BLACKBIRD ENERGY

THIRD QUARTER 2017 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Dated June 29, 2017

Blackbird Energy Inc. Condensed Interim Consolidated Statements of Financial Position

(CDN$ thousands, unaudited)	Note	**April 30 2017**	July 31 2016
Assets			
Current			
Cash		**79,656**	29,051
Accounts receivable		**2,992**	219
Inventory	3	**181**	181
Prepaid expenses and deposits		**1,065**	1,019
		83,894	30,470
Long-term portion of deposits		**444**	677
Exploration and evaluation assets	3	**18,959**	9,675
Property and equipment	3	**83,101**	38,780
Investment in securities	4	**3,000**	-
		189,398	79,602
Liabilities			
Current			
Accounts payable and accrued liabilities	7, 10	**9,655**	702
Flow-through share premium liability		**2,416**	314
		12,071	1,016
Decommissioning provision		**2,342**	1,001
Deferred income taxes	13	**3,627**	517
		18,040	2,534
Shareholders' Equity			
Share capital	8	**185,559**	86,416
Reserves	8	**14,088**	11,505
Deficit		**(28,289)**	(20,853)
		171,358	77,068
		189,398	79,602

See accompanying notes to the condensed consolidated interim financial statements.

Nature and continuance of operations (note 1)
Contingencies and commitments (note 11)
Subsequent events (note 15)

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 Interim Consolidated Statements of Operations and Comprehensive (Loss) Income

(CDN$ thousands, except per share amounts, unaudited)	Note	Three months Ended April 30 2017	Three months Ended April 30 2016	Nine months Ended April 30 2017	Nine months Ended April 30 2016
Revenue					
Petroleum and natural gas		**3,312**	13	**3,437**	25
Royalties		**(227)**	-	**(233)**	-
		3,085	13	**3,204**	25
Expenses					
Operating		**799**	75	**959**	174
Transportation and processing		**1,140**	-	**1,313**	-
General and administrative	14	**1,182**	665	**2,903**	1,645
Depletion, depreciation and amortization		**834**	-	**834**	-
Share-based compensation	9	**774**	240	**2,954**	1,139
Property evaluation expense	3	**-**	-	**-**	300
Property and equipment impairment reversal, net	3	**-**	-	**-**	(4,461)
Gain on settlement of decommissioning liabilities		**-**	-	**-**	(29)
		(4,729)	(980)	**(8,963)**	1,232
Operating (loss) income		**(1,644)**	(967)	**(5,759)**	1,257
Other					
Amortization of flow-through share premium liability		**668**	-	**1,194**	-
Financing costs	7	**(13)**	(4)	**(32)**	(12)
Interest income		**119**	35	**271**	155
		774	31	**1,433**	143
(Loss) income before taxes		**(870)**	(936)	**(4,326)**	1,400
Income taxes					
Deferred income tax expense	13	**(630)**	-	**(3,110)**	-
Net (loss) income and comprehensive (loss) income		**(1,500)**	(936)	**(7,436)**	1,400
Net (loss) income per common share					
Basic and diluted	8	**(0.00)**	(0.00)	**(0.01)**	0.00

See accompanying notes to the condensed consolidated interim financial statements.

Blackbird Energy Inc. Condensed Interim Consolidated Statements of Cash Flows

		Three months Ended		Nine months Ended	
(CDN$ thousands, unaudited)	Note	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
Cash (used in) provided by:					
Operating activities					
Net (loss) income		**(1,500)**	(936)	**(7,436)**	1,400
Items not involving cash:					
Deferred income tax expense		**630**	-	**3,110**	-
Depletion, depreciation and amortization		**834**	-	**834**	-
Share-based compensation	9	**774**	240	**2,954**	1,139
Amortization of flow-through share premium liability		**(668)**	-	**(1,194)**	-
Property and equipment impairment reversal, net	3	**-**	-	**-**	(4,461)
Financing costs	7	**13**	4	**32**	12
Gain on settlement of decommissioning liabilities		**-**	-	**-**	(29)
Interest paid		**(2)**	-	**(12)**	-
Changes in non-cash working capital	12	**(1,203)**	92	**(2,372)**	(541)
		(1,122)	(600)	**(4,084)**	(2,480)
Financing activities					
Issuance of common shares	8	**61,851**	-	**61,851**	-
Issuance of flow-through shares	8	**22,984**	-	**36,093**	-
Share issue costs	8	**(4,109)**	-	**(4,228)**	-
Exercise of stock options and warrants	8	**360**	-	**1,339**	435
		81,086	-	**95,055**	435
Investing activities					
Property and equipment additions	3	**(4,317)**	(219)	**(32,058)**	(219)
Exploration and evaluation additions	3	**(4,628)**	(185)	**(14,048)**	(15,044)
Investment in securities		**-**	-	**(3,000)**	-
Changes in non-cash working capital	12	**(9,755)**	(9,761)	**8,740**	(323)
		(18,700)	(10,165)	**(40,366)**	(15,586)
Increase (decrease) in cash during the period		**61,264**	(10,765)	**50,605**	(17,631)
Cash, beginning of period		**18,392**	15,464	**29,051**	22,330
Cash, end of period		**79,656**	4,699	**79,656**	4,699

See accompanying notes to the condensed consolidated interim financial statements.

Supplemental cash flow information (note 12)

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

(CDN$ thousands, except share amounts, unaudited)	Number of Common Shares (000s)	Share Capital	Reserves	Deficit	Total
At July 31, 2015	354,199	64,479	5,201	(20,967)	48,713
Exercise of stock options and warrants	3,726	673	(237)	-	436
Share-based compensation	-	-	1,139	-	1,139
Net income and comprehensive income	-	-	-	1,400	1,400
At April 30, 2016	357,925	65,152	6,103	(19,567)	51,688

(CDN$ thousands, except share amounts, unaudited)	**Number of Common Shares (000s)**	**Share Capital**	**Reserves**	**Deficit**	**Total**
At July 31, 2016	550,023	86,416	11,505	(20,853)	77,068
Issuance of common shares	112,456	61,851	-	-	61,851
Issuance of flow-through shares	63,809	36,093	-	-	36,093
Flow-through share premium	-	(3,296)	-	-	(3,296)
Share issue costs	-	(4,228)	-	-	(4,228)
Exercise of stock options and warrants	6,763	1,710	(371)	-	1,339
Share-based compensation	-	-	2,954	-	2,954
Common shares issued for exploration and evaluation assets	11,923	7,013	-	-	7,013
Net loss and comprehensive loss	-	-	-	(7,436)	(7,436)
At April 30, 2017	**744,974**	**185,559**	**14,088**	**(28,289)**	**171,358**

See accompanying notes to the condensed consolidated interim financial statements.

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 head office located at Suite 400 – 444 5th Avenue SW, Calgary, Alberta, T2P 2T8 and its registered office located at Suite 409 – 221 W. Esplanade, North Vancouver, BC, V7M 3J3. 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". The Company's listed warrants are publicly traded on the TSX Venture Exchange under the symbol "BBI.WT".

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 financial statements. The Company estimates that it has sufficient funds to continue operations for the next 12 months.

(CDN$ thousands)	**April 30 2017**	July 31 2016
Working capital	**71,823**	29,454
Deficit	**(28,289)**	(20,853)

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 of directors of the Company (the "Board") on June 29, 2017.

(b) Basis of measurement

These interim financial statements have been prepared on a historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies have been applied consistently to all periods presented in the financial statements and are the same policies as disclosed in the Company's most recent annual audited consolidated 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, 2016. The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

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. As described in note 2(d) the Company used its judgement to conclude that it does not have significant influence over Stage Completions Inc. ("Stage") and therefore equity accounting is not required. The Company also makes estimates and uses judgement with respect to determining its cash generating units ("CGUs"), accruals, lease classifications, reserves, depletion, depreciation and amortization, recoverability of asset carrying values, decommissioning provision, share-based payments, and income taxes.

(d) Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiary, Pennant Energy Inc., which is 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.

Associates are entities in which an investor has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when an investor holds between 20% and 50% of the voting power of another entity. Investments in associates must be accounted for using the equity method.

On November 22, 2016, the Company closed the acquisition of an indirect 10% minority interest in Stage, a private Canadian company pursuant to a subscription agreement entered into between Blackbird and Stage's holding corporations, the majority shareholders of Stage. The Company has accounted for its investment in Stage as a level 3 financial instrument held at cost (see note 4). Given its ownership position and other relationships with Stage, the Company considered if equity accounting was required. Blackbird's security holdings in Stage are for investment purposes only. The Company does not intend to participate in policy making. Blackbird did not receive any contractual entitlement to have a nominee appointed to the board of directors of Stage as a result of the investment. The Company and Stage do however have directors in common from previous appointments. To ensure that the Company will not act jointly or in concert with any common directors/officers in connection with the holding or voting of its securities in Stage, these individuals have declared their conflict and have abstained from past voting when applicable and will continue to abstain from voting as a board member on any matters related to Stage and Blackbird which may arise. Given these factors, the Company has concluded that equity accounting is not applicable.

3. EXPLORATION AND EVALUATION ASSETS & PROPERTY AND EQUIPMENT

(CDN$ thousands)	**Nine months ended April 30, 2017**			Year ended July 31, 2016		
	Cost	**Accum. impair.**	**Carrying value**	Cost	Accum. impair.	Carrying value
Exploration and evaluation assets						
Beginning of period	**14,145**	**(4,470)**	**9,675**	13,239	(4,470)	8,769
Additions	**21,060**	**-**	**21,060**	15,225	-	15,225
Change in decommissioning provision	**71**	**-**	**71**	192	-	192
Transferred to property and equipment	**(11,847)**	**-**	**(11,847)**	(14,511)	-	(14,511)
End of period	**23,429**	**(4,470)**	**18,959**	14,145	(4,470)	9,675
(CDN$ thousands)	**Cost**	**Accum. DD&A and impair.**	**Carrying value**	Cost	Accum. DD&A and impair.	Carrying value
Property and equipment						
Beginning of period	**34,910**	**3,870**	**38,780**	18,143	(591)	17,552
Additions	**32,058**	**-**	**32,058**	2,166	-	2,166
Dispositions	**-**	**-**	**-**	(3)	-	(3)
Change in decommissioning provision	**1,250**	**-**	**1,250**	93	-	93
Transferred from exploration and evaluation assets	**11,847**	**-**	**11,847**	14,511	-	14,511
Depletion, depreciation and amortization	**-**	**(834)**	**(834)**	-	-	-
Impairment reversal, net	**-**	**-**	**-**	-	4,461	4,461
End of period	**80,065**	**3,036**	**83,101**	34,910	3,870	38,780

The Company's only reportable segment, Western Canada, consists of three CGUs. These CGUs include Elmworth, Alberta Minor, and Saskatchewan Minor.

During the three months ended April 30, 2017, the Company capitalized $0.3 million (April 30, 2016 – $0.2 million) of general and administrative expenses directly attributable to exploration and development activities.

During the nine months ended April 30, 2017, the Company capitalized $0.9 million (April 30, 2016 – $0.6 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 primarily 100% working interest in lands which are located in the Elmworth area near Grande Prairie, Alberta. The Elmworth property represents all of the Company's exploration and evaluation assets.

During the nine months ended April 30, 2017, the Company acquired 23 gross (7.9 net) additional sections of undeveloped Pipestone / Elmworth Montney land in exchange for 11,923,077 Blackbird common shares which had a fair value at the time of the acquisition of $7.0 million (April 30, 2016 - $nil). During the nine months ended April 30, 2017, the Company also purchased 16.25 gross (16.25 net) sections of undeveloped Pipestone / Elmworth Montney land for cash consideration of $4.0 million (April 30, 2016 - $nil).

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

(b) Property evaluation expense

Costs incurred in advance of land acquisition or obtaining the legal right to explore are expensed. During the nine months ended April 30, 2017, the Company incurred $nil in property evaluation expense (April 30, 2016 - $0.3 million).

(c) Inventory

As at April 30, 2017, the Company held $0.2 million of production casing inventory at its estimated net realisable value (July 31, 2016 - $0.2 million).

(d) Property and equipment

i. Transfers from exploration and evaluation to property and equipment

On April 30, 2017, $8.2 million of costs were transferred from exploration and evaluation assets to property and equipment. The amount transferred consisted of drilling, completions and developed land costs. On January 31, 2017, $3.6 million of costs were transferred from exploration and evaluation assets to property and equipment. The amount transferred consisted of drilling and developed land costs.

On January 31, 2016, the Company received its interim independent reserve report, with the same effective date, indicating proved and probable Elmworth Montney reserves. As such, $14.5 million of costs were transferred from exploration and evaluation assets to property and equipment. The amount transferred consisted of drilling, completion, testing, post-completion, and land costs associated with the well.

ii. Impairment and impairment reversal

An impairment test is performed on capitalized property and equipment costs at a CGU level on an annual basis and on a quarterly basis when indicators of impairment or impairment reversal exist and immediately preceding the transfer of costs from exploration and evaluation to property and equipment. Impairment is calculated as the difference in a CGU's carrying value and its recoverable amount. When there is an indication that an impairment loss may have increased or decreased, the recoverable amount of the CGU is determined. Impairment losses are reversed and recognized in profit or loss to the extent that a CGU's carrying value is increased to its depreciated historical cost had no impairment been recognized previously.

During the three and nine months ended April 30, 2017, the Company determined that there were no indicators of impairment related to any of the Company's CGUs.

During the three months ended April 30, 2016, the Company determined that there were no indicators of impairment related to any of the Company's CGUs. As such, an impairment test was not performed.

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

During the nine months ended April 30, 2016, the Company recognized a net impairment reversal of $4.5 million to property and equipment consisting of impairment of $2.7 million during the three months ended October 31, 2015 and an impairment reversal of $7.2 million during the three months ended January 31, 2016. This impairment and impairment reversal related to the Pipestone / Elmworth CGU. The impairment booked was due to the impact of lower commodity prices on future production. The impairment reversal was booked to reflect the impact of the increased reserves base on future production which was supported by an independent reserve report with an effective date of January 31, 2016.

4. INVESTMENT IN SECURITIES

On November 22, 2016, the Company closed the acquisition of an indirect 10% minority interest in Stage, a private Canadian company, for a cash purchase price of $3.0 million, pursuant to a subscription agreement entered into between Blackbird and Stage's holding corporations, the majority shareholders of Stage. Stage is a Canadian technology and services company that specializes in pinpoint multistage completions.

The investment in Stage is held at cost, as explained in note 2(d).

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. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Cash, accounts receivable, deposits, investment in securities 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 is measured at fair value using level 1 fair value inputs. The investment in securities are a level 3 instrument measured at cost.

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.

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.

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.

5. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(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.

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's ability to raise capital and its expected future net revenue. The Company does not have any financial risk management contracts in place at April 30, 2017 to manage these risks.

ii. Interest rate risk

The Company's exposure to fluctuations in interest on its net (loss) income and comprehensive (loss) income, 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 and certain commitments are referenced to U.S. dollar denominated prices. At April 30, 2017, the Company's U.S. dollar denominated commitments over the next five calendar years are as follows:

(US$ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
US dollar portion of gas marketing agreement(1)	527	785	785	654	-	-	2,751

Note:
(1) A fluctuation in the April 30, 2017, USD/CAD foreign exchange rate by +/- 10% would result in a $0.1 million CAD variation to the annual commitments associated with this marketing agreement.

iv. Credit risk

The Company's credit risk exposure is related to joint interest billings, goods and services tax receivable, and cash. As at April 30, 2017, the Company had $1.7 million net receivable from GST/HST with the remaining balance collectible from trade receivables. The Company's allowance for doubtful accounts at April 30, 2017, was $31 thousand (July 31, 2016 - $31 thousand). The Company expects to collect all other outstanding receivables. The Company retains its cash deposits with highly reputable financial institutions.

5. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

At April 30, 2017 and 2016 all cash was held with large Canadian financial institutions.

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 on 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 working capital, among others, to measure the status of its capital structure. The Company has 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. OPERATING LOAN FACILITY

At April 30, 2017, the Company had a $1.0 million revolving operating loan facility (July 31, 2016 - no loan facility) with ATB Financial. The loan facility is subject to a redetermination of the borrowing base from time to time, but reviewed at least annually. The facility is available by way of prime-based loans, letters of credit and corporate credit cards. The Company is required to maintain a positive working capital ratio at all times to satisfy the financial covenants associated with this facility.

As of April 30, 2017, the Company had $0.7 million in letters of credit issued (July 31, 2016 - no letters of credit issued) which reduce the credit available on the loan facility.

At April 30, 2017, the available amount to draw on the loan facility was $0.3 million (July 31, 2016 - no loan facility).

7. FINANCING COSTS AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(a) Financing costs

Financing costs for the Company during the periods ended were as follows:

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
Accretion of decommissioning provision	**11**	4	**20**	12
Interest expense	**2**	-	**12**	-
	13	4	**32**	12

(b) Accounts payable and accrued liabilities

At April 30, 2017, the Company had $8.0 million of trade payables and $1.7 million of accrued liabilities (July 31, 2016 - $0.6 million of trade payables and $0.1 million of accrued liabilities).

8. SHAREHOLDERS' EQUITY

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

For the three months ended April 30, 2017, the basic and diluted weighted average common shares outstanding was 669,714,252 (three months ended April 30, 2016 – 357,924,897).

For the nine months ended April 30, 2017, the basic and diluted weighted average common shares outstanding was 599,677,494 (nine months ended April 30, 2016 – 356,860,147 basic and 358,096,414 diluted).

Only the "in-the-money" dilutive instruments impact the calculation of diluted income per common share and assumes that the Company uses all cash proceeds received to repurchase common shares in the market. Other than common shares, all equity instruments are excluded when calculating diluted loss per share as they are anti-dilutive when in a loss position.

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

(a) Land acquisition for 1,923,077 common shares

On March 23, 2017, the Company completed the acquisition of 2 gross (2 net) sections of undeveloped Pipestone / Elmworth Montney land in exchange for 1,923,077 Blackbird common shares as consideration. This transaction was recorded at the fair value of the common shares issued, which was $0.50 per common share or $1.0 million.

(b) Marketed public offering of 112,456,000 common shares and 36,443,750 flow-through common shares

On March 14, 2017, the Company completed a marketed public offering of 112,456,000 common shares at a price of $0.55 per common share, 29,643,750 common shares issued on a "Canadian exploration expense flow-through" basis (the "CEE Flow-Through Shares") at a price of $0.64 per CEE Flow-Through Share and 6,800,000 common shares issued on a "Canadian development expense flow-through" basis (the "CDE Flow-Through Shares") at a price of $0.59 per CDE Flow-Through Share for aggregate gross proceeds of $84.8 million. The Company incurred $4.1 million of share issue costs during this transaction.

8. SHAREHOLDERS' EQUITY (CONTINUED)

(c) Land acquisition for 5,000,000 common shares

On March 6, 2017, the Company completed the acquisition of 13 gross (3.1 net) sections of undeveloped Pipestone / Elmworth Montney land in exchange for 5,000,000 Blackbird common shares as consideration. This transaction was recorded at the fair value of the common shares issued, which was $0.53 per common share or $2.6 million.

(d) Land acquisition for 5,000,000 common shares

On February 15, 2017, the Company completed the acquisition of 8 gross (2.8 net) sections of undeveloped Pipestone / Elmworth Montney land in exchange for 5,000,000 Blackbird common shares as consideration. This transaction was recorded at the fair value of the common shares issued, which was $0.68 per common share or $3.4 million.

(e) Private placement of 10,865,000 flow-through common shares

On November 1, 2016, the Company completed a non-brokered private placement for gross proceeds of $5.1 million consisting of 10,865,000 flow-through common shares at a price of $0.47 per flow-through share. The Company incurred $65 thousand of share issue costs during this transaction.

(f) Private placement of 16,500,000 flow-through common shares

On October 27, 2016, the Company completed a non-brokered private placement for gross proceeds of $8.0 million consisting of 16,500,000 flow-through common shares at a price of $0.485 per flow-through share. The Company incurred $54 thousand of share issue costs during this transaction.

(g) Prospectus offering of 176,410,000 units and 15,410,000 flow-through common shares

On May 19, 2016, the Company completed a brokered prospectus offering of 176,410,000 units at a price of $0.15 per unit and 15,410,000 flow-through common shares at a price of $0.15 per flow-through common share for aggregate gross proceeds of $28.8 million. The Company incurred $1.8 million of share issue costs during this transaction.

Each unit consisted of one common share and one listed common share purchase warrant ("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 at an exercise price of $0.30, at any time prior to the date that is 60 months following the closing date of the financing. The listed warrants commenced trading on the TSX-V at the opening of markets on May 25, 2016, under the symbol "BBI.WT".

Pursuant to the Company's accounting policy, the proceeds from sale of the units was bifurcated using a residual value approach. Based on this approach, the Company allocated a total of $21.2 million to the share component of the unit, with the residual $5.3 million being attributable to the warrant component.

(h) Stock option and warrant exercises

During the nine months ended April 30, 2017, the Company issued 6,763,175 common shares due to the exercise of stock options and warrants. The Company received proceeds of $1.3 million and recognized a fair value reversal of $0.4 million on the exercises.

8. SHAREHOLDERS' EQUITY (CONTINUED)

(i) Listed Warrants

Listed warrant transactions are summarized as follows:

	Nine months ended April 30, 2017		Year ended July 31, 2016	
(Thousands, except weighted average exercise price)	**Number of listed warrants**	**Weighted average exercise price ($)**	Number of listed warrants	Weighted average exercise price ($)
Balance, beginning of period	**176,410**	**0.30**	-	-
Granted	**-**	**-**	176,410	0.30
Exercised	**(1,221)**	**0.30**	-	-
Expired/cancelled	**-**	**-**	-	-
Balance, end of period	**175,189**	**0.30**	176,410	0.30

As at April 30, 2017, all listed warrants are exercisable at a price of $0.30 and have a remaining contractual life of 4.1 years (July 31, 2016 - all listed warrants were exercisable at a price of $0.30 with a remaining contractual life of 4.8 years).

(j) Warrants

Warrant transactions are summarized as follows:

	Nine months ended April 30, 2017		Year ended July 31, 2016	
(Thousands, except weighted average exercise price)	**Number of warrants**	**Weighted average exercise price ($)**	Number of warrants	Weighted average exercise price ($)
Balance, beginning of period	**11,832**	**0.15**	14,467	0.14
Granted	**-**	**-**	-	-
Exercised	**(3,225)**	**0.15**	(2,635)	0.12
Expired/cancelled	**-**	**-**	-	-
Balance, end of period	**8,607**	**0.15**	11,832	0.15

As at April 30, 2017, all warrants are exercisable at a price of $0.15 and have a remaining contractual life of 1.5 years (July 31, 2016 - all warrants were exercisable at a price of $0.15 with a remaining contractual life of 2.3 years).

8. SHAREHOLDERS' EQUITY (CONTINUED)

(k) Agents' Warrants

Agents' warrant transactions are summarized as follows:

	Nine months ended April 30, 2017		Year ended July 31, 2016	
(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
Granted	-	-	-	-
Exercised	-	-	(419)	0.15
Expired/cancelled	-	-	-	-
Balance, end of period	-	-	-	-

(l) Reserves

Reserves transactions are summarized as follows:

	Nine months ended April 30, 2017			Year ended July 31, 2016		
(CDN$ thousands)	**Share-based payments**	**Warrants**	**Total**	Share-based payments	Warrants	Total
Balance, beginning of period	**6,212**	**5,293**	**11,505**	5,017	184	5,201
Additions	**2,954**	**-**	**2,954**	1,248	5,293	6,541
Deductions	**(334)**	**(37)**	**(371)**	(53)	(184)	(237)
Balance, end of period	**8,832**	**5,256**	**14,088**	6,212	5,293	11,505

9. 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. 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 April 30, 2017, share-based compensation of $0.8 million (April 30, 2016 - $0.2 million) in the form of stock option expense was incurred, with $0.4 million related to officers and $0.1 million related to directors (April 30, 2016 - $154 thousand related to officers and $44 thousand related to directors). No share-based compensation expense was capitalized during the three months ended April 30, 2017 or 2016.

9. SHARE-BASED COMPENSATION (CONTINUED)

During the nine months ended April 30, 2017, share-based compensation of $3.0 million (April 30, 2016 - $1.1 million) in the form of stock option expense was incurred, with $1.7 million related to officers and $0.5 million related to directors (April 30, 2016 - $0.8 million related to officers and $0.2 million related to directors). No share-based compensation expense was capitalized during the nine months ended April 30, 2017 or 2016.

The following tables summarize the stock options outstanding under the stock option plan at April 30, 2017:

	Nine months ended April 30, 2017		Year ended July 31, 2016	
(Thousands, except weighted average exercise price)	**Number of options**	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Balance, beginning of period	**24,536**	**0.23**	23,436	0.25
Granted	**12,125**	**0.57**	7,800	0.18
Exercised	**(2,317)**	**0.21**	(950)	0.10
Expired/cancelled	**(367)**	**0.46**	(5,750)	0.26
Balance, end of period	**33,977**	**0.35**	24,536	0.23

	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	4,891	1.5	0.11	4,891	0.11
0.16 – 0.30	10,961	3.2	0.19	8,128	0.20
0.31 – 0.45	6,000	2.6	0.38	5,667	0.38
0.46 – 0.65	12,125	4.5	0.58	4,508	0.57
0.10 – 0.65	**33,977**	**3.3**	**0.35**	**23,194**	**0.29**

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:

	Nine months ended April 30, 2017	Nine months ended April 30, 2016
Expected dividend yield (%)	-	-
Risk free rate (%)	**2.05**	2.26
Expected life (years)	**5.00**	5.00
Expected volatility (%)	**104.72**	112.53
Expected forfeiture rate (%)	**10.00**	10.00
Weighted average fair value of options granted ($)	**0.44**	0.14

10. 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 periods ended April 30, 2017 and 2016, the Company paid or accrued compensation to key management as follows:

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
Share-based compensation	**459**	199	**2,168**	941
Compensation paid to key management personnel that was expensed	**138**	117	**697**	351
Compensation paid to key management personnel that was capitalized to exploration and development activities	**162**	132	**611**	396
Fees paid to Directors	**-**	-	**38**	45
Legal fees paid to Macdonald Tuskey, a law firm in which Mr. William L. Macdonald, Director, is a Principal	**50**	8	**130**	25
Share issue costs paid to Macdonald Tuskey	**75**	-	**92**	-
Fees paid to Canadian Energy Services and Technology Corp. for drilling services performed, a company in which Mr. Burton Ahrens, Director, is also a Director	**-**	372	**607**	372
Fees paid to Stage for completions equipment and services performed, a company in which Mr. Garth Braun, Chairman, Chief Executive Officer and President and Mr. Sean Campbell, Director, are the Managing Director and President, Chief Executive Officer and Director of, respectively	**513**	-	**1,282**	-
	1,397	828	**5,625**	2,130

During the nine months ended April 30, 2017, Blackbird paid Stage $3.0 million in cash consideration for the acquisition of its indirect 10% minority interest (see note 4).

As of April 30, 2017, there was $0.1 million outstanding in accounts payable related to the above noted service providers (July 31, 2016 - $19 thousand), which is Blackbird’s only on-going commitment to them.

11. CONTINGENCIES AND COMMITMENTS

(a) Commitments

At April 30, 2017, the Company has committed to future payments over the next five calendar years, as follows:

(CDN$ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
Office lease	149	224	130	-	-	-	503
Equipment leases	407	610	412	-	-	-	1,429
Canadian dollar portion of gas marketing agreement	821	1,223	1,223	1,018	-	-	4,285
Transportation and processing	2,286	2,836	-	-	-	-	5,122
	3,663	**4,893**	**1,765**	**1,018**	**-**	**-**	**11,339**

(US$ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
US dollar portion of gas marketing agreement(1)	527	785	785	654	-	-	2,751

Note:
(1) A fluctuation in the April 30, 2017, USD/CAD foreign exchange rate by +/- 10% would result in a $0.1 million CAD variation to the annual commitments associated with this marketing agreement.

(b) Flow-through shares

The Company is required to incur and renounce $19.0 million of eligible Canadian exploration expenses ("CEE") by December 31, 2018 in connection with the issuance of the CEE Flow-Through Shares on March 14, 2017. As at April 30, 2017, none of these expenditures have been incurred.

The Company is required to incur and renounce $8.0 million of eligible CEE by December 31, 2017 in connection with the issuance of flow-through shares on October 27, 2016. As at April 30, 2017, $6.7 million of these expenditures have been incurred.

(c) Litigation and claims

The Company is not involved in any claims or litigation at this time, other than those where management believes the possibility of an outflow of economic resources is remote. 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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
Accounts receivable	**(1,810)**	106	**(2,773)**	(157)
Prepaid expenses and deposits	**(684)**	(109)	**188**	(229)
Accounts payable and accrued liabilities	**(8,464)**	(9,666)	**8,953**	(478)
	(10,958)	(9,669)	**6,368**	(864)

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
Operating	**(1,203)**	92	**(2,372)**	(541)
Investing	**(9,755)**	(9,761)	**8,740**	(323)
	(10,958)	(9,669)	**6,368**	(864)

During the three and nine months ended April 30, 2017, the Company acquired undeveloped Pipestone / Elmworth Montney land in exchange for 11,923,077 Blackbird common shares which had a fair value of $7.0 million (April 30, 2016 - $nil).

During the three months ended April 30, 2017, the Company paid $2 thousand in interest and $nil in tax (April 30, 2016 - $nil in interest and $nil in tax).

During the nine months ended April 30, 2017, the Company paid $12 thousand in interest and $nil in tax (April 30, 2016 - $nil in interest and $nil in tax).

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
(Loss) income before taxes	**(870)**	(936)	**(4,326)**	1,400
Expected (recovery) income tax	**(234)**	315	**(1,168)**	378
Change in statutory rates and other	**229**	(545)	**290**	(385)
Permanent difference	**(80)**	476	**236**	307
Impact of flow-through shares	**1,888**	-	**4,601**	-
Share issue costs	**(1,173)**	(476)	**(1,141)**	(476)
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses	**-**	314	**330**	349
Change in unrecognized deductible temporary differences	**-**	(84)	**(38)**	(173)
Deferred income tax expense	**630**	-	**3,110**	-

14. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2017**	April 30 2016	**April 30 2017**	April 30 2016
Personnel	**321**	180	**1,221**	595
Office costs, travel and other	**382**	176	**736**	479
Professional fees	**421**	11	**638**	97
Investor relations	**58**	298	**308**	435
Management fees	**-**	-	**-**	39
	1,182	665	**2,903**	1,645

15. SUBSEQUENT EVENTS

(a) Land acquisitions

Subsequent to April 30, 2017, the Company purchased 3 gross (2 net) sections of undeveloped Pipestone / Elmworth Montney land for cash consideration of $1.2 million.