BLACKBIRD ENERGY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated November 28, 2017

FOR THE YEARS ENDED JULY 31, 2017 AND 2016

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 November 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 audited consolidated financial statements for the periods ended July 31, 2017 and 2016, prepared under International Financial Reporting Standards ("IFRS"). See "Non-IFRS Financial Measures" for information and reconciliations regarding the following non-IFRS financial measures used in this MD&A: "funds used in operations", "cash provided by (used in) operations per share", and "operating netback". This MD&A contains forward looking information based on the Company's current expectations and projections. For information on the material factors and assumptions underlying such forward looking information, refer to the "Forward-Looking Statements" section included at the end of this MD&A. Abbreviated terms used throughout this MD&A are explained on the final pages of this MD&A. Additional information about Blackbird is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended July 31, 2017.

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 108.9 net sections (69,696 net acres) of highly prospective Montney lands as at July 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.

HIGHLIGHTS FOR THE FOURTH QUARTER AND YEAR ENDED JULY 31, 2017

FINANCIAL PERFORMANCE

Blackbird achieved initial production from its Pipestone / Elmworth Montney project on January 30, 2017. The Company produced intermittently through the second half of its fiscal 2017 due to third-party gas processing plant outages experienced. Blackbird achieved an annual production rate of 419 boe/d comprised of 45% liquids. For the fourth quarter of 2017 Blackbird averaged production of 782 boe/d comprised of 43% liquids.

While on production during the year, Blackbird produced 5.2 mmcf/d of natural gas, 665 bbls/d of condensate, and 78 bbls/d of NGLs for total production of 1,609 boe/d. The Company's four tied-in wells produced for an average of 94 days during fiscal 2017, compared to 365 total calendar days in the year. While on production during the quarter, Blackbird produced 5.5 mmcf/d of natural gas, 594 bbls/d of condensate, and 88 bbls/d of NGLs for total production of 1,589 boe/d. The Company's four tied-in wells produced for an average of 45 days during Q4 2017, compared to 92 total calendar days in the quarter.

The production contributed to funds provided by operating activities of $1.3 million in the fourth quarter of 2017, compared to funds used in operating activities of $0.4 million for the same period in 2016.

The Company maintained a strong balance sheet with positive working capital of $48.8 million at July 31, 2017, which included $60.5 million of cash and no bank debt. This was the result of several equity financings closed during fiscal 2017 including; an upsized and over-subscribed marketed public offering for total gross proceeds of $84.8 million on March 14, 2017, a non-brokered private placement for total gross proceeds of $5.1 million on November 1, 2016, and a non-brokered private placement for total gross proceeds of $8.0 million on October 27, 2016.

Blackbird's total assets at July 31, 2017, were $191.9 million compared to $79.6 million at July 31, 2016, representing a 141% increase.

CAPITAL INVESTMENT

Blackbird invested $78.3 million during the year ended July 31, 2017, drilling 10 (6.2 net) wells, completing 7 (4.0 net) wells, recompleting 1 (1.0 net) wells, bringing 4 (4.0 net) wells on production and constructing / commissioning its Pipestone / Elmworth facility as well as associated gathering system.

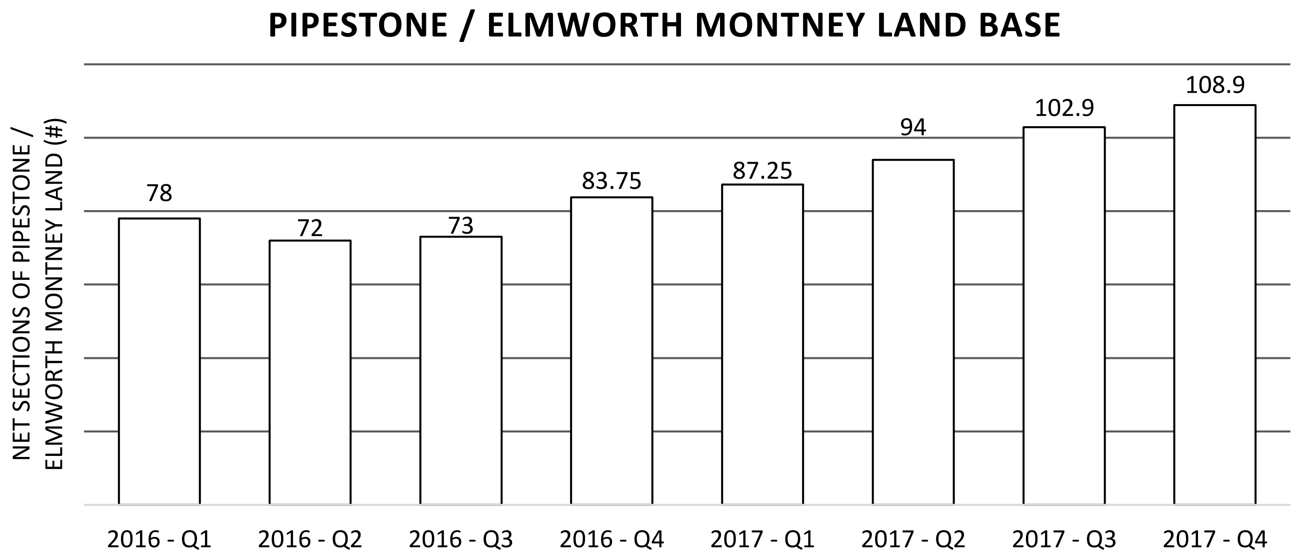
The Pipestone / Elmworth facility located at 12-14-70-7W6 has an initial capacity of approximately 10 mmcf/d of natural gas plus associated liquids of approximately 1,500 bbls/d, for aggregate throughput of approximately 3,150 boe/d. The facility includes liquids recovery and stabilization. The facility has been designed to allow for future production expansion beyond 10 mmcf/d, 1,500 bbls/d and 3,150 boe/d.

Blackbird's current gathering system encompasses approximately 10 km of pipeline and will facilitate the tie-in of Blackbird's behind pipe and future production from well pads located on its western acreage south of the Wapiti River. The Corporation has commenced surveying of its eastern gathering system, which will facilitate the tie-in of well pads located on Blackbird's eastern lands south of the Wapiti River.

Blackbird invested $23.9 million during the fourth quarter of 2017, drilling 6 (3.0 net) wells, completing 4 (1.0 net) wells, recompleting 1 (1.0 net) wells and continuing development of its Pipestone / Elmworth infrastructure.

PIPESTONE / ELMWORTH MONTNEY LAND BASE

At July 31, 2017, Blackbird's core Pipestone / Elmworth Montney property consisted of 125 gross sections (80,000 gross acres) or 108.9 net sections (69,696 net acres).



Note:
(1) This table includes land expiries.

During the three months ended July 31, 2017, the Company acquired 7 gross (6 net) additional sections of undeveloped Pipestone / Elmworth Montney land for cash consideration of $1.4 million (July 31, 2016 - $0.4 million).

During the year ended July 31, 2017, the Company acquired 23 gross (7.9 net) additional sections of undeveloped Pipestone / Elmworth Montney land in exchange for 11,923,077 Blackbird common shares which had a fair value at the time of the issuance of $7.0 million. During the year ended July 31, 2017, the Company also purchased 23.25 gross (22.25 net) sections of undeveloped Pipestone / Elmworth Montney land for cash consideration of $5.4 million (July 31, 2016 - $0.4 million). During the year ended July 31, 2017, 5 gross (5 net) sections of the Company's undeveloped Pipestone / Elmworth Montney land expired.

Overall, during the three months and year ended July 31, 2017, Blackbird has acquired 7 gross (6 net) and 46.25 gross (30.15 net) sections, respectively.

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

TRANSPORTATION, PROCESSING AND MARKETING

During the year ended July 31, 2017, Blackbird shipped 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.

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 a term of approximately 1 year, with renewal options available. These agreements are expected to support Blackbird's current and near-term production.

Since July 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 100% owned and operated Pipestone / Elmworth facility located at 12-14-70-7W6 to the Tidewater Facility.

RESERVES GROWTH

Blackbird's independent reserve evaluator, McDaniel & Associates Consultants Ltd. ("McDaniel"), completed their independent reserve evaluations effective July 31, 2017.

The Company's total gross proved reserves ("1P") were 28,578 Mboe at July 31, 2017, an increase of 848% from the comparative period in 2016. Total gross proved plus probable reserves ("2P") were 54,373 Mboe at July 31, 2017, an increase of 740% from the comparative period in 2016.

RESERVES GROWTH (CONTINUED)

Blackbird's total gross 2P reserves at July 31, 2017, were estimated to have a before tax net present value, using a discount rate of 10%, of $395.3 million compared to $41.3 million at July 31, 2016, representing a 858% increase.

As at July 31,	2017		2016	
	Mboe[(1)]	$M[(2)]	Mboe[(1)]	$M[(2)]
Proved Reserves (1P)	**28,578**	**167,210**	3,014	14,014
Proved Plus Probable Reserves (2P)	**54,373**	**395,311**	6,475	41,275

Note:
(1) Company gross reserves as determined by the independent reserve evaluator.
(2) Estimated before tax net present value using a 10% discount rate as determined by the independent reserve evaluator.

The reserves evaluation performed by McDaniel was conducted in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook and is compliant with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. The Company's Form 51-101F1 – Statement of Reserves Data and Other Oil and Gas Information as at July 31, 2017, can be viewed on the SEDAR website at www.sedar.com.

The Company evaluated its reserves at March 1, 2017 and subsequently at July 31, 2017. The Company's total gross 1P reserves at March 31, 2017 were estimated to be 30,527 Mboe and at July 31, 2017 were estimated to be 28,578 Mboe a reduction of 6%. The total gross 2P reserves at March 31, 2017 were estimated to be 59,170 Mboe and at July 31, 2017 were estimated to be 54,373 Mboe a reduction of 8%.

Blackbirds total gross 2P reserves at March 31, 2017 were estimated to have a before tax net present value, using a discount rate of 10% of $455.0 million compared to $395.3 million at July 31, 2017 a reduction of 13%.

The decrease in the Company's 1P and 2P reserves and the estimated net present values of the Company's reserves from the March 1, 2017 evaluation are due to the following;

- a reduction in McDaniel's estimates for future effective commodity prices including a decrease of roughly 10% for natural gas and 7% for oil and NGLs;
- increased per boe operating costs resulting from: significant third-party downtime, costs associated with restarting shut-in production and fixed expenses including 24-hour surveillance at Blackbird's Pipestone / Elmworth facility and wellsites;
- updated cost forecasts associated with the Company's infrastructure build out pursuant to Blackbird's processing agreement with Tidewater Midstream and Infrastructure Ltd.; and
- revised estimates relating to the productivity of Blackbird's producing wells of which only 1 of the 4 wells on production utilized high intensity fracturing.

Management expects with improved run times and increased production volumes, operating costs will be significantly reduced on a per boe basis going forward. In addition, Blackbird expects results from new wells completed utilizing pinpoint fracturing technology and higher intensity completions to lead to positive technical revisions to the Company's type curves in the future.

BUILDING OUR TEAM

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

In December, 2016 Blackbird hired Paul Goodman as the Company's Manager, Completions and Production. Paul has over 28 years of experience in completions focused on unconventional resource plays.

In February, 2017 Blackbird hired David Mills as the Company's Manager, Facilities Engineering. David is a Professional Engineer with over 30 years of varied oil and gas experience.

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. Ron has 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. Mr. Ron Schmitz stepped down as Blackbird's Interim Chief Financial Officer to facilitate the appointment and will continue to serve on the Company's Board. Ms. Minton 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

Blackbird remains well positioned with its significant, contiguous, multi-interval land block located in an active corridor of the liquids-rich Montney, a strong balance sheet highlighted by $48.8 million of working capital surplus at July 31, 2017, and early-stage production which is generating cash flow.

During fiscal 2017 Blackbird drilled a record number of wells. The Company drilled a combination of wells which further developed its western acreage located south of the Wapiti River while delineating its eastern acreage south of the Wapiti River. Results from Blackbird's eastern lands have encouraged management to proceed with surveying for its eastern gathering system, to facilitate tie-in of pads in this area. The Company anticipates construction of the eastern gathering system to commence and be completed during the second half of fiscal 2018.

Blackbird has recently drilled and cased the 6-33-71-7W6 (surface location) Upper Montney well, the Company's first well located to the north of the Wapiti River. Through continued drilling optimization Blackbird further reduced its drilling days on the 6-33-71-7W6 making it the fastest well in the Company's history to date. Blackbird expects to complete the well in December, 2017. 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.

The agreement with Tidewater signed in November, 2017 sets the stage for Blackbird's future growth as it provides a long-term commitment for gas processing. The agreement allows for 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. The Tidewater gas processing facility will have the benefits of deep cut capability which will allow Blackbird to realize premium pricing for NGLs as well as a solution for gas storage and fuel gas needs. With material future gas processing volumes now secured for its Pipestone / Elmworth project Blackbird will continue to build on its momentum by further developing and delineating its lands through fiscal 2018. The Company will seek additional financing to underpin its transition to full development.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

The following table presents certain operational and financial information:

(CDN$ thousands, except where otherwise noted)	Three months ended July 31			Year ended July 31		
	2017	2016	% Change	**2017**	2016	% Change
Financial						
Petroleum and natural gas revenue	**2,797**	8	34,863	**6,234**	33	18,791
Funds provided by (used in) operating activities	**1,285**	(377)	(441)	**(2,799)**	(2,856)	(2)
Net (loss) income	**(3,164)**	(1,331)	138	**(10,600)**	69	(15,462)
Net (loss) income per share – basic and diluted ($/share)	**(0.00)**	(0.00)	-	**(0.02)**	0.00	-
Total assets	**191,906**	79,602	141	**191,906**	79,602	141
Working capital	**48,759**	29,454	66	**48,759**	29,454	66
Capital expenditures	**23,855**	2,201	984	**78,294**	17,673	343
Operating						
Production						
Condensate (bbls/d)	**291**	-	-	**170**	-	-
NGLs (bbls/d)	**43**	-	-	**20**	-	-
Natural gas (mcf/d)	**2,664**	-	-	**1,331**	-	-
Non-core (boe/d)	**4**	9	(56)	**7**	6	17
Total (boe/d)	**782**	9	8,589	**419**	6	6,883
Liquids ratio (%)	**43**	-	-	**45**	-	-
Condensate gas ratio (bbls/mmcf)	**109**	-	-	**128**	-	-
Liquids gas ratio (bbls/mmcf)	**125**	-	-	**143**	-	-
Average Montney realized selling prices						
Condensate ($/bbl)	**55.72**	-	-	**59.57**	-	-
NGLs ($/bbl)	**23.40**	-	-	**25.45**	-	-
Natural gas ($/mcf)	**4.93**	-	-	**4.75**	-	-
Netbacks ($/boe)						
Petroleum and natural gas revenue	**38.91**	10.61	267	**40.79**	15.54	163
Royalties	**(2.27)**	-	-	**(2.59)**	-	-
Operating	**(8.34)**	(131.30)	(94)	**(10.19)**	(128.55)	(92)
Transportation, processing and other	**(22.96)**	-	-	**(19.38)**	-	-
Operating netback[1]	**5.34**	(120.69)	104	**8.63**	(113.01)	108
Pipestone / Elmworth Montney sections of land (net)	**108.9**	83.75	30	**108.9**	83.75	30

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

DAILY PRODUCTION

	Three months ended		Year ended	
	July 31 2017	July 31 2016	**July 31 2017**	July 31 2016
Condensate (bbls/d)	**291**	-	**170**	-
NGLs (bbls/d)	**43**	-	**20**	-
Natural gas (mcf/d)	**2,664**	-	**1,331**	-
Non-core (boe/d)	**4**	9	**7**	6
Total (boe/d)	**782**	9	**419**	6
Condensate gas ratio (bbls/mmcf)	**109**	-	**128**	-
Liquids gas ratio (bbls/mmcf)	**125**	-	**143**	-
Liquids ratio (%)	**43**	-	**45**	-

During the three months ended July 31, 2017, total production averaged 782 boe/d compared to 9 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 July 31, 2017 was comprised of 43% liquids. Due to third party sour gas processing plant shut-downs, which lasted approximately 17 days, Blackbird was forced to shut-in its wells for an extended period of time during the quarter. Blackbird also shut-in certain producing wells to accommodate pad drilling operations and experienced mechanical issues with the 102/2-20-70-7W6 well which resulted in production being lower than expected for the current period.

During the year ended July 31, 2017, total production averaged 419 boe/d compared to 6 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 (approximately half way through fiscal 2017). Production for the year ended July 31, 2017 was comprised of 45% liquids. Due to third party sour gas processing plant shut-downs, which lasted approximately 50 days, Blackbird was forced to shut-in its wells for an extended period of time during the year. Blackbird also shut-in certain producing wells to accommodate pad drilling operations and experienced mechanical issues with the 102/2-20-70-7W6 well which resulted in production being lower than expected for the current period.

During the three months ended July 31, 2017, total production averaged 782 boe/d compared to 868 boe/d for the three months ended April 30, 2017. The decrease in production from the previous quarter was a result of certain producing wells being shut-in to accommodate pad drilling and recompletion operations.

Overall, during the three months ended July 31, 2017, each well produced for the following number of hours and days:

Well	Total Hours in Q4 2017	Total Hours Produced in Q4 2017	Total Days in Q4 2017	Total Days Produced in Q4 2017
5-26-70-7W6	2,208	1,855	92	77
2-20-70-7W6	2,208	1,616	92	67
102/2-20-70-7W6	2,208	351	92	15
6-26-70-7W6	2,208	493	92	21

DAILY PRODUCTION (CONTINUED)

Overall, during the year ended July 31, 2017, each well produced for the following number of hours and days:

Well	Total Hours in 2017	Total Hours Produced in 2017	Total Days in 2017	Total Days Produced in 2017
5-26-70-7W6	8,760	3,307	365	138
2-20-70-7W6	8,760	3,050	365	127
102/2-20-70-7W6	8,760	1,116	365	47
6-26-70-7W6	8,760	1,499	365	62

COMMODITY PRICING

AVERAGE BENCHMARK PRICES

	Three months ended		Year ended	
	July 31 2017	July 31 2016	**July 31 2017**	July 31 2016
Oil – WTI (US$/bbl)	**46.81**	46.82	**47.94**	41.40
Natural gas – Chicago Citygate (US$/MMBTU)	**2.87**	2.36	**2.92**	2.26
Average exchange rate – US$ to CDN$	**0.76**	0.77	**0.76**	0.75

During fiscal 2017 the majority of 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, transportation costs and quality. The average price of WTI strengthened in fiscal 2017 compared to 2016 by approximately 16%.

During fiscal 2017 Blackbird sold all of its natural gas production in the United States via the Alliance Pipeline System to Chicago, Illinois. Chicago Citygate prices are the primary benchmark for the Company's natural gas sales. The average price of Chicago Citygate natural gas improved in fiscal 2017 compared to 2016 by approximately 29%. 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		Year ended	
	July 31 2017	July 31 2016	**July 31 2017**	July 31 2016
Condensate ($/bbl)	**55.72**	-	**59.57**	-
NGLs ($/bbl)	**23.40**	-	**25.45**	-
Natural gas ($/mcf)	**4.93**	-	**4.75**	-
Non-core ($/boe)	**19.08**	10.22	**15.97**	15.21
Total ($/boe)	**38.91**	10.22	**40.79**	15.21

PETROLEUM AND NATURAL GAS REVENUE

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Condensate	**1,490**	-	**3,702**	-
NGLs	**92**	-	**186**	-
Natural gas	**1,209**	-	**2,308**	-
Non-core	**6**	8	**38**	33
Total	**2,797**	8	**6,234**	33

During the three months ended July 31, 2017, Blackbird's petroleum and natural gas revenues were $2.8 million compared to $8 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 year ended July 31, 2017, Blackbird's petroleum and natural gas revenues were $6.2 million compared to $33 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 July 31, 2017, Blackbird's petroleum and natural gas revenues were $2.8 million compared to $3.3 million for the three months ended April 30, 2017. The decrease in revenues from the previous quarter was a result of lower production combined with lower average realized sales prices.

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

(CDN$ thousands)	Petroleum and Natural Gas Sales(1)
Change in the average sales price for natural gas by $1.00/mcf	**486**
Change in the average sales price for condensate and natural gas liquids by $1.00/bbl	**69**
Change in natural gas production by 1 mmcf/d (2)	**1,734**
Change in condensate and natural gas liquids production by 100 bbls/d (2)	**2,043**

Notes:

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

(2) Reflects the change in production multiplied by Blackbird's average sales prices for the year ended July 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.

	Three months ended		Year ended	
(CDN$ thousands, except where otherwise noted)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Crown royalties	**117**	-	**285**	-
Gross overriding royalties	**46**	-	**111**	-
Total	**163**	-	**396**	-
Effective royalty rate (%)	**6**	-	**6**	-
Royalties ($/boe)	**2.27**	-	**2.59**	-

Royalties for the three months ended July 31, 2017 were $163 thousand or 6% 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. All Pipestone / Elmworth production during the period ended July 31, 2017, was subject to the New Well Royalty Rate of 5% on crown royalties and gross overriding royalties of 2%.

Royalties for the year ended July 31, 2017 were $396 thousand or 6% 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. All Pipestone / Elmworth production during the period ended July 31, 2017, was subject to the New Well Royalty Rate of 5% on crown royalties and gross overriding royalties of 2%.

Royalties for the three months ended July 31, 2017 were $163 thousand compared to $227 thousand for the three months ended April 30, 2017. The decrease in royalties from the previous quarter was primarily a result of lower production.

OPERATING EXPENSES

(CDN$ thousands, except where otherwise noted)	Three months ended July 31 2017	Three months ended July 31 2016	Year ended July 31 2017	Year ended July 31 2016
Operating expenses	**599**	99	**1,558**	273
Operating expenses ($/boe)	**8.34**	126.48	**10.19**	128.55

Operating expenses for the three months ended July 31, 2017 were $0.6 million or $8.34 per boe compared to $0.1 million or $126.48 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 year ended July 31, 2017 were $1.6 million or $10.19 per boe compared to $0.3 million or $128.55 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 July 31, 2017 were $0.6 million compared to $0.8 million for the three months ended April 30, 2017. The decrease in operating expenses from the previous quarter was primarily a result of less equipment rental charges incurred due to Blackbird purchasing certain pieces of equipment that were rented in the previous quarter.

Management expects that the 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 July 31 2017	Three months ended July 31 2016	Year ended July 31 2017	Year ended July 31 2016
Transportation and processing expenses	**1,650**	-	**2,963**	-
Transportation and processing expenses ($/boe)	**22.96**	-	**19.38**	-

Transportation and processing expenses for the three months ended July 31, 2017 were $1.7 million or $22.96 per boe compared to $nil during the same period in 2016. The Company incurred trucking, gas transportation and processing fees related to initial production at its Pipestone / Elmworth property during the current period. Due to firm service gas transportation and processing volume shortfalls experienced throughout the quarter, the Company was subject to a higher expense on a per boe basis than expected as a result of paying take or pay fees with no associated production volumes. Blackbird was exempt from its firm service processing commitments for approximately 17 days due to third party sour gas processing plant shut-downs that occurred during the quarter.

TRANSPORTATION AND PROCESSING EXPENSES (CONTINUED)

Transportation and processing expenses for the year ended July 31, 2017 were $3.0 million or $19.38 per boe compared to $nil during the same period in 2016. The Company incurred trucking, gas transportation and processing fees related to initial production at its Pipestone / Elmworth property during the current period. Due to initial production delays and firm service gas transportation and processing volume shortfalls experienced in the second half of fiscal 2017, the Company was subject to a higher expense on a per boe basis than expected as a result of paying take or pay fees with no associated production volumes. Blackbird was exempt from its firm service processing commitments for approximately 50 days due to third party sour gas processing plant shut-downs that occurred during the second half of fiscal 2017.

Transportation and processing expenses for the three months ended July 31, 2017 were $1.7 million compared to $1.1 million for the three months ended April 30, 2017. The increase in transportation and processing expenses from the previous quarter was a result of Blackbird being subject to greater take-or-pay charges. Blackbird was only exempt from its firm service processing commitments for approximately 17 days due to third party sour gas processing plant shut-downs during the three months ended July 31, 2017 compared to approximately 33 days in the previous quarter.

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”) EXPENSE

	Three months ended		Year ended	
(CDN$ thousands, except where otherwise noted)	**July 31 2017**	July 31 2016[(1)]	**July 31 2017**	July 31 2016[(1)]
Personnel	**594**	443	**2,725**	1,623
Office costs, travel and other	**268**	128	**1,004**	609
Professional fees	**434**	221	**1,072**	365
Investor relations	**62**	2	**370**	388
Gross G&A expenses	**1,358**	794	**5,171**	2,985
Capitalized salaries and benefits	**(287)**	(185)	**(1,197)**	(731)
G&A expenses	**1,071**	609	**3,974**	2,254
G&A expenses *($/boe)*	**14.89**	778.02	**26.00**	1,061.54

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

During the three months ended July 31, 2017, gross G&A expense increased to $1.4 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 2017.

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

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

During the year ended July 31, 2017, gross G&A expense increased to $5.2 million from $3.0 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 2017.

During the year ended July 31, 2017, the Company capitalized $1.2 million (July 31, 2016 – $0.7 million) of directly attributable G&A expenses related to the Pipestone / Elmworth project.

During the three months ended July 31, 2017, gross G&A expense was $1.4 million compared to $1.5 million for the three months ended April 30, 2017. The decrease in G&A expense from the previous quarter was a result of lower office and travel costs.

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

	Three months ended		Year ended	
(CDN$ thousands, except where otherwise noted)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Depletion, depreciation and amortization	**770**	-	**1,604**	-
Depletion, depreciation and amortization *($/boe)*	**10.72**	-	**10.49**	-

DD&A for the three months ended July 31, 2017 was $0.8 million or $10.72 per boe compared to $nil during the same period in 2016. The increase in depletion expense was attributable to the initial production at the Company's Pipestone / Elmworth property during the period.

DD&A for the year ended July 31, 2017 was $1.6 million or $10.49 per boe compared to $nil during the same period in 2016. The increase in depletion expense was attributable to the initial production at the Company's Pipestone / Elmworth property during the period.

DD&A for the three months ended July 31, 2017 was $0.8 million compared to $0.8 million for the three months ended April 30, 2017.

SHARE-BASED COMPENSATION

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Share-based compensation	**670**	154	**3,624**	1,293

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

During the three months ended July 31, 2017, share-based compensation of $0.7 million (July 31, 2016 - $154 thousand) in the form of stock option expense was incurred, with $0.3 million related to officers and $0.1 million related to directors (July 31, 2016 - $89 thousand related to officers and $37 thousand related to directors). The increase in share-based compensation was 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 July 31, 2017, compared to the three months ended July 31, 2016. No share-based compensation expense was capitalized during the three months ended July 31, 2017 or 2016.

During the year ended July 31, 2017, share-based compensation of $3.6 million (July 31, 2016 - $1.3 million) in the form of stock option expense was incurred, with $2.0 million related to officers and $0.6 million related to directors (July 31, 2016 - $0.9 million related to officers and $0.2 million related to directors). The increase in share-based compensation was a result of the Company granting a larger number of options with a higher weighted average Black-Scholes fair value during the year ended July 31, 2017, compared to the year ended July 31, 2016. No share-based compensation expense was capitalized during the year ended July 31, 2017 or 2016.

PROPERTY EVALUATION EXPENSE

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Property evaluation expense	**-**	-	**-**	300

Costs incurred in advance of land acquisition or obtaining the legal right to explore are expensed. During the year ended July 31, 2017, the Company incurred $nil in property evaluation expense compared to $0.3 million for the same period in 2016.

INVENTORY WRITE-DOWN

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Inventory write-down	**-**	151	**-**	151

During the three months and year ended July 31, 2017, the Company did not recognize a write-down to inventory compared to $0.2 million for the same period in 2016.

PROPERTY AND EQUIPMENT IMPAIRMENT REVERSAL

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Property and equipment impairment reversal, net	**-**	-	**-**	4,461

At the end of each reporting period, the Company reviews for indicators of impairment to ensure that the carrying value of its oil and natural gas properties is recoverable. At July 31, 2017, there were no indicators of impairment. During the year ended July 31, 2017, the Company did not recognize impairment to any of its CGUs.

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

GAIN ON SETTLEMENT OF DECOMMISSIONING PROVISION

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Gain on settlement of decommissioning provision	**-**	-	**-**	29

During the year ended July 31, 2017, the Company did not recognize a gain on settlement of its decommissioning provisions compared to $29 thousand for the same period in 2016.

AMORTIZATION OF FLOW-THROUGH SHARE PREMIUM LIABILITY

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Amortization of flow-through share premium liability	**1,107**	148	**2,301**	148

During the three months ended July 31, 2017, the Company amortized $1.1 million of flow-through share premium liability compared to $0.1 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 year ended July 31, 2017, the Company amortized $2.3 million of flow-through share premium liability compared to $0.1 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.

FINANCING COSTS

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

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Accretion of decommissioning provision	**12**	5	**32**	17
Interest expense	**-**	-	**12**	-
	12	5	**44**	17

During the three months ended July 31, 2017, financing costs were $12 thousand compared to $13 thousand for the three months ended April 30, 2017. Financing costs remained consistent period to period.

INTEREST INCOME

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Interest income	**177**	48	**448**	203

During the three months ended July 31, 2017, the Company earned $177 thousand of interest income compared to $48 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 previous.

During the year ended July 31, 2017, the Company earned $448 thousand of interest income compared to $203 thousand for the same period in 2016. The increase was due to Blackbird carrying a larger cash balance on average throughout the current year compared to the previous.

INCOME TAXES

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

	Years ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016
(Loss) income before taxes	**(5,180)**	586
Expected (recovery) income tax expense	**(1,399)**	158
Change in statutory rates and other	**421**	1,708
Permanent differences	**45**	310
Impact of flow-through shares	**7,202**	198
Share issue costs	**(1,142)**	(476)
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses	**330**	349
Change in unrecognized deductible temporary differences	**(37)**	(1,730)
Deferred income tax expense	**5,420**	517

During the three months ended July 31, 2017, Blackbird recognized deferred income tax expense of $2.3 million compared to $0.5 million for the same period in 2016.

The significant components of the Company's deferred tax liability are as follows:

(CDN$ thousands)	**July 31 2017**	July 31 2016
Deferred tax (liabilities) assets		
Property, equipment, and resource assets	**(11,903)**	(4,292)
Share issue costs	**1,452**	758
Non-capital losses	**4,514**	3,017
Net deferred tax liability	**(5,937)**	(517)

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been recognized on the statement of financial position are as follows:

(CDN$ thousands)	**July 31 2017**	**Expiry Dates**	July 31 2016	Expiry Dates
Temporary differences				
Property, equipment, and resource assets	**3,224**	**No expiry date**	3,224	No expiry date
Allowable capital losses	**1,958**	**No expiry date**	91	No expiry date
Non-capital losses available for future years	**1,312**	**2030 to 2037**	1,334	2030 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

ANNUAL RESULTS

During the year ended July 31, 2017, net loss and comprehensive loss totaled $10.6 million ($0.02 per share, basic and diluted) compared to net income and comprehensive income of $0.1 million ($0.00 per share, basic and diluted) for the same period in 2016. Blackbird's net loss and comprehensive loss for the year ended July 31, 2017, is mostly attributable to the increased operating costs associated with initial production at the Pipestone / Elmworth project, G&A expense, DD&A, share-based compensation and deferred income tax expense resulting from flow-through shares. 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 income and comprehensive income for the year ended July 31, 2016, is mostly attributable to the impairment reversal recognized on the Pipestone / Elmworth CGU, amortization of flow-through share premium liability and interest income earned. This income was partially offset by G&A expense, share-based compensation, property evaluation expense, inventory write-downs and deferred income tax expense.

OPERATING NETBACK AND FUNDS USED IN OPERATIONS

	(CDN$ thousands)			($/boe)		
Three months ended July 31	**2017**	2016	% change	**2017**	2016	% change
Petroleum and natural gas	**2,797**	8	34,863	**38.91**	10.22	281
Royalties	**(163)**	-	100	**(2.27)**	-	100
	2,634	8	32,825	**36.64**	10.22	259
Operating	**(599)**	(99)	505	**(8.34)**	(126.48)	(93)
Transportation and processing	**(1,650)**	-	100	**(22.96)**	-	100
Operating netback(1)	**385**	(91)	523	**5.34**	(116.26)	105
General and administrative	**(1,071)**	(609)	76	**(14.89)**	(778.02)	(98)
Interest income	**177**	48	269	**2.46**	63.66	(96)
Funds used in operations(1)	**(509)**	(652)	(22)	**(7.09)**	(830.62)	(99)

Note:
(1) Non-IFRS measure.

	(CDN$ thousands)	
Three months ended July 31	**2017**	2016
Funds used in operations(1)	**(509)**	(652)
Changes in non-cash working capital	**1,794**	276
Cash provided by (used in) operating activities(1)	**1,285**	(376)

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

For the three months ended July 31, 2017, funds used in operations was $0.5 million compared to funds used in operations of $0.7 million for the same period in 2016. This decrease was primarily a result of a positive operating netback from current period production and increased interest income earned on larger cash balances held at financial institutions partially offset by increased general and administrative expense.

OPERATING NETBACK AND FUNDS USED IN OPERATIONS (CONTINUED)

	(CDN$ thousands)			($/boe)		
Year ended July 31	**2017**	2016	% change	**2017**	2016	% change
Petroleum and natural gas	**6,234**	33	18,791	**40.79**	15.21	168
Royalties	**(396)**	-	100	**(2.59)**	-	100
	5,838	33	17,591	**38.20**	15.21	151
Operating	**(1,558)**	(273)	100	**(10.19)**	(128.55)	(92)
Transportation and processing	**(2,963)**	-	471	**(19.38)**	-	100
Operating netback[(1)]	**1,317**	(240)	649	**8.63**	(113.34)	108
General and administrative	**(3,974)**	(2,254)	76	**(26.00)**	(1,061.54)	(98)
Property evaluation	**-**	(300)	(100)	**-**	(141.26)	(100)
Financing costs	**(12)**	-	100	**(0.08)**	-	100
Interest income	**448**	203	121	**2.93**	95.59	(97)
Funds used in operations[(1)]	**(2,221)**	(2,591)	(14)	**(14.52)**	(1,220.55)	(99)

Note:
(1) Non-IFRS measure.

	(CDN$ thousands)	
Year ended July 31	**2017**	2016
Funds used in operations[(1)]	**(2,221)**	(2,591)
Changes in non-cash working capital	**(578)**	(265)
Cash used in operating activities[(1)]	**(2,799)**	(2,856)

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

For the year ended July 31, 2017, funds used in operations was $2.2 million compared to funds used in operations of $2.6 million for the same period in 2016. This decrease was primarily a result of a positive operating netback from current period production, increased interest income earned on larger cash balances held at financial institutions and decreased property evaluation expense partially offset by increased general and administrative expense.

DRILLING AND COMPLETIONS ACTIVITY

	Three months ended		Year ended	
	July 31 2017	July 31 2016	**July 31 2017**	July 31 2016
Wells drilled (net)	**3.0**	-	**6.2**	1
Average measured depth (meters)	**5,121**	-	**4,968**	4,660
Average horizontal length (meters)	**2,530**	-	**2,384**	2,008
Average drilling days per well	**26.9**	-	**26.7**	24
Wells completed / recompleted (net)[(1)]	**2.0**	-	**5.0**	1
Average number of stages[(1)]	**71**	-	**59**	70
Wells tied-in (net)	**-**	-	**4**	-

Note:
(1) Includes 102/2-20-70-7W6, 15-21-70-7W6 and 2-20-70-6W6 completion programs where mechanical issues were experienced and 102/2-20-70-7W6 recompletion program in the current periods.

CAPITAL EXPENDITURES AND DIVESTITURES

	Three months ended		Year ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016	**July 31 2017**	July 31 2016
Drilling, completions and production testing	**18,204**	865	**40,029**	15,387
Plants, facilities and pipelines	**3,652**	754	**24,325**	1,109
Land and lease(1)	**1,360**	397	**12,391**	449
Capitalized general and administrative expenses	**287**	185	**1,197**	731
Seismic	**352**	-	**352**	-
Dispositions	**-**	-	**-**	(3)
Net capital expenditures	**23,855**	2,201	**78,294**	17,673

Note:
(1) Includes non-cash transactions. Blackbird issued 11,923,077 common shares, with a fair value of $7.0 million, as consideration for undeveloped land during the year ended July 31, 2017.

ENTERPRISE VALUE

(CDN$ thousands)	**July 31 2017**	July 31 2016
Market capitalization(1)	**264,628**	134,756
Cash	**(60,535)**	(29,051)
Enterprise value	**204,093**	105,705

Note:
(1) Market capitalization is calculated using the total common shares outstanding at July 31, 2017 multiplied by the closing share price of $0.355 at July 31, 2017 ($0.245 at July 31, 2016).

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.

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 as described in greater detail above under the heading "Financial Performance". 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)	**July 31 2017**	July 31 2016
Cash	**60,535**	29,051
Accounts receivable	**1,289**	219
Inventory(1)	**397**	181
Prepaid expenses and deposits(2)	**1,022**	1,019
Accounts payable and accrued liabilities	**(13,175)**	(702)
Flow-through share premium liability	**(1,309)**	(314)
Working capital surplus	**48,759**	29,454

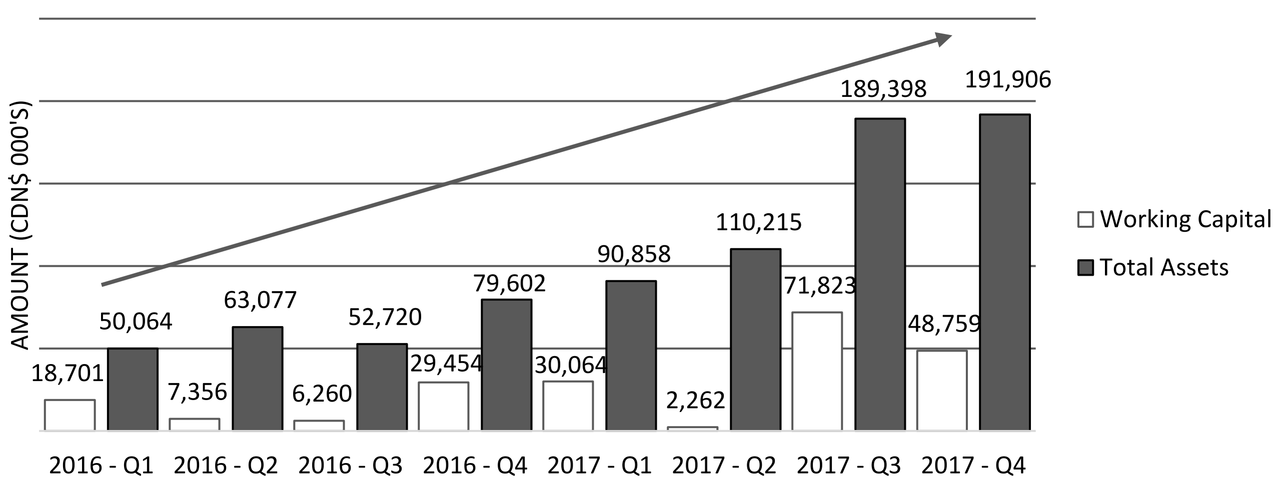
Notes:

(1) Inventory includes fracturing sleeves and casing. Subsequent to July 31, 2017, the Company sold the majority of its casing at its net realizable value. Blackbird plans on using the fracturing sleeves in future wells.

(2) Includes government "Licensee Liability Rating" program deposits. Subsequent to July 31, 2017, the Company recovered $0.7 million of these deposits.

As at July 31, 2017, Blackbird had a working capital surplus of $48.8 million (July 31, 2016 – $29.5 million). The increase in working capital surplus compared to July 31, 2016 is primarily due to the net proceeds raised from equity financings during the year partially offset by drilling and completion costs incurred, infrastructure expenditures and land acquisitions. The Company also incurred general and administrative expenses, partially offset by proceeds received on the exercise of stock options and warrants during the year ended July 31, 2017.

WORKING CAPITAL AND TOTAL ASSET POSITION



SHARE CAPITAL AND SHAREHOLDERS' EQUITY

A reconciliation of the Company's shareholders' equity as at July 31, 2017, compared to the Company's shareholders' equity as at July 31, 2016, is as follows:

(CDN$ thousands, except share amounts)	**Number of Common Shares (000s)**	**Share Capital**	**Reserves**	**Deficit**	**Total**
At July 31, 2016	550,023	86,416	11,505	(20,853)	77,068
Issuance of common shares	112,456	61,851	-	-	61,851
Issuance of flow-through shares	63,809	36,093	-	-	36,093
Flow-through share premium	-	(3,296)	-	-	(3,297)
Share issue costs	-	(4,230)	-	-	(4,230)
Exercise of stock options and warrants	7,219	1,778	(371)	-	1,407
Share-based compensation	-	-	3,624	-	3,624
Common shares issued for exploration and evaluation assets	11,923	7,012	-	-	7,013
Net loss for the year	-	-	-	(10,600)	(10,600)
At July 31, 2017	**745,430**	**185,624**	**14,758**	**(31,453)**	**168,929**

EXERCISE OF STOCK OPTIONS AND WARRANTS

During the year ended July 31, 2017, the Company issued 7,219,175 common shares (July 31, 2016 – 4,004,024 common shares) due to the exercise of stock options and warrants. The Company received proceeds of $1.4 million (July 31, 2016 - $0.5 million) and recognized a fair value reversal of $0.4 million (July 31, 2016 - $0.2 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	747,797,010
Stock options	32,610,711
Warrants	7,817,654
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 July 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	93	224	130	-	-	-	447
Equipment leases	254	610	610	610	599	119	2,802
Canadian dollar portion of gas marketing agreement	513	1,223	1,223	1,018	-	-	3,977
Transportation and processing	1,428	2,836	-	-	-	-	4,264
	2,288	**4,893**	**1,963**	**1,628**	**599**	**119**	**11,490**

(US$ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
US dollar portion of gas marketing agreement[(1)]	329	785	785	654	-	-	2,553

Note:
(1) A fluctuation in the July 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 July 31, 2017, $8.0 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 July 31, 2017, the Company had a $1.0 million revolving operating loan facility (July 31, 2016 - no loan facility) with ATB Financial. The loan facility is subject to a redetermination of the borrowing base from time to time, but reviewed at least annually. The facility is available by way of prime-based loans, letters of credit and corporate credit cards. The Company is required to maintain a positive working capital ratio at all times to satisfy the financial covenants associated with this facility. At July 31, 2017, the Company was in compliance with the covenants of the operating loan facility.

As of July 31, 2017, the Company had a balance of $nil drawn against the loan and $0.7 million in letters of credit issued (July 31, 2016 – no balance drawn or letters of credit issued) which reduce the credit available on the loan facility.

OPERATING LOAN FACILITY (CONTINUED)

At July 31, 2017, the available amount to draw on the loan facility was $0.3 million (July 31, 2016 - no loan facility). Subsequent to July 31, 2017, the Company terminated $0.7 million of letters of credit outstanding restoring the available amount to draw on the loan facility to $1.0 million.

RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary as shown in the table below:

	Country of Incorporation	Principal Activity	Ownership
Pennant Energy Inc.	Canada	Oil and natural gas development	100%

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 year. 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 years ended July 31, 2017 and 2016, the Company paid or accrued compensation to key management as follows:

	Years ended	
(CDN$ thousands)	**July 31 2017**	July 31 2016
Share-based compensation	**2,632**	1,152
Compensation paid to key management personnel that was expensed	**845**	468
Compensation paid to key management personnel that was capitalized to exploration and development activities	**773**	528
Fees paid to Directors	**38**	45
Legal fees paid to Macdonald Tuskey, a law firm in which Mr. William L. Macdonald, Director, is a Principal	**141**	51
Share issue costs paid to Macdonald Tuskey	**93**	92
Fees paid to Canadian Energy Services and Technology Corp. for drilling services performed, a company in which Mr. Burton Ahrens, Director, is also a Director	**970**	372
Fees paid to Stage Completions Inc. (“Stage”) for completions equipment and services performed, a company in which Mr. Garth Braun, Blackbird’s Chairman, Chief Executive Officer and President is also a Director and owns an indirect minority interest in Stage, certain of Blackbird’s other officers own non-controlling interests in Stage, and Mr. Sean Campbell, a Director of Blackbird, holds an indirect controlling interest in Stage and is also the President, Chief Executive Officer and a Director of Stage	**1,919**	28
	7,411	2,736

RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended July 31, 2017, Blackbird paid Stage $3.0 million in cash consideration for the acquisition of its indirect 10% minority interest.

As of July 31, 2017, there was $9 thousand outstanding in accounts payable related to the above noted service providers (July 31, 2016 - $19 thousand).

Selected Annual Information

	Years ended		
(CDN$ thousands except, per share amounts)	**July 31 2017**	July 31 2016	July 31 2015
Total assets	**191,906**	79,602	50,028
Working capital	**48,759**	29,454	22,709
Total long-term liabilities	**8,493**	1,518	729
Cash dividends	**-**	-	-
Total revenue	**6,234**	33	602
Total interest income	**448**	203	309
(Loss) income from continuing operations	**(5,180)**	586	(7,116)
Basic (loss) income from continuing operations per share	**(0.01)**	0.00	(0.02)
Diluted income from continuing operations per share	**-**	0.00	-
Net (loss) income and comprehensive (loss) income	**(10,600)**	69	(7,579)
Basic (loss) income per share	**(0.02)**	0.00	(0.02)
Diluted income per share	**-**	0.00	-

Note:
(1) This table includes both continuing operations and discontinued operations in comparative periods.

Quarterly Financial Summary

(CDN$ thousands, except per share and production amounts)	**2017 Q4**	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Petroleum and natural gas revenue	**2,797**	3,312	110	15	8	13	3	9
Cash provided by (used in) operations	**1,285**	(1,122)	(1,727)	(1,235)	(377)	(600)	(1,284)	(595)
Cash provided by (used in) 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	**(3,164)**	(1,500)	(4,877)	(1,059)	(1,331)	(936)	5,705	(3,369)
Net (loss) income and comprehensive (loss) income per share - basic and diluted	**(0.00)**	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	0.02	(0.01)
Total assets	**191,906**	189,398	110,215	90,858	79,602	52,720	63,077	50,064
Working capital	**48,759**	71,823	2,262	30,064	29,454	6,260	7,356	18,701
Total production (boe/d)	**782**	868	28	14	9	9	1	5
Pipestone / Elmworth Montney land sections (net)	**108.9**	102.9	94	87.25	83.75	73	72	78
Pipestone / Elmworth Montney 2P NPV10% reserves[1]	**395,311**	455,018	41,275	41,275	41,275	38,533	38,533	14,850
General and administrative expense, gross	**1,358**	1,495	1,509	809	794	847	713	631
East Wapiti Montney land sections (net)	**16**	49	68	77	77	77	77	77

Notes:

(1) Q4 2017 reserves value from McDaniel's reserves evaluation dated July 31, 2017. Q3 2017 reserves value from McDaniel's reserves evaluation dated March 1, 2017. Q2 2017 and Q1 2017 reserves value carried forward from GLJ Petroleum Consultants ("GLJ") reserves evaluation dated July 31, 2016. Q4 2016 reserves value from GLJ reserves evaluation dated July 31, 2016. Q3 2016 and Q2 2016 reserves value from updated GLJ reserves evaluation dated January 31, 2016. Q1 2016 reserves value from Q4 2015 GLJ reserves evaluation updated for commodity prices. All reserves values presented are before tax NPV10% of Blackbird's proved plus probable reserves.

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 Q3 and Q4 2017 due to initial production at the Company's Pipestone / Elmworth project;

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

Quarterly Financial Summary (Continued)

(c) In Q1 2016 the Company reported net loss and comprehensive loss of $3.4 million as a result of property and equipment impairment of $2.7 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. 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 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;

(d) Total assets increased quarter over quarter as a result of the cash proceeds raised from equity financings;

(e) Working capital increased quarter over quarter as a result of the cash proceeds raised from equity financings offset partially by capital expenditures and other cash costs;

(f) Total production increased in Q3 and Q4 2017 due to initial production at the Company’s Pipestone / Elmworth project;

(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;

(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 July 31, 2017.

Annual and Special Meeting

Blackbird’s latest annual and special meeting of the shareholders was held on March 8, 2017, in Calgary, Alberta. All proposed resolutions were passed.

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 the 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 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 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 were 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 may 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 in, 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 July 31, 2017 to manage these risks (July 31, 2016 – none).

INTEREST RATE RISK

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

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 July 31, 2017, the Company had $0.7 million net receivable from GST/HST with the remaining balance collectible from trade receivables. The Company's allowance for doubtful accounts at July 31, 2017, was $31 thousand (July 31, 2016 - $31 thousand). The Company expects to collect all other outstanding receivables.

The Company retains its cash deposits with highly reputable financial institutions. At July 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'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.

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 financial statements and financial information for the period ended July 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 audited consolidated financial statements. The audited consolidated 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, 2016 and 2015 filed on the SEDAR website at www.sedar.com. The Company's financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

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 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, ACCOUNTS RECEIVABLE, DEPOSITS, INVESTMENT IN SECURITIES AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The fair value of cash, accounts receivable, deposits, investment in securities and accounts payable and accrued liabilities approximated their carrying value at July 31, 2017.

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 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 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 used in operations, cash provided by (used in) 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 in operations, cash provided by (used in) operations per share, and operating netback are relevant indicators of Blackbird's financial performance and its ability to fund future capital expenditures. Funds used in 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 the "Operating Netback and Funds Used in Operations" heading above for a reconciliation of operating netback and funds 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. 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").

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.

Oil and Gas Metrics and Definitions (Continued)

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 obtained by aggregating the Company's working interest in each of its gross wells.

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

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

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

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

Forward-Looking Statements

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

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

Forward-Looking Statements (Continued)

- The agreement entered with Tidewater providing a long-term processing solution for the Company's raw natural gas which will support growth objectives and enable Blackbird to become a low-cost producer relative to peers (this statement is based on the current terms of the agreement with Tidewater, changes to the timing of the Tidewater Facility construction and / or commissioning, raw gas processing volumes available and / or pricing structure could render this statement untrue and result in Blackbird not achieving its stated goals);
- The initial term, timing and processing volumes associated with the Tidewater agreement (this statement is based on the current agreement with Tidewater, changes to these terms could result in Blackbird not having processing available in the planned timeframe or at reduced volumes);
- Reduced processing fees if Blackbird acquires a working interest in the Tidewater Facility (this statement is based on the current agreement with Tidewater, changes to this term could result in Blackbird not achieving its goal of becoming a low-cost producer);
- The construction, initial capacity and timing thereof for the Tidewater Facility and proposed associated gathering systems north and south of the Wapiti River;
- Expected benefits from new additions to the Blackbird team;
- The construction and timing thereof for the Company's eastern gathering system and the system facilitating the tie-in of pads located in the area (this statement is based on management's best estimates, a deviation in these plans could result in Blackbird not being able to tie-in certain wells on time or at all leading to an adverse effect on operating performance);
- The completion and timing thereof for the 6-33-71-7W6 well as well as the expected benefits to be derived from it including delineation of Blackbird's northern lands and land retention;
- Blackbird having and continuing to build on momentum through further development and delineation of its lands expected to occur during fiscal 2018;
- The Company seeking, its methods and ability to finance full development operations, capital expenditure programs, and working capital requirements (if the Company cannot access financing at acceptable rates this could lead to a reduction in planned development activities);
- 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;
- The initial and future capacity of the Company's infrastructure;
- The tie-in of wells located on Blackbird's western lands to the current facility;
- 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

Ralph Allen, P.Geo.
Vice President, Geoscience

Craig Wiebe
Vice President, Exploration

Don Noakes
Vice President, Operations

HEAD OFFICE

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Vancouver, British Columbia V7Y 1G6

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

STOCK EXCHANGE LISTING

Toronto Stock Exchange Venture
Common Shares "BBI"
Warrants "BBI.WT"

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