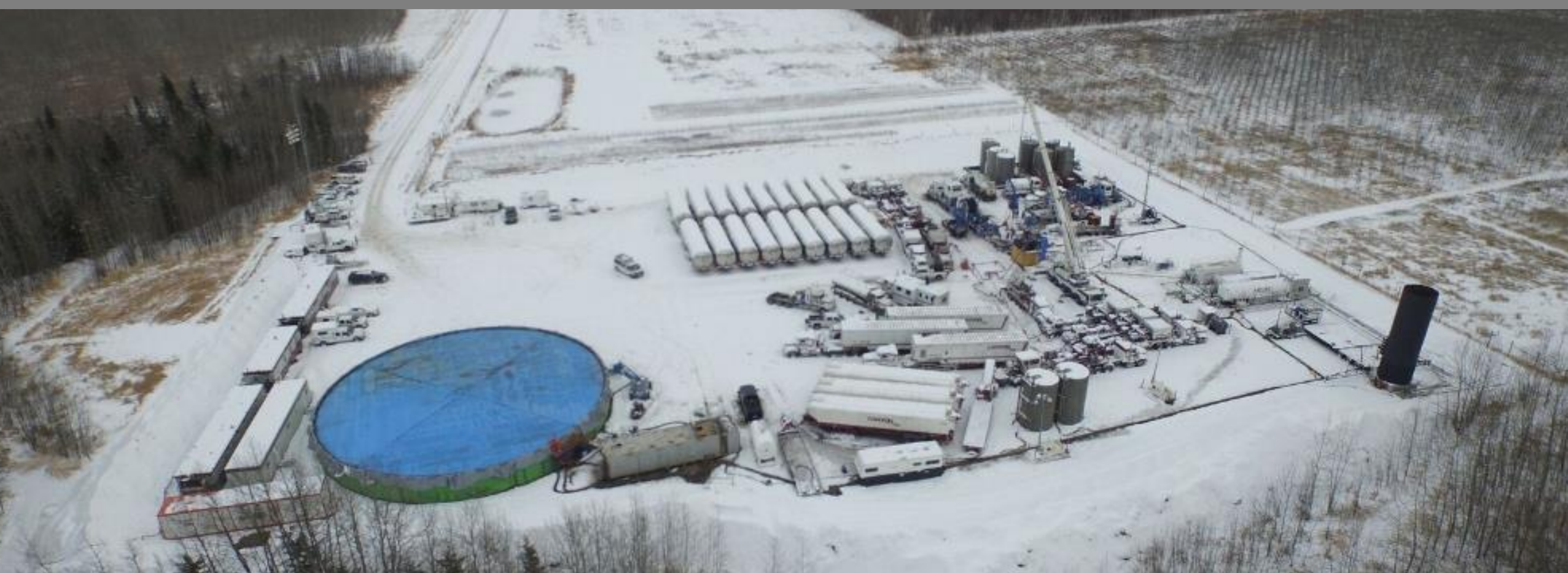
BLACKBIRD ENERGY

FIRST QUARTER CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Dated December 22, 2015



AS AT AND FOR THE THREE MONTHS ENDED OCTOBER 31, 2015

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements ("financial statements"), they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of unaudited interim condensed consolidated financial statements by an entity's auditor.

Blackbird Energy Inc. Condensed Consolidated Interim Statements of Financial Position

(CDN$ thousands, unaudited)	Note	**October 31 2015**	July 31 2015
Assets			
Current			
Cash and cash equivalents		**21,186**	22,330
Accounts receivable		**253**	340
Inventory	3	**332**	332
Prepaid expenses and deposits		**230**	243
Assets of discontinued operations	3 & 4	**31**	50
		22,032	23,295
Long-term portion of deposits		**517**	412
Exploration and evaluation assets	3	**12,665**	8,769
Property and equipment	3	**14,850**	17,552
		50,064	50,028
Liabilities			
Current			
Accounts payable and accrued liabilities		**3,331**	586
		3,331	586
Decommissioning provision		**839**	729
		4,170	1,315
Shareholders' Equity			
Share capital	7	**64,923**	64,479
Share-based payment reserve	7	**5,307**	5,201
Deficit		**(24,336)**	(20,967)
		45,894	48,713
		50,064	50,028

See accompanying notes to the condensed consolidated interim financial statements.

Nature and continuance of operations (note 1)
Contingencies and commitments (note 10)
Subsequent events (note 12)

On behalf of the Board,

(Signed) "Garth Braun"
Garth Braun
Chairman, Chief Executive Officer and President

(Signed) "Ron Schmitz"
Ron Schmitz
Director

Blackbird Energy Inc. Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

		Three months Ended	
(CDN$ thousands, except per share amounts, unaudited)	Note	**October 31 2015**	October 31 2014
Revenue			
Petroleum and natural gas		**9**	80
Royalties		**-**	(4)
		9	76
Expenses			
Operating, production and transportation		**45**	57
General and administrative		**449**	666
Depletion and depreciation	3	**-**	20
Share-based compensation	8	**269**	1,176
Property and equipment impairment	3	**2,702**	246
Gain on settlement of decommissioning provision		**(29)**	(22)
		(3,436)	(2,143)
Operating loss		**(3,427)**	(2,067)
Other			
Financing costs	6	**(4)**	(17)
Interest income		**62**	33
		58	16
Loss from continuing operations		**(3,369)**	(2,051)
Loss from discontinued operations	4	**-**	(657)
Net loss and comprehensive loss		**(3,369)**	(2,708)
Net loss per common share			
Basic and diluted - continuing operations	7	**(0.01)**	(0.01)
Basic and diluted - discontinued operations	4 & 7	**-**	(0.00)
Basic and diluted - total	7	**(0.01)**	(0.01)

See accompanying notes to the condensed consolidated interim financial statements.

Blackbird Energy Inc. Condensed Consolidated Interim Statements of Cash Flows

		Three months Ended	
(CDN$ thousands, unaudited)	Note	**October 31 2015**	October 31 2014
Cash (used in) provided by:			
Operating activities			
Net loss		**(3,369)**	(2,708)
Items not involving cash:			
Depletion and depreciation	3 & 4	**-**	136
Share-based compensation	8	**269**	1,176
Property and equipment impairment	3 & 4	**2,702**	695
Financing costs	4 & 6	**4**	18
Loss on disposition of property and equipment	3 & 4	**-**	127
Gain on settlement of decommissioning provision		**(29)**	(22)
Interest paid		**-**	(9)
Decommissioning expenditures		**-**	(31)
Changes in non-cash working capital	11	**(172)**	(289)
		(595)	(907)
Financing activities			
Repayment of loan payable	6	**-**	(384)
Issuance of special warrants	7	**-**	32,000
Issuance of flow-through shares	7	**-**	5,406
Share issue costs	7	**-**	(1,834)
Exercise of warrants	7	**281**	1,707
		281	36,895
Investing activities			
Proceeds from disposition of property and equipment, net	3 & 4	**-**	8,780
Property and equipment additions	3	**-**	(78)
Exploration and evaluation asset additions	3	**(3,760)**	(4,828)
Changes in non-cash working capital	11	**2,930**	1,143
		(830)	5,017
(Decrease) increase in cash and cash equivalents during the period		**(1,144)**	41,005
Cash and cash equivalents, beginning of period		**22,330**	681
Cash and cash equivalents, end of period		**21,186**	41,686

See accompanying notes to the condensed consolidated interim financial statements.

Supplemental cash flow information (note 11).

Blackbird Energy Inc. Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(CDN$ thousands, except share amounts, unaudited)	Number of Common Shares (000's)	Number of Special Warrants (000's)	Share Capital	Share-Based Payment Reserve	Deficit	Total
At July 31, 2014	192,117	-	21,628	2,932	(13,388)	11,172
Issuance of special warrants	-	110,345	32,000	-	-	32,000
Issuance of flow-through shares	15,900	-	5,406	-	-	5,406
Flow-through share premium	-	-	(795)	-	-	(795)
Share issue costs	-	-	(1,834)	-	-	(1,834)
Exercise of stock options and warrants	11,520	-	1,795	(87)	-	1,708
Conversion of convertible debentures and accrued interest	3,453	-	397	-	-	397
Share-based compensation	-	-	-	1,176	-	1,176
Net loss and comprehensive loss[1]	-	-	-	-	(2,708)	(2,708)
At October 31, 2014	222,990	110,345	58,597	4,021	(16,096)	46,522

(CDN$ thousands, except share amounts, unaudited)	**Number of Common Shares (000's)**	**Number of Special Warrants (000's)**	**Share Capital**	**Share-Based Payment Reserve**	**Deficit**	**Total**
At July 31, 2015	354,199	-	64,479	5,201	(20,967)	48,713
Exercise of warrants	2,401	-	444	(163)	-	281
Share-based compensation	-	-	-	269	-	269
Net loss and comprehensive loss	-	-	-	-	(3,369)	(3,369)
At October 31, 2015	**356,600**	**-**	**64,923**	**5,307**	**(24,336)**	**45,894**

See accompanying notes to the condensed consolidated interim financial statements.

(1) This table includes both continuing operations and discontinued operations.

Unaudited, all tabular amounts in CDN$ thousands, except where otherwise noted.

1. NATURE AND CONTINUANCE OF OPERATIONS

Blackbird Energy Inc. ("Blackbird" or the "Company") is a Canadian based energy company with its registered office located at Suite 400 – 570 Granville Street, Vancouver, BC, V6C 3P1 and its head office located at Suite 400 – 444 5th Avenue SW, Calgary, Alberta, T2P 2T8. The Company is engaged in the exploration for and the production of oil and natural gas. The Company's operations are located in Western Canada. The Company's shares are widely held and publicly traded on the TSX Venture Exchange under the symbol "BBI".

These condensed consolidated interim financial statements (the "financial statements") have been prepared on a going concern basis and do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in a manner other than in the normal course of business and at amounts different from those reflected in these condensed consolidated financial statements. The Company estimates that it has sufficient funds to continue operations for the next 12 months. The Company intends to raise additional funds as necessary in the future to advance its projects.

(CDN$ thousands)	**October 31 2015**	July 31 2015
Working capital	**18,701**	22,709
Deficit	**(24,336)**	(20,967)

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements were prepared in accordance with International Accounting Standards 34 ("IAS 34") Interim Financial Reporting and present the Company's results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Financial Statements were approved and authorized for issue by the Board on December 22, 2015.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except as detailed in the Company's accounting policies disclosed in the Company's audited consolidated financial statements for the year ended July 31, 2015 as filed on SEDAR. The accounting policies have been applied consistently to all periods presented in the financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the year ended July 31, 2015. Certain comparative figures have been reclassified to conform to the current period's presentation. The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION (CONTINUED)

(c) Use of estimates and judgment

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

(d) Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Blackbird Energy Holdings LLC, Pennant Energy Inc. and Ruger Energy Inc., all of which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.

3. EXPLORATION AND EVALUATION ASSETS & PROPERTY AND EQUIPMENT

	Three months Ended October 31, 2015			Year Ended July 31, 2015		
(CDN$ thousands)	**Cost**	**Accum. Impair.**	**Carrying Value**	Cost	Accum. Impair.	Carrying Value
Exploration and evaluation assets						
Beginning of period	**13,239**	**(4,470)**	**8,769**	1,836	-	1,836
Additions	**3,760**	**-**	**3,760**	28,906	-	28,906
Change in decommissioning provision	**136**	**-**	**136**	367	-	367
Transferred to inventory	-	-	-	(332)	-	(332)
Impairment	-	-	-	-	(4,470)	(4,470)
Transferred to property and equipment	-	-	-	(17,538)	-	(17,538)
End of period	**17,135**	**(4,470)**	**12,665**	13,239	(4,470)	8,769
(CDN$ thousands)	**Cost**	**Accum. DD&A and Impair.**	**Carrying Value**	Cost	Accum. DD&A and Impair.	Carrying Value
Property and equipment						
Beginning of period	**18,143**	**(591)**	**17,552**	11,611	(1,217)	10,394
Additions	-	-	-	288	-	288
Dispositions	-	-	-	(11,378)	2,146	(9,232)
Change in decommissioning provision	-	-	-	75	-	75
Depletion and depreciation	-	-	-	-	(236)	(236)
Transferred from exploration and evaluation assets	-	-	-	17,538	-	17,538
Impairment	-	**(2,702)**	**(2,702)**	-	(1,284)	(1,284)
Office furniture	-	-	-	9	-	9
End of period	**18,143**	**(3,293)**	**14,850**	18,143	(591)	17,552

3. EXPLORATION AND EVALUATION ASSETS & PROPERTY AND EQUIPMENT (CONTINUED)

The Company's only reportable segment, Western Canada, consists of three CGUs. These CGUs include Elmworth, Alberta Minor, and Saskatchewan Minor. The Bigstone CGU was sold during the year ended July 31, 2015. The majority of assets in the Saskatchewan Minor CGU were also sold during the year ended July 31, 2015.

During the three months ended October 31, 2015, the Company capitalized $0.2 million (October 31, 2014 - $0.1 million) of general and administrative expenses directly attributable to exploration and development activities.

(a) Exploration and evaluation assets

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability, typically being the establishment of proved or probable reserves. The Elmworth property consists of a 100% working interest in developed and undeveloped land which is located in the Elmworth area near Grande Prairie, Alberta. The Elmworth property represents all of the Company's exploration and evaluation assets. The Company's Elmworth Montney lands are subject to a gross overriding royalty of 2%.

During the three months ended October 31, 2015, the Company incurred $3.5 million of drilling costs in the Elmworth area (October 31, 2014 - $nil).

(b) Inventory

As at October 31, 2015, the Company held $0.3 million of production casing inventory at cost which is expected to be used in the Company's future developments (July 31, 2015 - $0.3 million).

(c) Property and equipment

i. Saskatchewan Disposition

On June 1, 2015, the Company completed the sale of 18 wellbores and associated mineral rights from its Dankin, Flaxcombe, and Alsask properties, which comprised a portion of the Saskatchewan Minor CGU, for cash proceeds of $50 thousand resulting in a gain on disposition of $793 thousand due to the extinguishment of $927 thousand of decommissioning liabilities (note 4). The Company still owns its Alsask assets that are located in Alberta.

ii. Bigstone Disposition

On September 15, 2014, the Company completed the sale of its Bigstone CGU in west central Alberta for cash proceeds of $8.8 million. This CGU had a carrying value of $8.9 million resulting in a loss on disposition of $0.1 million, included in the loss from discontinued operations (note 4).

iii. Transfers from E&E to P&E

On July 31, 2015, $17.5 million of costs were transferred from E&E to property and equipment (July 31, 2014 - $0.8 million). The Company received its annual independent reserve report, with the same effective date, indicating proven and probable ("2P") reserves for its two 100% working interest Elmworth Montney wells. The amount transferred consists of drilling, completion, and decommissioning costs associated with these wells, less impairment booked before the transfer of $4.5 million.

3. EXPLORATION AND EVALUATION ASSETS & PROPERTY AND EQUIPMENT (CONTINUED)

iv. Impairment

An impairment test is performed on capitalized property and equipment costs at a CGU level on an annual basis and quarterly when indicators of impairment exist. Impairment is calculated as the difference in a CGU's carrying value and its recoverable amount.

During the three months ended October 31, 2015, the Company recognized an impairment of $2.7 million to property and equipment (October 31, 2014 - $0.7 million) consisting of net impairment of $2.7 million in the Elmworth CGU (October 31, 2014 - net impairments of $0.2 million in the Alberta Minor CGU and $0.5 million in the Saskatchewan Minor CGU) to reflect the impact of the low oil and natural gas price environment on future production.

Impairments recognized during the three months ended October 31, 2015, were calculated using a 10% pre-tax discount rate. Using a discount rate of 8% would reduce the impairment by approximately $1.3 million for the three months ended October 31, 2015. Using a discount rate of 12% would increase the impairment by approximately $1.1 million for the three months ended October 31, 2015.

The impairment test was carried out at October 31, 2015, using the following forward commodity price projections:

	Inflation	AECO Spot Natural Gas	Alberta Natural Gas Liquids C5+ Stream Quality	Edmonton Light, Sweet Crude Oil (40 API, 0.3%S)	Hardisty Heavy Crude Oil Proxy (12 API)
Year	%	CDN/MMBtu(1)	CDN/bbl(1)	CDN/bbl(1)	CDN/bbl(1)
2015 Q4	2.0	2.97	58.80	56.00	36.69
2016	2.0	3.43	65.63	61.33	42.30
2017	2.0	3.62	69.03	64.52	46.23
2018	2.0	3.72	73.56	68.75	50.22
2019	2.0	3.81	77.82	72.73	54.13
2020	2.0	3.90	81.12	76.47	57.96
2021	2.0	4.10	88.12	82.35	63.56
2022	2.0	4.30	94.41	88.24	69.32
2023	2.0	4.50	100.71	94.12	75.24
2024	2.0	4.78	105.30	98.41	78.71
2025+(2)	2.0	+2.0%	+2.0%	+2.0%	+2.0%

(1) Source: Independent qualified reserves evaluator's price forecast, effective October 1, 2015.
(2) Percentage change represents the change in each year after 2024 to the end of the reserve life.

4. DISCONTINUED OPERATIONS

As discussed in note 3 (c), on June 1, 2015, the Company completed the sale of 18 wellbores and associated mineral rights from its Dankin, Flaxcombe, and Alsask properties, which comprised a portion of the Saskatchewan Minor CGU, for cash proceeds of $50 thousand, which was recognized during the year ended July 31, 2015.

(a) Net gain on the Saskatchewan disposition

Proceeds from disposition	*(CDN$ thousands)*
Cash receivable	50
Transaction costs	-
Proceeds net of transaction costs	50
Net assets and liabilities disposed at carrying value	
Decommissioning provision	(927)
Net assets	184
Net gain on disposition	**793**

As discussed in note 3 (c), on September 15, 2014, the Company completed the sale of its Bigstone CGU in west central Alberta for cash proceeds of $8.8 million, which was recognized during the three months ended October 31, 2014.

(b) Net loss on the Bigstone disposition

Proceeds from disposition	*(CDN$ thousands)*
Cash received	8,800
Transaction costs	(20)
Proceeds net of transaction costs	8,780
Net assets and liabilities disposed at carrying value	
Decommissioning provision	(140)
Net assets	9,047
Net loss on disposition	**(127)**

4. DISCONTINUED OPERATIONS (CONTINUED)

(c) Financial information from discontinued operations

The assets and liabilities of discontinued operations presented in the condensed consolidated interim statements of financial position are as follows:

(CDN$ thousands)	**October 31 2015**	July 31 2015
Assets of discontinued operations		
Current		
Accounts receivable	**31**	50
Total assets of discontinued operations	**31**	50
Total liabilities of discontinued operations	**-**	-

The loss from discontinued operations presented in the condensed consolidated interim statements of operations and comprehensive loss is as follows:

		Three months Ended	
(CDN$ thousands)	Note	**October 31 2015**	October 31 2014
Revenue			
Petroleum and natural gas		-	258
Royalties		-	(18)
		-	240
Expenses			
Operating, production and transportation		-	204
Depletion and depreciation		-	116
Property and equipment impairment		-	449
		-	(769)
Operating loss		-	(529)
Other			
Financing costs	6	-	(1)
Loss on disposition of property and equipment		-	(127)
		-	(128)
Loss from discontinued operations		-	(657)
Basic and diluted loss per common share - discontinued operations		-	-

4. DISCONTINUED OPERATIONS (CONTINUED)

(c) Financial information from discontinued operations (continued)

The cash flows from discontinued operations included in the condensed consolidated interim statements of cash flows are as follows:

	Three months Ended	
(CDN$ thousands)	**October 31 2015**	October 31 2014
Cash (used in) provided by:		
Operating activities		
Net loss	-	(657)
Items not involving cash:		
Depletion and depreciation	-	116
Property and equipment impairment	-	449
Financing costs	-	1
Loss on disposition of property and equipment	-	127
	-	36
Investing activities		
Proceeds from disposition of property and equipment, net	-	8,780
Property and equipment additions	-	(78)
	-	8,702
Increase in cash and cash equivalents	-	8,738

5. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Financial Instruments

A number of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. The Company classifies the fair value of these transactions according to the following hierarchy based on the nature of the observable inputs used to value the instrument. When applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide continuous pricing information.

i. Cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities

The fair value of accounts receivable, deposits, and accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using level 1 fair value inputs.

5. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(a) Financial Instruments (continued)

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations are derived from inputs that are not based on observable market data.

(b) Risk Factors

The Company is exposed to various financial instrument risks and management proactively assesses the potential impact and the likelihood of this exposure. These risks include commodity price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. When material, these risks are reviewed and monitored by the Board of Directors.

i. Commodity price risk

Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian dollar and the U.S. dollar. Significant changes in commodity prices may materially impact the Company. The Company does not have any financial risk management contracts in place at October 31, 2015 to manage these risks.

ii. Interest rate risk

The Company's exposure to fluctuations in interest expense on its net loss and comprehensive loss, assuming reasonably possible changes in the variable interest rate of +/- 1%, is insignificant. This analysis assumes all other variables remain constant.

iii. Foreign exchange risk

The Company is exposed to foreign currency fluctuations as oil and gas prices received are referenced to U.S. dollar denominated prices.

iv. Credit risk

The Company's credit risk exposure is related to joint interest billings, goods and services tax receivable, and cash and cash equivalents. The Company's allowance for doubtful accounts at October 31, 2015, was $nil and the Company expects to collect all outstanding accounts receivable (July 31, 2015 - $nil).

At October 31, 2015, cash and cash equivalents was comprised of $21.2 million of cash held at financial institutions (July 31, 2015 - $22.3 million cash held at financial institutions).

5. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(b) Risk Factors (continued)

v. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings and short-term debt to satisfy its capital requirements and will continue to depend heavily upon these financing activities.

vi. Capital management

The Company's primary objectives in managing its capital structure are to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk; which maintains sufficient liquidity to support ongoing operations, capital expenditure programs, and strategic initiatives; and which maximizes shareholder returns. The Company manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of the Company's underlying assets and operations.

The Company monitors metrics such as the Company's working capital, among others to measure the status of its capital structure. The Company has currently not established fixed quantitative thresholds for such metrics. Depending on market conditions, the Company's capital structure may be adjusted by issuing or repurchasing shares, issuing or repurchasing debt, modifying capital spending programs and disposing of assets. The Company considers its capital structure to include shareholders' equity. The Company's approach to managing capital has not changed from prior periods.

6. LOAN PAYABLE, CONVERTIBLE DEBENTURES AND FINANCING COSTS

(a) Loan payable

At July 31, 2014, the Company had $0.4 million of principal and associated accrued interest outstanding on an unsecured loan that was received from the Chairman, Chief Executive Officer and President of the Company at an interest rate of 12%. During the three months ended October 31, 2014, the Company repaid the remaining $0.4 million owing on the loan.

(b) Convertible debentures

On April 17, 2014, the Company assumed the liability for convertible debentures from its subsidiary, Pennant. The convertible debentures had a maturity date of April 15, 2015 bearing interest at 18% per annum (compounded every six months). At any time, at the option of the holder, the principal amount of each convertible debenture was convertible into shares at a price of $0.11667 per share until October 15, 2014 and $0.23333 thereafter, and any accrued but unpaid interest thereon would be convertible into shares at a price per share equal to the market price at the time of conversion. Each convertible debenture was pre-payable at the election of the Company in an amount equal to the principal amount, any accrued interest and a penalty equal to three months interest (the "Prepayment Amount"). If the Company disposed of its Bigstone Project, then the Company was required to repay all of the convertible debentures in an amount equal to the Prepayment Amount within ten days of the completion of such sale.

6. LOAN PAYABLE, CONVERTIBLE DEBENTURES AND FINANCING COSTS (CONTINUED)

(b) Convertible debentures (continued)

At July 31, 2014, the Company had a convertible debentures balance of $0.4 million that remained payable. During the three months ended October 31, 2014, the Company issued 3,452,840 common shares valued at $0.4 million pursuant to the conversion of 345 convertible debentures, of which 595,402 common shares valued at $0.1 million were issued to key management, to settle this liability. A balance of $nil remains payable at October 31, 2015 (July 31, 2015 - $nil).

(c) Financing costs

Financing costs for the Company during the three months ended were as follows:

	Three months Ended	
(CDN$ thousands)	**October 31 2015**	October 31 2014
Accretion of decommissioning provision[(1)]	**4**	9
Interest expense on loans	**-**	9
	4	18

(1) This table includes both continuing operations and discontinued operations.

7. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

For the three months ended October 31, 2015, the basic weighted average common shares outstanding was 355,133,965 (three months ended July 31, 2015 – 292,059,993).

The Company uses the treasury stock method to determine the dilutive effect of stock options and warrants. Under this method, only the "in-the-money" dilutive instruments impact the calculation of dilutive profit per common share and assumes the Company uses all cash proceeds received to repurchase common shares in the market. Other than common shares, all equity instruments have been excluded in calculating the diluted loss per share as they were anti-dilutive, as the Company was in a loss position for the three months presented (October 31, 2014 – excluded).

All share issuance costs incurred are recorded directly as a reduction to share capital.

(a) Private placement of 3,300,000 flow-through common shares

On December 9, 2014, the Company completed the second and final tranche of a non-brokered private placement for gross proceeds of $1.5 million consisting of 3,300,000 flow-through common shares at a price of $0.45 per flow-through share. The Company incurred $114 thousand of share issue costs on this transaction.

7. SHAREHOLDERS' EQUITY (CONTINUED)

(b) Private placement of 12,850,555 flow-through common shares

On December 5, 2014, the Company completed the first tranche of a non-brokered private placement for gross proceeds of $5.8 million consisting of 12,850,555 flow-through common shares at a price of $0.45 per flow-through share. The Company incurred $281 thousand of share issue costs on this transaction.

(c) Private placement of 110,345,241 special warrants and 15,900,000 flow-through common shares

On October 21, 2014, the Company completed a brokered private placement for gross proceeds of $30.4 million consisting of 86,207,000 special warrants at a price of $0.29 per special warrant and 15,900,000 flow-through common shares at a price of $0.34 per share. In conjunction with the brokered private placement, the Company also completed a non-brokered private placement for gross proceeds of $7.0 million consisting of 24,138,241 special warrants at a price of $0.29 per special warrant. The Company incurred $1.8 million of share issue costs on this transaction.

Each special warrant entitled the holder to receive, for no additional consideration upon exercise, one common share. On December 18, 2014, the Company obtained a receipt for its final short form prospectus filed with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "receipt"). The receipt qualified the distribution of common shares upon the deemed exercise of the aforementioned special warrants. On December 23, 2014, all 110,345,241 special warrants were exercised.

(d) Convertible debentures

At July 31, 2014, the Company had a convertible debentures balance of $0.4 million that remained payable. During the three months ended October 31, 2014, the Company issued 3,452,840 common shares valued at $0.4 million pursuant to the conversion of 345 convertible debentures, of which 595,402 common shares valued at $0.1 million were issued to key management, to settle this liability (note 6).

(e) Warrants

Warrant transactions are summarized as follows:

	Three months ended October 31, 2015		Twelve months ended July 31, 2015	
(Thousands, except weighted average exercise price)	**Number of warrants**	**Weighted average exercise price ($)**	Number of warrants	Weighted average exercise price ($)
Balance, beginning of period	**14,467**	**0.14**	28,918	0.15
Granted	**-**	**-**	-	-
Exercised	**(2,357)**	**0.12**	(13,621)	0.15
Expired/cancelled	**-**	**-**	(830)	0.70
Balance, end of period	**12,110**	**0.15**	14,467	0.14

As at October 31, 2015, all remaining warrants are exercisable at a price of $0.15 and have a remaining contractual life of 3.0 years (July 31, 2015 – exercisable at a price of $0.14 with a remaining contractual life of 2.8 years).

7. SHAREHOLDERS' EQUITY (CONTINUED)

(f) Agents' Warrants

Agents' warrant transactions are summarized as follows:

	Three months ended October 31, 2015		Twelve months ended July 31, 2015	
(Thousands, except weighted average exercise price)	**Number of agents' warrants**	**Weighted average exercise price ($)**	Number of agents' warrants	Weighted average exercise price ($)
Balance, beginning of period	**419**	**0.15**	1,278	0.15
Granted	**-**	**-**	-	-
Exercised	**(44)**	**0.15**	(859)	0.15
Expired/cancelled	**-**	**-**	-	-
Balance, end of period	**375**	**0.15**	419	0.15

All remaining agents' warrants were exercised subsequent to October 31, 2015 (note 12).

8. SHARE-BASED COMPENSATION

The Company has adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants which enable them to acquire common shares of the Company. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares. The options may be granted for a maximum of 10 years and vest as determined by the board of directors. The exercise price of each option may not be less than the fair market value of the common shares at the time of the grant.

During the three months ended October 31, 2015, share-based compensation of $0.3 million (October 31, 2014 - $1.2 million) in the form of stock option expense was incurred, with $161 thousand related to officers and $44 thousand related to directors (October 31, 2014 - $311 thousand related to officers and $217 thousand related to directors). No share-based compensation expense was capitalized during the three months ended October 31, 2015 or 2014.

The fair value of options granted during the period was estimated on the date of grant using a Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Three months ended October 31, 2015	Three months ended October 31, 2014
Risk free rate (%)	-	1.56
Expected life (years)	-	5.00
Expected dividend yield (%)	-	-
Expected volatility (%)	-	127.30
Expected forfeiture rate (%)	-	-
Weighted average fair value of options granted ($)	-	0.25

8. SHARE-BASED COMPENSATION (CONTINUED)

The following tables summarize the stock options outstanding under the stock option plan as at October 31, 2015:

	Three months ended October 31, 2015		Twelve months ended July 31, 2015	
(Thousands, except weighted average exercise price)	**Number of options**	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Balance, beginning of period	**23,436**	**0.25**	13,389	0.14
Granted	**-**	**-**	12,025	0.35
Exercised	**-**	**-**	(1,753)	0.16
Expired/cancelled	**(1,000)**	**0.37**	(225)	0.10
Balance, end of period	**22,436**	**0.24**	23,436	0.25

	Options outstanding			Options exercisable	
Exercise price ($)	Number of options (thousands)	Average remaining contractual life (years)	Weighted average exercise price ($)	Number of options (thousands)	Weighted average exercise price ($)
0.10 – 0.15	7,111	2.8	0.11	7,111	0.11
0.16 – 0.30	7,525	3.0	0.22	5,375	0.21
0.31 – 0.47	7,800	4.0	0.39	4,500	0.40
0.10 – 0.47	**22,436**	**3.3**	**0.25**	**16,986**	**0.22**

Subsequent to October 31, 2015, the Company granted 7,800,000 stock options to officers, directors, and employees with an exercise price of $0.18 per share (note 12).

9. RELATED PARTY TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

Blackbird has determined that the key management personnel of the Company consist of its directors and officers, including those who formerly held such positions. During the three months ended October 31, 2015 and 2014, the Company engaged in the following transactions with key management:

	Three months Ended	
(CDN$ thousands)	**October 31 2015**	October 31 2014
Share-based compensation	**205**	528
Legal fees paid to Macdonald Tuskey, a law firm in which Mr. William L. Macdonald, Director, is a Principal	**4**	37
Share issue costs paid to Macdonald Tuskey	**-**	92
Management fees paid to G.K. Braun Limited, a company owned by Mr. Garth Braun, Chairman, Chief Executive Officer and President	**-**	39
Accounting fees paid to ASI Accounting Services, a company in which Mr. Ron Schmitz, Director and former Chief Financial Officer, is President	**-**	46
Consulting fees paid to companies owned by Mr. Ralph Allen, Vice President, Geoscience and Mr. Joshua Mann, Vice President, Business Development	**-**	61
Salary paid to the Company's former Chief Operating Officer	**-**	30
	209	833

At July 31, 2014, the Company had a convertible debentures balance of $0.4 million that remained payable (note 6). During the three months ended October 31, 2014, the Company issued 3,452,840 common shares valued at $0.4 million pursuant to the conversion of 345 convertible debentures, of which 595,402 common shares valued at $0.1 million were issued to key management, to settle this liability.

During the three months ended October 31, 2015, the Company paid $nil in land consulting fees to Bilmac Resources Limited (October 31, 2014 - $10 thousand), a company in which Mr. William C. Macdonald, former director, is president.

As of October 31, 2015, there was $4 thousand outstanding in accounts payable related to these service providers (October 31, 2014 - $108 thousand), which is Blackbird's only on-going commitment to them.

10. CONTINGENCIES AND COMMITMENTS

(a) Commitments

At October 31, 2015, the Company has committed to future payments over the next five calendar years as follows:

(CDN$ thousands)	2015	2016	2017	2018	2019	Thereafter	Total
Office rent	41	248	248	62	-	-	599

(b) Litigation and claims

The Company is not involved in any claims or litigation at this time. The Company maintains insurance, which in the opinion of the Company, is in place and is adequate to address any future claims as to matters insured.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital are as follows:

	Three months Ended	
(CDN$ thousands)	**October 31 2015**	October 31 2014
Accounts receivable	**105**	(65)
Prepaid expenses and deposits	**(92)**	(454)
Accounts payable and accrued liabilities	**2,745**	1,373
	2,758	854

	Three months Ended	
(CDN$ thousands)	**October 31 2015**	October 31 2014
Operating	**(172)**	(289)
Investing	**2,930**	1,143
	2,758	854

During the three months ended October 31, 2015, the Company paid $nil in interest and $nil in tax (October 31, 2014 - $9 thousand in interest and $nil in tax).

12. SUBSEQUENT EVENTS

(a) Exercise of agent warrants

Subsequent to October 31, 2015, the Company received $56 thousand from the exercise of 375,111 agent warrants with an exercise price of $0.15 per share.

12. SUBSEQUENT EVENTS (CONTINUED)

(b) Exercise of stock options

Subsequent to October 31, 2015, the Company received $98 thousand from the exercise of 950,000 stock options with a weighted average exercise price of $0.10 per share.

(c) Granting of stock options

Subsequent to October 31, 2015, the Company granted 7,800,000 stock options to officers, directors, and employees with an exercise price of $0.18 per share. One third of these options vested immediately with the remaining thirds vesting equally on the anniversary date of the grant in the following two years. The options granted have a five year expiry.

(d) Vesting of stock options

Subsequent to October 31, 2015, 1,350,000 stock options vested with an exercise price of $0.405 per share.

(e) Cancellation of stock options

Subsequent to October 31, 2015, 3,000,000 stock options with a weighted average exercise price of $0.245 per share were cancelled.