BLACKBIRD ENERGY

THIRD QUARTER 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2018 AND 2017

Blackbird Energy Inc. Third Quarter 2018
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") has been prepared by the management of Blackbird Energy Inc. ("Blackbird" or the "Company") and was reviewed and approved by the board of directors of the Company (the "Board") and the audit committee of the Board on June 25, 2018. This MD&A is a review of the operational results of Blackbird. All financial information is presented in Canadian dollars unless otherwise stated.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the periods ended April 30, 2018 and 2017 and with the Company's audited consolidated financial statements for the financial years ended July 31, 2017 and 2016, prepared under International Financial Reporting Standards ("IFRS"). Readers are cautioned that this MD&A contains "Non-IFRS Financial Measures" and "forward-looking statements", which are discussed at the end of this MD&A.

About Blackbird Energy Inc.

Blackbird is a Canadian energy company actively engaged in condensate and natural gas exploration, development and production from its Pipestone / Elmworth Montney project ("Pipestone / Elmworth" or "Pipestone / Elmworth Montney"), which is located in a key area of the Western Canada Sedimentary Basin. Blackbird is focused on creating long-term shareholder value through a successful exploration and development program and prudent financial management. Blackbird's shares are widely held and publicly traded on the TSX Venture Exchange ("TSX-V") under the symbol "BBI". The Company's listed warrants are publicly traded on the TSX-V under the symbol "BBI.WT".

Blackbird's strategic platform for growth includes the exploration and development of its Pipestone / Elmworth Montney property, which is located near Grande Prairie, Alberta, as well as strategic acquisitions. In addition to Blackbird's Pipestone / Elmworth property the Company holds non-core assets in Saskatchewan and Alberta.

Pipestone / Elmworth consisted of 113.5 net sections (72,640 net acres) of highly prospective Montney lands as at April 30, 2018. This land is in close proximity to lands currently being developed by several competitors. The Pipestone / Elmworth property is located in a condensate and liquids-rich gas corridor of the Montney which has up to 200 metres of aggregate net pay in at least three potential zones: the Upper; Middle; and Lower Montney.

KEY TOPICS OF THIS MD&A

In this MD&A Blackbird will discuss the critical topics related to its operations and properties, such as the substantial capital requirements associated with the Company's future growth plans; the Company's current liquidity and capital resources; the Company's share capital; the capital expenditures made by the Company during the quarter; and the Company's operational results for the quarter.

HIGHLIGHTS FOR THE THIRD QUARTER ENDED APRIL 30, 2018

RECORD FINANCIAL PERFORMANCE

Blackbird achieved record revenue from its Pipestone / Elmworth project during the third quarter of 2018. The Company reported $6.4 million of petroleum and natural gas sales during the three months ended April 30, 2018. The Company produced for approximately 70% of the quarter due to third-party gas processing plant downtime. These results generated $2.4 million of adjusted funds flow for the three months ended April 30, 2018.

During the three months ended April 30, 2018, the Company achieved an average total production rate of 1,447 boe/d comprised of 56% liquids. While on production during the quarter, Blackbird produced 5.5 mmcf/d of natural gas, 1,081 bbls/d of condensate and oil and 83 bbls/d of NGLs for total production of 2,081 boe/d. The Company produced for approximately 62 days during the third quarter of 2018 compared to 89 total calendar days in the quarter due to third-party gas processing plant downtime.

During the nine months ended April 30, 2018, Blackbird reported $15.0 million of petroleum and natural gas sales and $5.0 million of adjusted funds flow.

During the nine months ended April 30, 2018, the Company achieved an average total production rate of 1,141 boe/d comprised of 55% liquids. While on production during the nine months ended April 30, 2018, Blackbird produced 5.5 mmcf/d of natural gas, 1,053 bbls/d of condensate and oil and 82 bbls/d of NGLs for total production of 2,052 boe/d. The Company produced for approximately 152 days during the nine months ended April 30, 2018 compared to 273 total calendar days in the period due to third-party gas processing plant downtime.

AVAILABLE FUNDING

The Company maintained a strong balance sheet with positive working capital of $5.3 million at April 30, 2018, which included $5.6 million of cash and no bank debt. During the quarter Blackbird expanded its existing undrawn operating loan facility from $1.0 million to $20.0 million. The terms of the facility are unchanged, and Blackbird may, at its option, elect to submit an updated engineering report in advance of its required annual review for the purposes of a borrowing base redetermination. The working capital surplus combined with the expanded undrawn loan facility provides Blackbird with approximately $24.6 million of future available funding at April 30, 2018.

CAPITAL INVESTMENT

During the third quarter of 2018 Blackbird incurred production testing costs related to its 2-20-70-6W6 Middle Montney and 3-27-71-7W6 Upper Montney delineation wells, which were both completed in previous quarters. Following the production testing operations at its 11-9 pad site, which were completed by mid-February 2018, Blackbird moved the production testing equipment north of the Wapiti River to its 6-33 pad to flow the 3-27-71-7W6 well. The Company also progressed its infrastructure development during the quarter with the tie-in of its 100% owned and operated 1-20-70-7W6 Upper Montney well in late February 2018 in addition to its non-operated 3-17-70-5W6 Middle Montney, 9-20-70-5W6 Middle Montney, 1-06-70-5W6 Middle Montney and 13-13-70-6W6 Middle Montney wells.

CAPITAL INVESTMENT (CONTINUED)

Blackbird invested $4.8 million during the three months ended April 30, 2018 on production testing, furthering infrastructure development and bringing 5 gross (1.8 net) wells on production.

Blackbird invested $51.5 million during the nine months ended April 30, 2018 on production testing, furthering infrastructure development, drilling 3 gross (2.2 net) wells, completing 6 gross (4.4 net) wells, recompleting 2 gross (2 net) wells and bringing 8 gross (4.8 net) wells on production.

The Company incurred higher drilling and completions capital costs during the three and nine months ended April 30, 2018, due to a number of factors including: recompleting the 15-21-70-7W6 Upper Montney and 2-20-70-6W6 Middle Montney wells utilizing high-intensity Plug and Perf technology, step out drilling and completion operations for the 3-27-71-7W6 Upper Montney exploration well and production testing costs associated with wells completed. Blackbird expects to continue to reduce its drilling and completions costs in the future as it moves towards pad site development north of the Wapiti River, normalizes completions by deploying the STAGE System in its wells and applies further innovation in its operations.

PIPESTONE / ELMWORTH MONTNEY LAND BASE

At April 30, 2018, Blackbird's core Pipestone / Elmworth Montney property consisted of 133 gross sections (85,120 gross acres) or 113.5 net sections (72,640 net acres).

During the three months ended April 30, 2018, the Company did not acquire any additional sections of undeveloped Pipestone / Elmworth Montney land (April 30, 2017 – acquired 7.9 net sections in exchange for 11,923,077 Blackbird common shares which had a fair value at the time of the acquisition of $7.0 million and 5 net sections for cash consideration of $0.6 million).

During the nine months ended April 30, 2018, the Company acquired 11 gross (10 net) additional sections of undeveloped Pipestone / Elmworth Montney land for cash consideration of $1.6 million (April 30, 2017 – acquired 7.9 net sections in exchange for 11,923,077 Blackbird common shares which had a fair value at the time of the acquisition of $7.0 million and 16.25 net sections for cash consideration of $4.0 million).

The Company expects to manage material land expiries going forward through the execution of its drilling program.

TRANSPORTATION, PROCESSING AND MARKETING

During the periods ended April 30, 2018, Blackbird shipped the majority of its sales gas to Chicago via its Alliance commitments which allowed the Company to realize premium pricing on its natural gas relative to AECO. The Alliance firm full path natural gas take-or-pay marketing agreement allows for the transportation of 5.0 mmcf/d of processed natural gas to the Alliance Chicago Exchange Hub until October 31, 2020. Blackbird currently has a take-or-pay gas handling agreement with a third party for the firm transportation and processing of sour natural gas produced from the Pipestone / Elmworth project. The agreement provides firm service transportation to the third party's sour gas plant and processing of 6.0 mmcf/d of raw natural gas and associated liquids. The current term of the gas handling agreement extends to the end of October 2018.

TRANSPORTATION, PROCESSING AND MARKETING (CONTINUED)

Effective October 1, 2017, the Company entered into a firm service agreement which provides for the transportation of 1,000 bbls/d of condensate through Pembina's pipeline system for a term of 10 years. Effective October 1, 2017, the Company also entered into a firm service agreement which provides for the transportation of 3.5 mmcf/d of natural gas through the TransCanada Pipelines system for terms ranging from 1 to 3 years, with renewal options available. These agreements are expected to support Blackbird's current and near-term production.

During the second quarter of fiscal 2018 Blackbird secured a long-term processing solution for its raw natural gas which is expected to support the Company's future growth objectives while enabling Blackbird to become a low-cost producer relative to its peers. In November, 2017 Blackbird executed an agreement with Tidewater Midstream and Infrastructure Ltd. ("Tidewater") for firm processing of raw gas produced from the Company's condensate rich Pipestone / Elmworth Montney play. The agreement has an initial term of five years with firm capacity of 20.0 mmcf/d expected to commence in the second quarter of calendar 2019 (following a short ramp-up period), increasing to 25.0 mmcf/d twelve months after plant start-up and to 30.0 mmcf/d eighteen months after plant start-up.

Blackbird will have an option to acquire a working interest of up to 20% in Tidewater's proposed deep cut sour gas processing facility located near Wembley, Alberta (the "Tidewater Facility"), which is expected to significantly reduce processing fees. The Tidewater Facility is expected to have an initial processing capacity of 100.0 mmcf/d, with Blackbird serving as an anchor tenant. Tidewater is currently working toward a gas gathering system for Blackbird north of the Wapiti River. Additionally, Blackbird and Tidewater are evaluating the construction of a gathering system that would tie-in volumes from the Company's current 100% owned and operated Pipestone / Elmworth facility located at 12-14-70-7W6 to the Tidewater Facility.

During the third quarter of fiscal 2018 the Company agreed to terms for multiple natural gas transportation agreements. Effective April 1, 2021, the Company entered into a firm service agreement which provides for the transportation of 15.0 mmcf/d of natural gas on the TransCanada Pipelines NGTL System (the "NGTL System") from the Pipestone / Elmworth area for a term of 8 years. Commencing November 1, 2021, Blackbird entered into a firm service agreement which provides for the transportation of 10,000 GJ/d of natural gas on the NGTL System to the Empress hub at the Alberta / Saskatchewan border for a term of 18 years. From the Empress hub Blackbird will have multiple options to contract further transportation and sell its gas into premium markets outside of Alberta. The Company will continue to secure transportation to underpin its future production commitments associated with the Tidewater agreement and focus on diversifying its natural gas markets.

BUILDING OUR TEAM

Blackbird has made several key appointments to its team during fiscal 2018.

In August, 2017 Blackbird appointed Ron Schmitz, who currently sits on Blackbird's Board, to the position of Interim Chief Financial Officer following the resignation of Jeff Swainson as Chief Financial Officer and Corporate Secretary and pending determination on a permanent replacement. Ron previously served as the Chief Financial Officer of Blackbird and also as a Director and/or Chief Financial Officer of various public companies since 1997.

In August, 2017 Blackbird also appointed Allan Dixon to the position of Business Development Manager. Allan has an expansive background in Calgary's oil and gas industry, equity research and investment banking.

BUILDING OUR TEAM (CONTINUED)

In October, 2017 Blackbird appointed Karen Minton to the position of Chief Financial Officer, with Ron Schmitz in turn stepping down as Interim Chief Financial Officer. Karen has more than 17 years of experience in senior financial roles in both the oil and gas as well as alternative energy industries. She has a strong background in corporate reporting, strategic planning and business analysis.

In March, 2018 Blackbird promoted Travis Belak to the position of Controller. Travis previously served as the Company's Senior Financial Accountant.

Blackbird anticipates that these key organizational additions will facilitate the development of its Pipestone / Elmworth Montney asset and its pursuit of strategic opportunities for the benefit of Blackbird's shareholders.

BLACKBIRD'S TREE PLANTING PROGRAM

Blackbird has partnered with The Carbon Farmer Inc., an Alberta owned and operated company, to plant native trees in northwestern Alberta. Several of Blackbird's stakeholders have also committed to plant trees in support of this cause. The combined efforts of Blackbird and its stakeholders has resulted in 101,579 trees planted to date. These trees will restore boreal forest on conserved land that was historically cleared for farming. Our ultimate goal is for Blackbird and its stakeholders to facilitate the planting of over 200,000 trees over the next few years.

OUTLOOK

Blackbird is highly encouraged by its early-stage results to date from its Pipestone / Elmworth lands. With a liquids weighting of 56% achieved from its production this past quarter, the Company is well positioned to take advantage of condensate prices in Alberta resulting from the supply / demand imbalance that currently exists, and is expected to continue. Global oil prices have also seen a recovery from the lows experienced in 2016 due to the rebalancing efforts of OPEC and non-OPEC producers combined with increased global demand. The Company continued delivering its natural gas to Chicago at favourable prices relative to AECO during the quarter. With natural gas prices in western Canada continuing to falter due to the lack of sufficient take away capacity, Blackbird remains focused on diversifying its transportation for future and long-term production so it can target markets with higher returns and create value from its gas production.

With a strong test result from the Company's 3-27-71-7W6 Upper Montney delineation well to the north of the Wapiti River management is confident in the long-term development potential of its northern acreage. Blackbird has continued to progress its developments plans for north of the Wapiti River with the acquisition of surface land sites, surveying and well licensing. Blackbird anticipates that it will begin its drilling program in August 2018. The Company will provide additional details as the program is finalized in the coming months. The Company has minimal capital expenditures budgeted for the fourth quarter of 2018.

Blackbird estimates that its exit production for fiscal 2018 will approximate current year to date levels. From May 1, 2018 to the date of filing this MD&A, the Company has produced for approximately 48 days. There is currently a planned outage at the Company's third-party gas processing plant scheduled for the beginning of July 2018 which is expected to cause a service disruption of approximately 14 days. The timing and / or length of this planned outage may change and Blackbird may experience further production interruptions due to unexpected downtimes.

THIRD QUARTER 2018 – FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table presents certain financial and operational information:

(CDN$ thousands, except where otherwise noted)	**Three months ended April 30**			**Nine months ended April 30**		
	2018	2017	% Change	**2018**	2017	% Change
Financial						
Petroleum and natural gas sales	**6,414**	3,312	94	**15,032**	3,437	337
Cash provided by (used in) operating activities	**2,811**	(1,122)	351	**4,233**	(4,084)	204
Net loss and comprehensive loss	**(47)**	(1,500)	(97)	**(3,489)**	(7,436)	(53)
Net loss per share – basic and diluted ($/share)	**(0.00)**	(0.00)	-	**(0.00)**	(0.01)	(100)
Working capital	**5,336**	71,823	(93)	**5,336**	71,823	(93)
Available funding[1]	**24,618**	72,123	(66)	**24,618**	72,123	(66)
Capital expenditures	**4,786**	16,259	(71)	**51,518**	54,439	(5)
Operating						
Production						
Condensate & oil (bbls/d)	**753**	384	96	**586**	130	351
NGLs (bbls/d)	**58**	37	57	**45**	12	275
Natural gas (mcf/d)	**3,802**	2,663	43	**3,046**	882	245
Non-core (boe/d)	**2**	3	(33)	**2**	8	(75)
Total (boe/d)	**1,447**	868	67	**1,141**	297	284
Liquids ratio (%)	**56**	49	14	**55**	48	15
Condensate & oil gas ratio (bbls/mmcf)	**198**	144	38	**192**	147	31
Total liquids gas ratio (bbls/mmcf)	**213**	158	35	**207**	161	29
Average Montney realized selling prices						
Condensate & oil ($/bbl)	**76.77**	62.35	23	**72.02**	62.47	15
NGLs ($/bbl)	**26.63**	27.81	(4)	**29.39**	27.83	6
Natural gas ($/mcf)	**3.33**	4.57	(27)	**3.77**	4.57	(18)
Netbacks ($/boe)						
Petroleum and natural gas sales	**49.81**	42.87	16	**48.27**	42.45	14
Royalties	**(3.28)**	(2.93)	12	**(2.97)**	(2.88)	3
Operating expenses	**(6.96)**	(10.34)	(33)	**(7.36)**	(11.84)	(38)
Transportation and processing expenses	**(12.29)**	(14.75)	(17)	**(12.83)**	(16.21)	(21)
Operating netback[1]	**27.28**	14.85	84	**25.11**	11.52	118
General and administrative expenses	**(8.24)**	(15.30)	(46)	**(9.66)**	(35.86)	(73)
Financing costs	**(0.38)**	(0.03)	1,167	**(0.16)**	(0.15)	7
Interest income	**0.14**	1.54	(91)	**0.64**	3.35	(81)
Corporate netback[1]	**18.80**	1.06	1,674	**15.93**	(21.14)	175

Note:
(1) See "Non-IFRS Financial Measures".

DAILY PRODUCTION

	Three months ended			Nine months ended		
	April 30 2018	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Condensate & oil (bbls/d)	**753**	384	96	**586**	130	351
NGLs (bbls/d)	**58**	37	57	**45**	12	275
Natural gas (mcf/d)	**3,802**	2,663	43	**3,046**	882	245
Non-core (boe/d)	**2**	3	(33)	**2**	8	(75)
Total (boe/d)	**1,447**	868	67	**1,141**	297	284
Condensate & oil gas ratio (bbls/mmcf)	**198**	144	38	**192**	147	31
Total liquids gas ratio (bbls/mmcf)	**213**	158	35	**207**	161	29
Liquids ratio (%)	**56**	49	14	**55**	48	15

During the three months ended April 30, 2018, total production averaged 1,447 boe/d compared to 868 boe/d for the same period in 2017. The increase in production levels from the comparative period was primarily a result of Blackbird producing at full capacity with respect to its third-party gas processing, when available, in the current period. In the prior period the committed gas processing volumes were not initially delivered due to minor delays bringing production on-line from the Company's Pipestone / Elmworth project and having to recomplete certain producing wells. Production in the current period was also augmented by improved third-party gas processing facility runtimes (firm service was available for approximately 62 days in the current period compared to 56 days in the prior period) and higher liquids rates. Production for the three months ended April 30, 2018 was comprised of 56% liquids.

While on production during the quarter, Blackbird produced 5.5 mmcf/d of natural gas, 1,081 bbls/d of condensate and oil and 83 bbls/d of NGLs for total production of 2,081 boe/d. The Company produced for approximately 62 days during the third quarter of 2018 compared to 89 total calendar days in the quarter due to third-party gas processing plant downtime.

During the nine months ended April 30, 2018, total production averaged 1,141 boe/d compared to 297 boe/d for the same period in 2017. The increase in production levels from the comparative period was primarily a result of the Company having a full nine months of production from its Pipestone / Elmworth property in the current period, which commenced initial production on January 30, 2017, compared to only three months of production in the prior period. Greater delivered daily gas volumes and higher liquids rates also contributed to the increase in production in the current period, to a lesser extent. Production for the nine months ended April 30, 2018 was comprised of 55% liquids.

While on production during the nine months ended April 30, 2018, Blackbird produced 5.5 mmcf/d of natural gas, 1,053 bbls/d of condensate and oil and 82 bbls/d of NGLs for total production of 2,052 boe/d. The Company produced for approximately 152 days during the nine months ended April 30, 2018 compared to 273 total calendar days in the period due to third-party gas processing plant downtime.

During the three months ended April 30, 2018, total production averaged 1,447 boe/d compared to 1,273 boe/d for the three months ended January 31, 2018. The increase in production from the previous quarter was a result of Blackbird producing for a greater number of days in the current period (gas processing firm service was available for approximately 62 days in the current quarter compared to 55 days in the comparative quarter).

COMMODITY PRICING

AVERAGE BENCHMARK PRICES

	Three months ended			Nine months ended		
	April 30 2018	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Oil – WTI (US$/bbl)	**63.76**	51.42	24	**57.68**	49.42	17
Natural gas – Chicago Citygate (US$/MMBTU)	**2.60**	2.87	(9)	**2.96**	2.94	1
Average exchange rate – US$ to CDN$	**0.78**	0.75	4	**0.79**	0.76	4

Blackbird's condensate and NGLs are trucked from its facility and sold to the Edmonton, Alberta market. The price that Blackbird receives for its condensate production is primarily driven by the price of WTI and Edmonton differentials, adjusted for foreign exchange rates and quality.

The average price of WTI strengthened in the three months ended April 30, 2018 compared to the same period in 2017 by approximately 24%.

The average price of WTI strengthened in the nine months ended April 30, 2018 compared to the same period in 2017 by approximately 17%.

The average price of WTI strengthened in the three months ended April 30, 2018 compared to the three months ended January 31, 2018 by approximately 7%.

Blackbird sells the majority of its natural gas production in the United States via the Alliance Pipeline System to Chicago, Illinois. Chicago Citygate prices are currently the primary benchmark for the Company's natural gas sales. Due to a more balanced supply and demand for natural gas in the eastern United States prices received are generally better than those received in western Canadian provinces.

The average price of Chicago Citygate natural gas weakened in the three months ended April 30, 2018 compared to the same period in 2017 by approximately 9%.

The average price of Chicago Citygate natural gas strengthened in the nine months ended April 30, 2018 compared to the same period in 2017 by approximately 1%.

The average price of Chicago Citygate natural gas weakened in the three months ended April 30, 2018 compared to the three months ended January 31, 2018 by approximately 25%.

AVERAGE REALIZED SALES PRICE

	Three months ended			Nine months ended		
	April 30 2018	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Condensate & oil ($/bbl)	**76.77**	62.35	23	**72.02**	62.47	15
NGLs ($/bbl)	**26.63**	27.81	(4)	**29.39**	27.83	6
Natural gas ($/mcf)	**3.33**	4.57	(27)	**3.77**	4.57	(18)
Non-core ($/boe)	**22.93**	19.70	16	**17.87**	15.42	16
Total ($/boe)	**49.81**	42.87	16	**48.27**	42.45	14

Blackbird's realized condensate prices include adjustments for quality differentials. Tolls on firm service transportation through the Pembina pipeline system for condensate production are recognized through transportation and processing expenses.

Blackbird's realized NGL prices are net of pipeline tariffs and fractionation fees.

The Company's product mix of NGLs was comprised of approximately 56% butane and 44% propane during the three months ended April 30, 2018 and 59% butane and 41% propane during the nine months ended April 30, 2018.

During the three months ended April 30, 2018, Blackbird's average realized sales price was $49.81 per boe compared to $51.53 per boe for the three months ended January 31, 2018.

PETROLEUM AND NATURAL GAS SALES

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Condensate & oil	**5,146**	2,130	142	**11,524**	2,212	421
NGLs	**138**	93	48	**365**	94	288
Natural gas	**1,126**	1,084	4	**3,135**	1,099	185
Non-core	**4**	5	(20)	**8**	32	(75)
Total	**6,414**	3,312	94	**15,032**	3,437	337

During the three months ended April 30, 2018, Blackbird's petroleum and natural gas sales were $6.4 million compared to $3.3 million for the same period in 2017. The increase in revenues from the comparative period was a result of greater production volumes combined with a higher average realized sales price for condensate and oil partially offset by lower natural gas prices received.

During the nine months ended April 30, 2018, Blackbird's petroleum and natural gas sales were $15.0 million compared to $3.4 million for the same period in 2017. The increase in revenues from the comparative period was primarily a result of the Company having a full nine months of production from its Pipestone / Elmworth property in the current period, which commenced initial production on January 30, 2017, compared to only three months of production in the prior period. Higher condensate and oil prices received partially offset by lower natural gas prices also contributed to the increased revenue in the current period.

PETROLEUM AND NATURAL GAS SALES (CONTINUED)

During the three months ended April 30, 2018, Blackbird's petroleum and natural gas sales were $6.4 million compared to $6.0 million for the three months ended January 31, 2018. The increase in revenues from the previous quarter was primarily a result of greater average daily production volumes.

SENSITIVITIES

The following sensitivity analysis is provided to demonstrate the impact of changes in commodity prices on core petroleum and natural gas sales for the nine months ended April 30, 2018, and is based on the balances disclosed in this MD&A and the condensed consolidated interim financial statements for the nine months ended April 30, 2018:

(CDN$ thousands)	Petroleum and Natural Gas Sales(1)
Change in the average sales price for natural gas by $1.00/mcf	**832**
Change in the average sales price for liquids by $1.00/bbl	**172**
Change in natural gas production by 1 mmcf/d (2)	**1,029**
Change in liquids production by 100 bbls/d (2)	**1,884**

Notes:

(1) Reflects the change in petroleum and natural gas sales for the nine months ended April 30, 2018.

(2) Reflects the change in production multiplied by Blackbird's average sales prices for the nine months ended April 30, 2018.

While on production during the nine months ended April 30, 2018, Blackbird generated $99 thousand of petroleum and natural gas sales per day on average. Year to date the Company has lost approximately 121 days of production due to third-party outages which has resulted in $12.0 million of lost potential revenues based on the averages of actual results for the period.

ROYALTIES

Blackbird pays royalties to provincial governments and overriding royalty owners.

Crown royalties on Alberta natural gas and liquids production are calculated based on the Alberta Reference Price, which may vary from Blackbird's realized corporate price, impacting the average royalty rate. In addition, various items impact the average royalty rate paid, such as cost of service credits and other royalty credit programs. Blackbird's wells approved for early opt-in and those spud on or after January 1, 2017, are subject to Alberta's Modernized Royalty Framework ("MRF"). The MRF applies a flat 5% royalty rate on early production until a well's total revenue, from all hydrocarbon products, equals its Drilling and Completion Cost Allowance ("C*"). The C*, based on industry average drilling and completion costs, is a proxy for well costs. Once C* is reached, the Company will be subject to higher royalty rates based on the resource produced and market rates. Royalty rates will be further adjusted to match declining production rates when the well reaches its Maturity Threshold.

ROYALTIES (CONTINUED)

Blackbird is also subject to a gross overriding royalty of 2% which applies to 72 gross (72 net) sections of its Pipestone / Elmworth Montney lands.

	Three months ended			Nine months ended		
(CDN$ thousands, except where otherwise noted)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Crown royalties	**303**	164	85	**656**	168	290
Gross overriding royalties	**120**	63	90	**269**	65	314
Total	**423**	227	86	**925**	233	297
Effective royalty rate (%)	**7**	7	-	**6**	7	(14)
Royalties ($/boe)	**3.28**	2.93	12	**2.97**	2.88	3

Royalties for the three months ended April 30, 2018 were $0.4 million or 7% of total petroleum and natural gas sales compared to $0.2 million or 7% of total petroleum and natural gas sales during the same period in 2017. The increase in royalties from the comparative period was proportional to the increased production volumes and commodity prices.

Royalties for the nine months ended April 30, 2018 were $0.9 million or 6% of total petroleum and natural gas sales compared to $0.2 million or 7% of total petroleum and natural gas sales during the same period in 2017. The increase in royalties from the comparative period was primarily a result of the Company having a full nine months of production from its Pipestone / Elmworth property in the current period, which commenced initial production on January 30, 2017, compared to only three months of production in the prior period.

Royalties for the three months ended April 30, 2018 were $0.4 million compared to $0.4 million for the three months ended January 31, 2018. The royalties remained consistent quarter to quarter.

OPERATING EXPENSES

	Three months ended			Nine months ended		
(CDN$ thousands, except where otherwise noted)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Operating expenses	**896**	799	12	**2,291**	959	139
Operating expenses ($/boe)	**6.96**	10.34	(33)	**7.36**	11.84	(38)

Operating expenses for the three months ended April 30, 2018 were $0.9 million or $6.96 per boe compared to $0.8 million or $10.34 per boe during the same period in 2017. The operating expenses remained relatively consistent quarter over quarter due to their largely fixed nature. The operating expense per boe decreased in the current period due to greater production from the Pipestone / Elmworth property.

OPERATING EXPENSES (CONTINUED)

Operating expenses for the nine months ended April 30, 2018 were $2.3 million or $7.36 per boe compared to $1.0 million or $11.84 per boe during the same period in 2017. The increase in operating expenses from the comparative period was primarily a result of the Company having a full nine months of production from its Pipestone / Elmworth property in the current period, which commenced initial production on January 30, 2017, compared to only three months of production in the prior period. The operating expense per boe decreased in the current period due to the production at Pipestone / Elmworth offsetting the expense increase.

Operating expenses for the three months ended April 30, 2018 were $0.9 million or $6.96 per boe compared to $0.7 million or $5.97 per boe for the three months ended January 31, 2018. The increase in operating expenses during the current period was due to property taxes, maintenance and chemical costs incurred. The operating expense per boe increased in the current quarter due to higher costs incurred partially offset by increased production.

Operating costs on a $/boe basis fluctuate depending on production levels. Management expects that the operating costs on a $/boe basis can be further reduced if there are fewer interruptions with third-party gas processing in the coming quarters.

TRANSPORTATION AND PROCESSING EXPENSES

	Three months ended			Nine months ended		
(CDN$ thousands, except where otherwise noted)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Transportation and processing expenses	**1,582**	1,140	39	**3,994**	1,313	204
Transportation and processing expenses ($/boe)	**12.29**	14.75	(17)	**12.83**	16.21	(21)

Blackbird's transportation and processing expenses primarily relate to third-party natural gas processing fees, tolls on the Alliance and Pembina pipeline systems and trucking liquids from Blackbird's 12-14-70-7W6 facility batteries to terminals.

Transportation and processing expenses for the three months ended April 30, 2018 were $1.6 million or $12.29 per boe compared to $1.1 million or $14.75 per boe during the same period in 2017. The Company incurred increased gas processing, transportation and trucking fees related to the increased production from its Pipestone / Elmworth property in the current period. Blackbird was exempt from its firm service gas processing commitments for approximately 27 days due to third party sour gas processing plant shut-downs that occurred during the quarter. Blackbird delivered its fully committed volumes while on production during the current quarter and was able to mitigate large portions of its unused gas transportation commitments which reduced its costs on a $/boe basis.

TRANSPORTATION AND PROCESSING EXPENSES (CONTINUED)

Transportation and processing expenses for the nine months ended April 30, 2018 were $4.0 million or $12.83 per boe compared to $1.3 million or $16.21 per boe during the same period in 2017. The Company incurred increased gas processing, transportation and trucking fees related to the increased production from its Pipestone / Elmworth property in the current period. Blackbird was exempt from its firm service gas processing commitments for approximately 121 days due to third party sour gas processing plant shut-downs that occurred during the period. Blackbird delivered its fully committed volumes while on production during the current period and was able to mitigate large portions of its unused gas transportation commitments which reduced its costs on a $/boe basis.

Transportation and processing expenses for the three months ended April 30, 2018 were $1.6 million or $12.29 per boe compared to $1.6 million or $13.69 per boe for the three months ended January 31, 2018. Transportation and processing expenses remained flat quarter to quarter with a reduction on a $/boe basis due to higher mitigation of unused gas transportation commitments.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

	Three months ended			Nine months ended		
(CDN$ thousands, except where otherwise noted)	**April 30 2018**	April 30 2017[(1)]	% Change	**April 30 2018**	April 30 2017[(1)]	% Change
Personnel	**746**	634	18	**2,619**	2,131	23
Office costs, travel and other	**288**	382	(25)	**780**	736	6
Professional fees	**227**	421	(46)	**513**	638	(20)
Investor relations and promotion	**169**	58	191	**332**	308	8
Gross G&A expenses	**1,430**	1,495	(4)	**4,244**	3,813	11
Capitalized salaries and benefits	**(368)**	(313)	18	**(1,236)**	(910)	36
Net G&A expenses	**1,062**	1,182	(10)	**3,008**	2,903	4
Net G&A expenses *($/boe)*	**8.24**	15.30	(46)	**9.66**	35.86	(73)

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

During the three months ended April 30, 2018, gross G&A expenses decreased to $1.4 million from $1.5 million for the same period in 2017. G&A expenses decreased due to less spend on travel and professional fees in the current period partially offset by increased personnel costs and promotion in the form of donations made to local Grande Prairie charity organizations.

During the three months ended April 30, 2018, the Company capitalized $0.4 million (April 30, 2017 – $0.3 million) of directly attributable G&A expenses related to the Pipestone / Elmworth project.

During the nine months ended April 30, 2018, gross G&A expense increased to $4.2 million from $3.8 million for the same period in 2017. This increase was primarily a result of additional staffing in the current period partially offset by reduced professional fees. The Company hired additional employees and consultants to accommodate initial production and future growth plans which resulted in G&A expenses being higher for fiscal 2018.

GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSES (CONTINUED)

During the nine months ended April 30, 2018, the Company capitalized $1.2 million (April 30, 2017 – $0.9 million) of directly attributable G&A expenses related to the Pipestone / Elmworth project.

During the three months ended April 30, 2018, gross G&A expenses were $1.4 million compared to $1.6 million for the three months ended January 31, 2018. The decrease in G&A expenses from the previous quarter was primarily a result of less compensation paid. The decrease was partially offset by higher professional fees and promotion incurred in the current quarter.

DEPLETION, DEPRECIATION AND AMORTIZATION (“DD&A”)

	Three months ended			Nine months ended		
(CDN$ thousands, except where otherwise noted)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
DD&A	**1,630**	834	95	**3,939**	834	372
DD&A *($/boe)*	**12.66**	10.79	17	**12.65**	10.30	23

DD&A for the three months ended April 30, 2018 was $1.6 million or $12.66 per boe compared to $0.8 million or $10.79 during the same period in 2017. The increase in depletion expense was attributable to the increased production from the Company’s Pipestone / Elmworth property during the current period.

DD&A for the nine months ended April 30, 2018 was $3.9 million or $12.65 per boe compared to $0.8 million or $10.30 during the same period in 2017. The increase in depletion expense was attributable to the increased production from the Company’s Pipestone / Elmworth property during the current period.

DD&A for the three months ended April 30, 2018 was $1.6 million or $12.66 per boe compared to $1.5 million or $12.65 per boe for the three months ended January 31, 2018. The increase in DD&A was directly correlated with the increase in overall production in the current period.

SHARE-BASED COMPENSATION

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Share-based compensation	**610**	774	(21)	**3,093**	2,954	5

Blackbird believes that compensation tied to shareholder return is critical for attracting top-tier individuals who share the common mandate of generating shareholder value.

SHARE-BASED COMPENSATION (CONTINUED)

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). The decrease in share-based compensation was primarily a result of the Company not granting any additional stock options during the three months ended April 30, 2018, compared to the three months ended April 30, 2017, when 1,000,000 stock options were granted to new employees and the associated share-based compensation was recognized. 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). The increase in share-based compensation was primarily a result of the Company having a greater number of stock options granted and vesting during the nine months ended April 30, 2018, compared to the nine months ended April 30, 2017. The Company also trued-up forfeiture rate estimates in the current period which resulted in additional expense. The increase in share-based compensation was partially offset due to the stock options granted during the current period having a lower weighted average Black-Scholes fair value compared to the previous period. No share-based compensation expense was capitalized during the nine months ended April 30, 2018 or 2017.

During the three months ended April 30, 2018, share-based compensation of $0.6 million was recognized compared to $1.7 million for the three months ended January 31, 2018. The decrease in share-based compensation was primarily a result of the Company issuing stock options to its officers, directors and employees during the three months ended January 31, 2018.

AMORTIZATION OF FLOW-THROUGH SHARE PREMIUM LIABILITY

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Amortization of flow-through share premium liability	**-**	668	(100)	**1,309**	1,194	10

During the three months ended April 30, 2018, the Company amortized $nil of flow-through share premium liability compared to $0.7 million for the same period in 2017. The decrease from the comparative period was due to Blackbird no longer having a flow-through financing obligation in the current period.

During the nine months ended April 30, 2018, the Company amortized $1.3 million of flow-through share premium liability compared to $1.2 million for the same period in 2017. The increase from the comparative period was due to Blackbird having a greater liability from flow-through share financings and incurring the related qualifying expenditures during the period.

AMORTIZATION OF FLOW-THROUGH SHARE PREMIUM LIABILITY (CONTINUED)

During the three months ended April 30, 2018, the Company amortized $nil of flow-through share premium liability compared to $0.5 million for the three months ended January 31, 2018. The decrease from the comparative period was due to Blackbird no longer having a flow-through financing obligation in the current period.

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	% Change	**April 30 2018**	April 30 2017	% Change
Accretion of decommissioning provision	**20**	11	82	**52**	20	160
Loan fees and interest expense	**48**	2	2,300	**48**	12	300
	68	13	423	**100**	32	213

During the three months ended April 30, 2018, financing costs were $68 thousand compared to $13 thousand for the same period in 2017. The increase to financing costs in the current quarter was mainly due to the set-up fees associated with the Company's expanded loan facility and interest on letters of credit outstanding.

During the nine months ended April 30, 2018, financing costs were $100 thousand compared to $32 thousand for the same period in 2017. The increase to financing costs in the current period was mainly due to the set-up fees associated with the Company's expanded loan facility and interest on letters of credit outstanding.

During the three months ended April 30, 2018, financing costs were $68 thousand compared to $18 thousand for the three months ended January 31, 2018. The increase to financing costs in the current quarter was mainly due to the set-up fees associated with the Company's expanded loan facility and interest on letters of credit outstanding.

INTEREST INCOME

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Interest income	**18**	119	(85)	**201**	271	(26)

During the three months ended April 30, 2018, the Company earned $18 thousand of interest income compared to $119 thousand for the same period in 2017. The decrease was due to Blackbird carrying a smaller cash balance on average throughout the current quarter compared to the previous.

During the nine months ended April 30, 2018, the Company earned $0.2 million of interest income compared to $0.3 million for the same period in 2017. The decrease was due to Blackbird carrying a smaller cash balance on average throughout the current period compared to the previous.

INTEREST INCOME (CONTINUED)

During the three months ended April 30, 2018, the Company earned $18 thousand of interest income compared to $59 thousand for the three months ended January 31, 2018. The decrease was due to Blackbird carrying a smaller cash balance on average throughout the current quarter compared to the previous.

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

During the three months ended April 30, 2018, Blackbird recognized deferred income tax expense of $0.2 million compared to $1.3 million for the three months ended January 31, 2018. The decrease was due to there being no additional impact from flow flow-through shares in the current quarter as Blackbird met all of its remaining obligations in the prior quarter.

NET LOSS

During the three and nine months ended April 30, 2018, the Company reported a net loss and comprehensive loss of $47 thousand and $3.5 million, respectively. During the three and nine months ended April 30, 2017, the Company reported a net loss and comprehensive loss of $1.5 million and $7.4 million, respectively. The net losses in fiscal 2018 were reduced by greater operating netbacks achieved from the Company's Pipestone / Elmworth project. Changes in DD&A, amortization of flow-through share premium liability and deferred income tax expense period to period also impacted the net losses.

OPERATING AND CORPORATE NETBACK PER BOE

($/boe)	Three months ended April 30 2018	April 30 2017	% Change	Nine months ended April 30 2018	April 30 2017	% Change
Petroleum and natural gas sales	**49.81**	42.87	16	**48.27**	42.45	14
Royalties	**(3.28)**	(2.93)	12	**(2.97)**	(2.88)	3
	46.53	39.94	16	**45.30**	39.57	14
Operating expenses	**(6.96)**	(10.34)	(33)	**(7.36)**	(11.84)	(38)
Transportation and processing expenses	**(12.29)**	(14.75)	(17)	**(12.83)**	(16.21)	(21)
Operating netback per boe[(1)]	**27.28**	14.85	84	**25.11**	11.52	118
G&A expenses	**(8.24)**	(15.30)	(46)	**(9.66)**	(35.86)	(73)
Financing costs	**(0.38)**	(0.03)	1,167	**(0.16)**	(0.15)	7
Interest income	**0.14**	1.54	(91)	**0.64**	3.35	(81)
Corporate netback per boe[(1)]	**18.80**	1.06	1,674	**15.93**	(21.14)	175

Note:
(1) See "Non-IFRS Financial Measures" below.

During the three months ended April 30, 2018, operating netbacks improved to $27.28 per boe from $14.85 per boe for the same period in 2017. This was primarily due to improved condensate and oil prices, increased production leading to reduced operating costs on a per boe basis and better utilization of firm transportation and processing commitments.

During the three months ended April 30, 2018, corporate netbacks improved to $18.80 per boe from $1.06 per boe for the same period in 2017. This was primarily due to increased production leading to reduced G&A expenses on a per boe basis.

During the nine months ended April 30, 2018, operating netbacks improved to $25.11 per boe from $11.52 per boe for the same period in 2017. This was primarily due to improved condensate and oil prices, increased production leading to reduced operating costs on a per boe basis and better utilization of firm transportation and processing commitments.

During the nine months ended April 30, 2018, corporate netbacks improved to $15.93 per boe from negative $21.14 per boe for the same period in 2017. This was primarily due to increased production leading to reduced G&A expenses on a per boe basis.

ADJUSTED FUNDS FLOW

The following table reconciles the Company's cash provided by (used in) operating activities to adjusted funds flow:

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Cash provided by (used in) operating activities	**2,811**	(1,122)	351	**4,233**	(4,084)	204
Changes in non-cash working capital	**(390)**	1,203	(132)	**734**	2,372	(69)
Adjusted funds flow(1)	**2,421**	81	2,889	**4,967**	(1,712)	390

Note:
(1) See "Non-IFRS Financial Measures" below.

For the three months ended April 30, 2018, adjusted funds flow was $2.4 million compared to $0.1 million for the same period in 2017. The improvement in adjusted funds flow in the current quarter was a result of the increased production from the Pipestone / Elmworth property combined with higher operating and corporate netbacks per boe.

For the nine months ended April 30, 2018, adjusted funds flow was $5.0 million compared to negative $1.7 million for the same period in 2017. The improvement in adjusted funds flow in the current period was a result of the increased production from the Pipestone / Elmworth property combined with higher operating and positive corporate netbacks per boe.

DRILLING AND COMPLETIONS ACTIVITY

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Wells drilled and rig released (net)	-	0.2	(100)	**2.2**	3.2	(31)
Average measured depth (meters)	-	5,350	(100)	**4,735**	4,738	-
Average horizontal length (meters)	-	2,861	(100)	**2,242**	2,167	3
Average drilling days per well	-	27.7	(100)	**21.1**	26.6	(21)
Wells completed / recompleted (net)	-	1.0	(100)	**6.4**	3.0	113
Average number of intervals	-	80	(100)	**53**	71	(25)
Wells tied-in (net)	**1.8**	-	100	**4.8**	4.0	20

CAPITAL EXPENDITURES

	Three months ended			Nine months ended		
(CDN$ thousands)	**April 30 2018**	April 30 2017	% Change	**April 30 2018**	April 30 2017	% Change
Drilling, completions and production testing	**3,316**	5,435	(39)	**42,799**	21,825	96
Plants, facilities and pipelines	**1,102**	2,872	(62)	**5,545**	20,673	(73)
Land and lease[(1)]	**-**	7,639	(100)	**1,590**	11,031	(86)
Capitalized general and administrative expenses	**368**	313	18	**1,236**	910	36
Seismic	**-**	-	-	**348**	-	100
Net capital expenditures	**4,786**	16,259	(71)	**51,518**	54,439	(5)

Note:
(1) Includes non-cash transactions. Blackbird issued 11,923,077 common shares, with a fair value of $7.0 million, as consideration for undeveloped land during the three and nine months ended April 30, 2017.

CAPITAL REQUIREMENTS

Blackbird must make substantial capital expenditures in order to achieve its planned growth and to fund future development activities. These expenditures relate to items both committed to as a result of past transactions, such as the contingencies and commitments discussed below, and also to amounts for which Blackbird has not yet made any commitment, such as future capital expenditures related to the Pipestone / Elmworth project.

As a result of the Company's current commitments, expected expenditures not yet committed, and further Montney development, management completed multiple equity financings during fiscal 2017. Blackbird may require further funding in the form of assumption of debt, off-balance sheet financing, further equity financing, or a combination thereof in order to meet its planned long-term growth objectives and to fund future development activities.

LIQUIDITY AND CAPITAL RESOURCES

(CDN$ thousands)	**April 30 2018**	July 31 2017
Cash	**5,649**	60,535
Accounts receivable	**2,689**	1,289
Inventory[1]	**28**	397
Prepaid expenses and deposits	**761**	1,022
Accounts payable and accrued liabilities	**(3,791)**	(13,175)
Flow-through share premium liability	**-**	(1,309)
Working capital surplus	**5,336**	48,759
Operating loan facility capacity[2]	**19,282**	300
Available funding[3]	**24,618**	49,059

Notes:

(1) Inventory includes production casing.

(2) See "Operating Loan Facility" below for details.

(3) See "Non-IFRS Financial Measures" below.

As at April 30, 2018, Blackbird had available funding of $24.6 million (July 31, 2017 - $49.1 million) which consisted of undrawn operating loan facility capacity and working capital surplus. The decrease in available funding compared to July 31, 2017 is primarily due to the Company's continued capital investment in its Pipestone / Elmworth Montney project partially offset by the expanded operating loan facility and cash provided by operating and financing activities year to date.

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 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).

SHARE CAPITAL AND SHAREHOLDERS' EQUITY

A reconciliation of the Company's shareholders' equity as at April 30, 2018, compared to the Company's shareholders' equity as at July 31, 2017, is as follows:

(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**

EXERCISE OF STOCK OPTIONS AND WARRANTS

During the nine months ended April 30, 2018, the Company issued 3,800,665 common shares (April 30, 2017 – 6,763,175 common shares) due to the exercise of stock options and warrants. The Company received proceeds of $0.6 million (April 30, 2017 - $1.3 million) from the exercises.

COMMON SHARES, STOCK OPTIONS AND WARRANTS

The following table summarizes the common shares, stock options and warrants as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	749,230,342
Stock options	40,253,040
Warrants	7,634,322
Listed warrants	175,188,092

The Company may incur dilution if outstanding stock options, warrants, and listed warrants are exercised.

CONTINGENCIES AND COMMITMENTS

The Company relies on equity financings, short-term debt, working capital and operating cash-flow to fund its capital requirements and to provide liquidity for operations.

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.

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.

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 Completions Inc. ("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% minority interest.

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).

Quarterly Financial Summary

(CDN$ thousands, except per share amounts, production and land sections)	**2018 Q3**	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Petroleum and natural gas sales	**6,414**	6,036	2,582	2,797	3,312	110	15	8
Cash provided by (used in) operating activities	**2,811**	3,536	(2,114)	1,285	(1,122)	(1,727)	(1,235)	(377)
Cash provided by (used in) operating activities per share - basic and diluted	**0.00**	0.00	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.00)
Net loss and comprehensive loss	**(47)**	(1,705)	(1,737)	(3,164)	(1,500)	(4,877)	(1,059)	(1,331)
Net loss and comprehensive loss per share - basic and diluted	**(0.00)**	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Total assets	**184,926**	192,184	194,587	191,906	189,398	110,215	90,858	79,602
Working capital	**5,336**	6,969	21,317	48,759	71,823	2,262	30,064	29,454
Total production (boe/d)	**1,447**	1,273	712	782	868	28	14	9
Pipestone / Elmworth Montney land sections (net)	**113.5**	114.5	114.9	108.9	102.9	94	87.25	83.75

Significant factors and trends that have impacted Blackbird's results during these quarterly periods presented above include:

(a) Petroleum and natural gas sales increased in Q3 2018, Q2 2018, Q1 2018, Q4 2017 and Q3 2017 due to initial production at the Company's Pipestone / Elmworth project, which commenced on January 30, 2017;

(b) In Q3 2018, Q2 2018 and Q4 2017 cash was provided by operating activities due to positive operating results and changes in non-cash working capital;

(c) In Q3 2018 the Company reported net loss and comprehensive loss of $47 thousand as a result of reduced share-based compensation and deferred income tax expense recognized. In Q4 2017 the Company reported net loss and comprehensive loss of $3.2 million as a result of deferred income tax expense of $2.3 million recognized. In Q2 2017 the Company reported net loss and comprehensive loss of $4.9 million as a result of share-based compensation of $1.9 million recognized;

(d) Total assets increased quarter over quarter, with the exception of Q3 2018 and Q2 2018, as a result of the cash proceeds raised from equity financings;

(e) Working capital changes quarter over quarter are a result of the cash proceeds raised from equity financings offset by capital expenditures and other cash costs incurred from operations;

Quarterly Financial Summary (Continued)

(f) Total production increased in Q3 2018, Q2 2018, Q1 2018, Q4 2017 and Q3 2017 due to initial production at the Company's Pipestone / Elmworth project, which commenced on January 30, 2017; and

(g) Pipestone / Elmworth Montney land sections increased quarter over quarter, with the exception of Q3 2018 and Q2 2018, as a result of additional investment made by the Company in undeveloped land partially offset by expiries.

Please refer to the other sections of this MD&A for the detailed discussions on changes for the period ended April 30, 2018.

Risk Factors

Readers should refer to the risk factors summarized under the heading "Risk Factors" in the Company's most recent Annual Information Form which is available on the SEDAR website at www.sedar.com.

The Blackbird management team conducts focused strategic planning and has identified key risks, uncertainties and opportunities associated with the Company's business that can affect its financial results. These key risks and uncertainties include, but are not limited to, the following:

RESERVES AND RESOURCE ESTIMATES

Blackbird's exploration and production activities are concentrated in the Western Canada Sedimentary Basin, where the industry is very competitive. There are a number of risks facing participants in the oil and natural gas industry, some of which are common to all businesses, while others are specific to the sector. These include risks such as finding and developing oil and natural gas reserves economically, geological risk, estimating reserves, producing the reserves in commercial quantities, finding a suitable market at attractive commodity prices, financial and liquidity risks, and environmental and safety risks. Blackbird's future oil and natural gas reserves and production and, therefore, its cash flows, will be highly dependent on the Company's success in exploiting its reserves base, executing a successful exploration program and acquiring additional reserves.

The Company mitigates the risk of finding and developing oil and natural gas reserves by utilizing a team of highly qualified professionals with expertise and experience in these areas. Blackbird attempts to maximize drilling success by exploring areas that have multi-zone opportunities, including targeting deeper horizons with uphole potential, continuously assessing new acquisition opportunities to complement existing activities and, depending on the scope of the Pipestone / Elmworth resource, balancing higher-risk exploratory drilling with lower-risk development drilling.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Blackbird minimizes this risk by generating exploration prospects internally, targeting high quality projects, operating projects, and by attempting to access sales markets through Company-owned infrastructure or mid-stream operators.

RESERVES AND RESOURCE ESTIMATES (CONTINUED)

Blackbird has retained an independent reserves evaluator that assists the Company in evaluating oil and natural gas reserves. Reserve values are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and governmental regulation. The reserves and recovery information contained in the independent reserves evaluation is an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator.

Estimates of the Company's reserves and the net present value of future net revenue attributable to the Company's reserves as at July 31, 2017, are based upon the report that was prepared by McDaniel & Associates Consultants Ltd. The estimates of reserves provided in this document are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves will be greater than or less than the estimates provided in this in this document, and the differences may be material. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Estimates of net present value of future net revenue attributable to the Company's reserves do not represent the fair market value of the Company's reserves and there is uncertainty that the net present value of future net revenue will be realized. There is no assurance that the forecast price and cost assumptions applied by McDaniel in evaluating Blackbird's reserves will be attained and variances could be material. See “Oil and Gas Metrics and Definitions” below for more details.

OPERATIONAL MATTERS

The operation of oil and natural gas wells involves a number of operating and natural hazards that may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to Blackbird and possible liability to third parties. Blackbird has established an environmental, health and safety program and has updated its operational emergency response plan and operational safety manual to address these operational issues. Blackbird maintains a comprehensive insurance plan, which includes liability insurance, where available, in amounts consistent with industry standards, to the extent that such insurance is available, to mitigate risks and protect against significant losses where possible. Blackbird may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premiums or other reasons. Blackbird operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations.

Blackbird’s mandate includes the ongoing development of procedures, standards and systems to allow Blackbird staff to make the best decisions possible and to ensure that those decisions are in compliance with the Company’s environmental, health and safety policies. Although management takes all reasonable steps to verify and ensure title to properties in which Blackbird has an interest, management can provide no assurance that there will be no title disputes or undetected deficiencies in title.

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

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.

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

The economics of producing from some wells has changed, and is anticipated to continue to change as a result of lower commodity prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of the Company's reserves. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations. The Company might also elect not to produce from certain wells due to a prolonged period of adverse market conditions. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Given the current market conditions in the Canadian oil and gas industry, the Company may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavorable and highly dilutive terms. The Company does not have any financial risk management contracts in place at April 30, 2018 to manage these risks (April 30, 2017 – none).

INTEREST RATE RISK

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

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.

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.

The Company retains its cash deposits with highly reputable financial institutions. At April 30, 2018 and 2017 all cash was held with large Canadian financial institutions.

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, supplemented by operating cash flows.

CAPITAL MANAGEMENT

The Company aims 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 debt-to-equity and debt-to-cash flow ratios, 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 from time to time by issuing or repurchasing shares, issuing or repurchasing debt, borrowing under or refinancing existing debt or current credit facilities, modifying capital spending programs and disposing of assets. The Company considers its capital structure to include shareholders' equity.

The oil and natural gas industry is a very capital-intensive industry, and in order to fully realize the Company's strategic goals and business plans, Blackbird will rely on equity markets as a source of new capital in addition to bank financing and internally generated cash flow to fund its ongoing capital investments. Blackbird's ability to raise additional capital will depend on a number of factors that are beyond the Company's control, such as general economic and market conditions. Internally generated funds will also fluctuate with changing commodity prices.

CHANGES IN INCOME TAX LEGISLATION

In the future, income tax laws or other laws may be changed or interpreted in a manner that adversely affects Blackbird or its shareholders. Tax authorities having jurisdiction over Blackbird or its shareholders may disagree with how Blackbird calculates its income for tax purposes to the detriment of Blackbird and its shareholders.

ENVIRONMENTAL CONCERNS

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders in respect of Blackbird or its working interests. Such legislation may be changed to impose higher standards and potentially more costly obligations to Blackbird. Blackbird focuses on conducting transparent, safe and responsible operations in the communities in which it operates.

PROJECT RISKS

Blackbird's ability to execute projects and market oil and natural gas depends on numerous factors beyond its control, including the availability of processing capacity, availability and proximity of pipeline capacity, availability of storage capacity, supply of and demand for oil and natural gas, availability of alternative fuel sources, effects of inclement weather, availability of drilling and related equipment, unexpected cost increases, accidental events, change in regulations, and availability and productivity of skilled labour. Because of these factors, Blackbird may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Basis of Presentation

The Company's unaudited condensed interim financial statements and financial information for the period ended April 30, 2018 and 2017 as contained in this MD&A have been prepared on a historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, the 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 unaudited condensed interim financial statements. The unaudited condensed interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the years ended July 31, 2017 and 2016 filed on SEDAR. The Company's financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Critical Accounting Estimates

The timely preparation of financial statements and the financial information contained in this MD&A 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.

New events or additional information may result in the revision of these estimates over time. Examples of these estimates include but are not limited to estimated revenues, royalties, operating and transportation and processing expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received; estimated capital expenditures on projects that are in progress; estimated fair values of financial instruments that are subject to fluctuation depending on underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance; estimated value of decommissioning liabilities that depend on estimates of future costs and timing of expenditures; estimated future recoverable value of property and equipment and any associated impairment charges or recoveries; DD&A; and estimated compensation expense under Blackbird's share-based compensation plan.

Critical Accounting Estimates (Continued)

Blackbird has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budget in order to make more informed decisions on future estimates. For further information on certain estimates inherent in the financial statements, refer to Note 3 of the audited consolidated financial statements for the years ended July 31, 2017 and 2016.

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-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.

EXPLORATION AND EVALUATION ASSETS AND PROPERTY AND EQUIPMENT

The fair value of property and equipment recognized in a business combination is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The market value of petroleum and natural gas properties included in property and equipment and exploration and evaluation assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserves evaluation reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of other items of property and equipment is based on the quoted market prices for similar items.

CASH, ACCOUNTS RECEIVABLE, DEPOSITS, INVESTMENT IN SECURITIES AND ACCOUNTS PAYABLE AND ACCRUED 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.

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. Cash is measured at fair value using level 1 fair value inputs.

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. Investment in securities are measured at fair value using level 3 fair value inputs.

CASH, ACCOUNTS RECEIVABLE, DEPOSITS, INVESTMENT IN SECURITIES AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (CONTINUED)

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 at April 30, 2018. 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 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.

Management's Responsibility for Financial Statements

Information provided in this MD&A, including information from the July 31, 2017 audited consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Off-Balance Sheet Arrangements

Blackbird has certain lease arrangements, all of which are reflected in the contingencies and commitments table, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

Non-IFRS Financial Measures

This MD&A contains references to "operating netback", "corporate netback", "adjusted funds flow" and "available funding", which are not measures defined under IFRS as issued by the International Accounting Standards Board. Although such measures are commonly used by the Company and others in the oil and gas industry, they are non-IFRS financial measures and do not have any standardized meaning or method of calculation prescribed by IFRS or applicable law and are, therefore, unlikely to be comparable to similar measures presented by other issuers.

OPERATING AND CORPORATE NETBACK

"Operating netback" equals the total of petroleum and natural gas sales less royalties, operating expenses and transportation and processing expenses calculated on a per boe basis. Operating netback is utilized by Blackbird to analyze the performance of its oil and natural gas assets at the field-level by isolating the impact of changes in production volumes. "Corporate netback" is calculated as the operating netback further adjusted for corporate overhead by deducting G&A expenses and financing costs and adding back interest income earned on a per boe basis to determine overall corporate performance.

ADJUSTED FUNDS FLOW

"Adjusted funds flow" is defined as cash provided by (used in) operating activities adjusted for changes in non-cash working capital. Management of Blackbird considers adjusted funds flow to be a useful supplemental cash flow measure for assessing the Company's ability to generate cash necessary to finance operating activities and capital expenditures on a continuing basis by eliminating non-cash charges. Adjusted funds flow as presented does not and is not intended to represent, and should not be considered an alternative to or more meaningful than, cash provided by (used in) operating activities or other measures of cash flow calculated in accordance with IFRS. Readers should refer to the table under "Adjusted Funds Flow" above for a reconciliation of adjusted funds flow to cash provided by (used in) operating activities, the most comparable measure calculated in accordance with IFRS.

AVAILABLE FUNDING

"Available funding" is calculated as the Company's working capital plus the undrawn capacity of its operating loan facility. Working capital is comprised of current assets less current liabilities. The available funding measure allows management and other users to evaluate Blackbird's short-term liquidity and ability to fund future capital expenditures. Also refer to the "Liquidity and Capital Resources" section of this MD&A for further details.

Oil and Gas Metrics and Definitions

Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil (6:1). This conversion ratio of 6:1 is based on an energy equivalency conversion method primary applicable at the burner tip and does not represent a value equivalency at the wellhead or at the plant gate. Such disclosure of boe's may be misleading, particularly if used in isolation. Although the 6:1 conversion ratio is an industry accepted norm, it is not reflective of price or market value differentials between product types. Based on current commodity prices, the value ratio between crude oil and natural gas is significantly different from the energy equivalency ratio of 6:1. Accordingly, utilizing a conversion ratio of 6:1 may be misleading as an indication of value. Readers should be aware that historical results are not necessarily indicative of future performance. Natural gas production is expressed in thousand cubic feet ("mcf"). Condensate, oil and natural gas liquids are expressed in barrels ("bbls").

Terms that are used in this MD&A that are not otherwise defined herein are provided below:

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

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

Developed reserves are those gross reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Oil and Gas Metrics and Definitions (Continued)

Gross means (i) in relation to the Company's interest in production or reserves, its "company gross reserves", which are the Company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company; and (ii) in relation to wells, the total number of wells in which the Company has an interest.

Net means, in relation to the Company's interest in wells or lands, the number of wells or acreage, as the case may be, obtained by aggregating the Company's working interest in each of its gross wells and across its gross land holdings.

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

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

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

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

Forward-Looking Statements

This MD&A contains certain forward-looking statements and forward-looking information (collectively, the “forward-looking statements”) within the meaning of applicable Canadian securities laws. Readers are cautioned not to put undue reliance on forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. These statements relate to future events or the Company’s future performance, business prospects or opportunities. In particular, this MD&A contains forward-looking statements pertaining to the following:

- Blackbird’s transportation, processing and marketing agreements supporting current and near-term production (if certain transportation, processing and marketing agreement volumes are not available as expected based on current terms, it may hinder Blackbird’s ability to produce its commodities which could have an adverse impact on the Company’s operating performance);

Forward-Looking Statements (Continued)

- The agreement entered with Tidewater providing a long-term processing solution for the Company's raw natural gas which will support growth objectives and enable Blackbird to become a low-cost producer relative to peers (this statement is based on the current terms of the agreement with Tidewater, changes to the timing of the Tidewater Facility construction and / or commissioning, raw gas processing volumes available and / or pricing structure could render this statement untrue and result in Blackbird not achieving its stated goals);
- The initial term, timing and processing volumes associated with the Tidewater agreement (this statement is based on the current agreement with Tidewater, changes to these terms could result in Blackbird not having processing available in the planned timeframe or at reduced volumes);
- Reduced processing fees if Blackbird acquires a working interest in the Tidewater Facility (this statement is based on the current agreement with Tidewater, changes to this term could result in Blackbird not achieving its goal of becoming a low-cost producer);
- The construction, initial capacity and timing thereof for the Tidewater Facility and proposed associated gathering systems north and south of the Wapiti River;
- Expected benefits from new additions to the Blackbird team;
- Operating costs on a $/boe basis being further reduced in future quarters due to Blackbird experiencing fewer production interruptions with its third-party gas processing;
- Blackbird being well positioned to take advantage of condensate pricing in Alberta in the future;
- The supply / demand imbalance that exists in Alberta continuing into the future;
- The Company diversifying its transportation and being able to utilize higher return markets for its natural gas production in the future and in the long-term;
- Projected exit production rates for fiscal 2018;
- Budgeted capital expenditures for the fourth quarter of fiscal 2018;
- The Company's planned development program north of the Wapiti River;
- The potential productivity of Blackbird's northern Pipestone / Elmworth Montney lands;
- Anticipated timing for commencement of Blackbird's drilling program in August 2018;
- The timing and duration of the planned outage, scheduled for the beginning of July 2018 and expected to last approximately 14 days, at Blackbird's third-party gas processing plant;
- The Company's general business plans and strategies;
- Future development plans;
- The requirement of further funding in the form of assumption of debt, off-balance sheet financing, further equity financing, or a combination thereof;
- Blackbird managing potential Pipestone / Elmworth Montney land expiries and continuations (the Company expects to manage material land expiries based on current plans, not achieving this could lead to a loss of certain important Montney land sections);
- Changes to future transportation and processing of natural gas produced by the Company on account of the firm transportation and processing agreement with a third-party and the natural gas take-or-pay marketing agreement;
- Future commitments; and
- Reduction of drilling and completions costs in the future through efficiencies of pad site development north of the Wapiti River, normalized completions utilizing the STAGE System and application of further innovation in its operations.

Forward-Looking Statements (Continued)

With respect to forward-looking statements contained in this MD&A, management has made assumptions regarding future production levels; future oil and natural gas prices; future operating costs; the timing and amount of capital expenditures; the ability to obtain financing on acceptable terms; the availability of skilled labour and drilling and related equipment; general economic and financial market conditions; continuation of existing tax, royalty and regulatory regimes; and the ability to market oil and natural gas successfully. Although management considers these assumptions to be reasonable based on information currently available, they may prove to be incorrect.

Forward-looking statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions in North America and internationally, (2) the inherent uncertainties and speculative nature associated with petroleum and gas exploration and production, (3) a decreased demand for petroleum or natural gas, (4) an increase in royalty rates applicable to the Company's production, (5) any number of events or causes which may delay or cease exploration and development of the Company's property interests, such as environmental liabilities, weather, mechanical failures, safety concerns and labour problems, (6) the risk that the Company does not execute its business plan, (7) inability to retain key employees, (8) inability to finance operations and growth, and (9) other factors beyond the Company's control.

Statements relating to "reserves" are by their nature deemed to be forward-looking statements, as they involve the implied assessment based on certain estimates and assumptions that the reserves described can be profitably produced in the future. These forward-looking statements are made as of the date of this discussion and, except as required by law, the Company assumes no obligation to update these forward-looking statements, or to update the reasons why actual results differed from those projected in the forward-looking statements.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors which could affect Blackbird's operations or financial results are included in Blackbird's most recent Annual Information Form and Statement of Reserves Data and Other Oil and Gas Information for the year ended July 31, 2017. In addition, information is available in Blackbird's other reports on file with Canadian securities regulatory authorities.

Additional Information

Additional information relating to Blackbird, including Blackbird's Annual Information Form for the year ended July 31, 2017, is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained on Blackbird's website at www.blackbirdenergyinc.com or by contacting Blackbird at Blackbird Energy Inc., Suite 400, 444 – 5th Avenue S.W., Calgary, Alberta, Canada T2P 2T8.

ABBREVIATIONS

CRUDE OIL AND NATURAL GAS LIQUIDS

bbl	barrel
mbbls	thousand barrels
bbls/d	barrels per day
bbls/mmcf	barrels per million cubic feet
boe	barrels of oil equivalent of natural gas and crude oil on the basis of 1 bbl for 6 mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either actual energy content or current prices)
mboe	thousand barrels of oil equivalent
boe/d	barrels of oil equivalent per day
kPa	kilopascal
psi	pounds per square inch
NGL	natural gas liquids
2D	two dimensional seismic
WTI	West Texas Intermediate

NATURAL GAS

mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
GJ	gigajoules
GJ/d	gigajoules per day
m^3	metres cubed
e^3m^3	1000 m^3
mmbtu	million British Thermal Units
3D	three dimensional seismic
bwpd	barrels of water per day
M$	thousands of dollars
AECO-C	Alberta Energy Company "C" Meter Station of the Nova Pipeline System

FINANCIAL

IFRS	International Financial Reporting Standards
MD&A	Management's Discussion and Analysis
Q1	First quarter ended October 31st
Q2	Second quarter ended January 31st
Q3	Third quarter ended April 30th
Q4	Fourth quarter ended July 31st

CONVERSION OF UNITS

IMPERIAL = METRIC

1 mcf = 28.2 cubic metres
0.035 mcf = 1 cubic metre
1 bbl = 0.159 cubic metres
6.29 bbls = 1 cubic metre
1 foot = 0.3408 metres
3.281 feet = 1 metre
1 mile = 1.61 kilometres
0.62 miles = 1 kilometre
1 acre = 0.4 hectares
2.5 acres = 1 hectare
1 mmbtu = 1.054 GJ
0.949 mmbtu = 1 GJ

CORPORATE INFORMATION

BOARD OF DIRECTORS

Garth Braun[1]
Chairman, Chief Executive Officer & President,
Blackbird Energy Inc.

Ron Schmitz[2]
President, ASI Accounting Services Inc.

Sean Campbell
President, Chief Executive Officer & Director, Stage Completions Inc.

William L. Macdonald[2]
Founder & Principal, Macdonald Tuskey, Corporate and Securities Lawyers

Kevin Andrus, CFA[2]
Chief Financial Officer, GMT Exploration Company LLC

Burton Joel Ahrens, J.D.
President, The Edgehill Corporation

Notes
(1) Chairman of the Board.
(2) Member of the Audit Committee.

OFFICERS

Garth Braun
Chairman, Chief Executive Officer & President

Karen Minton
Chief Financial Officer and Corporate Secretary

Craig Wiebe
Vice President, Exploration

Don Noakes
Vice President, Operations

Ralph Allen, P.Geo.
Vice President, Geoscience

HEAD OFFICE

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Calgary, Alberta T2P 4K7

Macdonald Tuskey
409, 221 W. Esplanade
North Vancouver, British Columbia V7M 3J3

BANKERS

ATB Financial
600, 585 8th Ave SW
Calgary, Alberta T2P 1G1

AUDITORS

Davidson & Company LLP
1200, 609 Granville Street
Vancouver, British Columbia V7Y 1G6

INDEPENDENT RESERVES EVALUATOR

McDaniel & Associates Consultants Ltd.
2200, 255 5th Ave SW
Calgary, Alberta T2P 3G6

STOCK EXCHANGE LISTING

TSX Venture Exchange
Common Shares “BBI”
Warrants “BBI.WT”

BLACKBIRD

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