



BLACKBIRD

BLACKBIRD ENERGY INC.

ANNUAL INFORMATION FORM

For the year ended
July 31, 2016

Dated October 21, 2016

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ABBREVIATIONS AND CONVERSION

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	Barrel	Mcf	thousand cubic feet
Mbbl	thousand barrels	MMcf	million cubic feet
bbls/d	barrels per day	Mcf/d	thousand cubic feet per day
BOE or boe	barrels of oil equivalent of natural gas and crude oil on the basis of 1 bbl for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either actual energy content or current prices)	Bcf	billion cubic feet
		MMcf/d	million cubic feet per day
		bbls/MMcf	barrels per million cubic feet
		m ³	metres cubed
Mboe	thousand barrels of oil equivalent	kPa	kilopascal
boe/d	barrels of oil equivalent per day	M\$	thousands of dollars
NGL	natural gas liquids	MMBtu	million British Thermal Units
2D	two dimensional seismic	3D	three dimensional seismic

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To convert from	To	Multiply by
Mcf	1,000 cubic metres of gas	0.028
1,000 cubic metres of gas	Mcf	35.493
bbl	cubic metres of oil	0.158
cubic metres of oil	bbl	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
GJ	MMBtu	0.950

PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

All oil and natural gas reserves information contained in this Annual Information Form has been prepared and presented in accordance with National Instrument 51-101– *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Certain terms used in this Annual Information Form but not otherwise defined in the Glossary of Terms are defined in NI 51-101 and, unless the context requires otherwise, shall have the same meanings herein as in NI 51-101. Actual oil and natural gas reserves and future production may be greater than or less than the estimates provided in this Annual Information Form. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves. The Corporation has adopted the standard of 6 Mcf:1 boe when converting natural gas to barrels of oil equivalent. A boe conversion ratio of 6 Mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading as an indication of value, particularly given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 boe.

SELECTED DEFINITIONS

In this Annual Information Form, the following words and phrases have the following meanings, unless the context otherwise requires:

"**AIF**" means this Annual Information Form;

"**BCBCA**" means *Business Corporations Act* (British Columbia);

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation as constituted from time to time;

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Evaluation Engineers (Calgary chapter), as amended from time to time;

"**Common Shares**" or "**Blackbird Shares**" means the common shares in the capital of the Corporation;

"**Corporation**" or "**Blackbird**" means Blackbird Energy Inc. and its subsidiaries;

"**Exchange**" or "**TSX-V**" means the TSX Venture Exchange;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**Options**" means incentive stock options granted pursuant to the Corporation's stock option plan;

"**Listed Warrants**" means the share purchase warrants issued pursuant to the Corporation's May 2016 short-form prospectus offering which have been listed for trading on TSX-V and which are governed by a warrant indenture dated May 19, 2016 entered into between Blackbird and Computershare Trust Company;

"**Preferred Shares**" means the preferred shares in the capital of the Corporation, issuable in series; and

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval accessible at www.sedar.com.

Certain terms used herein are defined in "Selected Definitions", above. Certain other terms used herein but not defined herein are defined in the COGE Handbook and NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information herein has been presented in Canadian dollars.

Information has been incorporated by reference in this AIF from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Corporation at 400, 444 5th Ave SW, Calgary,

Alberta T2P 2T8. These documents are also available through the internet through Blackbird's profile on SEDAR which can be accessed at www.sedar.com.

RESERVES DEFINITIONS

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

"Crude oil" or **"oil"** as described in the COGE Handbook means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas.

"Developed producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Developed non-producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"Gross" means:

- (a) in relation to the Corporation's interest in production or reserves, its "Corporation gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest, and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest.

"Natural gas liquids" or "NGLs" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus and condensates.

"Natural gas" means a naturally occurring mixture of hydrocarbon gases and other gases.

"Net" means:

- (a) in relation to the Corporation's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;
- (b) in relation to the Corporation's interest in wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and

- (c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**Undeveloped**" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

THE CORPORATION

General

Blackbird is a western Canadian based junior oil and gas company engaged in the acquisition, exploration, development and production of petroleum and gas interests in western Canada. Blackbird has properties located in the provinces of Alberta and Saskatchewan. See "Description of the Business".

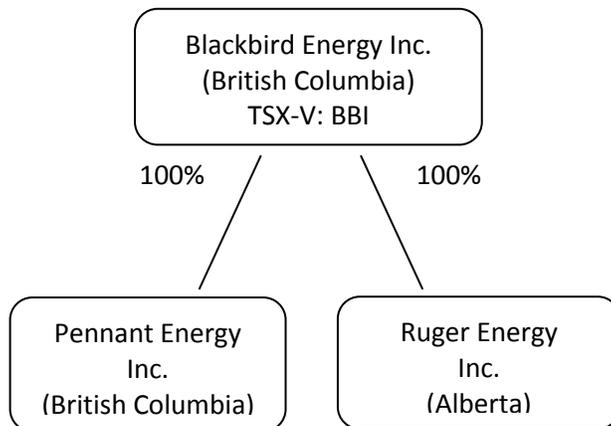
Blackbird's full corporate name is "Blackbird Energy Inc.". Blackbird is governed by the BCBCA. Its head office is located at 400, 444 5th Avenue SW, Calgary, Alberta T2P 2T8 and its registered and records office is located at Suite 409 – 221 West Esplanade, North Vancouver, British Columbia V7M 3J3.

The Corporation was incorporated under the BCBCA on September 21, 2006 under the name of "Blackbird Investments Inc." and amended its articles on March 25, 2010 to change its name to "Blackbird Energy Inc.". In addition, the articles of the Corporation were amended (i) on February 23, 2011 to allow for the use of uncertificated shares and electronic record keeping systems; and (ii) on February 20, 2014 to provide the directors the authority to, by resolution, subdivide or consolidate the Corporation's share capital and/or change the Corporation's name.

The Corporation is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Its Common Shares were listed and began trading on the TSX-V under the symbol "BBI" on July 14, 2009.

Intercorporate Relationships

Blackbird has two wholly-owned subsidiaries, being Ruger Energy Inc. ("**Ruger**"), a corporation existing under the laws of the Province of Alberta, and Pennant Energy Inc. ("**Pennant**"), a corporation existing under the laws of the Province of British Columbia, as follows:



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary of the business operations of the Corporation for the periods shown.

Year ended July 31, 2014

In October 2013, Blackbird, through Ruger, acquired certain oil and gas assets consisting of two sections of petroleum and natural gas rights comprising a total of 1,280 acres located in Bromhead in South East Saskatchewan (the "**Bromhead Project**") from Weyburn Energy Ltd. The acquisition provided Blackbird with a 100% working interest in two sections for a total purchase price of \$52,000, subject to a 6% non-convertible gross overriding royalty ("**GORR**") with a maximum of 25% deductions in favour of Weyburn Energy Ltd. and a 2% GORR in favour of Ralco Ventures.

On November 7, 2013, Blackbird completed a private placement by way of issuance of 26,148,463 units and 7,340,000 flow-through Common Shares for aggregate gross proceeds of \$3.1 million.

Between September 2013 and July 2014, Blackbird acquired holdings of Montney petroleum and natural gas rights in the Elmworth area of Alberta (the "**Elmworth Project**") comprising 28 sections (17,920 acres). On April 17, 2014, Blackbird completed the acquisition, by plan of arrangement (the "**Arrangement**"), of 100% of the issued and outstanding common shares in the capital of Pennant, in exchange for Blackbird Shares. At the time of the Arrangement, Pennant was an oil and liquids focused development and production company listed on the TSX-V with non-operated assets located in Saskatchewan and Alberta, including a 25% non-operated working interest in the Bigstone area (the "**Bigstone Project**"). Following closing of the Arrangement, together with Pennant's Bigstone interest, Blackbird's consolidated interest in the Bigstone Project increased to a 50% non-operated working interest (the "**Bigstone Asset**"). Completion of the Arrangement also resulted in Blackbird re-obtaining a 100% interest in the Dankin Project. The Arrangement constituted a significant acquisition for Blackbird and, pursuant to the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, the Corporation has filed a Business Acquisition Report in respect of the Arrangement on SEDAR at www.sedar.com.

Under the terms of the Arrangement, Pennant shareholders received, in exchange for each common share of Pennant held, 0.42857 of a Blackbird Share, for an aggregate total of 29,253,954 Common Shares. The Arrangement was structured as a plan of arrangement pursuant to the BCBCA, and resulted in Pennant becoming a wholly-owned subsidiary of Blackbird. The Arrangement was approved by the Pennant Shareholders, the TSX-V and the Supreme Court of British Columbia.

Year ended July 31, 2015

On September 15, 2014, Blackbird completed the sale of the Bigstone Asset, comprised of 8.0 gross (3.5 net) sections of Montney rights, to Delphi Energy Corp. for cash consideration of \$8.89 million (including applicable GST and customary industry adjustments).

On September 11, 2014, Blackbird purchased 85 net sections of Montney prospective land. Eight of such sections were contiguous with Blackbird's then existing 28 sections of land at the Elmworth Project and 77 sections of land are located in East Wapiti (the "**East Wapiti Project**"), northeast of the Elmworth Project. Completion of this land acquisition increased Blackbird's contiguous land position at the Elmworth Project to 36 sections.

In October 2014, Blackbird completed a non-brokered private placement of 24,138,241 special warrants (each of which were subsequently exercised for one Common Share) for gross proceeds of \$7.0 million and a brokered private placement of 86,207,000 special warrants (each of which were subsequently exercised for one Common Share) and 15,900,000 flow-through Common Shares for aggregate gross

proceeds of \$30.4 million. In connection with the brokered private placement, the syndicate of underwriters led by National Bank Financial Inc. received a cash commission in the amount of \$1.5 million.

On November 6, 2014, Blackbird announced that it had acquired a 100% interest in ten additional sections (6,400 net acres) of Montney rights (the "**Sections**") which were contiguous or located within one mile of the Corporation's Elmworth Project. The Corporation paid an aggregate purchase price of \$3,431,324 for the acquisition of the Sections from four separate arm's length vendors. Including the Sections, Blackbird held a 100% working interest in 46 contiguous sections (29,440 acres) and a total of 50 sections of Montney rights at the Elmworth Project.

In December 2014, Blackbird completed a non-brokered private placement of 16,150,555 flow-through Common Shares for aggregate gross proceeds of \$7.3 million.

On February 26, 2015, Blackbird announced that it had acquired a 100% working interest in 19 additional sections (12,160 net acres) of Elmworth Montney rights. The acquisition represented a 41% increase in the Corporation's Elmworth Montney land position. With the completion of the acquisition, Blackbird held a 100% working interest in 65 sections (41,600 net acres) at the Corporation's core Elmworth Montney project. Including the Corporation's four northern Grande Prairie sections, Blackbird held a total of 69 sections (44,160 net acres) of Montney rights in the greater Grande Prairie area.

On March 4, 2015, Blackbird announced that its first two 100% working interest Elmworth Montney wells, located at 6-26-70-07W6 ("**06-26**") and 5-26-70-07W6 ("**05-26**"), were successfully completed and tested.

On April 9, 2015, Blackbird announced that it had acquired a 100% working interest in twelve additional sections (7,680 net acres) of Elmworth Montney rights. The acquisition represented a 17% increase in the Corporation's Elmworth Montney land position. With the completion of the acquisition, Blackbird held a 100% working interest in 81 sections (51,840 net acres) at the Corporation's core Elmworth Montney project.

On June 1, 2015, the Corporation completed a sale of 18 wellbores and associated mineral rights from its Dankin, Flaxcombe, and Alsask properties for cash proceeds of \$50 thousand plus customary closing adjustments. The Corporation still owns its Alsask assets that are located in Alberta.

On June 2, 2015, 3 sections (1,920 net acres) of the Corporation's Elmworth Montney rights expired. With the expiries, Blackbird held a 100% working interest in 78 sections (49,920 net acres) as at July 31, 2015.

Year ended July 31, 2016

On October 27, 2015, Blackbird announced that it successfully drilled, logged, and cased its third 100% working interest Elmworth well, located at 02-20-70-7W6 ("**02-20**"). See the "Projects" heading below for more details.

On February 25, 2016, the Corporation entered into a Firm Full Path natural gas take-or-pay marketing agreement. See the "Projects" heading below for more details.

On March 8, 2016, Blackbird announced a 522% increase in proved plus probable reserves volumes. Blackbird's interim independent reserves assessment and evaluation as at January 31, 2016 was prepared by GLJ Petroleum Consultants ("**GLJ**"), the Corporation's independent reserves evaluator.

On May 19, 2016, the Corporation entered into a binding take-or-pay gas handling agreement with a third party for the firm transportation and processing of sour natural gas produced from the Elmworth Project. See the "Projects" heading below for more details.

On May 19, 2016, the Corporation completed a short-form prospectus offering (the "**Offering**") of 176,410,000 units ("**Units**") of the Corporation at a price of \$0.15 per Unit and 15,410,000 common shares of the Corporation ("**Common Shares**") issued on a "Canadian Development Expense ("**CDE**") flow-through" basis ("**Flow-Through Shares**") at a price of \$0.15 per Flow-Through Share for aggregate gross proceeds of \$28.8 million, which included 23,010,000 Units and 2,010,000 Flow-Through Shares issued pursuant to the exercise in full of the agents' over-allotment options. Each Unit consisted of one Common Share and one Listed Warrant. Each Listed Warrant entitles the holder thereof to acquire, subject to adjustment in accordance with the indenture governing the Listed Warrants, one Common Share (each, a "**Warrant Share**") at an exercise price of \$0.30 per Warrant Share, at any time prior to the date that is 60 months following the closing date of the Offering. The Listed Warrants commenced trading at the opening of markets on May 25, 2016, on the TSX-V under the symbol "BBI.WT".

On July 28, 2016, Blackbird entered in a subscription agreement (the "**Subscription Agreement**") for the acquisition of a minority interest in SC Holding Corporation ("**SCHC**"). Under the terms of the Agreement, Blackbird will acquire an aggregate of 117,339 common shares of SCHC for a total purchase price of \$3,000,000, payable in cash, which shares will represent an approximately 10% indirect interest in the issued and outstanding common shares of SCHC's majority-owned subsidiaries, Stage Completions Inc. ("**Stage**") and SC Asset Corporation, (collectively, the "**Stage Acquisition**"). Stage is a private Canadian technology and services company that specializes in pinpoint multistage completions. On September 22, 2016, Blackbird announced that it had received final approval from the TSX-V for the Stage Acquisition. The financial conditions required by the Subscription Agreement have been satisfied, as Blackbird has received an independent valuation of Stage from a large international accounting firm. The Stage system was successfully installed and tested in the first of two condition wells during September, 2016. At this time, the Stage Acquisition remains subject to the successful installation and test of the Stage system in the second of the two condition wells. Effective, September 22, 2016, Blackbird amended the Subscription Agreement to extend the closing date for the Stage Acquisition to no later than December 15, 2016.

Recent Developments

On September 29, 2016, Blackbird appointed Mr. Josh Wylie to the position of Vice President, Land. Mr. Wylie was promoted from his previous position serving as the Corporation's Land Manager.

On September 29, 2016, the Corporation entered into a \$1.0 million revolving operating loan facility with Alberta Treasury Branches.

On September 29, 2016, Blackbird announced the commencement of its fall drill program. See the "Projects" heading below for more details.

On September 29, 2016, Blackbird announced that it had received regulatory approval from the Alberta Energy Regulator for its 100% owned and operated Elmworth facility (the "**Facility**") and pipeline gathering system (the "**Gathering System**"). See the "Projects" heading below for more details.

DESCRIPTION OF THE BUSINESS

Overview

Blackbird is focused on exploring and developing new high quality oil and liquids rich gas projects in northwest Alberta. Blackbird's core project is the Elmworth Project located near Grande Prairie, Alberta, targeting the Montney formation, which is currently being developed by the Corporation.

Corporate Strategy

Accretive acquisitions of oil and gas properties which are synergistic to the Corporation's operational focus are a component of the Corporation's growth plans.

As part of this strategy, the Corporation:

- Strives to identify oil and gas projects targeting the Montney formation;
- Focuses on completing timely land acquisitions of repeatable and scalable plays; and
- Pursues growth through successful drilling in the Montney with the intent of building a multi-zone resource.

In an effort to achieve sustainable growth, in reviewing potential acquisition opportunities, the Corporation gives consideration to the following criteria:

- risk capital to secure or evaluate the opportunity;
- the potential return on the project, if successful;
- the likelihood of success; and
- risked return versus cost of capital.

The Board may however, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the Board's consideration of the qualitative aspects of the subject properties, including risk profile, technical upside, reserve life, strategic importance and asset quality.

Projects

Elmworth Project

Description and Location

As of the date of this AIF, Blackbird's core project, the Elmworth Project, consists of 88.75 gross sections (56,800 gross acres) or 87.25 net sections (55,840 net acres) of Montney land located near Grande Prairie, Alberta. 72.0 sections of these Elmworth lands are subject to a gross overriding royalty of 2%.

Of the Corporation's 88.75 gross (87.25 net) sections of Elmworth Montney land there are 19.0 gross (19.0 net) sections which have expiry dates occurring within the next fiscal year. The Corporation has 1.0 gross (1.0 net) section of land with an indefinite expiry date, based on the productive life of the well. The remaining 68.75 gross (67.25 net) sections have expiry dates ranging from fiscal 2017 to 2021.

Infrastructure

On September 29, 2016, Blackbird announced that it had received regulatory approval from the Alberta Energy Regulator for its 100% owned and operated Elmworth Facility and Gathering System. The Corporation commenced construction on these projects immediately following the receipt of approval. Prior to the regulatory approval all front end engineering had been completed, and all long lead items were ordered.

Blackbird's Facility located at 12-14-70-7W6 will have an initial capacity of approximately 10 mmcf/d of natural gas plus associated liquids of approximately 1,500 bbls/d, for aggregate throughput of approximately 3,150 boe/d. The Facility includes liquids recovery and stabilization. The Facility has been designed to allow for future production expansion.

Blackbird's Gathering System will encompass approximately 10 km of pipeline and will facilitate the tie-in of Blackbird's behind pipe and future production from at least seven well pads located at its western acreage south of the Wapiti River.

The estimated completion date for this project is the end of December, 2016.

Transportation, Processing and Marketing

On May 19, 2016, Blackbird entered into a binding take-or-pay gas handling agreement with a third party for the firm transportation and processing of sour natural gas produced from the Elmworth Project. The agreement provides firm service transportation to the third party's sour gas plant and processing of 6.3 mmcf/d of natural gas and associated liquids. The agreement is effective on November 1, 2016 (the "**Effective Date**"), with the take or pay fee applicable from the date of first delivery, being no later than January 1, 2017, subject to certain third party facility enhancements and regulatory approvals. The agreement will continue for 24 months from the Effective Date.

On February 25, 2016, Blackbird entered into a Firm Full Path natural gas take-or-pay marketing agreement with a term beginning on October 1, 2016 and ending on October 31, 2020. The agreement allows for the transportation of 5 million cubic feet of processed natural gas per day to the Alliance Chicago Exchange Hub.

Drilling Program

On September 29, 2016, Blackbird also announced the commencement of its fall drill program. The drill program consists of the Corporation's fourth 100% working interest Elmworth Montney horizontal well targeting the Upper Montney. The well will be spud from surface location 10-8-70-07W6 with a lateral length of approximately 2,150 meters to location 02/02-20-70-7W6 (the "02/02-20 well"). The 02/02-20 well was spud at the beginning of October, 2016. Blackbird is planning a 02/02-20 completion program using Stage's Bowhead II fracturing system.

Drilling Results

On October 27, 2015, Blackbird announced that it successfully drilled, logged, and cased its third 100% working interest Elmworth well, located at 02-20. This location was selected based on extensive geological research, competitor data, and proximity to planned infrastructure.

The 02-20 well drill program included the drilling of a vertical pilot well from surface location 10-8-70-7W6 to a vertical depth of 2,582 meters. The vertical pilot well was then logged from surface to the bottom of the Lower Montney. Upon completion of logging operations, Blackbird drilled a horizontal leg of 2,008 meters, targeting the Middle Montney formation, to bottom-hole location 02-20-70-7W6. The measured depth of the 02-20 well is 4,660 meters. Blackbird realized cost savings from utilizing a monobore.

Blackbird incurred approximately \$0.6 million for drilling and logging of the pilot well, \$3.3 million for drilling of the 02-20 well, \$6.7 million for the completion of the 02-20 well and \$3.9 million for testing operations and other post-completion costs.

The 02-20 well was spud on September 24, 2015 and drilling operations were completed in 32 days from spud to rig release, including 8 days to drill and log the vertical pilot well.

Blackbird completed the well using sliding sleeve frac technology and an energized CO2 foam frac with 70 individual stages. A total of 10,531 m³ (88,317 Bbls) of load fluid and 9,226 m³ of CO2 distributed an average of 31.75 tonnes of proppant per stage over the 70 stages.

On January 28, 2016, Blackbird released the production test results for the 02-20 well. Results from the final 24 hours of the test are as follows:

Well	Average Flowing Casing Pressure (kPa) ⁽¹⁾	Raw Gas (mmcf/d) ⁽²⁾	Liquid Hydrocarbons (bbls/d) ⁽²⁾⁽³⁾	Total Combined Production (boe/d) ⁽²⁾	Liquids to Gas Ratio (bbls/mmcf)
02-20	7,973	6.8	641	1,768	94

Notes:

- 1) The 02-20 well produced through a 19.05 millimeter choke at the beginning of the final 24 hour test period and a 21.30 millimeter choke at the end of the final 24 hour test period.
- 2) The 02-20 well average rates over the final 24 hours of the test.
- 3) The 02-20 well total liquid hydrocarbons are comprised of 316 Bbls of free condensate and 325 Bbls of estimated natural gas liquids based on the composition from the 06-26 gas analysis.

The 02-20 well flowed on clean-up for a total of 751 hours and recovered approximately 43% of its load fluid, in addition to 481.4 m³ (3,027 bbls) of condensate and 2,150 e3m³ of CO2. During the final 24 hour test the casing pressure averaged 7,973 kPa.

During the final 24 hour test, the flow rate of the 02-20 well was restricted in order to limit production to 275 10³m³ of total gas per day (combined raw gas, CO2 and N2), in accordance with Blackbird's flare permit.

East Wapiti Project

The Corporation's Wapiti Project consists of 77 net sections (49,280 net acres) in a Montney resource prospective corridor north east of Blackbird's Elworth Project. Blackbird has only begun its initial geological review but has begun to identify prospective targets.

Alsask Project

The Corporation holds a 100% working interest in 1.0 net section (640 net acres) of its Alsask Project land which is located near the Alberta/Saskatchewan border. The Alsask land is located in Alberta. All wells belonging to this property remained shut-in during the year ended July 31, 2016. The property also has a water disposal well.

Pembina Project

The Corporation holds a 24% working interest in certain petroleum and natural gas rights in one section of land and a standing Nisku formation sour gas/condensate well in the Pembina Field, Alberta.

Ferrier Project

The Corporation currently holds a 26.6% working interest in one well, which is subject to a 7.1% non-convertible gross overriding royalty.

Watts Project

The Corporation currently holds 50% working interests in certain petroleum and natural gas rights in 2 sections of land and a reversionary working interest of 50% before pay out / 25% after pay out in a producing gas well and 25% interest in certain petroleum and natural gas rights in the section.

Employees, Executive and Key Personnel

As at July 31, 2016, Blackbird had five employees and six executive officers. As of the date of this AIF, Blackbird had five employees and seven executive officers. The executive officers noted are also considered employees of the Corporation.

Competitive Conditions

The oil and gas industry in Canada is highly competitive particularly as it pertains to the search for and development of new sources of oil and natural gas reserves, the construction and operation of oil and natural gas pipelines and facilities, and the transportation and marketing of oil, natural gas, sulphur and other petroleum products. Blackbird's competitors include numerous other independent oil and gas companies, some of which have greater financial, technical and other resources than Blackbird. See "Risk Factors — Competition".

Seasonal Factors

The exploration for, and development of, oil and natural gas reserves is dependent on access to areas where exploration and production activities are to be conducted. Seasonal weather variations affect access in certain circumstances as wet weather and spring thaw may make the ground unstable.

Consequently, municipalities and provincial transportation departments may at times restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. See “Risk Factors — Seasonality”.

Pricing and Marketing

The price of the vast majority of natural gas produced in western Canada is determined through highly liquid market hubs such as the Alberta Nova Inventory Transfer (“**NIT**”) hub rather than through direct negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the National Energy Board (“**NEB**”) and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada.

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil type and quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance.

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which could potentially have a significant negative impact on earnings and overall competitiveness. See “Risk Factors — Environmental Risks and Regulations” and “Risk Factors — Climate Change”.

Social and Environment Policies

The Corporation has not implemented any social or environmental policies that are fundamental to its operations.

Specialized Skill and Knowledge

Management of the Corporation believes that its success is dependent on the performance of Blackbird’s management, employees, consultants and other service providers, many of whom have specialized knowledge and skills relating to oil and gas operations and public company management. The Corporation has been able to acquire the skill, knowledge and service of these persons as needed in the past and believes that it will be able to continue to do so as needed in the future. The loss of any of these could have an adverse effect on Blackbird. See “Risk Factors — Reliance on Key Personnel”.

Land Tenure

Crude oil and natural gas located in Alberta and Saskatchewan is owned predominantly by the respective provincial governments, generally termed the “crown”. Provincial governments grant rights to explore for and produce oil and natural gas under leases, licenses and permits with terms generally varying from two years to five years and on conditions contained in provincial legislation.

Leases, licenses and permits may be continued indefinitely by producing under the lease, license or permit. Some of the oil and natural gas located in these provinces is freehold (privately owned) and rights to explore for and produce oil and natural gas are granted by lease on negotiated terms and conditions.

Royalties

Alberta has legislation and regulations which govern royalties. The royalty regime is a significant factor in the profitability of oil and natural gas production. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the royalty rate payable generally depends in part on the prescribed reference prices for the oil and natural gas, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The Corporation has filed the following documents, effective July 31, 2016, as required under NI 51-101. These documents are incorporated by reference into this AIF and available for review under Blackbird's profile at www.sedar.com.

- *NI 51-101F1 – Statement of Reserves Data and Other Oil and Gas Information.* Blackbird's Statement of Reserves Data and Other Oil and Gas Information on Form 51-101F1 filed on SEDAR on October 21, 2016, is dated effective July 31, 2016 (the "**Statement**") and was evaluated by GLJ, an independent qualified reserves evaluator as defined under NI 51-101. For a complete description of the oil and natural gas reserves of Blackbird, the assumptions, qualifications and procedures associated with the information in the Statement, reference should be made to the full text of the Statement, which is available for review under Blackbird's profile on SEDAR at www.sedar.com.
- *NI 51-101F2 – Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor,* filed on SEDAR on October 21, 2016.
- *NI 51-101F3 – Report of Management and Directors on Oil and Gas Disclosure,* filed on SEDAR on October 21, 2016.

Elmworth Reserves

Blackbird had a significant increase to its reserves during the year ended July 31, 2016, due to the successful drilling, completion and testing of its third Elmworth Montney well, the 02-20. This well was shut-in after testing operations. All reserves as of July 31, 2016, are attributable to the Elmworth property. In summary, the Corporation reported the following reserves, before royalties:

	LIGHT AND MEDIUM OIL			NATURAL GAS LIQUIDS ⁽¹⁾		
Date	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved + Probable (Mbbbl)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved + Probable (Mbbbl)
July 31, 2016	0	0	0	1,132	1,242	2,374
	SHALE GAS			BOE		
Date	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved + Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved + Probable (Mboe)
July 31, 2016	11,294	13,315	24,609	3,014	3,461	6,475

Notes:

(1) Natural gas liquids include condensate reserves.

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates set forth above are based on current production forecasts, prices and economic conditions. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

DIVIDENDS

Blackbird has not paid any dividends since its incorporation. Any determination to pay any future dividends will remain at the discretion of the Board and will be made based on Blackbird's financial condition and other factors deemed relevant by the Board. There are no restrictions that could prevent Blackbird from paying dividends or distributions.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at July 31, 2016, there were 550,022,675 Common Shares and no Preferred Shares issued and outstanding. As at the date of this AIF, there were 550,407,675 Common Shares and no Preferred Shares issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and Preferred Shares:

Common Shares

Blackbird is authorized to issue an unlimited number of Common Shares. The holders of Common Shares are entitled to dividends, if, as and when declared by the Board, entitled to one vote per share at meetings of the holders of Common Shares and, upon dissolution, entitled to share equally in such assets of Blackbird as are distributable to the holders of Common Shares and subject to the rights of the holders of Preferred Shares.

Preferred Shares

Blackbird is authorized to issue an unlimited number of Preferred Shares. Preferred Shares may be issued in one or more series. Subject to the BCBCA, the Board may, by resolution, if none of the shares of any particular series are issued, alter the Articles of Blackbird and authorize the alteration of the notice of articles of Blackbird, as the case may be, to do one or more of the following:

- (a) determine the maximum number of shares of that series that Blackbird is authorized to issue, determine that there is no such maximum number, or alter any such determination;
- (b) create an identifying name for the shares of that series, or alter any such identifying name; and
- (c) attach special rights or restrictions to the shares of that series, or alter any such special rights or restrictions.

The holders of Preferred Shares shall be entitled, on the liquidation or dissolution of Blackbird, whether voluntary or involuntary, or on any other distribution of its assets among the holders of Common Shares for the purpose of winding up its affairs, to receive, before any distribution is made to the holders of Common Shares or any other shares of Blackbird ranking junior to the Preferred Shares with respect to the repayment of capital on the liquidation or dissolution of Blackbird, whether voluntary or involuntary, or on any other distribution of its assets among the holders of Common Shares for the purpose of winding up its affairs, the amount paid up with respect to each Preferred Share held by them, together with the fixed premium (if any) thereon, all accrued and unpaid cumulative dividends (if any and if preferential) thereon, which for such purpose shall be calculated as if such dividends were accruing on a day-to-day basis up to the date of such distribution, whether or not earned or declared, and all declared and unpaid non-cumulative dividends (if any and if preferential) thereon. After payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of Blackbird, except as specifically provided in the special rights and restrictions attached to any particular series. All assets remaining after payment to the holders of Preferred Shares as aforesaid shall be distributed ratably among the holders of the Common Shares.

Except for such rights relating to the election of directors on a default in payment of dividends as may be attached to any series of the Preferred Shares by the Board, holders of Preferred Shares shall not be entitled, as such, to receive notice of, or to attend or vote at, any general meeting of holders of Common Shares.

MARKET FOR SECURITIES

Blackbird’s Trading Price and Volume

Blackbird’s Common Shares are listed on the TSX-V under the symbol “BBI”. The following table provides the price ranges and trading volume of the Common Shares as reported by the TSX-V for the periods indicated:

Month	High (\$)	Low (\$)	Volume
October 2016 (up to October 21)	0.44	0.30	29,852,554
September 2016	0.32	0.28	26,639,000
August 2016	0.34	0.25	57,013,000
July 2016	0.25	0.15	48,190,200
June 2016	0.16	0.13	22,505,200
May 2016	0.14	0.12	29,637,400
April 2016	0.18	0.14	15,434,100
March 2016	0.17	0.13	18,622,500
February 2016	0.16	0.13	11,990,000
January 2016	0.16	0.12	15,347,400
December 2015	0.17	0.14	5,352,700
November 2015	0.18	0.17	5,477,500
October 2015	0.20	0.16	9,180,900
September 2015	0.20	0.14	11,806,600
August 2015	0.15	0.11	7,169,600

Blackbird’s Listed Warrants are listed on the TSX-V under the symbol “BBI.WT”. The following table provides the price ranges and trading volume of the Listed Warrants as reported by the TSX-V for the periods indicated:

Month	High (\$)	Low (\$)	Volume
October 2016 (up to October 21)	0.21	0.13	12,819,045
September 2016	0.14	0.12	7,040,100
August 2016	0.14	0.08	22,524,332
July 2016	0.08	0.05	16,056,281
June 2016	0.06	0.03	9,328,350
May 2016 (commencing on May 25)	0.04	0.03	13,083,250

Prior Sales

The following table provides details regarding all Common Shares or securities convertible into Common

Shares that have been issued by the Corporation during the period from August 1, 2015 to the date of this AIF:

Date	Type of Security ⁽¹⁾	Type of Issuance	Number of Securities ⁽²⁾	Issue Price or Deemed Issue Price Per Security ⁽³⁾
August 5, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	428,570	\$0.1167
September 21, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	428,570	\$0.1167
October 8, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	214,285	\$0.1167
October 8, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	257,142	\$0.1167
October 8, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	214,285	\$0.1167
October 8, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	205,714	\$0.1167
October 8, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	85,714	\$0.1167
October 14, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	428,570	\$0.1167
October 15, 2015	Common Shares	Warrant Exercise ⁽⁶⁾	94,285	\$0.1167
October 23, 2015	Common Shares	Warrant Exercise ⁽⁵⁾	44,000	\$0.15
November 5, 2015	Common Shares	Warrant Exercise ⁽⁵⁾	359,111	\$0.15
November 5, 2015	Common Shares	Warrant Exercise ⁽⁵⁾	16,000	\$0.15
November 6, 2015	Options	Option Grant	7,800,000	\$0.18
December 2, 2015	Common Shares	Option Exercise ⁽⁴⁾	500,000	\$0.105
December 8, 2015	Common Shares	Option Exercise ⁽⁴⁾	450,000	\$0.10
May 19, 2016	Common Shares	Unit Financing	176,410,000	\$0.15
May 19, 2016	Listed Warrants	Unit Financing	176,410,000	\$0.30
May 19, 2016	Common Shares	Flow-Through Financing	15,410,000	\$0.15
July 13, 2016	Common Shares	Warrant Exercise ⁽⁵⁾	277,778	\$0.15
August 3, 2016	Common Shares	Option Exercise ⁽⁴⁾	350,000	\$0.20
August 11, 2016	Options	Option Grant	500,000	\$0.33
September 1, 2016	Common Shares	Option Exercise ⁽⁴⁾	20,000	\$0.10
September 19, 2016	Common Shares	Warrant Exercise ⁽⁵⁾	15,000	\$0.15

Notes:

- (1) A reference to "Options" represents incentive stock options granted pursuant to the Corporation's incentive stock option plan. A reference to "Listed Warrants" represents the listed warrants issued on May 19, 2016 as part of the Offering.
- (2) For options and listed warrants, this represents the maximum number of Common Shares issuable upon exercise of the options or listed warrants, as applicable, to purchase Common Shares.
- (3) For options and listed warrants, this represents the exercise price per Common Share of the options or listed warrants, as applicable, to purchase Common Shares.
- (4) Represents Common Shares issued upon the exercise of previously granted options of the Corporation.
- (5) Represents Common Shares issued upon the exercise of outstanding warrants of the Corporation.
- (6) Represents Common Shares issued upon the exercise of outstanding warrants or incentive stock options of Pennant which became exercisable for Common Shares following completion of the Arrangement.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The directors of Blackbird are elected at each annual general meeting and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with Blackbird's Articles or until such director's earlier death, resignation or removal. The Board currently consists of Garth Braun, William L. Macdonald, Ron Schmitz, Sean Campbell, Kevin Andrus, and Burton Joel Ahrens.

The following table sets forth, for each of the directors and executive officers of Blackbird, the individual's name, municipality of residence, position held with Blackbird, principal occupation and, in the case of the directors, the period during which the individual has served as a director of Blackbird:

Name of Province or State and Country of Residence and Position(s) with Blackbird	Principal Occupation, Business or Employment for Last Five Years	Director and/or Officer Since	Number of Common Shares Owned⁽¹⁾
Garth Braun BC, Canada <i>Chairman, Chief Executive Officer and President</i>	Chief Executive Officer of the Corporation since November 2009.	November 9, 2009	9,285,981 ⁽³⁾
William L. Macdonald⁽²⁾ BC, Canada <i>Director</i>	Solicitor, founder and principal of Macdonald Tuskey LLP, Corporate and Securities Lawyers since April 2008.	May 16, 2008	1,537,000 ⁽⁴⁾
Ron A. Schmitz⁽²⁾ BC, Canada <i>Director</i>	Principal and President of ASI Accounting Services Inc. since 1995.	July 3, 2008	1,435,631 ⁽⁵⁾
Sean Campbell AB, Canada <i>Director</i>	President, Chief Executive Officer and Director of Stage Completions Inc. Prior thereto, Vice President of Suretech Completions Canada Ltd. and President of Sure Tech Tool Services Inc. from 2009 to 2011.	December 14, 2012	26,584,138 ⁽⁷⁾
Kevin Andrus⁽²⁾ Colorado, United States <i>Director</i>	Portfolio Manager of Energy Investments for GMT Capital Corp. since October 2011. Prior thereto, Lead Portfolio Manager with Colorado Capital Advisors LLC from January 2006 to December 2011.	September 29, 2014	115,000

Name of Province or State and Country of Residence and Position(s) with Blackbird	Principal Occupation, Business or Employment for Last Five Years	Director and/or Officer Since	Number of Common Shares Owned ⁽¹⁾
Burton Joel Ahrens New York, United States <i>Director</i>	President of The Edgehill Corporation.	May 20, 2015	474,450 ⁽⁶⁾
Joshua Mann AB, Canada <i>Vice President, Business Development</i>	Vice President, Business Development of the Corporation since September 2013. Prior thereto, Investment Banker with Stifel Nicolaus Weisel from March 2011 to August 2013.	September 1, 2013	245,594
Ralph Allen AB, Canada <i>Vice President, Geoscience</i>	Vice President, Geoscience (formerly Vice President, Exploration) of the Corporation since March 2014. Prior thereto, Instructor in Share Resource Evaluation with PetroSkills from January 2013 to January 2014 and President of Ralco Ventures Ltd. from August 1987 to January 2013.	March 1, 2014	1,133,500
Craig Wiebe AB, Canada <i>Vice President, Exploration</i>	Vice President, Exploration of the Corporation since January 2015. Prior thereto, held positions with ARC Oil and Gas, Grad and Walker Resources, Amber Energy, Encana, and Standard Energy.	January 22, 2015	340,000 ⁽⁸⁾
Jeffrey Swainson AB, Canada <i>Chief Financial Officer and Corporate Secretary</i>	Chief Financial Officer of the Corporation since February 2015. Prior thereto, was Controller of the Corporation. Previously held positions with Sonde Resources Corp., Chevron Canada Resources, and BDO Canada LLP.	February 19, 2015	500,000
Don Noakes AB, Canada <i>Vice President, Operations</i>	Vice President, Operations of the Corporation since March 2015. Prior thereto, held positions with Murphy Oil, Mosaic Energy Ltd, APL Oil and Gas, Bow Valley Energy, and Culane Energy.	March 31, 2015	700,000

Name of Province or State and Country of Residence and Position(s) with Blackbird	Principal Occupation, Business or Employment for Last Five Years	Director and/or Officer Since	Number of Common Shares Owned ⁽¹⁾
Josh Wylie AB, Canada <i>Vice President, Land</i>	Vice President, Land of the Corporation since September 2016. Prior thereto, was Land Manager of the Corporation.	September 29, 2016	524,764 ⁽⁹⁾

Notes:

- (1) The information as to Common Shares beneficially owned, not being within the knowledge of Blackbird, has been obtained from SEDI or furnished by the directors individually. Does not include Common Shares issuable upon exercise of Options or share purchase warrants including Listed Warrants. Information is presented as at October 21, 2016.
- (2) Member of Audit Committee.
- (3) Of the 9,285,981 Common Shares held by Mr. Braun, 300,000 Common Shares are registered in the name of Mr. Braun's spouse and 2,050,000 Common Shares are registered in the name of G.K. Braun Limited, a company controlled by Mr. Braun.
- (4) Of the 1,537,000 Common Shares held by Mr. Macdonald, 100,000 Common Shares are registered in the name of Black Prince Investments Ltd., a company controlled by Mr. Macdonald.
- (5) Of the 1,435,631 Common Shares held by Mr. Schmitz, 200,000 Common Shares are registered in the name of Mr. Schmitz's spouse and 500,683 Common Shares are registered in the name of RAS Capital Corp., a company controlled by Mr. Schmitz.
- (6) Of the 474,450 Common Shares held by Mr. Ahrens, 100,000 Common Shares are registered in the name of Mr. Ahrens' spouse, 34,450 Common Shares are registered in the name of Carole Eisner, 40,000 Common Shares are registered in the name of Sheldon Nadler, and 20,000 Common Shares are registered in the name of Theodore Levine.
- (7) Of the 26,584,138 Common Shares held by Mr. Campbell, 24,760,000 Common Shares are registered in the name of 1597072 Alberta Ltd., a company controlled by Mr. Campbell.
- (8) Of the 340,000 Common Shares held by Mr. Wiebe, 240,000 Common Shares are registered in the name of Mr. Wiebe's spouse.
- (9) Of the 524,764 Common Shares held by Mr. Wylie, 225,957 Common Shares are registered in the name of Mr. Wylie's spouse.

As a group, directors and executive officers of Blackbird beneficially own, control or direct, directly or indirectly, an aggregate of 42,876,058 Common Shares, or approximately 8%, of the issued and outstanding Common Shares based on 550,407,675 Common Shares issued and outstanding as at the date hereof on a non-diluted basis.

Mr. Andrus is the Portfolio Manager of Energy Investments for GMT Capital Corp., a private investment company, which, at the date of this AIF, held an aggregate of 85,456,200 Common Shares representing approximately 16% of the issued and outstanding Common Shares at that date. The holdings of GMT have not been included in the aggregate holdings of the directors and officers as Mr. Andrus does not alone exercise control or direction over those Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of Blackbird management's knowledge, no director or executive officer of Blackbird is or has been within 10 years before the date of this AIF, a director, CEO or CFO of any company (including Blackbird) that: (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied that person or company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO.

Except as disclosed herein, to the best of Blackbird's management's knowledge, no director, executive officer or shareholder holding a sufficient number of Common Shares to materially affect control of Blackbird: (i) is or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

In July 2013, Huldra Silver Inc. ("**Huldra**") sought and obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"). Garth Braun was the Chief Financial Officer of Huldra from June 23, 2010 until January 20, 2015. In November 2014, Huldra implemented its CCAA restructuring in accordance with the terms and conditions of its Plan of Compromise and Arrangement Plan (the "**Plan**") under the CCAA. The Plan was approved by the creditors of Huldra on September 23, 2014 and sanctioned by the Supreme Court of British Columbia on October 10, 2014. The monitor under the CCAA proceedings subsequently filed the certificate of Plan implementation with the Supreme Court of British Columbia on November 21, 2014 and the stay of proceedings granted to Huldra pursuant to the CCAA proceedings has now been terminated. Upon filing of the final certificate by the monitor with the Supreme Court of British Columbia confirming that all distributions to Huldra's creditors have been made in accordance with the Plan, Huldra has exited CCAA creditor protection.

To the best knowledge of Blackbird's management, no director, executive officer or shareholder holding a sufficient number of Common Shares to materially affect control of Blackbird has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision with respect to the Common Shares.

Conflicts of Interest

Mr. Garth Braun, the Corporation's Chairman, Chief Executive Officer and President is also a director of Stage and Sean Campbell, a director of Blackbird, holds an indirect controlling interest in Stage and is also the President, Chief Executive Officer and a director of Stage. The Corporation will handle any conflict of interest that may arise between Mr. Braun and Mr. Campbell and the Corporation in accordance with its policies and

the provisions of the BCBCA. To that end, Mr. Braun and Mr. Campbell have each declared their conflict and have abstained and will continue to abstain from voting as a Board member of Blackbird on any matters related to Stage and the Corporation.

To the best of Blackbird's knowledge, there are no other known existing or potential conflicts of interest between Blackbird and any director or officer of Blackbird, except that certain of the directors of Blackbird serve as directors and officers of other public companies and it is therefore possible that a conflict may arise between their duties as a director or officer of Blackbird and their duties as a director or officer of such other companies. Where such conflicts arise, directors are required to disclose their interests and refrain from voting on the transaction. In appropriate cases, Blackbird will establish a special committee of independent non-executive directors to review a matter in which one or more directors or management may have a conflict.

AUDIT COMMITTEE

As a TSX-V issuer, Blackbird is required to have an audit committee (the "**Committee**") comprised of not less than three directors, a majority of whom are not officers, control persons or employees of Blackbird or an affiliate of Blackbird. Blackbird's current Audit Committee consists of Ron Schmitz, William L. Macdonald and Kevin Andrus.

Audit Committee Charter

The Corporation has adopted a charter of the Committee, which is attached as Schedule "A" to this AIF.

Composition of Audit Committee and Independence

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with Blackbird, which could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment. Of the three members of the Audit Committee, none of the members are considered to be independent as that term is defined in NI 52-110. Kevin Andrus is not considered to be independent under NI 52-110 as he has a material relationship with GMT Capital Corp., which holds 16% of Blackbird's issued and outstanding Common Shares at the date of this AIF, as Portfolio Manager of Energy Investments. Ron Schmitz is not considered to be independent under NI 52-110 because he was the Chief Financial Officer of Blackbird until February 2015. William L. Macdonald is not considered to be independent under NI 52-110 because he indirectly receives consulting, advisory or other compensatory fees through Macdonald Tuskey, a law firm which Blackbird engages, of which he is a founder and principal.

Relevant Education and Experience

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Blackbird's financial statements. All of the members of the Committee are financially literate as that term is defined in NI 52-110.

Ron A. Schmitz – Mr. Schmitz is the Principal and President of ASI Accounting Services Inc., which has provided administrative, accounting and office services to public and private companies since July 1995. Mr. Schmitz has been the Chief Financial Officer and a director of various public companies since 1997.

William L. Macdonald – Mr. Macdonald is a founder and principal of Macdonald Tuskey LLP, Corporate and Securities Lawyers, a boutique securities and corporate finance firm located in Vancouver, British Columbia established in April 2008. Prior thereto, from February 1998 to April 2008, Mr. Macdonald was a partner with Clark Wilson LLP and a member of the firm’s Corporate Finance / Securities Practice Group. Mr. Macdonald has been a member of the Law Society of British Columbia since February 1998 and a member of the New York State Bar since February 2002. Mr. Macdonald obtained his Bachelor of Law degree from the University of Western Ontario in 1997 and his Bachelor of Arts degree from Simon Fraser University in 1993 and has been a director of various public companies since 2008.

Kevin Andrus – Mr. Andrus is the Portfolio Manager of Energy Investments with GMT Capital Corp., a private investment company based in Atlanta, Georgia. A graduate of the Masters of Business Administration program from Regis University, Mr. Andrus is also a Chartered Financial Analyst charter holder who has spent the past two decades with various investment management companies. Mr. Andrus also sits on the boards of Boulder Energy Ltd. and Granite Oil Corp.

Audit Committee Oversight

Since the commencement of Blackbird’s most recently completed financial year, the Committee has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of Blackbird’s most recently completed financial year, Blackbird has not relied on:

- (a) the exemption in Section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

Blackbird’s Audit Committee Charter contains policies and procedures for the engagement of non-audit services.

Audit Fees

Fees incurred by Davidson & Company LLP, Chartered Accountants, auditors to Blackbird, for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

Nature of Services	Fees Paid to Auditor in Year Ended July 31, 2016	Fees Paid to Auditor in Year Ended July 31, 2015
Audit Fees ⁽¹⁾	\$65,000	\$65,000
Audit-Related Fees ⁽²⁾	\$7,500	\$7,500

Nature of Services	Fees Paid to Auditor in Year Ended July 31, 2016	Fees Paid to Auditor in Year Ended July 31, 2015
Tax Fees ⁽³⁾	\$10,000	\$14,850
All Other Fees ⁽⁴⁾	Nil	Nil
Total	\$82,500	\$87,350

Notes:

- (1) "Audit Fees" (billed or accrued) include fees necessary to perform the annual audit of Blackbird's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" (billed or accrued) include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" (billed or accrued) include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

Exemption in Section 6.1

Blackbird is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in Section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Blackbird is not aware of any existing or contemplated legal proceedings material to Blackbird, to which Blackbird is, or during the financial year ended July 31, 2016 was, a party or of which any of its property is, or during the financial year ended July 31, 2016 was, subject.

Management of Blackbird is not aware of any penalties or sanctions imposed against Blackbird by a court relating to securities legislation or by a securities regulatory authority during the financial year ended July 31, 2016 or any other penalties or sanctions imposed by a court or regulatory body against Blackbird that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation or a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of voting securities of the Corporation, or any associate or affiliate of any such person, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Blackbird are Davidson & Company LLP, Suite 1200 – 609 Granville Street, Vancouver, British Columbia V7Y 1G6.

The registrar and transfer agent of Blackbird is Computershare Investor Services Inc., 3rd Floor – 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

MATERIAL CONTRACTS

With the exception of agreements entered into in the normal course of business, the only material contracts that have been entered into by Blackbird within the last financial year, or before the last financial year which are still in effect, are the following:

1. Commitment Letter dated effective September 26, 2016 between Blackbird and Alberta Treasury Branches;
2. Subscription Agreement dated July 28, 2016 between Blackbird and SC Holding Corporation;
3. Warrant Indenture dated May 19, 2016 between Blackbird and Computershare Trust Company of Canada; and
4. Agency Agreement dated effective April 26, 2016 among Blackbird and the agents for Blackbird's May 2016 short-form prospectus offering.

Copies of the Corporation's material contracts have been filed on SEDAR at www.sedar.com and may be viewed at the offices of Blackbird's solicitors during normal business hours at Suite 409 – 221 W. Esplanade, North Vancouver, British Columbia V7M 3J3.

INTERESTS OF EXPERTS

Davidson & Company LLP, Blackbird's independent auditors, have audited Blackbird's consolidated financial statements for the years ended July 31, 2016 and 2015. As of the date hereof, Davidson & Company LLP has confirmed they are independent with respect to Blackbird within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

The Statement, which is incorporated by reference into this AIF, was evaluated by GLJ Petroleum Consultants, an independent qualified reserves evaluator as defined under NI 51-101.

To Blackbird's knowledge, none of the foregoing experts held any registered or beneficial interest, direct or indirect, in any securities or other property of Blackbird or any of its associates or affiliates, and no securities or other property of Blackbird or any of its associates or affiliates were subsequently received or are to be received by such experts.

FORWARD-LOOKING STATEMENTS

This AIF contains certain forward-looking information and forward-looking statements (collectively, the "**forward-looking statements**") within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe" and "intend", or similar words suggesting future outcomes or language suggesting an outlook. In particular, this AIF contains forward-looking statements pertaining to the following: the characteristics of the Corporation's oil and natural gas properties including productivity of wells based on test results to date, the Corporation's predominant focus on the Elmworth Project and the possibility of prospective targets at the Corporation's East Wapiti Project; the Corporation's business plans and strategies; the expected timing for the construction and completion of the Elmworth Facility and Gathering System, the design, initial and future capacity of the Facility and the potential for future production expansion for the Facility and Blackbird's development plans, the Gathering System's pipeline coverage and ability of tie-in of Elmworth Montney wells, the Corporation's drilling plans including timing and design of the fourth Elmworth Montney horizontal well; the Corporation's plans to utilize a completion program using Stage's Bowhead II fracturing system; the Corporation's acquisition of Firm Full Path Service on the Alliance Pipeline System to the Alliance Chicago Exchange Hub; the take-or-pay gas handling agreement entered into by the Corporation with respect to the transportation and processing of sour natural gas produced from the Elmworth Project; commodity prices and exchange rates; potential Elmworth land expiries and continuations; the Corporation's ability to acquire and retain qualified personnel; treatment under governmental and other regulatory regimes and tax; environmental and other laws. In addition, statements relating to "reserves" or "resources" contained, among other places, in the "Statement of Reserves Data and Other Oil and Gas Information", which is incorporated by reference into this AIF, are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves or resources described exist in the quantities predicted or estimated and can be commercially viable to produce in the future.

Undue reliance should not be placed on forward-looking statements as they are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Blackbird. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

The forward-looking statements in this AIF are based on Blackbird's current beliefs as well as on a number of material factors and assumptions which may prove to be incorrect and contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. Such assumptions include but are not limited to the following: normal seasonal weather conditions; that the drilling and related equipment, including for the construction of the Facility and Gathering System, necessary for the Corporation's planned operations will be available on terms that are favourable to the Corporation and within the times planned by the Corporation; that skilled labour will be available on terms that are favourable to the Corporation; that the Corporation will be able to obtain additional financing on satisfactory terms if necessary; that the Corporation will be able to attract and retain qualified personnel;

and the ability to increase production and reserves through the acquisition of assets and development and exploration activities. With respect to estimates of reserves, a key assumption is that the data used by the independent reserves evaluator in their independent reserves evaluation is valid. Although the management of Blackbird considers these assumptions to be reasonable based on information currently available, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific), some of which are beyond the control of Blackbird, that such forward-looking statements will not come to pass. These factors include, but are not limited to, operational risks, risks associated with drilling and completions, financial risks, substantial capital requirements, government regulation and the risk of change in such regulation, environmental matters, prices, markets and marketing, dependence on key personnel, availability of drilling equipment and access thereto, uninsurable risks, management of growth, expiration of licenses and leases, reserves estimates, seasonality, competition from industry players, conflicts of interest, title to properties, variations in exchange rates and hedging and uncertainty in global financial markets. There is also the risk and uncertainty of access to, or expansion of, infrastructure including appropriate pipelines on acceptable terms or costs and risk associated with the construction of the Elmworth Facility and Gathering System. See "Risk Factors" in this Annual Information Form.

Investors are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, investors are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Investors are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by Blackbird that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this Annual Information Form are made as of the date hereof, and Blackbird does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

Many of the foregoing risk factors, other than specific risks, uncertainties and material assumptions are discussed in further detail throughout the AIF and in the Corporation's management's discussion and analysis for the year ended July 31, 2016 which is available on SEDAR at www.sedar.com. Readers are specifically referred to the risk factors described in the AIF under "*Risk Factors*" and in other documents the Corporation files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the Corporation or electronically on the internet on Blackbird's SEDAR profile at www.sedar.com.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in Blackbird's other public filings before making an investment decision. The risks below are not an exhaustive description of all the risks associated with the acquisition, exploration, development and production of petroleum and gas interests.

Weakness in the Oil and Gas Industry

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries ("OPEC"), slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by the recent changes in government at a federal level and, in the case of Alberta, the provincial level and the resultant uncertainty surrounding regulatory, tax and royalty changes that may be implemented by the new governments. In addition, the inability to get the necessary approvals to build pipelines and other facilities to provide better access to markets for the oil and gas industry in western Canada has led to additional uncertainty and reduced confidence in the oil and gas industry in western Canada.

Exploration, Development and Production Risks

An investment in Blackbird's Common Shares is speculative due to the nature of the Corporation's involvement in the exploration, development and production of oil and natural gas and Blackbird's stage of development. Oil and natural gas exploration involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation, pricing or cost conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation. There is no assurance that commercial quantities of oil or natural gas will be discovered or acquired by the Corporation.. It is difficult to project the costs of implementing an exploratory or development drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as: over pressured zones; tools lost in the hole; changes in drilling plans and locations as a result of prior exploratory wells; or additional seismic data and interpretations thereof.

Future oil and gas exploration and development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, completion, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating

conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, pipelines, production facilities, other property and the environment or in personal injury. In accordance with standard industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Risks Related to Elmworth Facility and Gathering System

The successful design, construction and operation of the Elmworth Facility and Gathering System is a key part of the Corporation's business plan. The timing for completion of these projects is an important milestone and failure to meet the targeted deadline may have a material adverse effect on the Corporation's business and prospects. There is a risk that the Elmworth Facility and the Gathering System may not be constructed in a timely manner or at all due to numerous factors, some of which are beyond the control of Blackbird. Factors that could adversely affect the construction and timing for completion include, but are not limited to unexpected cost increases, accidental events and the availability and productivity of skilled labour.

Commodity Prices

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years and are subject to large fluctuations in response to relatively minor changes in the supply of and demand for same, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and natural gas, the price of foreign imports, storage capacity, pipeline capacity and availability and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and natural gas could have an adverse effect on the Corporation's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations.

The economics of producing from some wells may change as a result of lower commodity prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers

have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Global Financial Environment

The market events and conditions witnessed over the past several years, including disruptions in the international credit markets and other financial systems, the deterioration of global economic conditions, and the American and European sovereign debt levels, have caused significant volatility to and reductions in commodity prices. These events and conditions have caused a decrease in confidence in the broader United States and global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward. Worldwide crude oil commodity prices are expected to remain volatile in the near future as a result of global excess supply, recent actions taken OPEC, and ongoing global credit and liquidity concerns. This volatility may affect the Company's ability to obtain equity or debt financing on acceptable terms. To the extent that external sources of capital become limited or unavailable or available on unfavourable terms, the Corporation's ability to make capital investments and maintain existing properties may be constrained, and, as a result, Blackbird's business, financial condition, results of operations and cash flow may be materially adversely affected.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/United States dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has decreased materially in value against the United States dollar. Material decreases in the value of the Canadian dollar impact the Corporation's production revenues. Future variations in the Canadian/United States dollar exchange rate could accordingly impact the future value of the Corporation's reserves as determined by independent evaluators.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt under its revolving operating loan facility, which could negatively impact the market price of the Common Shares and the Corporation's funds available for operations and capital expenditures.

Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver crude oil and natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its projects to pipelines and processing facilities, and related operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Blackbird's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of its oil and gas and a reduction in the volumes of Blackbird's reserves. These factors could result in a material decrease in Blackbird's net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities.

Gathering and Processing Facilities and Pipeline Systems

The lack of firm pipeline capacity continues to affect the oil and natural gas industry and can limit the ability to produce and to market oil and natural gas production. In addition, the pro-rationing of capacity on the inter provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The lack of availability of capacity in any of the gathering and processing facilities and pipeline systems, or a delay in the construction and completion of the Corporation's Elsworth Facility and Gathering System or lower than expected initial capacity of such systems, could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production.

In addition, the Corporation's production processed through facilities owned by third parties may be affected as these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on the Corporation's ability to process its production and deliver the same for sale.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate hydrocarbon (oil and natural gas) production. The use of hydraulic fracturing is being used to produce commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs or third party or governmental claims, and could increase the Corporation's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that the Corporation is ultimately able to produce from its reserves.

Reserve Replacement

The Corporation's oil and natural gas reserves, production and cash flows therefrom are highly dependent on the Corporation successfully acquiring or discovering and developing new reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors beyond the control of Blackbird. The reserve and associated future net revenue information set forth in this Annual Information Form and in the Corporation's Statement of Reserves, filed on SEDAR concurrently with this AIF, are estimates only.

In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, future commodity prices, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil, natural gas and natural gas liquids, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves evaluators have used forecast price and cost estimates in calculating reserve quantities in the Corporation's reserve evaluation. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the reserve evaluations and such variations could be material. The reserve evaluations are based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluations will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluations. The reserve evaluations are effective as of a specific effective date and have not been updated and thus do not reflect changes in the Corporations' reserves since that date.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the exploration, development, production and acquisition of oil and natural gas reserves in the future. If the Corporation's future revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by future operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the

Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition and/or its results of operations or prospects.

Share Price Volatility

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Availability of and Access to Drilling and Related Equipment

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. The Corporation does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Title to Properties

Unforeseen title defects or litigation may result in a loss of entitlement to production, reserves and resources. From time to time, Blackbird conducts title reviews in accordance with industry practice prior to purchases of assets. However, if conducted, these reviews do not guarantee that an unforeseen defect in the chain of title will not arise and defeat the Corporation's claim, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Corporation's development. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling, the Corporation obtains, as a matter of course, insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's business, financial position, results of operations and prospects.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. The Corporation may also incur debt for general corporate purposes. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The Corporation's articles do not limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness, from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis, impairing its ability to take advantage of business opportunities that may arise.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of oil and natural gas reserves, the construction and operation of oil and natural gas pipelines and facilities, and the transportation and marketing of oil, natural gas, sulphur and other petroleum products. The Corporation's competitors include numerous independent oil and gas companies some of which have greater financial, technical and other resources than the Corporation. The Corporation's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. There is no assurance that the Corporation will be able to successfully compete against its competitors.

Environmental Risks and Regulations

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. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of same can result in the imposition of clean-up orders, fines and/or penalties, some of which may be material as well as possible suspension or forfeiture of requisite licenses or permits obtained from the various governmental authorities. 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. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental laws and regulations, no assurance can be given that environmental laws and regulations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Climate Change

The Corporation's exploration and production operations and activities emit greenhouse gases and require the Corporation to comply with greenhouse gas emissions legislation in Alberta or with legislation that may be enacted. The Canadian federal government has announced that it will work with the provinces to establish a pan-Canadian climate change framework that is consistent with the outcome of negotiations at the 2015 United Nations Climate Change Conference in Paris.

The Corporation may also be required to comply with the regulatory scheme for greenhouse gas emissions ultimately adopted by the federal government, which regulations are expected to be consistent with the regulatory scheme for greenhouse gas emissions adopted by the United States. The direct or indirect costs of these regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The future implementation or modification of greenhouse gases regulations, whether to meet the limits regulated by the Copenhagen Accord, commitments of the federal government resulting from the 2015 United Nations Climate Change Conference, or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. 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 the impact on the Corporation and its operations.

Health and Safety

The Corporation's operations are subject to inherent operational risks in respect to safety and the environment that require continuous vigilance. The Corporation seeks to minimize these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner and considering environmental and regulatory requirements and process and occupational safety. Failure to manage such risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact, or loss of license to operate.

Evaluation of Acquisitions

Acquisitions of oil and natural gas properties are based in large part on engineering, environmental and economic assessments made by the Corporation, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of the oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures, royalties and other government levies which will be imposed over the producing life of the reserves and anticipated synergies. Many of these factors are subject to change and are beyond the control of the Corporation. All such assessments involve a measure of geologic, engineering, economic, environmental

and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Seasonality

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the ability of the Corporation to carry out its exploration and production activities.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful such claim could have an adverse effect on the Corporation and its operations.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. The Corporation's operations may require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and oil, increase costs and may have a material adverse impact on Blackbird. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries. Development of reserves and rates of return are also susceptible to changes in national fiscal policy. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its properties. It is not expected that any of these controls or regulations will affect the operation of the Corporation in a manner materially different than they would affect other oil and natural gas companies of similar size.

The further development of the Corporation's properties requires the approval of applicable regulatory authorities of the plans of the Corporation with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or to have material conditions imposed by such authority in connection with the approval may materially affect the prospects of the Corporation.

Additional Capital Requirements

The Corporation's cash flow may not be sufficient to fund its ongoing activities at all times, due to low oil and natural gas prices or other factors. Depending on future exploration and development plans, the Corporation may require additional debt and/or equity financing in order to carry out its natural gas

exploration, development and acquisition activities, which may include the acquisition of assets or shares of other corporations. The requisite equity or debt financing may not be available or, if available, may not be available on favourable terms. Furthermore, failure to obtain such financing on a timely basis could cause the Corporation to be unable to maintain production or adequately replace its reserves, forfeit its interest in certain properties, miss certain acquisition opportunities or reduce or terminate its operations. Continued uncertainty in domestic and international credit markets could materially affect the Corporation's ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on the Corporation's ability to execute its business strategy and on its business, financial condition, results of operations and prospects. The Corporation's articles do not limit the amount of indebtedness that the Corporation may incur.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its operations.

Expiration of Licenses and Leases

The Corporation's properties are held in the form of licenses and leases and working interests in licenses and leases. If the Corporation or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of the Corporation's licenses or leases or the working interests relating to a license or lease may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Alternatives to and Changing Demand for Petroleum Products

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Income Taxes

The Corporation's income tax returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Changes in Legislation

The return on an investment in securities of the Corporation is subject to changes in Canadian federal and provincial tax laws and government incentive programs and there can be no assurance that such laws or programs will not be changed in a manner that adversely affects the Corporation or the holding or disposing of the securities of the Corporation.

Changes to Accounting Policies

International Financial Reporting Standards require that management apply certain accounting policies and make certain estimates and assumptions, which affect reported amounts in the consolidated financial statements of the Corporation. Accounting policies are continuously updated by the International Accounting Standards Board, with the Corporation being required to adopt these revisions. Adoption of new accounting policies could have a negative impact on the Corporation.

Changes to Royalty Regime

Each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil and natural gas production. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and funds from operations of such producers. Some provincial governments have eliminated, amended or allowed some such incentive programs to expire without renewal. There can be no assurance that the Government of Alberta or the Government of Canada will not adopt a new royalty regime or modify the methodology of royalty calculations which could increase the royalties paid by the Corporation. An increase in royalty could reduce the Corporation's earnings and/or it could make capital expenditures by the Corporation uneconomic.

Litigation Matters

Claims may be made against the Corporation and in the event of such claims arising, management of Blackbird will undertake a review to determine what, if any, action Blackbird should take. Any claim, whether or not without merit, may prove time-consuming to evaluate, result in costly litigation and may cause delay in the operations and/or business of Blackbird.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Blackbird may be subject in connection with the operations of Blackbird. Some of the directors and officers of Blackbird may be, or may become, engaged in other ventures in the oil and gas industry in which Blackbird may have an

interest, and situations might arise where proposed directors and officers of Blackbird would be in direct conflict with Blackbird.

Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the BCBCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation, to disclose his or her interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted by the BCBCA.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation would not benefit from the fluctuating exchange rate for the fixed price agreement amount.

Absence of Dividends

The Corporation has not paid any dividends and is unlikely to pay dividends in the immediate or foreseeable future. The future payment of dividends on Common Shares will be dependent upon the financial requirements of the Corporation to finance future growth, the financial condition of the Corporation and other factors which the Board may consider appropriate in the circumstances.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Forward-Looking Statements May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found under the Corporation's profile on SEDAR. Additional information, including directors' and officers' remuneration and indebtedness to the Corporation, principal holders of securities of the Corporation and securities authorized for issuance under equity compensation plans is contained in the Corporation's Information Circular dated January 15, 2016, prepared in connection with the annual and special meeting of shareholders held on March 7, 2016. Additional financial information is provided in the Corporation's audited consolidated financial statements for its financial year ended July 31, 2016, together with the accompanying auditor's report and management's discussion & analysis filed on SEDAR on October 21, 2016.

SCHEDULE "A"



**Blackbird Energy Inc.
(the "Company")**

Audit Committee Charter

Mandate

The primary function of the Audit Committee (the "Committee") is to assist the Company's Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

Composition

The Committee shall be comprised of a minimum three directors as determined by the Board of Directors. If the Company ceases to be a "venture issuer" (as that term is defined in National Instrument 52-110), then all of the members of the Committee shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

Should the Company cease to be a "venture issuer" (as such term is defined in National Instrument 52-110), all members of the Committee shall then be required to have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet a least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

- review and update this Audit Committee Charter annually; and
- review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

- review annually, the performance of the external auditors who shall be ultimately accountable to the Company's Board of Directors and the Committee as representatives of the shareholders of the Company;
- obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1;
- review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
- take, or recommend that the Company's full Board of Directors take appropriate action to oversee the independence of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- recommend to the Company's Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval;
- recommend to the Company's Board of Directors the compensation to be paid to the external auditors;
- at each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;

- review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
- review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements; and
- review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided,
 - such services were not recognized by the Company at the time of the engagement to be non-audit services, and
 - such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

- in consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external;
- consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
- consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management;
- review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments;
- following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;

- review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- review certification process;
- establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

- review any related-party transactions;
- engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- to set and pay compensation for any independent counsel and other advisors employed by the Committee.