debentures are collateralized by all assets and undertakings of the Company and its subsidiaries and are redeemable at the sole option of the Company. On January 15, 2006 the debentures were settled for 91,354 Class A common shares at $11 per share.

10. SHARE CAPITAL

Authorized

Unlimited Class A, B, C, D, E and F common voting shares with no par value
Unlimited Class G preferred voting shares
Unlimited Class H and I preferred non-voting shares

Issued

Class A common shares

	August 31, 2006	
	Number	**$**
Outstanding, beginning of period	1,740,783	5,204,973
Issued for cash	351,245	3,863,695
Issued - exercise of options	193,773	667,626
Issued – exercise of warrants	270,908	371,912
Issued – settlement of debentures *[note 10]*	91,354	1,004,894
Outstanding, end of period	**2,648,063**	**11,113,100**

	November 30, 2005	
	Number	**$**
Outstanding, beginning of period	939,120	1,202,334
Issued for cash	680,283	3,722,389
Issued – exercise of purchase warrants	100,500	251,250
Add: subscription receivable	20,880	29,000
Outstanding, end of period	**1,740,783**	**5,204,973**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

Per Share Information

Per share amounts have been calculated using the weighted average number of common shares outstanding as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2006	**2005**	**2006**	**2005**
Basic	2,231,635	1,298,979	2,094,248	1,219,329
Diluted	2,268,157	1,589,524	2,106,511	1,380,300

11. CONTRIBUTED SURPLUS

The fair value of stock options is expensed over their vesting period, with a corresponding amount recorded to contributed surplus. As stock options are exercised, the related stock option compensation previously recognized is debited to contributed surplus with a corresponding increase in share capital. No adjustment is made for stock options that expire.

	August 31, 2006 $	November 30, 2005 $
Outstanding, beginning of period	274,250	—
Stock-based compensation	752,588	274,250
Stock options and warrants exercised	(991,538)	—
Outstanding, end of period	**35,300**	**274,250**

12. STOCK-BASED COMPENSATION

The Company has a stock option plan (the "plan") reserving 40,000 (November 30, 2005 – 164,000) common shares for issuance to employees, directors and key executives. 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 stock options:

	Nine months ended August 31, 2006		November 30, 2005	
	Number of shares	Weighted average exercise price $	Number of shares	Weighted average exercise price $
Balance, beginning of period	164,000	3.64	—	—
Granted	144,000	12.31	164,000	3.64
Exercised	(268,000)	(5.18)	—	—
Balance, end of period	**40,000**	**17.22**	**164,000**	**3.64**

As at August 31, 2006, 40,000 stock options were outstanding. None of the outstanding stock options are exercisable as at August 31, 2006. The outstanding stock options have an exercise price of $17.22 and a remaining contractual life of 4.77 years.

Special warrants

The Company has nil (November 30, 2005 - 129,412) special warrants outstanding entitling the holders thereof the right to purchase one common share for each special warrant held.

Performance warrants

The Company has approved the issuance of performance warrants equal to a maximum of 10% of the issued and outstanding common shares. These warrants vest upon the issuance of additional equity at a share price in excess of 50% higher than the exercise price. These warrants expire five years from the date of issuance.

The Company has nil (November 30, 2005 - 174,071) performance warrants outstanding entitling the holders thereof the right to purchase one common share for each performance warrant held.

The exercise price of these warrants reflects the fair value of the underlying shares on the grant date.

The weighted average fair value of the warrants on the date of grant was $4.91 per warrant (November 30, 2005 - $0.89).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

The warrants were issued as follows:

	August 31, 2006		November 30, 2005	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Balance, beginning of period	174,071	4.39	—	—
Granted	44,260	11.00	174,071	4.39
Exercised	(218,331)	(5.73)	—	—
Balance, end of period	**—**	**—**	**174,071**	**4.39**

During the three and nine month periods ended August 31, 2006, the Company recorded stock-based compensation expense of $35,300 and $752,588, respectively, (2005 – $111,775 and $158,505) related to options and warrants granted and vested under the plan. The fair value of the options and warrants issued during the three month period ended August 31, 2006 was estimated using the Black-Scholes pricing model with the following assumptions: risk free interest rate ranging from 4.0% to 4.3%; volatility of 45%; life of 5 years and a dividend yield of nil.

On August 25, 2006, the Company issued 445,481 common shares in respect of options and warrants outstanding as at that date. Settlement was completed on a non-cash, net share basis taking the in-the-money value of the 248,800 options, 129,412 special warrants and 218,331 performance warrants and converting them to 174,573, 109,412 and 161,496 common shares respectively. Contributed surplus was reduced and share capital increased by $991,538 (2005 - $nil) to reflect the options and warrants exercised during the nine month period.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital for the three and nine months ended August 31 was as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2006 $	**2005 $**	**2006 $**	**2005 $**
Accounts receivable	(944,778)	(352,556)	(1,202,805)	(455,602)
Prepaid expenses	58,194	(14,276)	(78,326)	(7,847)
Notes receivable	105,405	(67,647)	126,086	(23,257)
Accounts payable and accrued liabilities	1,732,805	340,067	2,112,862	945,350
Interest payable	(13,837)	—	(34,351)	—
Deferred revenue	(25,919)	—	(107,470)	—
	911,870	(94,412)	815,996	458,644
Attributable to financing activities	105,405	(67,647)	126,086	(23,257)
Attributable to operating activities	806,465	(26,765)	689,910	481,901

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

14. RELATED PARTY TRANSACTIONS

The Company is related to the following entities it conducts business with:

a) Kettleby Group Inc. - controlled by the President of the Company

b) Kettleby Investment Management Corporation - controlled by the President of the Company

c) 1057127 Alberta Ltd. - o/a Brockmeyer Co. - controlled by the President of the Company

d) Claryn Management Inc. - controlled by the President of the Company

e) S. S. Madison Ltd. - controlled by the Treasurer of the Company

During the three and nine month periods ended August 31, 2006, the Company received leasing revenue from related parties in the amount of $nil and $18,333, respectively, (2005 - $6,000 and $15,000). During the three and nine month periods ended August 31, 2006, the Company also paid management fees to related companies totalling $40,000 and $168,000, respectively, (2005 - $157,847 and $122,461).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts were owing to or from any related parties at August 31, 2006.

15. SEASONAL RISK

The Company's ability to relocate certain types of equipment in the traditional Canadian exploration and production areas is dependent on weather conditions. With the onset of spring, melting snow together with frost leaving the ground render many secondary roadways incapable of supporting the weight of heavy equipment until such time as they have thoroughly dried out. In addition, the exploration areas of northern Canada are typically only accessible during winter months, when the surface is frozen hard enough to support heavy equipment. These periods of "spring break-up" and "winter freeze-up" have a direct bearing upon activity levels. Accordingly, the Company's prime operating seasons are late September through mid-March and June through late September.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As at and for the three and nine months ended August 31, 2006

16. SEGMENTED INFORMATION

The Company 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.

	Three months ended August 31,		Nine months ended August 31,	
	2006 $	2005 $	2006 $	2005 $
Revenue				
Workforce Accommodations	2,839,562	327,442	10,864,695	1,787,002
Space Rentals	811,497	8,215	1,994,612	8,215
Site Services	847,121	257,929	2,010,412	525,980
Intersegment eliminations(1)	(380,956)	—	(564,294)	—
	4,117,224	593,586	14,305,425	2,321,197

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

	Three months ended August 31, 2006 $	2005 $	Nine months ended August 31, 2006 $	2005 $
Net Income				
Workforce Accommodations	648,375	(305,319)	3,499,542	168,712
Space Rentals	146,757	(36,427)	306,945	(36,427)
Site Services	133,522	51,586	367,650	105,196
Corporate and other	(744,071)	204,423	(2,701,989)	—
	184,583	(85,737)	1,472,148	237,481
Capital Expenditures				
Workforce Accommodations	4,429,126	2,996,134	11,302,899	6,404,213
Space Rentals	257,303	72,432	4,148,044	72,432
Site Services	4,331	—	44,191	9,100
Corporate and other	6,085	—	45,089	—
	4,696,845	3,068,566	15,540,223	6,485,745
Property and Equipment (net)				
Workforce Accommodations	21,967,884	8,312,052	21,967,884	8,312,052
Space Rentals	6,701,869	71,314	6,701,869	71,314
Site Services	77,906	9,100	77,906	9,100
Corporate and other	99,971	—	99,971	—
	28,847,630	8,392,466	28,847,630	8,392,466
Total Assets				
Workforce Accommodations	24,601,258	8,540,049	24,601,258	8,540,049
Space Rentals	7,267,947	573,374	7,267,947	573,374
Site Services	526,690	9,100	526,690	9,100
Corporate and other	435,014	—	435,014	—
	32,830,909	9,122,523	32,830,909	9,122,523

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and nine months ended August 31, 2006

17. COMMITMENTS

The Company 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:

	$
2006	28,992
2007	108,723
2008	97,099
2009	—
2010	—
	234,814

The Company has committed to purchase $19,819,089 of fleet equipment for delivery prior to January 31, 2007.

18. SUBSEQUENT EVENTS

On September 26, 2006, Black Diamond Income Fund (the “Fund”), in conjunction with the acquisition of the business of the Company, completed its initial public offering of trust units for $10 per trust unit (the “Offering”). The gross proceeds from the Offering were $35 million. The net proceeds of $32.1 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 then outstanding, and the remainder as an addition to working capital of the Company.

Prior to the closing of the Offering, a reorganization was completed pursuant to which all of the assets and liabilities of the Company were transferred to Black Diamond Limited Partnership. Black Diamond Limited Partnership is an indirect, wholly-owned subsidiary of the Fund.