BLACKBIRD

SECOND QUARTER 2015 MANAGEMENT DISCUSSION AND ANALYSIS AS AT AND FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015

Blackbird Energy Inc. Second Quarter 2015
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") has been prepared by management and reviewed and approved by the Board of Directors (the "Board") of Blackbird Energy Inc. ("Blackbird" or "the Company") as of March 31, 2015. 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 January 31, 2015 and 2014 and with the Company's audited consolidated financial statements for the periods ended July 31, 2014 and 2013, prepared under International Financial Reporting Standards ("IFRS"). Readers are cautioned that this MD&A contains "non-IFRS 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 crude oil and natural gas exploration, development and production in key areas of the Western Canada Sedimentary Basin. Blackbird is focused on creating long-term shareholder value through a successful exploration program and prudent financial management. Blackbird's shares are widely held and publicly traded on the TSX Venture Exchange under the symbol "BBI".

Blackbird's strategic platform for growth includes the exploration of its 100% working interest Elmworth Montney property ("Elmworth" or "Elmworth Montney") as well as strategic acquisitions. In addition to Blackbird's Elmworth property the Company holds non-core assets in Saskatchewan and Alberta, from which all of the Company's current production is derived.

Blackbird's core property, Elmworth, consists of 69 sections of highly prospective Montney land, of which 65 sections are contiguous. This land is in close proximity to lands currently being developed by several competitors. The Elmworth property is located in the 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.

Q2 2015 Operating Summary

The second quarter of 2015 saw significant activity for Blackbird. This activity was centered on strengthening our highly prospective Elmworth Montney land base, further building our team, funding future growth plans, and drilling and completing the Company's first two 100% working interest Elmworth Montney wells.

ELMWORTH MONTNEY LAND BASE

During the three and six months ended January 31, 2015, the Company acquired an additional 8 and 19 sections of Elmworth Montney undeveloped land for cash consideration of $0.6 million and $3.5 million, respectively. During the six months ended January 31, 2015, the Company also acquired 77 sections of East Wapiti Montney undeveloped land for cash consideration of $0.5 million.

Subsequent to January 31, 2015, the Company purchased an additional 14 sections of Elmworth Montney land for cash consideration of $1.1 million.

ELMWORTH MONTNEY LAND BASE (CONTINUED)

With these acquisitions, Blackbird now holds a 100% working interest in 65 sections (41,600 net acres) at the Company's core Elmworth Montney project. Including the Company's four northern Grand Prairie sections, Blackbird now holds a total of 69 sections (44,160 net acres) of Montney rights in the greater Grand Prairie area.

BUILDING OUR TEAM

During the three months ended January 31, 2015, Blackbird continued to strengthen its team, by appointing a Vice President, Exploration.

During the three months ended October 31, 2014, the Company also hired a Vice President, Drilling and Completions and a Manager, Land. The Company also benefited from the Appointment of Kevin Andrus to the Board of Directors. Mr. Andrus is the portfolio Manager of Energy Investments at GMT Capital Corp.

Subsequent to January 31, 2015, the Company promoted its Controller to the position of Chief Financial Officer, appointed a Vice President, Operations, and announced that its Chief Operating Officer was no longer an officer or employee of Blackbird.

Blackbird anticipates that these organizational changes will facilitate Blackbird's development of its Elmworth assets and pursuit of strategic opportunities for the benefit of its shareholders.

FUNDING DRILLING OPERATIONS

On December 9, 2014, the Company completed the second and final tranche of a non-brokered private placement for gross proceeds of $1,485,000, consisting of 3,300,000 flow-through shares at a price of $0.45 per flow-through share.

On December 5, 2014, the Company completed the first tranche of a non-brokered private placement for gross proceeds of $5,782,750 consisting of 12,850,555 flow-through shares at a price of $0.45 per flow-through share.

On October 21, 2014, the Company completed a brokered private placement for gross proceeds of $30,406,030 consisting of 86,207,000 special warrants at a price of $0.29 per special warrant and 15,900,000 flow-through common shares at a price of $0.34 per share. In conjunction with the brokered private placement, the Company also completed a non-brokered private placement for gross proceeds of $7,000,090 consisting of 24,138,241 special warrants at a price of $0.29 per special warrant.

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

In addition to the private placements discussed above, Blackbird divested its non-core Bigstone asset for cash proceeds of $8.8 million during the three months ended October 31, 2014, as discussed under the heading "Q2 2015 Financial Highlights: Core Operations and Properties – Capital Expenditures and Divestures" below.

DRILLING AND COMPLETING THE COMPANY'S ELMWORTH MONTNEY WELLS

During the three months ended January 31, 2015, the Company successfully drilled and completed its first two 100% working interest Elmworth Montney wells located at 6-26-70-07W6 ("6-26") and 5-26-70-07W6 ("5-26"). The 6-26 well was drilled from surface location 14-14-70-07W6 to a total measured depth of 4,730 metres, including a 2,000 metre horizontal leg targeting the middle Montney. The 5-26 well was drilled from the same pad to a vertical depth of approximately 2,340 metres, a lateral length of approximately 2,000 metres and a total measured depth of approximately 4,740 metres targeting the upper Montney. The final cost of drilling the 6-26 and 5-26 wells was $5.5 million and $4.5 million, respectively. The estimated final cost of completing the 6-26 and 5-26 wells is $4.8 million and $4.4 million, respectively. The estimated final cost of testing the 6-26 and 5-26 wells is $1.6 million and $1.5 million, respectively.

The Company commenced flow-testing these wells during February 2015, and results were released in early March 2015.

The 06-26 well was stimulated with a 14 stage slick-water plug-and-perf completion with three to five perforations per stage, for a total of 51 intervals, and approximately 55 tonnes of proppant per interval. A total of 15,500m3 (approximately 97,500 barrels) of slick-water was pumped down-hole. The 06-26 well flowed on cleanup, recovering approximately 21.7% of its load fluid prior to being shut-in.

The 06-26 well was tested for 72 hours with a significantly restricted bottom hole choke (15/64 inch) due to infrastructure constraints, which Blackbird plans to mitigate over the course of calendar 2015. Over the final 48 hour test period, the well was flowing up tubing with a flowing tubing pressure of 3,451 kPa (501 psi) and a bottom-hole flowing pressure of 19,440 kPa (2,820 psi) at a rate of approximately 407 boe/d (44% liquids), including 1.36 mmcf/d of natural gas, 133 bbls/d of 50 degree API condensate and an estimated 47 bbls/d of plant recoverable natural gas liquids ("NGLs"), for a total liquids to gas ratio of 133 bbls/mmcf. During the 48 hour test, the well returned approximately 717 bbls/d of load fluid, as the well is still cleaning up. As is industry practice, the well is now shut-in to allow for the reservoir to imbibe load fluids and to gather further pressure data. Further testing is planned following spring break-up to help evaluate the well's potential.

The 05-26 well, which targeted the Upper Montney interval, was drilled to a total measured depth of 4,621 metres including a horizontal lateral of 1,951 metres. The well was stimulated with a 13 stage slick-water plug-and-perf completion, which included three to five perforations per stage, for a total of 49 intervals, and approximately 55 tonnes of proppant per interval. A total of 13,800m3 (approximately 86,800 barrels) of slick-water was pumped down-hole. The 05-26 well flowed on cleanup, recovering approximately 32.3% of its load fluid prior to being shut-in.

The 05-26 well was tested for 64 hours. Over the final 48 hours of the test period, the well was flowing up tubing with a flowing tubing pressure of 2,100 kPa (305 psi) at a rate of approximately 466 boe/d (67% liquids), including 0.9 mmcf/d of natural gas, 281 bbls/d of 46 degree API condensate and an estimated 32 bbls/d of plant recoverable natural gas liquids (total liquids to gas ratio of 341 bbls/mmcf). During the test, the well returned approximately 1,077 bbls/d of load fluid, as the well is still cleaning up. As is industry practice, the well is now shut-in to allow for the reservoir to imbibe load fluids and to gather further pressure data. Further testing is planned following spring break-up to help evaluate the well's potential.

DRILLING AND COMPLETING THE COMPANY'S ELMWORTH MONTNEY WELLS (CONTINUED)

A summary of the 06-26 well and 05-26 well test results are as follows:

Well	Flowing Pressure[1] (kPa)	Raw Gas (MMcf/d)	Liquid Hydrocarbons[2] (Bbls/d)	Total Combined Production (Boe/d)	Liquids/Gas Ratio[2] (Bbls/MMcf)
5-26	2,100	0.9	313	466	341
6-26[3] (Restricted)	19,400 (Bottom-Hole)	1.36	181	407	133

Notes:

1) Bottom hole pressure of 6-26 is due to the 15/64 inch down-hole choke discussed previously.
2) Liquid Hydrocarbons includes free condensate plus estimated NGL recovery (35 bbls/mmcf).
3) Restricted through 15/64 inch downhole choke.

The Company is highly encouraged by the condensate and liquids-rich gas discoveries demonstrated by the tests, and it is the Company's plan to continue the aggressive delineation and development of the Elmworth project.

Blackbird is planning to drill two more wells and build infrastructure within the next year, which we anticipate will allow for tie-in by the first quarter of 2016.

KEY TOPICS OF THIS MD&A

In this MD&A Blackbird will first discuss critical issues related to its core 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 and divestitures made during the quarter; and the operational results for the quarter. These discussions are followed by discussion regarding the second quarter 2015 financial and operating highlights related to the Company's non-core assets and operations.

Q2 2015 Financial Highlights: Core Operations and Properties

SUBSTANTIAL CAPITAL REQUIREMENTS

Blackbird must make substantial capital expenditures in order to maintain its current capacity, to meet 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 Elmworth.

As at January 31, 2015, $15.6 million of these costs had already been incurred and another $4.4 million accrued for. The final cost to drill, complete, and test the 6-26 and 5-26 wells is expected to be approximately $22.3 million. As at the date of this MD&A, the Company will have a remaining working capital surplus of approximately $24.7 million after the additional $2.3 million of costs are incurred.

In addition, Blackbird must address material uncertainties with respect to access, egress and infrastructure (collectively "infrastructure") which will require further capital expenditure. The amount of capital expenditure required to address these material uncertainties related to infrastructure are not yet known to the Company but are expected to be material.

SUBSTANTIAL CAPITAL REQUIREMENTS (CONTINUED)

As a result of the Company's current commitments, expected expenditures not yet committed, and the material uncertainty with respect to infrastructure, management expects that the Company will require further funding in the form of additional equity issuances, the assumption of debt, or a combination of both in order to meet its planned growth objectives and to fund future development activities.

Blackbird is planning to drill two more wells and build infrastructure within the next year. The total budget committed to these projects is $23 million.

LIQUIDITY AND CAPITAL RESOURCES

(CDN$ thousands)	**January 31 2015**	July 31 2014
Cash and cash equivalents	**42,586**	682
Accounts receivable	**995**	238
Prepaid expenses and deposits	**217**	166
Assets of discontinued operations	**-**	9,114
Accounts payable and accrued liabilities	**(16,682)**	(289)
Loan payable	**-**	(387)
Convertible debentures	**-**	(386)
Flow-through share premium liability	**-**	(16)
Liabilities of discontinued operations	**(88)**	(85)
Working capital surplus	**27,028**	9,037

As at January 31, 2015 Blackbird had a working capital surplus of $27.0 million (July 31, 2014 – $9.0 million) and no debt. The increase in working capital surplus compared to July 31, 2014 is due to the private placements discussed under the heading "Q2 2015 Operating Summary – Funding Drilling Operations" above, partially offset by drilling, completions, and testing costs associated with the 6-26 and 5-26 wells and land acquisitions. The Company relies on equity financings to fund its capital requirements and to provide liquidity for operations. From time to time Blackbird may supplement its liquidity with the proceeds from the sale of assets.

SHARE CAPITAL & SHAREHOLDERS' EQUITY

During the three and six months ended January 31, 2015, the Company completed three private placements as described under the heading "Q2 2015 Operating Summary – Funding Drilling Operations" above.

A reconciliation of the Company's shareholders' equity as at July 31, 2014, to the Company's shareholders' equity as at July 31, 2015, is as follows:

(CDN$ thousands, except share amounts, unaudited)	**Number of Common Shares (000's)**	**Number of Special Warrants (000's)**	**Share Capital**	**Share-Based Payment Reserve**	**Deficit**	**Total**
At July 31, 2014	192,117	-	21,628	2,932	(13,388)	11,172
Issuance of special warrants	-	110,345	32,000	-	-	32,000
Exercise of special warrants	-	(110,345)	(32,000)	-	-	(32,000)
Distribution of common shares upon exercise of special warrants	110,345	-	32,000	-	-	32,000
Issuance of flow-through shares	32,051	-	12,714	-	-	12,714
Flow-through share premium	-	-	(2,704)	-	-	(2,704)
Share issue costs	-	-	(2,226)	-	-	(2,226)
Exercise of stock options and warrants	14,867	-	2,335	(87)	-	2,248
Issuance of commons shares on conversion of convertible debentures and accrued interest	3,453	-	397	-	-	397
Share-based compensation	-	-	-	1,821	-	1,821
Net loss and comprehensive loss	-	-	-	-	(1,951)	(1,951)
At January 31, 2015	**352,833**	**-**	**64,144**	**4,666**	**(15,339)**	**53,471**

The following table summarizes the outstanding share capital as of the date of the MD&A:

	Number of shares issued or issuable
Common shares (including special warrants converted on December 23, 2014)	354,055,995
Stock options	21,560,711
Warrants	15,297,307
Agents' warrants	461,767
Special warrants (converted to common shares on December 23, 2014)	-

CAPITAL EXPENDITURES AND DIVESTITURES

During the three and six months ended January 31, 2015, the Company acquired an additional 8 and 19 sections of Elmworth Montney undeveloped land for cash consideration of $0.6 million and $3.5 million, respectively. During the six months ended January 31, 2015, the Company also acquired 77 sections of East Wapiti Montney undeveloped land for cash consideration of $0.5 million.

CAPITAL EXPENDITURES AND DIVESTITURES (CONTINUED)

Subsequent to January 31, 2015, the Company purchased an additional 14 sections of Elmworth Montney land for cash consideration of $1.1 million. With the acquisitions Blackbird now holds a 100% working interest in 65 sections (41,600 net acres) at the Company's core Elmworth Montney project. Including the Company's four northern Grand Prairie sections, Blackbird now holds a total of 69 sections (44,160 net acres) of Montney rights in the greater Grand Prairie area.

As at January 31, 2015, no indicators of impairment were identified that would imply a decline in exploration and evaluation asset carrying values.

The following tables summarize the net capital expenditures of the Company during the three and six months ended January 31, 2015 and 2014.

	Three Months Ended		Six Months Ended	
(CDN$ thousands)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Exploration and evaluation drilling	**19,076**	388	**20,167**	728
Property and equipment drilling	**-**	150	**24**	248
Plants, facilities and pipelines	**374**	-	**389**	88
Land and lease	**1,327**	-	**4,973**	44
Capital well workovers	**30**	-	**80**	1
Capitalized general and administrative expenses	**165**	-	**261**	-
Bigstone disposition	**-**	-	**(9,047)**	-
Net capital expenditures	**20,972**	538	**16,847**	1,109

	Three Months Ended		Six Months Ended	
(CDN$ thousands)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Elmworth	**20,664**	-	**25,493**	-
Saskatchewan Minor	**308**	538	**398**	1,109
Net capital expenditures from continuing operations	**20,972**	538	**25,891**	1,109
Bigstone	**-**	-	**3**	-
Bigstone disposition	**-**	-	**(9,047)**	-
Net capital expenditures from discontinued operations	**-**	-	**(9,044)**	-
Net capital expenditures	**20,972**	538	**16,847**	1,109

The final cost of drilling the 6-26 and 5-26 wells was $5.5 million and $4.5 million, respectively. The estimated final cost of completing the 6-26 and 5-26 wells is $4.8 million and $4.4 million, respectively. The estimated final cost of testing the 6-26 and 5-26 wells is $1.6 million and $1.5 million, respectively. As at January 31, 2015, $20.0 million of these costs had been incurred or accrued for as exploration and evaluation assets.

NON-CORE ASSET DIVESTITURE: BIGSTONE DISPOSITION

On September 15, 2014, the Company completed the sale of its Bigstone cash generating unit ("CGU") in west central Alberta for cash proceeds of $8.8 million plus customary closing adjustments of $0.1 million. This CGU had a carrying value of $9.0 million resulting in a loss on disposition of $0.1 million, as per the calculation below. All discontinued operations discussed in this MD&A are related to the Bigstone CGU.

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

CONTINGENCIES AND COMMITMENTS

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

(CDN$ thousands)	2015	2016	2017	2018	2019	Thereafter	Total
Accounts payable and accrued liabilities	16,770	-	-	-	-	-	16,770
Office rent	45	180	180	180	-	-	585
	16,815	**180**	**180**	**180**	**-**	**-**	**17,355**

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

The Company is required to incur and renounce $12.7 million of eligible Canadian Exploration Expenditures ("CEE") by December 31, 2015 in connection with the issuance of flow-through shares during the six months ended January 31, 2015. As at January 31, 2015, all $12.7 million of these qualifying expenditures have been incurred.

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

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

	Three Months Ended		Six Months Ended	
(CDN$ thousands, except where otherwise noted)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Gross general and administrative (G&A) expense	**936**	288	**1,695**	463
Capitalized G&A expense	**(165)**	-	**(258)**	-
Total net G&A expense	**771**	288	**1,437**	463
G&A expense *($/boe)*	**181.99**	64.53	**152.56**	54.24

(1) All G&A is related to continuing operations.

During the three months ended January 31, 2015, gross G&A expenses from continuing operations increased to $0.8 million from $0.3 million for the same period in 2014. The increase was a result of hiring additional employees during the period resulting in an increase to salaries and wages and office rent as well as increased legal fees incurred related to the Company's private placements.

For the six months ended January 31, 2015, gross G&A expenses from continuing operations increased to $1.4 million from $0.5 million for the same period in 2014. The increase was a result of hiring additional employees during the period resulting in an increase to salaries and wages and office rent, as well as increased legal fees incurred related to the Company's private placements.

SHARE-BASED COMPENSATION

	Three Months Ended		Six Months Ended	
(CDN$ thousands)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Share-based compensation – stock option expense	**645**	416	**1,821**	494

(1) All share-based compensation is related to continuing operations.

During the three months ended January 31, 2015, share-based compensation of $0.6 million in the form of stock option expense was incurred, with $0.5 million related to key employees and $0.1 million related to directors (January 31, 2014 - $0.2 million related to key employees and directors). No share-based compensation expense was capitalized during the three months ended January 31, 2015 or 2014.

During the six months ended January 31, 2015, share-based compensation of $1.8 million in the form of stock option expense was incurred, with $0.8 million related to key employees and $0.3 million related to directors (January 31, 2014 - $0.3 million related to key employees and directors). No share-based compensation expense was capitalized during the six months ended January 31, 2015 or 2014.

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

Q2 2015 Financial Highlights: Non-Core Properties

Blackbird's non-core properties consist of its operated Saskatchewan wells and non-operated Alberta wells. Subsequent to January 31, 2015, the Company began the process of shutting-in production at all of its Saskatchewan wells due to depressed commodity pricing.

PRODUCTION

During the three months ended January 31, 2015, production from continuing operations averaged 46 boe/d compared to 49 boe/d for the same period in 2014. The production remained relatively consistent period to period as there was very limited capital expenditure allocated to non-core properties, and the properties are low decline.

During the six months ended January 31, 2015, production from continuing operations averaged 53 boe/d compared to 46 boe/d for the same period in 2014. The increase in production is primarily the result of increased gas volumes due to certain wells no longer being shut-in during the six months ended January 31, 2015, compared to the six months ended January 31, 2014.

	Three Months Ended		Six Months Ended	
Commodity	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Natural gas *(mcf/d)*	**77**	64	**72**	54
Crude oil *(bbls/d)*	**32**	38	**39**	37
Natural gas liquids *(bbls/d)*	**1**	-	**2**	-
Total production from continuing operations *(boe/d)* (6:1)	**46**	49	**53**	46
Total production from discontinued operations *(boe/d)* (6:1)	**-**	6	**1**	19
Total production *(boe/d)* (6:1)	**46**	55	**54**	65

	Three Months Ended		Six Months Ended	
Region	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Alberta Minor *(boe/d)*	**15**	3	**11**	1
Saskatchwan Minor *(boe/d)*	**31**	46	**42**	45
Total production from continuing operations *(boe/d)* (6:1)	**46**	49	**53**	46
Bigstone *(boe/d) (discontinued operations)*	**-**	6	**1**	19
Total production *(boe/d)* (6:1)	**46**	55	**54**	65

PETROLEUM AND NATURAL GAS SALES

	Three Months Ended		Six Months Ended	
(CDN$ thousands, except where otherwise noted)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Petroleum and natural gas sales				
Natural gas	**30**	18	**60**	26
Crude oil	**116**	193	**407**	443
Natural gas liquids	**5**	-	**20**	-
Royalties	**(14)**	(12)	**(36)**	(38)
Petroleum and natural gas sales from continuing operations	**137**	199	**451**	431
Petroleum and natural gas sales from discontinued operations	**2**	12	**4**	126
Total petroleum and natural gas sales	**139**	211	**455**	557
Average sales price				
Natural gas *($/mcf)*	**4.19**	3.38	**4.47**	2.91
Crude oil *($/bbl)*	**38.92**	56.29	**57.19**	68.25
Natural gas liquids *($/bbl)*	**47.39**	64.01	**69.98**	64.11
Average sales price ($/boe)	**35.28**	45.86	**50.55**	49.95
Benchmark prices				
AECO Gas *($/mcf)*[(1)]	**2.74**	3.82	**2.74**	3.82
SaskEnergy Gas *($/mcf)*[(1)]	**2.61**	2.98	**2.61**	2.98
Hardisty Heavy Oil *($/bbl)*[(1)]	**42.51**	75.54	**42.51**	75.54
Edmonton Butane *($/bbl)*[(1)]	**46.19**	70.36	**46.19**	70.36

(1) Source: Independent qualified reserves evaluator.

During the three months ended January 31, 2015, petroleum and natural gas sales from continuing operations, net of royalties were $0.1 million compared to $0.2 million during the same period in 2014. This was primarily the result of lower crude oil prices. Blackbird realized an average crude oil sales price of $38.92 per barrel during the three months ended January 31, 2015, compared to $56.29 per barrel for the same period in 2014, exclusive of royalties.

During the six months ended January 31, 2015, petroleum and natural gas sales from continuing operations, net of royalties was $0.5 million compared to $0.4 million during the same period in 2014. During the six months ended January 31, 2015, compared to the same period in 2014, there were increased natural gas volumes at a higher price offset by consistent crude oil volumes and a lower realized crude oil price. Blackbird realized an average crude oil sales price of $57.19 per boe during the six months ended January 31, 2015, compared to $68.25 per boe in the six months ended January 31, 2014, exclusive of royalties. Blackbird realized an average natural gas sales price of $4.47 per mcf during the six months ended January 31, 2015, compared to $2.91 per mcf in the six months ended January 31, 2014, exclusive of royalties.

ROYALTIES

(CDN$ thousands, except where otherwise noted)	Three Months Ended January 31 2015	Three Months Ended January 31 2014	Six Months Ended January 31 2015	Six Months Ended January 31 2014
Royalties				
Crown	**5**	-	**7**	7
Freehold and overriding	**9**	12	**29**	31
Total royalties from continuing operations	**14**	12	**36**	38
Total royalties from discontinued operations	**-**	1	**-**	9
Total	**14**	13	**36**	47
Royalties ($/boe)	**3.38**	2.78	**3.78**	3.85
Average royalty rate *(%)*	**10.1**	6.2	**7.9**	8.5

Blackbird pays royalties to provincial governments, freehold landowners and overriding royalty owners. Royalties are calculated and paid based on petroleum and natural gas sales net of transportation. Crown royalties on Alberta natural gas 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.

Royalties on horizontal gas wells drilled in Alberta in 2015 and beyond generally bear royalties at a maximum of 5% for 18 months or until cumulative production reaches 50,000 boe. Horizontal oil wells generally bear royalties at a maximum of 5% for 18 to 48 months until cumulative production reaches 50,000 boe to 100,000 boe, depending on well depth. Wells in Saskatchewan generally bear royalties at 2.5% until cumulative production reaches 50,000 boe. Blackbird anticipates that production from wells drilled in 2014 and 2015 would qualify for these lower royalty rates.

Natural gas and liquids royalties for the three months ended January 31, 2015 were $14 thousand or 10.1% of total petroleum and natural gas sales compared to 6.2% during the same period in 2014. The increase in rates was due to Gas Cost Allowance adjustments.

Natural gas and liquids royalties for the six months ended January 31, 2015 were $36 thousand or 7.9% of total petroleum and natural gas sales compared to 8.5% during the same period in 2014. The decrease in the royalty rate was due to Gas Cost Allowance adjustments.

FINANCING COSTS

Financing costs for the Company during the period ended January 31, 2015 and 2014 were as follows:

(CDN$ thousands)	Three Months Ended January 31 2015	Three Months Ended January 31 2014	Six Months Ended January 31 2015	Six Months Ended January 31 2014
Accretion of decommissioning provision(1)	**8**	5	**17**	10
Interest on loan payable	**1**	-	**10**	-
	9	5	**27**	10

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

OPERATING NETBACK AND FUNDS USED FOR CONTINUING OPERATIONS

	(CDN$ thousands)			($/boe)		
Three Months ended January 31	**2015**	2014	% change	**2015**	2014	% change
Petroleum and natural gas sales	**151**	211	(28)	**35.68**	46.81	(24)
Royalties	**(14)**	(12)	17	**(3.31)**	(2.66)	24
	137	199	(31)	**32.37**	44.15	(27)
Operating, production and transportation	**(224)**	(342)	(35)	**(52.93)**	(75.77)	(30)
Operating netback[(1)]	**(87)**	(143)	(39)	**(20.56)**	(31.62)	(35)
General and administrative	**(771)**	(288)	168	**(182.18)**	(63.89)	185
Interest income	**94**	-	100	**22.21**	-	100
Interest expense	**(2)**	-	100	**(0.47)**	-	100
Funds used for operations[(1)]	**(766)**	(431)	78	**(181.00)**	(95.51)	90
Decommissioning expenditures	**-**	-	-	**-**	-	-
Changes in non-cash working capital	**215**	(314)	(168)	**50.80**	(69.65)	(173)
Funds used by discontinued operations	**-**	(2)	(100)	**-**	(0.44)	(100)
Cash used in operating activities	**(551)**	(747)	(26)	**(130.20)**	(165.60)	(21)

(1) Non-IFRS measure.

For the three months ended January 31, 2015, funds used for operations was $0.6 million compared to funds used for operations of $0.7 million for the same period in 2014. This was primarily the result of a higher operating netback resulting from decreased operating expenses for the three months ended January 31, 2015, compared to the same period in 2014. The increased netback was partially offset by increased G&A expense due to an increased number of employees and increased legal fees due to the Company's private placements.

	(CDN$ thousands)			($/boe)		
Six Months ended January 31	**2015**	2014	% change	**2015**	2014	% change
Petroleum and natural gas sales	**487**	470	4	**49.94**	55.53	(10)
Royalties	**(36)**	(39)	(8)	**(3.69)**	(4.61)	(20)
	451	431	5	**46.25**	50.92	(9)
Operating, production and transportation	**(458)**	(609)	(25)	**(46.96)**	(72.00)	(35)
Operating netback[(1)]	**(7)**	(178)	(96)	**(0.71)**	(21.08)	(97)
General and administrative	**(1,437)**	(463)	210	**(147.35)**	(54.70)	169
Interest income	**131**	5	2,480	**13.23**	0.59	2,142
Interest expense	**(10)**	(1)	900	**(1.03)**	(0.12)	758
Funds used for operations[(1)]	**(1,323)**	(637)	108	**(135.86)**	(75.31)	80
Decommissioning expenditures	**(32)**	-	100	**(3.28)**	-	100
Changes in non-cash working capital	**(75)**	(261)	(71)	**(7.69)**	(30.84)	(75)
Funds (used) from discontinued operations	**(25)**	42	(160)	**(2.56)**	4.96	(152)
Cash used in operating activities	**(1,455)**	(856)	70	**(149.39)**	(101.18)	48

(1) Non-IFRS measure.

OPERATING NETBACK AND FUNDS USED FOR CONTINUING OPERATIONS (CONTINUED)

For the six months ended January 31, 2015, funds used for operations was $1.5 million compared to funds used for operations of $0.9 million for the same period in 2014. This was primarily the result of increased G&A expense due to an increased number of employees and increased legal fees due to the completion of the Bigstone disposition and various filings. The increased G&A was partially offset by higher operating netback resulting from decreased operating expenses compared to the same period in 2014.

SENSITIVITIES

The following sensitivity analysis is provided to demonstrate the impact of changes in commodity prices on petroleum and natural gas sales from continuing operations for the six months ended January 31, 2015 and is based on the balances disclosed in this MD&A and the condensed consolidated interim financial statements for the six months ended January 31, 2015:

(CDN$ thousands)	Petroleum and Natural Gas Sales(1)
Change in average sales price for natural gas by $1.00/mcf	**13.3**
Change in the average sales price for crude oil and natural gas liquids by $1.00/bbl	**7**
Change in natural gas production by 1 mmcf/d (2)	**823**
Change in crude oil and natural gas liquids production by 100 bbls/d (2)	**1,052**

(1) Reflects the change in petroleum and natural gas sales for the six months ended January 31, 2015.
(2) Reflects the change in production multiplied by Blackbird's average sales prices for the six months ended January 31, 2015.

DEPLETION, DEPRECIATION AND IMPAIRMENT

For the three months ended January 31, 2015, depletion and depreciation was $76 thousand or $17.86 per boe compared to $89 thousand or $17.84 per boe for the same period in 2014. The depletion and depreciation expense per boe compared to the same period in 2014 was consistent due a similar reserves base.

For the six months ended January 31, 2015, depletion and depreciation was $212 thousand or $22.49 per boe compared to $158 thousand or $12.96 per boe for the same period in 2014. The increase in depletion and depreciation expense per boe compared to the same period in 2014 was a result of a smaller reserves base with the disposition of Bigstone occurring in the three months ended October 31, 2014.

The calculation of depletion and depreciation for the six months ended January 31, 2015, included an estimated $nil (January 31, 2014 - $8.9 million) for future development capital associated with proved plus probable undeveloped reserves and excluded $27.3 million (January 31, 2014 – $1.8 million) related to exploration and evaluation assets.

During the three months ended January 31, 2015, the Company recognized an impairment of $0.5 million to property and equipment (January 31, 2014 - $0.2 million) to reflect the low oil and natural gas price environment for future production. The Company recorded net impairments of $0.1 million in the Alberta Minor CGU and $0.4 million in the Saskatchewan Minor CGU during the three months ended January 31, 2015 (January 31, 2014 - $0.2 million in the Alberta Minor CGU).

DEPLETION, DEPRECIATION AND IMPAIRMENT (CONTINUED)

During the six months ended January 31, 2015, the Company recognized an impairment of $1.2 million to property and equipment (January 31, 2014 – $0.2 million) to reflect the low oil and natural gas price environment for future production. The Company recorded net impairments of $0.3 million in the Alberta Minor CGU and $0.9 million in the Saskatchewan Minor CGU during the six months ended January 31, 2015 (January 31, 2014 - $0.2 million in the Alberta Minor CGU).

Impairments recognized during the three and six months ended January 31, 2015, were calculated using a 10% discount rate. Using a discount rate of 8% would reduce the 2015 impairment by less than $0.1 million for the three and six months ended January 31, 2015. Using a discount rate of 12% would increase 2015 impairment by less than $0.1 million for the three and six months ended January 31, 2015.

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

Year	AECO Gas ($CDN/MMBtu)(1)	SaskEnergy ($CDN/MMBtu)(1)	Hardisty Heavy Crude Oil Proxy (12 API) ($CDN/bbl)(1)	Alberta Natural Gas Liquids Edmonton Butane ($CDN/bbl) (1)
2015	2.74	2.61	42.51	46.19
2016	3.20	3.07	53.04	53.27
2017	3.59	3.46	57.18	57.35
2018	3.75	3.62	59.42	59.56
2019	3.93	3.79	60.51	60.63
2020+(2)	+2.0%	+2.0%	+2.0%	+2.0%

(1) Source: Independent qualified reserves evaluator’s price forecast, effective January 31, 2015.
(2) Percentage change represents the change in each year after 2019 to the end of the reserve life.

Related Party Transactions

During the six months ended January 31, 2015 and 2014 the Company engaged in the following transactions with key employees and key contractors:

Related Party Transactions (Continued)

	Three Months Ended		Six Months Ended	
(CDN$ thousands)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Accounting and administration fees paid to a company owned by the Company's former Chief Financial Officer	**6**	22	**46**	39
Management fees paid to a company owned by the Company's Chief Executive Officer	**-**	24	**39**	48
Consulting fees paid to companies owned by the Company's Vice President, Exploration and Vice President, Business Development	**2**	-	**63**	-
Share-based compensation of key employees and key contractors*	**486**	247	**797**	325
	494	293	**945**	412

*The Chief Executive Officer and former Chief Operating Officer also serve as members of the Board of Directors. All related share-based compensation is included as that of key employees and key contractors for these individuals. All other share-based compensation of Board members is included as that of directors in the following table.

During the six months ended January 31, 2015, the Company issued 3,452,840 common shares valued at $0.4 million pursuant to the conversion of 345 convertible debentures, of which 595,402 common shares valued at $0.1 million were converted by management. As at October 31, 2014, all convertible debentures had been converted into common shares and a balance of $nil remained payable (July 31, 2014 - $0.4 million).

During the six months ended January 31, 2015 and 2014 the Company engaged in the following transactions with related parties other than key employees:

	Three Months Ended		Six Months Ended	
(CDN$ thousands)	**January 31 2015**	January 31 2014	**January 31 2015**	January 31 2014
Legal fees paid to a law firm controlled by a member of the Audit Committee	**105**	24	**142**	46
Share issue costs paid to a law firm controlled by a member of the Company's Audit Committee	**-**	14	**92**	14
Consulting fees paid to a member of the Company's Audit Committee	**-**	-	**10**	-
Share-based compensation of directors	**87**	-	**304**	-
Rent and services from a former director	**-**	8	**-**	8
	192	46	**548**	68

All related party services and transactions discussed above and as disclosed in other notes in these financial statements were measured and disclosed at their settlement value, which is the fair value agreed to by the parties in the normal course of business and under normal industry terms. As of January 31, 2015 there was $48 thousand outstanding in accounts payable related to these service providers (July 31, 2014 - $28 thousand).

Outlook

The Company is very pleased and encouraged by the results from this past quarter. The 6-26 and 5-26 wells represent significant condensate and liquids-rich gas discoveries at Elmworth. With the experience gained from the 6-26 and 5-26 wells, and the challenging commodity price environment, we believe we can further reduce costs and refine our drilling and completions program. After spring break-up the Company plans on further testing the 6-26 and 5-26 wells. Over the coming year an expanded drilling program and infrastructure will become a primary focus for Blackbird. The Company believes it is well positioned to capitalize on potential opportunities resulting from the difficult market conditions and that leveraging Blackbird's strong balance sheet will allow the Company to create further value for shareholders from our highly prospective Elmworth Montney play. Subsequent to January 31, 2015, the Company began the process of shutting-in production at all of its Saskatchewan wells due to depressed commodity pricing.

Quarterly Financial Summary

(CDN$ thousands except per share and production amounts)	**2015 Q2**	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Total assets	**71,822**	50,214	13,649	14,146	9,698	8,115	7,817	10,582
Working capital	**27,028**	40,200	55	552	889	358	510	1,260
Elmworth Montney land sections (1)	**55**	43	27	27	21	18	7	-
East Wapiti Montney land sections	**77**	77	-	-	-	-	-	-
Production								
Natural gas (mcf/d)	**77**	68	151	119	96	174	134	51
Crude oil and natural gas liquids (bbl/d)	**33**	48	41	22	39	57	54	32
Total (boe/d)	**46**	59	66	42	55	86	76	40
Petroleum & natural gas sales	**151**	338	446	218	224	381	460	174
Net income (loss) and comprehensive income (loss)	**752**	(2,708)	(1,476)	(541)	(1,211)	(388)	(2921)	(362)
Net income (loss) and comprehensive income (loss) per share – basic and diluted (2)	**0.01**	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)
Cash used in operations (2)	**(551)**	(907)	(1,144)	(362)	(856)	(110)	(279)	(369)
Cash used in operations per share – basic and diluted (2)	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

(1) Not including 14 sections purchased subsequent to January 31, 2015.
(2) This table includes both continuing operations and discontinued operations.
(3) Non-IFRS measures.

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

(a) Revenue is directly impacted by Blackbird's ability to replace existing production and add incremental production through its workover, recompletion and capital expenditure program.

Quarterly Financial Summary (Continued)

(b) Fluctuations in Blackbird's petroleum and natural gas sales from quarter to quarter are primarily caused by variations in production volumes, realized oil and natural gas prices and the related impact of royalties.

(c) Fluctuations in Blackbird's net loss and cash used in operations from quarter to quarter are primarily caused by variations in petroleum and natural gas sales and G&A costs.

(d) Completion of the plan of arrangement with Pennant Energy Inc. on April 17, 2014.

Please refer to the other sections of this MD&A for the detailed discussions on changes for the three and six months ended January 31, 2015.

Risk Factors

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

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 reserve base, executing a successful exploration program and acquiring additional reserves.

The Company mitigates the risk of finding and developing economical 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 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 engineering consulting firm 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.

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 US dollar. Significant changes in commodity prices may materially impact the Company's ability to raise capital. The Company does not have any financial risk management contracts in place at January 31, 2015 to manage these risks.

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 ongoing development of procedures, standards and systems to allow Blackbird staff to make the best decisions possible and ensuring those decisions are in compliance with the Company's environmental, health and safety policies. Although management takes all reasonable steps to ensure verify title of properties it has an interest in, management can provide no assurance that there will not be title disputes or undetected defects.

INTEREST RATE RISK

The Company's exposure to fluctuations in interest expense on its net loss and comprehensive income, assuming reasonably possible 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 are referenced to US dollar denominated prices.

CREDIT RISK

The Company's credit risk exposure is related to joint interest billings, goods and services tax receivable, and cash and cash equivalents. The Company's allowance for doubtful accounts is currently $nil and the Company expects to collect all outstanding accounts receivable (July 31, 2014 - $nil).

At January 31, 2015, cash and cash equivalents were comprised of $0.1 million in short term investment instruments and $42.5 million of cash held at financial institutions (July 31, 2014 – $0.7 million cash held at financial institutions).

LIQUIDITY RISK

The Company relies on equity financings to fund its capital requirements and to provide liquidity for operations. From time to time Blackbird may supplement its liquidity with the proceeds from the sale of assets.

CAPITAL MANAGEMENT

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

The Company monitors metrics such as the Company's 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 by issuing or repurchasing shares, issuing or repurchasing debt, refinancing existing debt, modifying capital spending programs and disposing of assets. The Company considers its capital structure to include shareholders' equity and debt. The Company does not have any debt as at January 31, 2015.

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.

GOING CONCERN RISK

The unaudited condensed consolidated interim financial statements for the quarter ended January 31, 2015 and related notes attached thereto have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company expects its current capital resources will be sufficient to complete its exploration and development plans and operations through its current operating year but may need to raise additional funds through future debt or equity issuances. The unaudited condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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.

Readers should also refer to the risk factors summarized under the heading "Risk Factors" in the Company's Annual Information Form for the year ended July 31, 2014.

Basis of Presentation

The Company's financial statements and financial information contained in this MD&A have been prepared on the historical cost basis except as detailed in the Company's accounting policies disclosed in the audited consolidated financial statements for the years ended July 31, 2014 and 2013 as filed on SEDAR. The accounting policies have been applied consistently to all periods presented in the unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated 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, 2014 and 2013. Certain comparative figures have been reclassified to conform to the current period's presentation. The Company's financial statements are presented in Canadian dollars, which is the Company's functional currency.

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; 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 financial statements for the years ended July 31, 2014 and 2013.

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 reserve 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 AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS, AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The fair value of cash and cash equivalents, accounts receivable, prepaid expenses and deposits and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of these balances approximated their carrying value at January 31, 2015 due to their short term to maturity.

Critical Accounting Estimates (Continued)

STOCK OPTIONS

The fair value of stock options is measured using the Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted-average historical volatility adjusted for changes expected due to publicly available information), weighted-average expected life of the instruments (based on historical experience and general option-holder behavior) and the risk-free interest rate (based on Government of Canada bonds).

The Company classifies the fair value of these transactions according to the following hierarchy based on the nature of the observable inputs used to value the instrument.

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

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

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

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

Management's Responsibility for Financial Statements

Information provided in this report, including from the unaudited condensed consolidated interim 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 interim condensed 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 no off-balance sheet arrangements.

Non-IFRS Measures

This MD&A contains references to funds used for operations, funds used for operations per share and operating netback, which are not defined under IFRS as issued by the International Accounting Standards Board. These measures are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other issuers. Management of Blackbird believes funds used for operations, funds used for operations per share and operating netback are relevant indicators of Blackbird's financial performance and its ability to fund future capital expenditures. Funds used for operations and operating netback should not be considered an alternative to or more meaningful than cash flow from operating activities, as determined in accordance with IFRS, as an indicator of Blackbird's performance. Readers should refer to "Q2 2015 Financial Highlights: Non-Core Properties – Operating Netback and Funds Used for Continuing Operations" for a reconciliation has been prepared of funds used in operations and operating netback to cash from operating activities, the most comparable measure calculated in accordance with IFRS.

BOE Presentation

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. Such disclosure of boe's may be misleading, particularly if used in isolation. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, 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").

Forward-Looking Statements

This MD&A contains certain 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:

- Business plans and strategies, including the delineation and development of the Elmworth project;
- Capital expenditure, development and drilling programs, including the drilling of two more wells and construction of infrastructure within the next year;
- Methods and ability to finance operations, capital expenditure programs and working capital requirements;
- Timing and success of development and exploitation activities;
- Blackbird's ability to reduce costs and refine its drilling and completions program;
- Timing of tie-in of additional wells;
- Costs of drilling and completing the 06-26 and 05-26 wells;

Forward-Looking Statements (Continued)

- Blackbird's ability to mitigate infrastructure constraints relating to the 06-26 well and the timing thereof;
- Timing of the continued testing of the 06-26 and 05-26 wells; and
- Incurrence and renouncement of CEE qualifying expenditures in 2015.

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; timing and amount of capital expenditures; the ability to obtain financing on acceptable terms; availability of skilled labour and drilling and related equipment; general economic and financial market conditions; continuation of existing tax 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 to it, 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) 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, (5) the risk that the Company does not execute its business plan, (6) inability to retain key employees, (7) inability to finance operations and growth, and (8) other factors beyond the Company's control.

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. In addition, information is available in Blackbird's other reports on file with Canadian securities regulatory authorities.

Additional Information

Additional information relating to Blackbird 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 2200, 635 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 3M3.

ABBREVIATIONS

CRUDE OIL AND NATURAL GAS LIQUIDS

bbl	barrel
mbbls	thousand barrels
bbls/d	barrels per day
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
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

CICA	Canadian Institute of Chartered Accountants
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
CEE	Canadian Exploration Expense
CDE	Canadian Development Expense
COGPE	Canadian oil and gas property expenses

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)
President & Chief Executive Officer, Blackbird Energy Inc.

Darrell Denney
Director, Blackbird Energy Inc.

Ron Schmitz(2)
President, ASI Accounting Services Inc. & Executive Vice President, Director, Gold Canyon Resources Inc.

Sean Campbell
Vice President & Founder, Suretech Completions Ltd.

William L. Macdonald(2)
Founder and Principal, Macdonald Tuskey, Corporate and Securities Lawyers

Kevin Andrus, CFA(2)
Portfolio Manager of Energy Investments, GMT Capital Corp.

Notes
(1) Chairman of the board.
(2) Member of the audit committee.

OFFICERS

Garth Braun
President & Chief Executive Officer

Jeff Swainson
Chief Financial Officer

Ralph Allen, P.Geo.
Vice President, Geoscience

Joshua Mann
Vice President, Business Development

Randy Schmautz
Vice President, Drilling and Completions

Craig Wiebe
Vice President, Exploration

Don Noakes
Vice President, Operations

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Toronto Stock Exchange Venture
Common Shares “BBI”

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