BLACKBIRD ENERGY

THIRD QUARTER CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2018

Blackbird Energy Inc. Condensed Consolidated Interim Statements of Financial Position

(CDN$ thousands, unaudited)	Note	April 30 2018	July 31 2017
Assets			
Current			
Cash		**5,649**	60,535
Accounts receivable		**2,689**	1,289
Inventory	3	**28**	397
Prepaid expenses and deposits		**761**	1,022
		9,127	63,243
Long-term portion of deposits		**75**	518
Exploration and evaluation assets	3	**39,677**	25,153
Property and equipment	3	**133,047**	99,992
Investment in securities	4	**3,000**	3,000
		184,926	191,906
Liabilities			
Current			
Accounts payable and accrued liabilities	7, 10	**3,791**	13,175
Flow-through share premium liability		**-**	1,309
		3,791	14,484
Decommissioning provision	15	**3,401**	2,556
Deferred income taxes	13	**8,618**	5,937
		15,810	22,977
Shareholders' Equity			
Share capital	8	**186,536**	185,624
Reserves	8	**17,522**	14,758
Deficit		**(34,942)**	(31,453)
		169,116	168,929
		184,926	191,906

See accompanying notes to the condensed consolidated interim financial statements.

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

On behalf of the Board,

Garth Braun
Chairman, Chief Executive Officer and President

Ron Schmitz
Director

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

(CDN$ thousands, except per share amounts, unaudited)	Note	Three months Ended April 30 2018	Three months Ended April 30 2017	Nine months Ended April 30 2018	Nine months Ended April 30 2017
Revenue					
Petroleum and natural gas sales		**6,414**	3,312	**15,032**	3,437
Royalties		**(423)**	(227)	**(925)**	(233)
		5,991	3,085	**14,107**	3,204
Expenses					
Operating		**896**	799	**2,291**	959
Transportation and processing		**1,582**	1,140	**3,994**	1,313
General and administrative	14	**1,062**	1,182	**3,008**	2,903
Depletion, depreciation and amortization	3	**1,630**	834	**3,939**	834
Share-based compensation	9	**610**	774	**3,093**	2,954
		(5,780)	(4,729)	**(16,325)**	(8,963)
Operating income (loss)		**211**	(1,644)	**(2,218)**	(5,759)
Other					
Amortization of flow-through share premium liability		**-**	668	**1,309**	1,194
Financing costs	7	**(68)**	(13)	**(100)**	(32)
Interest income		**18**	119	**201**	271
		(50)	774	**1,410**	1,433
Income (loss) before taxes		**161**	(870)	**(808)**	(4,326)
Income taxes					
Deferred income tax expense	13	**(208)**	(630)	**(2,681)**	(3,110)
Net loss and comprehensive loss		**(47)**	(1,500)	**(3,489)**	(7,436)
Net loss per share					
Basic and diluted	8	**(0.00)**	(0.00)	**(0.00)**	(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		Nine months Ended	
(CDN$ thousands, unaudited)	Note	**April 30 2018**	April 30 2017	**April 30 2018**	April 30 2017
Cash provided by (used in):					
Operating activities					
Net loss		**(47)**	(1,500)	**(3,489)**	(7,436)
Items not involving cash:					
Deferred income tax expense	13	**208**	630	**2,681**	3,110
Depletion, depreciation and amortization	3	**1,630**	834	**3,939**	834
Share-based compensation	9	**610**	774	**3,093**	2,954
Amortization of flow-through share premium liability		**-**	(668)	**(1,309)**	(1,194)
Financing costs	7	**68**	13	**100**	32
Loan fees and interest paid		**(48)**	(2)	**(48)**	(12)
Changes in non-cash working capital	12	**390**	(1,203)	**(734)**	(2,372)
		2,811	(1,122)	**4,233**	(4,084)
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	**112**	360	**583**	1,339
		112	81,086	**583**	95,055
Investing activities					
Property and equipment additions	3	**(2,655)**	(4,317)	**(36,351)**	(32,058)
Exploration and evaluation asset additions	3	**(1,910)**	(4,628)	**(14,155)**	(14,048)
Inventory disposition		**8**	-	**150**	-
Investment in securities		**-**	-	**-**	(3,000)
Changes in non-cash working capital	12	**(8,429)**	(9,755)	**(9,346)**	8,740
		(12,986)	(18,700)	**(59,702)**	(40,366)
(Decrease) increase in cash during the period		**(10,063)**	61,264	**(54,886)**	50,605
Cash, beginning of period		**15,712**	18,392	**60,535**	29,051
Cash, end of period		**5,649**	79,656	**5,649**	79,656

See accompanying notes to the condensed consolidated interim financial statements.

Supplemental cash flow information (note 12)

Blackbird Energy Inc. Condensed Consolidated Interim 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, 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**

(CDN$ thousands, except share amounts, unaudited)	**Number of Common Shares (000s)**	**Share Capital**	**Reserves**	**Deficit**	**Total**
At July 31, 2017	745,430	185,624	14,758	(31,453)	168,929
Exercise of stock options and warrants	3,800	912	(329)	-	583
Share-based compensation	-	-	3,093	-	3,093
Net loss and comprehensive loss	-	-	-	(3,489)	(3,489)
At April 30, 2018	**749,230**	**186,536**	**17,522**	**(34,942)**	**169,116**

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 between its working capital and operating loan facility capacity it has sufficient funds to continue operations for the next 12 months.

(CDN$ thousands)	**April 30 2018**	July 31 2017
Working capital	**5,336**	48,759
Deficit	**(34,942)**	(31,453)

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 25, 2018.

(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.

2. BASIS OF PRESENTATION (CONTINUED)

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, 2017. The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

(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. Ruger Energy Inc., a previously wholly-owned subsidiary of Blackbird, was amalgamated with Blackbird effective February 1, 2017.

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

	Nine months ended April 30, 2018			Year ended July 31, 2017		
(CDN$ thousands)	**Cost**	**Accum. impair.**	**Carrying value**	Cost	Accum. impair.	Carrying value
Exploration and evaluation assets						
Beginning of period	**29,623**	**(4,470)**	**25,153**	14,145	(4,470)	9,675
Additions	**14,155**	**-**	**14,155**	30,118	-	30,118
Change in decommissioning provision	**223**	**-**	**223**	289	-	289
Transferred to property and equipment	**-**	**-**	**-**	(14,929)	-	(14,929)
Transferred from inventory	**146**	**-**	**146**	-	-	-
End of period	**44,147**	**(4,470)**	**39,677**	29,623	(4,470)	25,153
(CDN$ thousands)	**Cost**	**Accum. DD&A and impair.**	**Carrying value**	Cost	Accum. DD&A and impair.	Carrying value
Property and equipment						
Beginning of period	**97,726**	**2,266**	**99,992**	34,910	3,870	38,780
Additions	**36,351**	**-**	**36,351**	46,868	-	46,868
Change in decommissioning provision	**570**	**-**	**570**	1,235	-	1,235
Transferred from exploration and evaluation assets	**-**	**-**	**-**	14,929	-	14,929
Depletion, depreciation and amortization	**-**	**(3,939)**	**(3,939)**	-	(1,604)	(1,604)
Transferred from (to) inventory	**73**	**-**	**73**	(216)	-	(216)
End of period	**134,720**	**(1,673)**	**133,047**	97,726	2,266	99,992

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

During the three months ended April 30, 2018, the Company capitalized $0.4 million (April 30, 2017 – $0.3 million) of general and administrative expenses directly attributable to exploration and development activities.

During the nine months ended April 30, 2018, the Company capitalized $1.2 million (April 30, 2017 – $0.9 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 Pipestone / Elmworth property consists of working interests in undeveloped lands and wells which are located in the Pipestone / Elmworth area near Grande Prairie, Alberta. The Pipestone / Elmworth property represents all of the Company's exploration and evaluation assets.

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

(b) Inventory

As at April 30, 2018, the Company held $28 thousand of production casing inventory (July 31, 2017 - $0.4 million).

During the nine months ended April 30, 2018, the Company collected proceeds of $0.2 million from the sale of production casing, which approximated its carrying value (April 30, 2017 - $nil).

(c) Property and equipment

i. Transfers from exploration and evaluation ("E&E") assets to property and equipment ("P&E")

During the nine months ended April 30, 2018, there were no transfers from E&E assets to P&E.

During the year ended July 31, 2017, $14.9 million of costs were transferred from E&E assets to P&E. The amount transferred consisted of drilling, completion and developed land costs. The Company tested for impairment immediately preceding the transfers of E&E assets to P&E. The Company determined that there was no impairment.

ii. Impairment

At the end of each reporting period, the Company reviews for indicators of impairment to ensure that the carrying value of its oil and natural gas properties are recoverable. As at April 30, 2018, there were no indicators of impairment.

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. When applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The Company's financial instruments consist of: Cash, accounts receivable, deposits, investment in securities and accounts payable and accrued liabilities.

5. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

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.

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.

(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, 2018 to manage these risks.

ii. Interest rate risk

The Company's exposure to fluctuations in interest 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.

5. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

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, 2018, the Company's U.S. dollar denominated commitments over the next five calendar years are as follows:

(US$ thousands)	2018	2019	2020	2021	2022	Thereafter	**Total**
US dollar portion of gas marketing agreement(1)	527	785	654	-	-	-	**1,966**

Note:
(1) A fluctuation in the April 30, 2018, 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 trade receivables, joint interest billings, goods and services tax receivable and cash. As at April 30, 2018, the Company had $0.1 million net receivable from the Canada Revenue Agency for GST/HST with the remaining balance collectible from trade receivables. The Company's allowance for doubtful accounts at April 30, 2018, was $31 thousand (July 31, 2017 - $31 thousand). The Company expects to collect all other outstanding receivables.

At April 30, 2018 and 2017 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, supplemented by operating cash flows.

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. With the exception of the positive working capital covenant (note 6), the Company is not exposed to any external capital requirements as at April 30, 2018.

6. OPERATING LOAN FACILITY

At April 30, 2018, the Company had a $20.0 million revolving operating loan facility (July 31, 2017 - $1.0 million) with ATB Financial. The size of this facility was expanded during the three months ended April 30, 2018 from $1.0 million to $20.0 million. The loan facility is subject to a redetermination of the borrowing base from time to time, but reviewed at least annually. Blackbird may, at its option, elect to submit an updated reserves evaluation in advance of its required annual review for the purposes of a borrowing base redetermination. 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. The calculation of working capital is defined as current assets plus the undrawn availability under the facility divided by current liabilities, excluding any amount drawn under the facility. At April 30, 2018, the Company was in compliance with the covenants of the operating loan facility.

As of April 30, 2018, the loan facility was undrawn and $0.7 million in letters of credit were issued which reduced the amount that could be borrowed under the loan facility (July 31, 2017 – no balance drawn and $0.7 million in letters of credit issued).

At April 30, 2018, the available amount to draw on the loan facility was $19.3 million (July 31, 2017 - $0.3 million).

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 2018**	April 30 2017	**April 30 2018**	April 30 2017
Accretion of decommissioning provision	**20**	11	**52**	20
Loan fees and interest expense	**48**	2	**48**	12
	68	13	**100**	32

(b) Accounts payable and accrued liabilities

At April 30, 2018, the Company had $2.3 million of trade payables and $1.5 million of accrued liabilities (July 31, 2017 - $7.3 million of trade payables and $5.9 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, 2018, the basic and diluted weighted average common shares outstanding was 748,945,262 (three months ended April 30, 2017 – 669,714,252).

For the nine months ended April 30, 2018, the basic and diluted weighted average common shares outstanding was 747,625,910 (nine months ended April 30, 2017 – 599,677,494).

8. SHAREHOLDERS' EQUITY (CONTINUED)

Only the "in-the-money" dilutive instruments impact the calculation of diluted income 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 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.

(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.

8. SHAREHOLDERS' EQUITY (CONTINUED)

(g) Listed Warrants

Listed warrant transactions are summarized as follows:

	Nine months ended April 30, 2018		Year ended July 31, 2017	
(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	**175,189**	**0.30**	176,410	0.30
Exercised	**-**	**-**	(1,221)	0.30
Balance, end of period	**175,189**	**0.30**	175,189	0.30

As at April 30, 2018, all listed warrants are exercisable at a price of $0.30 and have a remaining contractual life of 3.1 years (July 31, 2017 - all listed warrants were exercisable at a price of $0.30 with a remaining contractual life of 3.8 years).

(h) Warrants

Warrant transactions are summarized as follows:

	Nine months ended April 30, 2018		Year ended July 31, 2017	
(Thousands, except weighted average exercise price)	**Number of warrants**	**Weighted average exercise price ($)**	Number of warrants	Weighted average exercise price ($)
Balance, beginning of period	**8,151**	**0.15**	11,832	0.15
Exercised	**(517)**	**0.15**	(3,681)	0.15
Balance, end of period	**7,634**	**0.15**	8,151	0.15

As at April 30, 2018, all warrants are exercisable at a price of $0.15 and have a remaining contractual life of 0.5 years (July 31, 2017 - all warrants were exercisable at a price of $0.15 with a remaining contractual life of 1.3 years).

8. SHAREHOLDERS' EQUITY (CONTINUED)

(i) Reserves

Reserves transactions are summarized as follows:

	Nine months ended April 30, 2018			Year ended July 31, 2017		
(CDN$ thousands)	**Share-based payments**	**Warrants**	**Total**	Share-based payments	Warrants	Total
Balance, beginning of period	**9,502**	**5,256**	**14,758**	6,212	5,293	11,505
Additions	**3,093**	**-**	**3,093**	3,624	-	3,624
Deductions	**(329)**	**-**	**(329)**	(334)	(37)	(371)
Balance, end of period	**12,266**	**5,256**	**17,522**	9,502	5,256	14,758

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, 2018, share-based compensation of $0.6 million (April 30, 2017 - $0.8 million) in the form of stock option expense was incurred, with $0.3 million related to officers and $0.1 million related to directors (April 30, 2017 - $0.4 million related to officers and $0.1 million related to directors). No share-based compensation expense was capitalized during the three months ended April 30, 2018 or 2017.

During the nine months ended April 30, 2018, share-based compensation of $3.1 million (April 30, 2017 - $3.0 million) in the form of stock option expense was incurred, with $1.4 million related to officers and $0.6 million related to directors (April 30, 2017 - $1.7 million related to officers and $0.5 million related to directors). No share-based compensation expense was capitalized during the nine months ended April 30, 2018 or 2017.

9. SHARE-BASED COMPENSATION (CONTINUED)

The following tables summarize the stock options outstanding under the stock option plan at April 30, 2018:

	Nine months ended April 30, 2018		Year ended July 31, 2017	
(Thousands, except weighted average exercise price)	**Number of options**	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Balance, beginning of period	**34,311**	**0.35**	24,536	0.23
Granted	**14,592**	**0.33**	12,625	0.57
Exercised	**(3,283)**	**0.15**	(2,317)	0.21
Forfeited/expired	**(5,367)**	**0.47**	(533)	0.46
Balance, end of period	**40,253**	**0.34**	34,311	0.35

	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	3,611	0.5	0.11	3,611	0.11
0.16 – 0.30	8,250	2.3	0.20	8,250	0.20
0.31 – 0.45	19,592	4.0	0.34	9,364	0.35
0.46 – 0.65	8,800	3.6	0.59	5,867	0.59
0.10 – 0.65	**40,253**	**3.2**	**0.34**	**27,092**	**0.32**

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, 2018	Nine months ended April 30, 2017
Expected dividend yield (%)	-	-
Risk free rate (%)	**2.33**	2.05
Expected life (years)	**5.00**	5.00
Expected volatility (%)	**95.04**	104.72
Expected forfeiture rate (%)	**10.00**	10.00
Weighted average fair value of options granted ($)	**0.24**	0.44

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, 2018 and 2017, the Company paid or accrued compensation to key management as follows:

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2018**	April 30 2017	**April 30 2018**	April 30 2017
Share-based compensation	**356**	459	**2,030**	2,168
Compensation paid to key management personnel that was expensed	**145**	138	**521**	697
Compensation paid to key management personnel that was capitalized to exploration and development activities	**173**	162	**614**	611
Fees paid to Directors	**-**	-	**38**	38
Fees paid to ASI Accounting Services for Interim Chief Financial Officer services performed, a company in which Mr. Ron Schmitz, Director and former Chief Financial Officer, is President	**-**	-	**42**	-
Legal fees paid to Macdonald Tuskey, a law firm in which Mr. William L. Macdonald, Director, is a Principal	**6**	50	**28**	130
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	**240**	-	**934**	607
Fees paid to Stage for completions equipment and services performed, a company in which Mr. Garth Braun, Blackbird's Chairman, Chief Executive Officer and President is also a Director and owns an indirect minority interest in Stage, certain of Blackbird's other officers own non-controlling interests in Stage, and Mr. 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	**30**	513	**300**	1,282
	950	1,397	**4,507**	5,625

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

As of April 30, 2018, there was $0.2 million outstanding in accounts payable related to the above noted service providers (July 31, 2017 - $9 thousand).

11. CONTINGENCIES AND COMMITMENTS

(a) Commitments

At April 30, 2018, the Company has committed to future payments over the next five calendar years, as follows:

(CDN$ thousands)	2018	2019	2020	2021	2022	Thereafter	**Total**
Office lease	149	130	-	-	-	-	**279**
Equipment leases	407	610	610	599	119	-	**2,345**
Canadian dollar portion of gas marketing agreement	821	1,223	1,018	-	-	-	**3,062**
Firm transportation and processing	2,435	5,034	10,432	14,030	14,884	39,864	**86,679**
Estimated contractual obligations	3,812	6,997	12,060	14,629	15,003	39,864	**92,365**

(US$ thousands)	2018	2019	2020	2021	2022	Thereafter	**Total**
US dollar portion of gas marketing agreement(1)	527	785	654	-	-	-	**1,966**

Note:
(1) A fluctuation in the April 30, 2018, 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.

In November, 2017 the Company entered into a binding agreement for firm processing of raw gas produced from the Company's Pipestone / Elmworth project. The agreement has an initial term of five years with firm capacity of 20.0 million cubic feet of natural gas per day expected to commence in the second quarter of calendar 2019 (following a short ramp-up period), increasing to 25.0 million cubic feet per day twelve months after plant start-up and to 30.0 million cubic feet per day eighteen months after plant start-up. Blackbird has an option to acquire a working interest of up to 20% in the deep cut sour gas processing facility. The future commitments related to this agreement will depend on the Company's course of action with respect to participating in the facility. The amounts disclosed above reflect Blackbird's current take-or-pay commitments per the agreement without participation in the facility. Should Blackbird acquire a working interest in the facility in the future, the commitments will be adjusted accordingly.

(b) 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:

(CDN$ thousands)	Three months Ended April 30 2018	Three months Ended April 30 2017	Nine months Ended April 30 2018	Nine months Ended April 30 2017
Accounts receivable	**19**	(1,810)	**(1,400)**	(2,773)
Prepaid expenses and deposits	**105**	(684)	**704**	188
Accounts payable and accrued liabilities	**(8,163)**	(8,464)	**(9,384)**	8,953
	(8,039)	(10,958)	**(10,080)**	6,368

(CDN$ thousands)	Three months Ended April 30 2018	Three months Ended April 30 2017	Nine months Ended April 30 2018	Nine months Ended April 30 2017
Operating	**390**	(1,203)	**(734)**	(2,372)
Investing	**(8,429)**	(9,755)	**(9,346)**	8,740
	(8,039)	(10,958)	**(10,080)**	6,368

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.

During the three months ended April 30, 2018, the Company paid $48 thousand in loan fees and interest and $nil in income tax (April 30, 2017 - $2 thousand in interest and $nil in tax).

During the nine months ended April 30, 2018, the Company paid $48 thousand in loan fees and interest and $nil in income tax (April 30, 2017 - $12 thousand 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 2018**	April 30 2017	**April 30 2018**	April 30 2017
Income (loss) before taxes	**161**	(870)	**(808)**	(4,326)
Expected income tax recovery	**(38)**	(234)	**(218)**	(1,168)
Change in statutory rates and other	**(1)**	229	**1**	290
Permanent difference	**247**	(80)	**486**	236
Impact of flow-through shares	**-**	1,888	**2,973**	4,601
Share issue costs	**-**	(1,173)	**-**	(1,141)
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses	**-**	-	**(578)**	330
Change in unrecognized deductible temporary differences	**-**	-	**17**	(38)
Deferred income tax expense	**208**	630	**2,681**	3,110

14. COMPONENTS OF GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

	Three months Ended		Nine months Ended	
(CDN$ thousands)	**April 30 2018**	April 30 2017(1)	**April 30 2018**	April 30 2017(1)
Personnel	**746**	634	**2,619**	2,131
Office costs, travel and other	**288**	382	**780**	736
Professional fees	**227**	421	**513**	638
Investor relations and promotion	**169**	58	**332**	308
Gross G&A expenses	**1,430**	1,495	**4,244**	3,813
Capitalized salaries and benefits	**(368)**	(313)	**(1,236)**	(910)
Net G&A expenses	**1,062**	1,182	**3,008**	2,903

Note:

(1) Comparative figures have been reclassified to conform to current period presentation.

15. DECOMMISSIONING PROVISION

(CDN$ thousands)	**April 30 2018**	July 31 2017
Balance, beginning of year	**2,556**	1,001
Provisions assumed	**-**	60
Provisions incurred	**787**	1,381
Accretion (note 7)	**52**	32
Changes in estimates and rates	**6**	82
Balance, end of period	**3,401**	2,556

15. DECOMMISSIONING PROVISION (CONTINUED)

The decommissioning provision has been estimated for all petroleum and natural gas interests by management. The decommissioning provision is based on estimated costs to abandon and reclaim the petroleum and natural gas assets and the estimated timing of the costs to be incurred in future years. The total undiscounted, uninflated amount of the estimated cash flows required to settle the obligation is approximately $4.4 million (July 31, 2017 - $3.3 million). The total undiscounted amount of the estimated cash flows required to settle the obligation is approximately $6.9 million (July 31, 2017 - $5.3 million) using an inflation rate of 2.0% per annum (July 31, 2017 – 2.0%). The estimated cash flows have been discounted using a pre-tax risk free rate of 2.4% (July 31, 2017 – 2.4%). The Company estimates that these costs will be incurred between fiscal 2019 and 2044 (July 31, 2017 - 2019 and 2044) with the majority of them being incurred between 2040 and 2044.