BLACKBIRD ENERGY

FIRST QUARTER 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated December 28, 2017

FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016

Blackbird Energy Inc. First 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 December 27, 2017. 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 October 31, 2017 and 2016 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 114.9 net sections (73,536 net acres) of highly prospective Montney lands as at October 31, 2017. 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 FIRST QUARTER ENDED OCTOBER 31, 2017

FINANCIAL PERFORMANCE

Blackbird produced intermittently through the first quarter of 2018 due to third party gas processing plant outages experienced. The Company achieved an average production rate of 712 boe/d comprised of 50% liquids during the three months ended October 31, 2017.

While on production during the quarter, Blackbird produced 5.6 mmcf/d of natural gas, 863 bbls/d of condensate and 80 bbls/d of NGLs for total production of 1,876 boe/d. The Company was only able to produce for approximately 35 days during the first quarter of 2018 compared to 92 total calendar days in the quarter due to the third party gas processing plant downtime.

The production contributed to a positive operating netback of $0.9 million or $14.37/boe in the first quarter of 2018.

The Company maintained a strong balance sheet with positive working capital of $21.3 million at October 31, 2017, which included $33.8 million of cash and no bank debt.

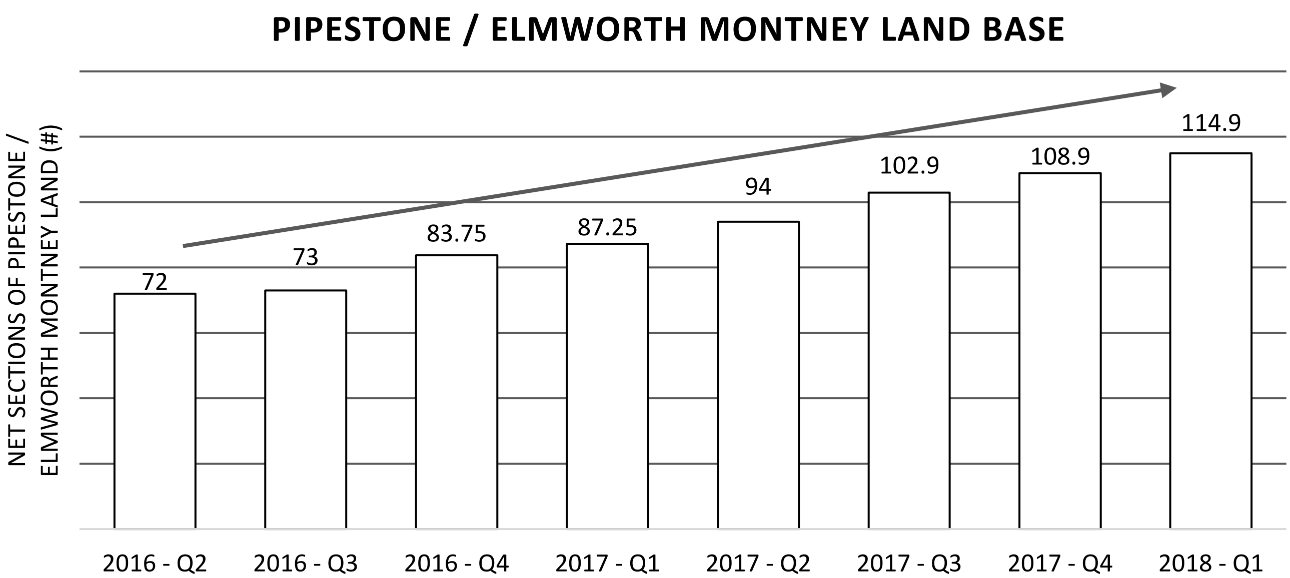
Blackbird's total assets at October 31, 2017, were $194.6 million compared to $90.9 million at October 31, 2016, representing a 114% increase.

CAPITAL INVESTMENT

Blackbird invested $29.2 million during the three months ended October 31, 2017, drilling 2 gross (1.2 net) wells, completing 4 gross (2.4 net) wells, recompleting 1 gross (1.0 net) well and bringing 2 gross (2.0 net) wells on production. At October 31, 2017, the Company also had the 6-33-71-7W6 drilling and 2-20-70-6W6 recompletion operations in progress which were subsequently completed in November.

PIPESTONE / ELMWORTH MONTNEY LAND BASE

At October 31, 2017, Blackbird's core Pipestone / Elmworth Montney property consisted of 131 gross sections (83,840 gross acres) or 114.9 net sections (73,536 net acres).



Note:
(1) This table includes land expiries.

During the three months ended October 31, 2017, the Company acquired 8 gross (8 net) additional sections of undeveloped Pipestone / Elmworth Montney land for cash consideration of $1.4 million (October 31, 2016 - $0.2 million).

During the three months ended October 31, 2017, 2 gross (2 net) sections of Pipestone / Elmworth Montney land expired. The Company expects to manage material land expiries going forward through the execution of its drilling program.

TRANSPORTATION, PROCESSING AND MARKETING

During the quarter ended October 31, 2017, 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. 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 pipeline 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.

Since October 31, 2017, Blackbird has 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, 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.

BUILDING OUR TEAM

Over the past quarter Blackbird has made several key appointments to its team.

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.

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.

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

Following the first quarter of 2018, run times at Blackbird's third party natural gas processing facility have improved significantly. A number of repairs were performed while the facility was down from November 1st to November 14th, and as a result from November 15th to December 26th, Blackbird has been able to produce for a total of 38 days or at 90% run time, already exceeding the prior quarters days on production.

Subsequent to October 31, 2017, Blackbird has continued to execute on its planned drilling and completion program. The Company will continue its momentum into calendar 2018 with production / test results expected from a number of wells before the end of March, as detailed below. Blackbird expects that these results will showcase the productivity of the Company's resource on the western development block of its land, as well as delineate the acreage to the north and east.

Upcoming well results include:

- 02/6-26-70-7W6 Upper Montney Development Well: Completed using a combination of the Stage Completions Inc. ("Stage") Generation Four Sleeve System and plug and perf technology. The well is currently producing with preliminary production results expected in early 2018.
- 15-21-70-7W6 Upper Montney Development Well: Recompleted in late September utilizing plug and perf technology. The well is currently producing with preliminary production results expected in early 2018.
- 2-28-70-7W6 Upper Montney Development Well: Completed using the Stage Generation Four Sleeve System exclusively. The well is currently producing with preliminary production results expected in early 2018.
- 2-20-70-6W6 Middle Montney Development Well: Recompleted in November utilizing plug and perf technology. This well is expected to confirm the presence of and extend the "Volatile Oil" window more than 5 km eastward from Blackbird's previous wells. Test results from this well are expected in February or March of 2018.
- 1-20-70-7W6 Upper Montney Development Well: Completed in November using a combination of the Stage Generation Four Sleeve System and plug and perf technology. Test results from this well are expected in February or March of 2018.
- 6-33-71-7W6 Upper Montney Delineation Well: Completed in December using the Stage Generation Four Sleeve System exclusively. This is a significant well for Blackbird and will delineate the northern extent of Blackbird's land while also retaining 14 sections of Montney rights. Test results from this well are expected in February or March of 2018.

FIRST QUARTER 2018 - OPERATIONAL AND FINANCIAL HIGHLIGHTS

The following table presents certain operational and financial information:

	Three months ended October 31		
(CDN$ thousands, except where otherwise noted)	**2017**	2016	% Change
Financial			
Petroleum and natural gas revenue	**2,582**	15	17,113
Funds used in operating activities	**(2,114)**	(1,235)	71
Net loss and comprehensive loss	**(1,737)**	(1,059)	64
Net loss per share – basic and diluted ($/share)	**(0.00)**	(0.00)	-
Total assets	**194,587**	90,858	114
Working capital	**21,317**	30,064	(29)
Capital expenditures	**29,241**	7,350	298
Operating			
Production			
Condensate (bbls/d)	**328**	-	-
NGLs (bbls/d)	**30**	-	-
Natural gas (mcf/d)	**2,112**	-	-
Non-core (boe/d)	**2**	14	(86)
Total (boe/d)	**712**	14	4,986
Liquids ratio (%)	**50**	-	-
Condensate gas ratio (bbls/mmcf)	**155**	-	-
Total liquids gas ratio (bbls/mmcf)	**170**	-	-
Average Montney realized selling prices			
Condensate ($/bbl)	**60.50**	-	-
NGLs ($/bbl)	**30.26**	-	-
Natural gas ($/mcf)	**3.44**	-	-
Netbacks ($/boe)			
Petroleum and natural gas revenue	**39.41**	11.65	238
Royalties	**(2.09)**	-	-
Operating expenses	**(10.62)**	(82.30)	(87)
Transportation and processing expenses	**(12.33)**	-	-
Operating netback(1)	**14.37**	(70.65)	120
Pipestone / Elmworth Montney sections of land (net)	**114.9**	87.25	32

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

DAILY PRODUCTION

	Three months ended		
	October 31 2017	October 31 2016	% Change
Condensate (bbls/d)	**328**	-	-
NGLs (bbls/d)	**30**	-	-
Natural gas (mcf/d)	**2,112**	-	-
Non-core (boe/d)	**2**	14	(86)
Total (boe/d)	**712**	14	4,986
Condensate gas ratio (bbls/mmcf)	**155**	-	-
Total liquids gas ratio (bbls/mmcf)	**170**	-	-
Liquids ratio (%)	**50**	-	-

During the three months ended October 31, 2017, total production averaged 712 boe/d compared to 14 boe/d for the same period in 2016. The increase in production levels from the comparative period was a result of the Company's initial production at its Pipestone / Elmworth property, which commenced on January 30, 2017. Production for the three months ended October 31, 2017 was comprised of 50% liquids. Due to unanticipated third-party sour gas processing plant shut-downs, which lasted approximately 57 days, Blackbird was forced to shut-in its wells for an extended period of time during the quarter.

During the three months ended October 31, 2017, total production averaged 712 boe/d compared to 782 boe/d for the three months ended July 31, 2017. The decrease in production from the previous quarter was a result of Blackbird producing for fewer days in the current period due to third party sour gas processing plant downtime (gas processing firm service was available for approximately 35 days in the current quarter compared to 75 days in the comparative quarter) partially offset by increased production rates while the Company was on production.

While on production during the quarter, Blackbird produced 5.6 mmcf/d of natural gas, 863 bbls/d of condensate and 80 bbls/d of NGLs for total production of 1,876 boe/d. The Company was only able to produce for approximately 35 days during the first quarter of 2018 compared to 92 total calendar days in the quarter due to the third-party gas processing plant downtime.

COMMODITY PRICING

AVERAGE BENCHMARK PRICES

	Three months ended		
	October 31 2017	October 31 2016	% Change
Oil – WTI (US$/bbl)	**49.84**	46.66	7
Natural gas – Chicago Citygate (US$/MMBTU)	**2.82**	2.83	-
Average exchange rate – US$ to CDN$	**0.800**	0.762	5

AVERAGE BENCHMARK PRICES (CONTINUED)

During the three months ended October 31, 2017, Blackbird's condensate and NGLs were trucked 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, certain transportation costs and quality. The average price of WTI strengthened in three months ended October 31, 2017 compared to the same period in 2016 by approximately 7%.

During the three months ended October 31, 2017, Blackbird sold 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. The average price of Chicago Citygate natural gas remained consistent in the three months ended October 31, 2017 compared the same period in 2016. 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.

AVERAGE REALIZED SALES PRICE

	Three months ended		
	October 31 2017	October 31 2016	% Change
Condensate ($/bbl)	**60.50**	-	-
NGLs ($/bbl)	**30.26**	-	-
Natural gas ($/mcf)	**3.44**	-	-
Non-core ($/boe)	**14.15**	11.65	21
Total ($/boe)	**39.41**	11.65	238

Blackbird's realized condensate and NGL prices include adjustments for pipeline tariffs and quality differentials. In October, 2017, the Company began utilizing its firm service transportation through the Pembina pipeline system for condensate production. This arrangement results in lower tariffs on condensate which are recognized through transportation and processing expenses rather than being netted against the sales price. The Company's product mix of NGLs was comprised of approximately 60% butane and 40% propane during the three months ended October 31, 2017. Blackbird continued marketing the majority of its natural gas production in the United States via Alliance to Chicago, Illinois.

PETROLEUM AND NATURAL GAS REVENUE

	Three months ended		
(CDN$ thousands)	**October 31 2017**	October 31 2016	% Change
Condensate	**1,827**	-	-
NGLs	**84**	-	-
Natural gas	**669**	-	-
Non-core	**2**	15	(87)
Total	**2,582**	15	17,113

PETROLEUM AND NATURAL GAS REVENUE (CONTINUED)

During the three months ended October 31, 2017, Blackbird's petroleum and natural gas revenues were $2.6 million compared to $15 thousand for the same period in 2016. The increase in revenues from the comparative period was a result of the Company's initial production at its Pipestone / Elmworth property, which commenced on January 30, 2017.

During the three months ended October 31, 2017, Blackbird's petroleum and natural gas revenues were $2.6 million compared to $2.8 million for the three months ended July 31, 2017. The decrease in revenues from the previous quarter was a result of lower total production during the period as a result of third party gas processing plant shut-downs, partially offset by a higher average realized sales price.

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 quarter ended October 31, 2017, and is based on the balances disclosed in this MD&A and the consolidated financial statements for the quarter ended October 31, 2017:

(CDN$ thousands)	Petroleum and Natural Gas Sales[1]
Change in the average sales price for natural gas by $1.00/mcf	**194**
Change in the average sales price for condensate and natural gas liquids by $1.00/bbl	**33**
Change in natural gas production by 1 mmcf/d [2]	**317**
Change in condensate and natural gas liquids production by 100 bbls/d [2]	**533**

Notes:

(1) Reflects the change in petroleum and natural gas sales for the quarter ended October 31, 2017.

(2) Reflects the change in production multiplied by Blackbird's average sales prices for the quarter ended October 31, 2017.

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.

Blackbird is also subject to a gross overriding royalty of 2% which applies to 72.0 gross (72.0 net) sections of its Pipestone / Elmworth Montney lands.

ROYALTIES (CONTINUED)

	Three months ended		
(CDN$ thousands, except where otherwise noted)	**October 31 2017**	October 31 2016	% Change
Crown royalties	**97**	-	-
Gross overriding royalties	**40**	-	-
Total	**137**	-	-
Effective royalty rate (%)	**5**	-	-
Royalties ($/boe)	**2.09**	-	-

Royalties for the three months ended October 31, 2017 were $137 thousand or 5% of total petroleum and natural gas revenues compared to $nil during the same period in 2016. The increase in royalties from the comparative period was a result of the Company's initial production at its Pipestone / Elmworth property, which commenced on January 30, 2017.

Royalties for the three months ended October 31, 2017 were $137 thousand compared to $163 thousand for the three months ended July 31, 2017. The decrease in royalties from the previous quarter was primarily a result of lower total production during the period.

OPERATING EXPENSES

	Three months ended		
(CDN$ thousands, except where otherwise noted)	**October 31 2017**	October 31 2016	% Change
Operating expenses	**696**	106	557
Operating expenses ($/boe)	**10.62**	82.30	(87)

Operating expenses for the three months ended October 31, 2017 were $0.7 million or $10.62 per boe compared to $0.1 million or $82.30 per boe during the same period in 2016. The increase in operating expenses from the comparative period was due to the Company's initial production at its Pipestone / Elmworth property which resulted in additional equipment rental, contract operator, chemical and maintenance costs. The operating expense per boe decreased in the current period due to the initial production at Pipestone / Elmworth offsetting the expense increase.

Operating expenses for the three months ended October 31, 2017 were $0.7 million compared to $0.6 million for the three months ended July 31, 2017. The operating expenses remained relatively consistent quarter over quarter due to their largely fixed nature.

Management expects that operating costs on a $/boe basis will normalize in the coming months once production capacity is fully utilized with fewer interruptions.

TRANSPORTATION AND PROCESSING EXPENSES

(CDN$ thousands, except where otherwise noted)	Three months ended October 31 2017	October 31 2016	% Change
Transportation and processing expenses	**808**	-	-
Transportation and processing expenses ($/boe)	**12.33**	-	-

Transportation and processing expenses for the three months ended October 31, 2017 were $0.8 million or $12.33 per boe compared to $nil during the same period in 2016. The Company incurred gas processing, transportation and trucking fees related to production at its Pipestone / Elmworth property during the current period. Blackbird was exempt from its firm service processing commitments for approximately 57 days due to third party sour gas processing plant shut-downs that occurred during the quarter. The Company was also able to mitigate large portions of its unused Alliance transportation commitments during the quarter which reduced its costs on a $/boe basis.

Transportation and processing expenses for the three months ended October 31, 2017 were $0.8 million compared to $1.7 million for the three months ended July 31, 2017. The decrease in transportation and processing expenses from the previous quarter was a result of Blackbird being exempt from its take-or-pay sour gas processing for an extended period of time (exempt for approximately 57 days in the current quarter compared to 17 days in the comparative quarter) combined with the mitigation of unused Alliance firm transportation.

Management expects that the transportation and processing costs on a $/boe basis will normalize in the coming months once production capacity is fully utilized with fewer interruptions.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

(CDN$ thousands, except where otherwise noted)	Three months ended October 31 2017	October 31 2016(1)	% Change
Personnel	**805**	437	84
Office costs, travel and other	**213**	137	55
Professional fees	**153**	111	38
Investor relations	**60**	124	(52)
Gross G&A expenses	**1,231**	809	52
Capitalized salaries and benefits	**(310)**	(215)	44
Net G&A expenses	**921**	594	55
Net G&A expenses *($/boe)*	**14.05**	461.18	(97)

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

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE (CONTINUED)

During the three months ended October 31, 2017, gross G&A expense increased to $1.2 million from $0.8 million for the same period in 2016. This increase was primarily a result of additional compensation, professional fees and office costs incurred in the current period as a result of the Company's growth. The Company hired additional employees and consultants to accommodate initial production and future growth plans in 2018.

During the three months ended October 31, 2017, the Company capitalized $0.3 million (October 31, 2016 – $0.2 million) of directly attributable G&A expenses related to the Pipestone / Elmworth project.

During the three months ended October 31, 2017, gross G&A expense was $1.2 million compared to $1.4 million for the three months ended July 31, 2017. The decrease in G&A expense from the previous quarter was primarily a result of less professional fees incurred. Year end professional service fees accrued for during the three months ended July 31, 2017, resulted in a higher G&A expense in that prior period.

DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

	Three months ended		
(CDN$ thousands, except where otherwise noted)	**October 31 2017**	October 31 2016	% Change
Depletion, depreciation and amortization	**827**	-	-
Depletion, depreciation and amortization *($/boe)*	**12.63**	-	-

DD&A for the three months ended October 31, 2017 was $0.8 million or $12.63 per boe compared to $nil during the same period in 2016. The increase in depletion expense was attributable to the production at the Company's Pipestone / Elmworth property during the period.

DD&A for the three months ended October 31, 2017 was $0.8 million compared to $0.8 million for the three months ended July 31, 2017. DD&A remained consistent period over period due to similar overall production levels.

SHARE-BASED COMPENSATION

	Three months ended		
(CDN$ thousands)	**October 31 2017**	October 31 2016	% Change
Share-based compensation	**747**	253	195

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 October 31, 2017, share-based compensation of $0.7 million (October 31, 2016 - $0.3 million) in the form of stock option expense was incurred, with $0.4 million related to officers and $0.1 million related to directors (October 31, 2016 - $152 thousand related to officers and $35 thousand related to directors). The increase in share-based compensation was primarily a result of the Company having a greater number of options with a higher weighted average Black-Scholes fair value vesting during the three months ended October 31, 2017, compared to the three months ended October 31, 2016. In addition, the Company granted a larger number of stock options to new employees during the three months ended October 31, 2017, relative to the comparative period. No share-based compensation expense was capitalized during the three months ended October 31, 2017 or 2016.

AMORTIZATION OF FLOW-THROUGH SHARE PREMIUM LIABILITY

	Three months ended		
(CDN$ thousands)	**October 31 2017**	October 31 2016	% Change
Amortization of flow-through share premium liability	**857**	155	453

During the three months ended October 31, 2017, the Company amortized $0.9 million of flow-through share premium liability compared to $0.2 million for the same period in 2016. 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.

During the three months ended October 31, 2017, the Company amortized $0.9 million of flow-through share premium liability compared to $1.1 million for the three months ended July 31, 2017. The decrease from the comparative period was due to Blackbird incurring less qualifying expenditures that applied to the flow-through financing obligation.

FINANCING COSTS

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

	Three months ended		
(CDN$ thousands)	**October 31 2017**	October 31 2016	% Change
Accretion of decommissioning provision	**15**	4	275
	15	4	275

During the three months ended October 31, 2017, financing costs were $15 thousand compared to $4 thousand for the same period of 2016. The increased accretion expense was a result of the larger decommissioning provision balance.

During the three months ended October 31, 2017, financing costs were $15 thousand compared to $12 thousand for the three months ended July 31, 2017. Financing costs remained consistent period to period.

INTEREST INCOME

(CDN$ thousands)	Three months ended October 31 2017	October 31 2016	% Change
Interest income	**124**	75	65

During the three months ended October 31, 2017, the Company earned $124 thousand of interest income compared to $75 thousand for the same period in 2016. The increase was due to Blackbird carrying a larger cash balance on average throughout the current quarter compared to the comparable period in 2016.

During the three months ended October 31, 2017, the Company earned $124 thousand of interest income compared to $177 thousand for the three months ended July 31, 2017. 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:

(CDN$ thousands)	Three months ended October 31 2017	October 31 2016
Loss before taxes	**(588)**	(712)
Expected income tax recovery	**(159)**	(192)
Change in statutory rates and other	**-**	21
Permanent differences	**(29)**	38
Impact of flow-through shares	**1,949**	210
Share issue costs	**-**	(15)
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses	**(612)**	321
Change in unrecognized deductible temporary differences	**-**	(36)
Deferred income tax expense	**1,149**	347

During the three months ended October 31, 2017, Blackbird recognized deferred income tax expense of $1.1 million compared to $0.3 million for the same period in 2016.

FIRST QUARTER RESULTS

During the three months ended October 31, 2017, net loss and comprehensive loss totaled $1.7 million ($0.00 per share, basic and diluted) compared to net loss and comprehensive loss of $1.1 million ($0.00 per share, basic and diluted) for the same period in 2016. Blackbird's net loss and comprehensive loss for the three months ended October 31, 2017, is mostly attributable to the increased royalties, operating costs, transportation and processing expense, G&A expense, DD&A, share-based compensation and deferred income tax expense. These expenses were partially offset by increased petroleum and natural gas revenue, amortization of flow-through share premium liability and interest income earned. Blackbird's net loss and comprehensive loss for the three months ended October 31, 2016, is mostly attributable to the operating costs, G&A expense, share-based compensation and deferred income tax expense. These expenses were partially offset by petroleum and natural gas revenue, amortization of flow-through share premium liability and interest income earned.

OPERATING NETBACK AND FUNDS FROM (USED IN) OPERATIONS

	(CDN$ thousands)			*($/boe)*		
Three months ended October 31	**2017**	2016	% change	**2017**	2016	% change
Petroleum and natural gas	**2,582**	15	17,113	**39.41**	11.65	238
Royalties	**(137)**	-	-	**(2.09)**	-	-
	2,445	15	16,199	**37.32**	11.65	220
Operating expenses	**(696)**	(106)	557	**(10.62)**	(82.30)	(87)
Transportation and processing expenses	**(808)**	-	-	**(12.33)**	-	-
Operating netback[(1)]	**941**	(91)	1,134	**14.37**	(70.65)	120
General and administrative expenses	**(921)**	(594)	55	**(14.05)**	(461.18)	(97)
Interest income	**124**	75	65	**1.89**	58.23	(97)
Funds from (used in) operations[(1)]	**144**	(610)	124	**2.21**	(473.60)	100

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

	(CDN$ thousands)	
Three months ended October 31	**2017**	2016
Funds from (used in) operations[(1)]	**144**	(610)
Changes in non-cash working capital	**(2,258)**	(625)
Funds used in operating activities[(1)]	**(2,114)**	(1,235)

Note:
(1) Reconciliation of non-IFRS measure to most comparable IFRS calculated amount.

For the three months ended October 31, 2017, funds from operations was $0.1 million compared to funds used in operations of $0.6 million for the same period in 2016. The increase in funds was primarily a result of the positive operating netback and increased interest income earned partially offset by increased G&A expense due to growth in the current period.

DRILLING AND COMPLETIONS ACTIVITY

	Three months ended		
	October 31 2017	October 31 2016	% Change
Wells drilled and rig released (net)	**1.2**	1.0	20
Average measured depth (meters)	**4,801**	4,548	6
Average horizontal length (meters)	**2,264**	2,049	10
Average drilling days per well	**22.9**	21.5	7
Wells completed / recompleted (net)	**3.4**	-	-
Average number of intervals	**57**	-	-
Wells tied-in (net)	**2**	-	-

CAPITAL EXPENDITURES AND DIVESTITURES

	Three months ended		
(CDN$ thousands)	**October 31 2017**	October 31 2016	% Change
Drilling, completions and production testing	**24,285**	2,559	849
Plants, facilities and pipelines	**3,053**	4,366	(30)
Land and lease	**1,387**	210	560
Capitalized general and administrative expenses	**310**	215	44
Seismic	**206**	-	-
Net capital expenditures	**29,241**	7,350	298

ENTERPRISE VALUE

(CDN$ thousands)	**October 31 2017**	July 31 2017
Market capitalization(1)	**291,316**	264,628
Cash	**(33,791)**	(60,535)
Enterprise value	**257,525**	204,093

Note:

(1) Market capitalization is calculated using the total common shares outstanding at October 31, 2017 multiplied by the closing share price of $0.390 at October 31, 2017 ($0.355 at July 31, 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 Pipestone / Elmworth.

CAPITAL REQUIREMENTS (CONTINUED)

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

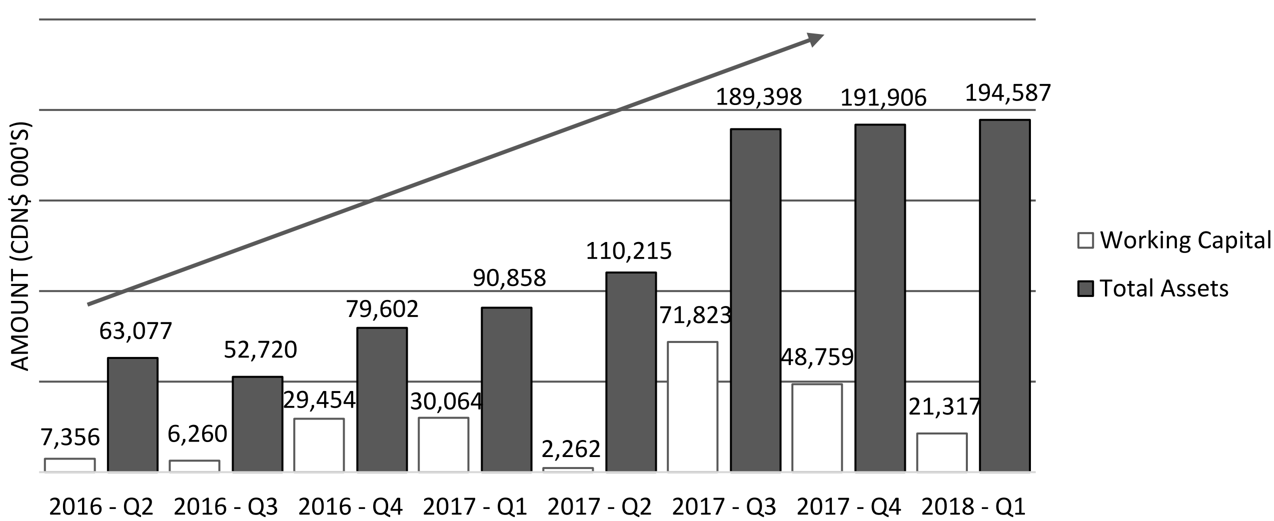
(CDN$ thousands)	**October 31 2017**	July 31 2017
Cash	**33,791**	60,535
Accounts receivable	**3,047**	1,289
Inventory[1]	**182**	397
Prepaid expenses and deposits	**418**	1,022
Accounts payable and accrued liabilities	**(15,669)**	(13,175)
Flow-through share premium liability	**(452)**	(1,309)
Working capital surplus	**21,317**	48,759

Notes:

(1) Inventory includes fracturing sleeves and casing. Subsequent to October 31, 2017, Blackbird deployed the fracturing sleeves in wells.

As at October 31, 2017, Blackbird had a working capital surplus of $21.3 million (July 31, 2017 – $48.8 million). The decrease in working capital surplus compared to July 31, 2017 is primarily due to the Company's continued capital investment in its Pipestone / Elmworth Montney project.

WORKING CAPITAL AND TOTAL ASSET POSITION



SHARE CAPITAL AND SHAREHOLDERS' EQUITY

A reconciliation of the Company's shareholders' equity as at October 31, 2017, 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	1,533	318	(126)	-	192
Share-based compensation	-	-	747	-	747
Net loss and comprehensive loss	-	-	-	(1,737)	(1,737)
At October 31, 2017	**746,963**	**185,942**	**15,379**	**(33,190)**	**168,131**

EXERCISE OF STOCK OPTIONS AND WARRANTS

During the three months ended October 31, 2017, the Company issued 1,533,333 common shares (October 31, 2016 – 435,000 common shares) due to the exercise of stock options and warrants. The Company received proceeds of $0.2 million (October 31, 2016 - $0.1 million) on 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	748,380,343
Stock options	32,110,711
Warrants	7,734,321
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, working capital and operating cash-flow to fund its capital requirements and to provide liquidity for operations. At October 31, 2017, the Company has committed to future payments over the next five calendar years, as follows:

(CDN$ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
Office lease	37	224	130	-	-	-	391
Equipment leases	102	610	610	610	599	119	2,650
Canadian dollar portion of gas marketing agreement	204	1,223	1,223	1,018	-	-	3,668
Transportation and processing	747	3,906	966	848	805	4,628	11,900
	1,090	**5,963**	**2,929**	**2,476**	**1,404**	**4,747**	**18,609**

(US$ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
US dollar portion of gas marketing agreement(1)	131	785	785	654	-	-	2,355

Note:

(1) A fluctuation in the October 31, 2017, USD / CAD foreign exchange rate by +/- 10% would result in a $0.1 million CAD variation to the annual commitments associated with this marketing agreement.

FLOW-THROUGH SHARES

The Company is required to incur and renounce $19.0 million of eligible Canadian Exploration Expenses by December 31, 2018 in connection with the issuance of the CEE Flow-Through Shares on March 14, 2017. As at October 31, 2017, $15.2 million of these expenditures have been incurred.

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.

OPERATING LOAN FACILITY

At October 31, 2017, the Company had a $1.0 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. 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. At October 31, 2017, the Company was in compliance with the covenants of the operating loan facility.

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

At October 31, 2017, the available amount to draw on the loan facility was $1.0 million (July 31, 2017 - $0.3 million).

RELATED PARTY TRANSACTIONS

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

Blackbird has determined that the key management personnel of the Company consist of its directors and officers, including those who formerly held such positions. During the three months ended October 31, 2017 and 2016, the Company paid or accrued compensation to key management as follows:

	Three months ended	
(CDN$ thousands)	**October 31 2017**	October 31 2016
Share-based compensation	**523**	187
Compensation paid to key management personnel that was expensed	**62**	117
Compensation paid to key management personnel that was capitalized to exploration and development activities	**162**	162
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	**10**	42
Share issue costs paid to Macdonald Tuskey	**-**	17
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	**694**	10
Fees paid to Stage for completions equipment and services performed, a company in which Mr. Garth Braun, Blackbird's Chairman, Chief Executive Officer and President is also a Director and owns an indirect minority interest in Stage, certain of Blackbird's other officers own non-controlling interests in Stage, and Mr. Sean Campbell, a Director of Blackbird, holds an indirect controlling interest in Stage and is also the President, Chief Executive Officer and a Director of Stage	**166**	380
	1,659	915

As of October 31, 2017, there was $0.7 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 and production amounts)	**2018 Q1**	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Petroleum and natural gas revenue	**2,582**	2,797	3,312	110	15	8	13	3
Cash (used in) provided by operations	**(2,114)**	1,285	(1,122)	(1,727)	(1,235)	(377)	(600)	(1,284)
Cash (used in) provided by operations per share - basic and diluted	**(0.00)**	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net (loss) income and comprehensive (loss) income	**(1,737)**	(3,164)	(1,500)	(4,877)	(1,059)	(1,331)	(936)	5,705
Net (loss) income and comprehensive (loss) income per share - basic and diluted	**(0.00)**	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	0.02
Total assets	**194,587**	191,906	189,398	110,215	90,858	79,602	52,720	63,077
Working capital	**21,317**	48,759	71,823	2,262	30,064	29,454	6,260	7,356
Total production (boe/d)	**712**	782	868	28	14	9	9	1
Pipestone / Elmworth Montney land sections (net)	**114.9**	108.9	102.9	94	87.25	83.75	73	72
Pipestone / Elmworth Montney 2P NPV10% reserves(1)	**395,311**	395,311	455,018	41,275	41,275	41,275	38,533	38,533
General and administrative expense, gross	**1,231**	1,358	1,495	1,509	809	794	847	713
East Wapiti Montney land sections (net)	**-**	16	49	68	77	77	77	77

Notes:

(1) Q1 2018 and Q4 2017 reserves values are carried forward from McDaniel & Associates Consultants Ltd.'s ("McDaniel") reserves evaluation effective July 31, 2017. Q3 2017 reserves value is carried forward from McDaniel's reserves evaluation effective March 1, 2017. Q2 2017, Q1 2017 and Q4 2016 reserves values are carried forward from GLJ Petroleum Consultants' ("GLJ") reserves evaluation effective July 31, 2016. Q3 2016 and Q2 2016 reserves values are carried forward from GLJ's reserves evaluation effective January 31, 2016. All reserves values presented are before tax NPV10% of Blackbird's proved plus probable reserves as previously evaluated as of the effective dates indicated, without any adjustment for subsequent production or any other circumstances arising thereafter.

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

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

Quarterly Financial Summary (Continued)

(b) In Q4 2017 cash was provided by operations due to positive operating netbacks and changes in non-cash working capital;

(c) 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. In Q2 2016 the Company reported net income and comprehensive income of $5.7 million as a result of property and equipment impairment reversal of $7.2 million recognized;

(d) Total assets increased quarter over quarter 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;

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

(g) Pipestone / Elmworth Montney land sections increased quarter over quarter as a result of additional investment made by the Company in undeveloped land;

(h) Pipestone / Elmworth Montney reserves increased quarter over quarter as a result of Blackbird's successful exploratory and development activities adjusted for revisions to assumptions / inputs;

(i) Gross G&A expense increased quarter over quarter due to the Company hiring additional employees and consultants to facilitate the development of its Pipestone / Elmworth asset in addition to increased professional and office costs; and

(j) East Wapiti Montney land sections decreased quarter over quarter due to expiries.

Please refer to the other sections of this MD&A for the detailed discussions on changes for the period ended October 31, 2017.

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.

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. 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.

COMMODITY PRICE RISK (CONTINUED)

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 October 31, 2017 to manage these risks (October 31, 2016 – none).

INTEREST RATE RISK

The Company's exposure to fluctuations in interest rates and resulting impact on its net (loss) income and comprehensive (loss) income, 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 October 31, 2017, the Company had $1.8 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 October 31, 2017, 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 October 31, 2017 and 2016 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 October 31, 2017 and 2016 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 and operating 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.

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.

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 October 31, 2017. 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 "funds from (used in) operations" and operating netback, which are not measures defined under IFRS as issued by the International Accounting Standards Board. Although such measures are commonly used 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. Management of Blackbird believes funds from (used in) operations and operating netback are relevant indicators of Blackbird's financial performance and its ability to fund future capital expenditures. The manner in which the Company calculates each such measure is set forth above under "Operating Netback and Funds From (Used in) Operations". Operating netback per share is determined by dividing total operating netback by the Company's gross working interest production (on a boe basis). Management considers operating netback to provide a useful measure for evaluating operational performance at the oil and gas lease level, as an indicator of field-level profitability relative to current commodity prices. Management considers funds from operations to be a useful supplemental measure for assessing Blackbird's operational performance on a continuing basis by eliminating non-cash charges, and utilizes the measure to assess the Company's ability to generate the cash necessary to finance operating activities and capital expenditures. Funds from operations as presented does not and is not intended to represent, and should not be considered an alternative to or more meaningful than, cash from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Funds from (used in) operations and operating netback should not be considered an alternative to or more meaningful than cash from (used in) operating activities, as determined in accordance with IFRS, as an indicator of Blackbird's performance. Readers should refer to the table under "Operating Netback and Funds From (Used in) Operations" above for a reconciliation of operating netback and funds from (used in) operations to cash from operating activities, the most comparable measure calculated in accordance with IFRS.

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"). Oil and natural gas liquids are expressed in barrels ("bbls").

Oil and Gas Metrics and Definitions (Continued)

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.

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);
- 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;
- Blackbird's momentum and continuing its momentum into calendar 2018;
- The timing of production / test results from a number of wells;
- Production / test results confirming the productivity of the Company's resource on the western development block of its land, as well as delineating the acreage to the north and east;
- The validation of Blackbird's northern acreage through production / test results;
- 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;
- The expected normalization of operating, transportation and processing expenses on a per boe basis in the coming months; and
- Production capacity being fully utilized with fewer interruption in the coming months.

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 *National Instrument 51-101* - Standards of Disclosure for Oil and Gas Activities report 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 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)
Portfolio Manager of Energy Investments, GMT Capital Corp.

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

Ralph Allen, P.Geo.
Vice President, Geoscience

Craig Wiebe
Vice President, Exploration

Don Noakes
Vice President, Operations

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INDEPENDENT RESERVES EVALUATOR

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2200, 255 5th Ave SW
Calgary, Alberta T2P 3G6

STOCK EXCHANGE LISTING

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

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