BLACKBIRD ENERGY

FIRST QUARTER 2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated December 16, 2016

FOR THE THREE MONTHS ENDED OCTOBER 31, 2016 AND 2015

Blackbird Energy Inc. First Quarter 2016 Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") has been prepared by the management of Blackbird Energy Inc. ("Blackbird" or the "Company") and was reviewed and approved by the board of directors of the Company (the "Board") and the audit committee of the Board on December 16, 2016. This MD&A is a review of the operational results of Blackbird. All financial information is presented in Canadian dollars unless otherwise stated.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the periods ended October 31, 2016 and 2015 and with the Company's audited consolidated financial statements for the periods ended July 31, 2016 and 2015, prepared under International Financial Reporting Standards ("IFRS"). Readers are cautioned that this MD&A contains "non-IFRS measures" and "forward-looking statements" which are discussed at the end of this MD&A.

About Blackbird Energy Inc.

Blackbird is a Canadian energy company actively engaged in crude oil condensate and natural gas exploration, development and production 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".

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

Elmworth consisted of 88.75 gross sections (56,800 gross acres) or 87.25 net sections (55,840 net acres) of highly prospective Montney lands as at October 31, 2016. This land is in close proximity to lands currently being developed by several competitors. The 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. Blackbird has drilled four Montney wells at Elmworth, two in the Upper Montney and two in the Middle Montney. Blackbird is currently drilling its fifth well, targeting the Upper Montney at Elmworth / Pipestone on the western edge of the Company's lands.

KEY TOPICS OF THIS MD&A

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

First Quarter 2017 Operating Summary

The first quarter of 2017 was characterized by the continued operational success of Blackbird. These achievements are outlined in chronological order below.

Blackbird drilling the 02/2-20 Upper Montney Well

COMMENCEMENT OF FALL DRILL PROGRAM

On September 29, 2016, Blackbird announced the drilling of its fourth 100% working interest Elmworth Montney horizontal well targeting the Upper Montney. The well was spud from surface location 10-8-70-07W6 with a lateral length of approximately 2,049 meters to location 02/02-20-70-7W6 (the “02/02-20” well). The 02/02-20 well was spud on October 8, 2016.

INFRASTRUCTURE REGULATORY APPROVAL, CONSTRUCTION AND TIMING OF PRODUCTION

On September 29, 2016, Blackbird announced that it had received regulatory approval from the Alberta Energy Regulator for its 100% owned and operated Elmworth facility (the “Facility”) and pipeline gathering system (the “Gathering System”). The Company commenced construction on these projects immediately following the receipt of approval. Prior to the regulatory approval all front end engineering had been completed, and all long lead items were ordered.

Blackbird’s Facility located at 12-14-70-7W6 will have 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.

Blackbird’s Gathering System will encompass approximately 10 km of pipeline and will facilitate the tie-in of Blackbird’s behind pipe and future production from at least seven well pads located at its western acreage south of the Wapiti River. The Gathering System will mitigate environmental disruption as much as possible through the use of existing cut lines and extensive underground boring.

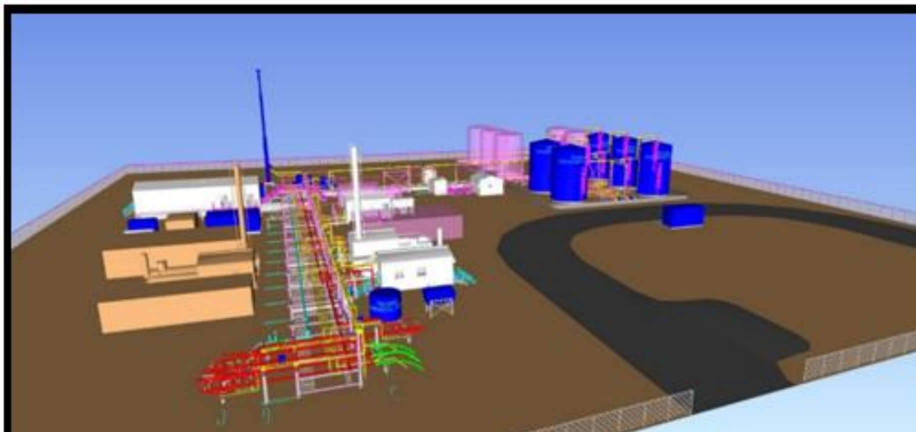


Illustration of Blackbird’s 100% owned and operated Elmworth facility located at 12-14-70-7W6

INFRASTRUCTURE REGULATORY APPROVAL, CONSTRUCTION AND TIMING OF PRODUCTION (CONTINUED)

The estimated completion date for the Facility and Gathering System is late December, 2016 or early January, 2017. Upon commissioning, Blackbird will tie-in the 6-26, 5-26, 2-20, and 02/2-20 wells, with the 3-28-70-7W6 (the “3-28” well) being tied-in shortly thereafter, and the 2-20-70-6W6 (the “2-20/11-9” well) well being tied-in subsequent to the construction of an eastern pipeline gathering system (see the “Commencement of Strategic Accelerated Business Plan and H1 2017 Drill Program” heading below for more information regarding the 3-28 and 2-20/11-9 wells). The tie-in of these wells will mark another significant milestone for the Company. Blackbird’s estimated behind pipe production, based on available test results to date which do not include the 02/2-20, 3-28 or 2-20/11-9 wells, are as follows:

Well	Flowing Casing Pressure (kPa)	Raw Gas (mmcf/d)(1)	Liquids Production (bbls/d)(1)	Total Production (boe/d)(1)	Liquids/Gas Ratio (bbls/ mmcf)(1)	Total Flow Time (Days)	Test Time (Hours)	Load Fluid Recovery to Date
05-26 (Upper Montney Test)	2,100	0.9	313	466	341	26	48	32.3%
06-26 (Middle Montney) – Unrestricted Rate(2)	19,440 (Bottom-Hole)	3.0 – 3.5 unrestricted	399 – 466 unrestricted	899 – 1,049 unrestricted	133	22	48	21.7%
02-20 (Middle Montney) – Restricted Rate	~8,000	6.8	641	1,768	94	31	24	43%
Total	**N/A**	**~10.70 – 11.20**	**~1,353 – 1,420**	**~3,133 – 3,283**	**~126 – 127**	**N/A**	**N/A**	**N/A**

Notes:
1) Rates over final hours or Test Time disclosed in table (48 hours for 5-26 and 6-26 wells, 24 hours for 2-20 well), as disclosed in Blackbird press releases dated March 4, 2015 and January 28, 2016.
2) Estimated unrestricted rate is based on a third party reservoir deliverability estimate, actual raw gas test rate of 1.36 mmcf/d of natural gas, 181 bbls/d of liquid hydrocarbons, and 407 boe/d at 19,440 kPa flowing casing pressure.

At October 31, 2016, approximately $10.9 million of budgeted capital costs remained to be spent on the Facility and Gathering System. Blackbird’s original capital budget for the Facility and Gathering System was $19.0 million. Subsequent to October 31, 2016, the capital budget was revised to $16.1 million due to the Company entering into equipment leases for equipment which was originally going to be purchased by Blackbird. This transaction will reduce capital expenditures on the project by $2.9 million.

CLOSING OF CEE PRIVATE PLACEMENT FOR PROCEEDS OF $8.0 MILLION

On October 27, 2016, Blackbird announced the closing of a non-brokered private placement of 16,500,000 flow-through common shares pursuant to the Income Tax Act (Canada) in respect of Canadian Exploration Expenses ("CEE") at a price of $0.485 per Share for proceeds of $8,002,500. See the "Contingencies and Commitments" section below for more details.

CLOSING OF CDE PRIVATE PLACEMENT FOR PROCEEDS OF $5.1 MILLION

On November 1, 2016, Blackbird announced the closing of a non-brokered private placement of 10,865,000 flow-through common shares pursuant to the Income Tax Act (Canada) in respect of Canadian Development Expenses ("CDE") at a price of $0.47 per Share for proceeds of $5,106,550. See the "Contingencies and Commitments" section below for more details.

COMMENCEMENT OF STRATEGIC ACCELERATED BUSINESS PLAN AND H1 2017 DRILL PROGRAM

On November 18, 2016, Blackbird initiated its strategic accelerated business plan and H1 2017 drill program (the "Program") consisting of two additional horizontal wells, the 3-28 and 2-20/11-9 wells. The Program will be funded with the proceeds of the private placements closed on October 27, 2016 and November 1, 2016, as discussed above.

The first well is targeting the Upper Montney at Elmworth / Pipestone in an area that an industry leader calls the "Volatile Oil" window (which it defines as having greater than 250 bbls of condensate per mmcf of gas). The 3-28 well was be spud from surface location 11-15-70-7W6, will have a lateral length of approximately 2,150 meters, and will target location 3-28-70-7W6. Blackbird spud the 3-28 well on November 23, 2016.

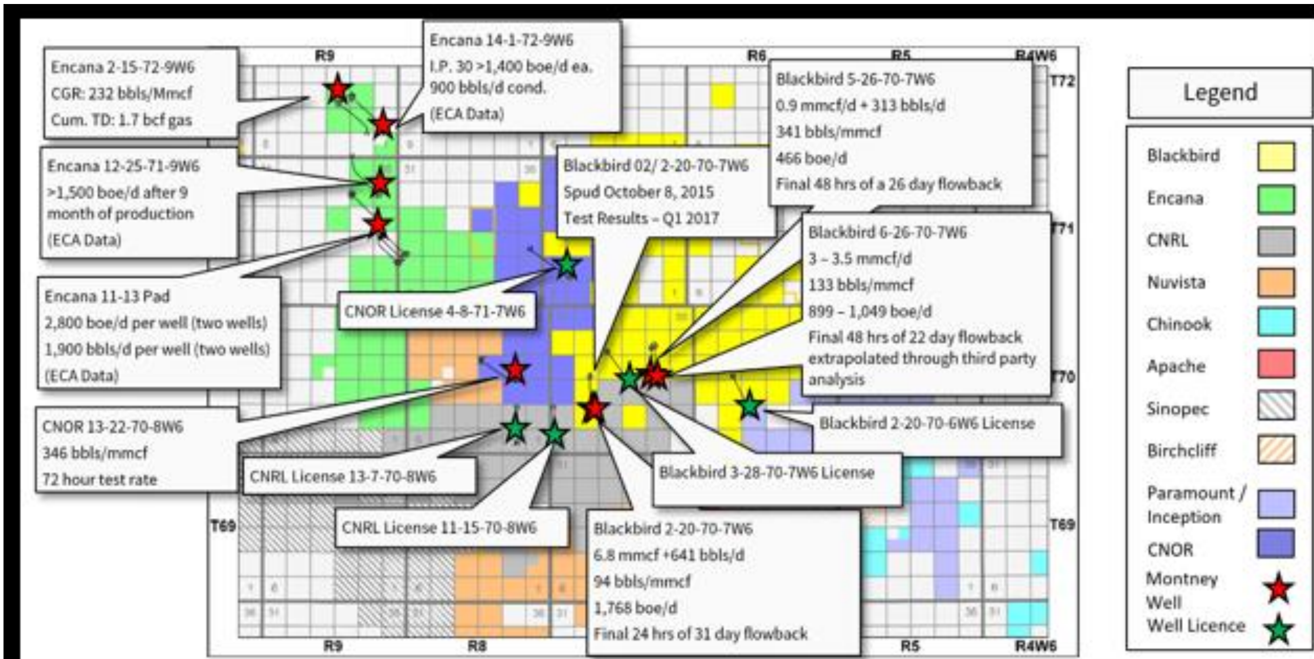
Subsequent to the 3-28 drilling operations, Blackbird will conduct a large scale, high-tonnage slickwater completion program utilizing the Stage Completions Inc. ("Stage") Bowhead II fracturing system (the "Stage System"). The completion program will place approximately 4,000 tonnes of sand over approximately 50-60 stages. The 3-28 completion operations are scheduled to begin in December, 2016.

The second well, to be drilled subsequent to the 3-28 well, will target the Middle Montney at Elmworth / Pipestone also in the "Volatile Oil" window. The 2-20/11-9 well will be spud from surface location 11-9-70-6W6, will have a lateral length of approximately 2,150 meters, and will target location 2-20-70-6W6. Blackbird intends to spud the licensed 2-20/11-9 in December, 2016.

Subsequent to the 2-20/11-9 drilling operations, Blackbird will conduct a large scale, high tonnage slickwater completion program similar to the 3-28 program, again utilizing the Stage System. The completion program will place approximately 4,000 tonnes of sand over approximately 50-60 stages. The 2-20/11-9 completion operations are scheduled to begin in January, 2017.

Upon completion of the Program, Blackbird will have a total of three Upper Montney wells and three Middle Montney wells behind pipe. These wells will span over two townships, with the 02/2-20 and 2-20/11-9 wells being approximately six sections apart on an east / west basis.

COMMENCEMENT OF STRATEGIC ACCELERATED BUSINESS PLAN AND H1 2017 DRILL PROGRAM (CONTINUED)



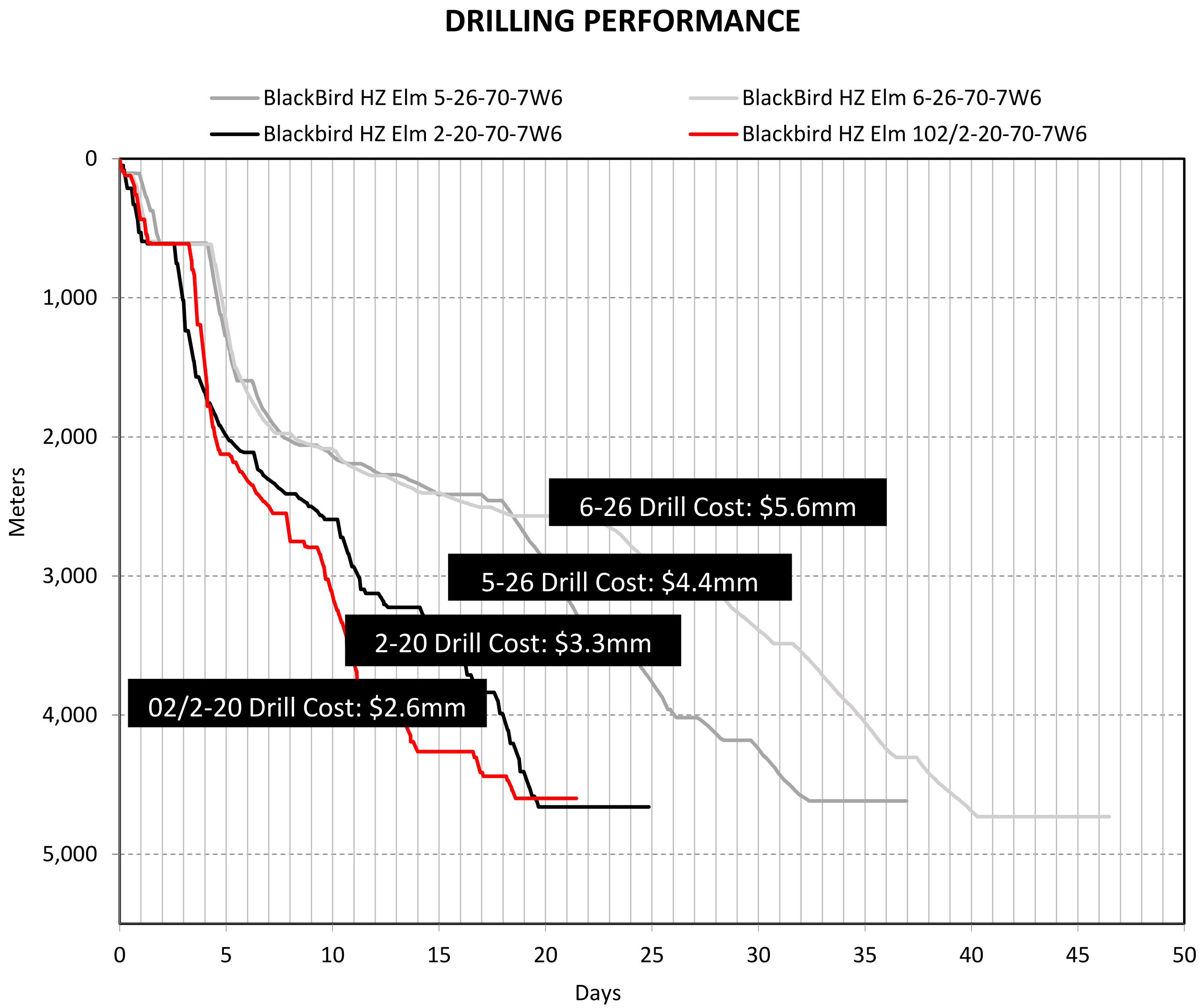
Blackbird's drilling program locations and corridor activity

02/2-20 UPPER MONTNEY DRILLING PROGRAM SHOWCASES REDUCED DRILLING DAYS AND COST

On November 18, 2016, Blackbird announced that the 02/2-20 Upper Montney well was successfully drilled to a measured depth of 4,598 meters, including a 2,049 meter lateral section. Drilling operations were completed in 21.5 days from spud to rig release. Blackbird has now reduced the drilling days on each of its first four Elmworth Montney wells drilled to date.

As a result of the significant reduction in drilling days, Blackbird's drilling costs have declined substantially. Blackbird estimates that the 02/2-20 drilling costs will total approximately $2.6 million compared to an AFE budget of $2.7 million. When compared to Blackbird's historical drilling costs, the 02/2-20 well represents cost improvements of approximately $3.0 million compared to the Company's first Elmworth Montney well, the 6-26, and cost improvements of approximately $1.8 million compared to the average drilling cost of the Company's first three Elmworth Montney wells.

02/2-20 UPPER MONTNEY DRILLING PROGRAM SHOWCASES REDUCED DRILLING DAYS AND COST (CONTINUED)

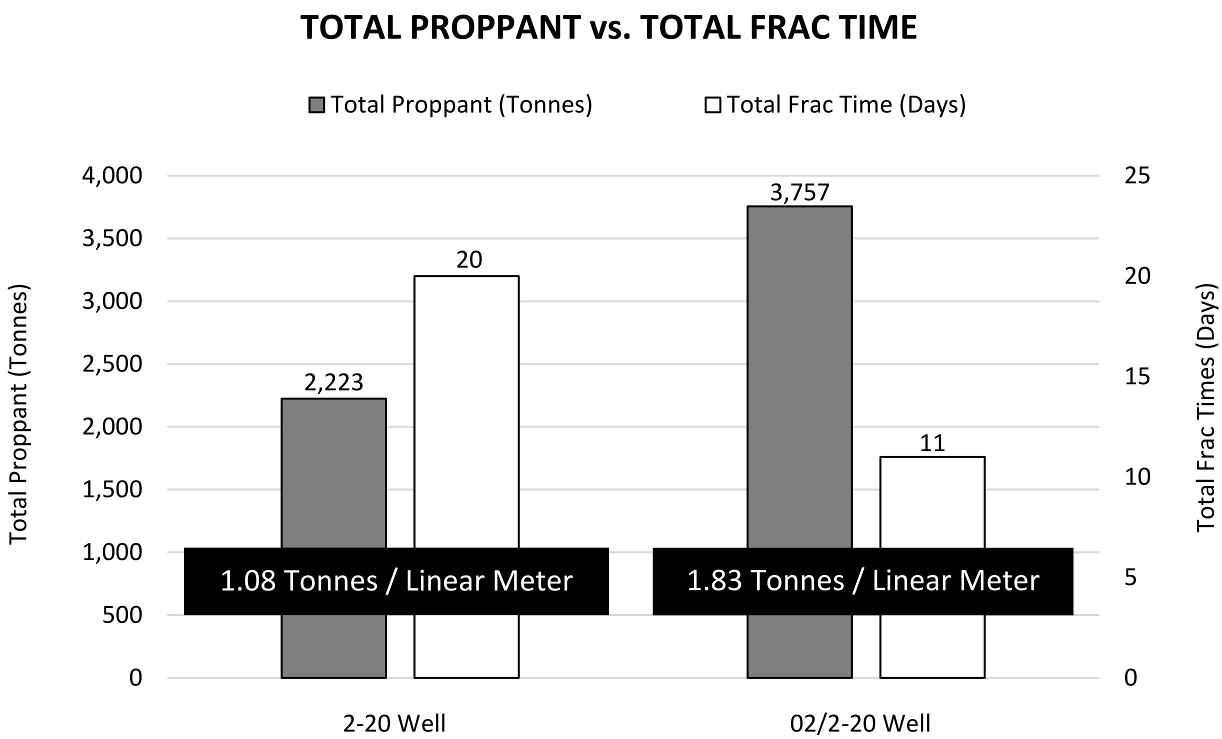


SUCCESFUL 02/2-20 COMPLETION AND DEPLOYMENT OF STAGE'S INNOVATIVE BOWHEAD II FRACTURING SYSTEM

Subsequent to the 02/2-20 drilling operations, Blackbird successfully utilized the Stage System in the Company's high-tonnage slickwater completion program.

Blackbird placed approximately 3,757 tonnes of proppant over 76 stages and 2,049 lineal meters during the 02/2-20 completion program, compared to 2,223 tonnes of proppant over 70 stages and 2,067 lineal meters during Blackbird's 2-20 Middle Montney completion program. As a result of these demonstrated benefits, fracing operations spanned 11 days, compared to 20 days for the Company's 2-20 Middle Montney well, while placing significantly higher volumes of proppant.

SUCCESFUL 02/2-20 COMPLETION AND DEPLOYMENT OF STAGE'S INNOVATIVE BOWHEAD II FRACTURING SYSTEM (CONTINUED)

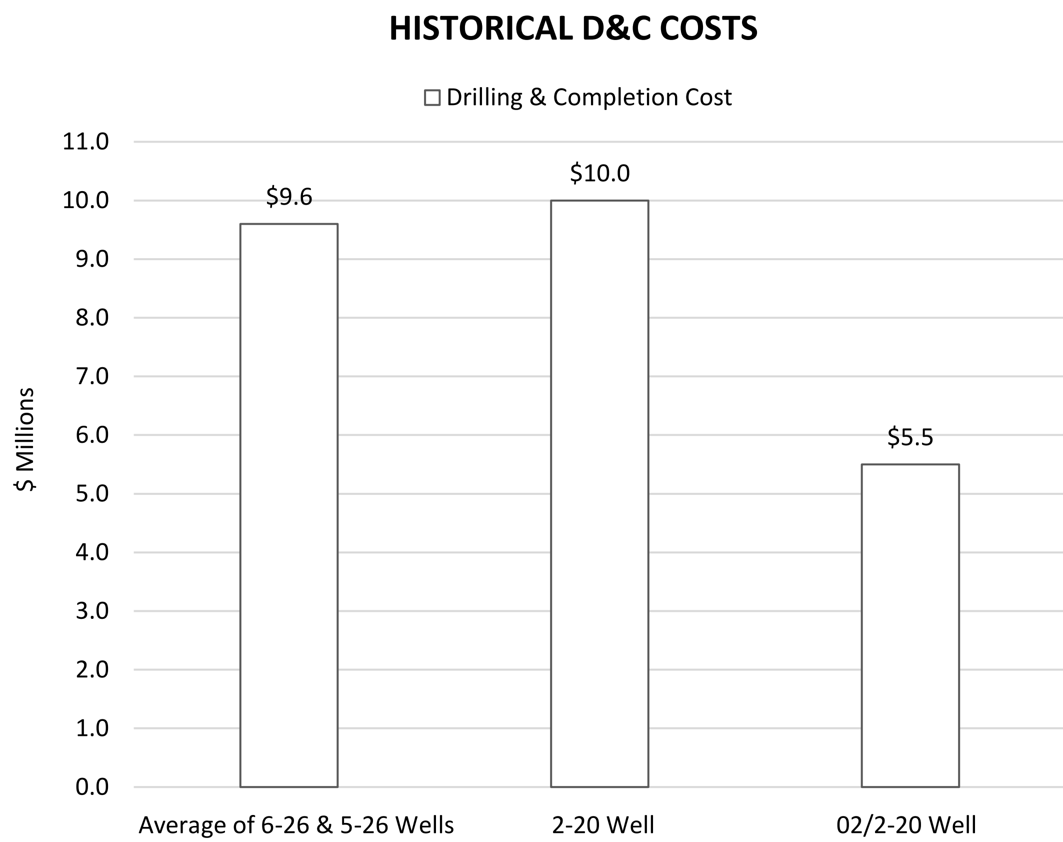


On a preliminary basis, Blackbird expects that the 02/2-20 completion costs will total $2.9 million compared to an AFE budget of $2.5 million. When compared to Blackbird's historical completion costs, the 02/2-20 well represents a cost improvement of approximately $2.4 million compared to the average completion cost of the Company's first three Elmworth Montney wells. Blackbird expects to realize further material cost savings as the Stage System is deployed in future Blackbird wells and as best practices are developed for this technology.

The 02/2-20 well will be partially flowed back and then shut-in until it is tied-in and placed on production upon the commissioning of Blackbird's infrastructure solution, eliminating the majority of flow-back and testing costs. As a result, Blackbird will provide an update once the 02/2-20 well has been tied-in and production has been normalized.

MATERIAL STEP REDUCTION IN DRILLING AND COMPLETION COSTS

Overall, the 02/2-20 drilling and completion ("D&C") costs are expected to be approximately $5.5 million compared to a budget of $5.2 million. The critical fact is that Blackbird has achieved a material step reduction in D&C costs compared to the Company's past performance while increasing completion intensity. These costs are now in line with the cost data provided by peers in the Elmworth / Pipestone corridor.



When compared to Blackbird's historical D&C costs, the 02/2-20 well represents cost improvements of approximately $4.2 million, or 43%, compared to the average D&C cost of the Company's first three Elmworth Montney wells.

With the material step reduction achieved in D&C costs, the Company expects to achieve a corresponding material increase in the net present value and internal rate of return of Blackbird's wells once tied-in. The Company believes that its Elmworth / Pipestone asset will prove to be among the most economic resources in the Montney under a full development scenario.

CLOSING OF 10% STAGE COMPLETIONS INC. ACQUISITION

On November 23, 2016, Blackbird announced the closing of the previously announced acquisition of an indirect 10% minority interest in Stage for a cash purchase price of $3.0 million (the “Stage Acquisition”) pursuant to the terms of a subscription agreement entered into between Blackbird and Stage’s holding corporations, the majority shareholders of Stage (the “Subscription Agreement”).

The closing of the Stage Acquisition was subject to certain financial and operational conditions including the receipt of an independent valuation report of Stage and the successful deployment of the Stage System in two wells (the “Condition Wells”). The independent valuation report, prepared by a large international accounting firm, was received by Blackbird in September, 2016, and as such, that condition was satisfied.

The Stage System has been successfully installed and tested in three wells:

- Blackbird’s Cardium water disposal well during July, 2016;
- The first of the Condition Wells in the Eagle Ford during September, 2016; and
- Blackbird’s 02/2-20 Montney well during November, 2016.

Due to the success of these three Stage System installations and tests, Blackbird waived the Subscription Agreement’s final outstanding condition of successful deployment of the Stage System in the second Condition Well.

Blackbird’s investment will yield the following benefits:

- Blackbird will obtain the Stage System for cost plus an administration fee, giving Blackbird a competitive advantage on completion costs;
- Blackbird will have preferential access to the Stage System, providing another competitive advantage; and
- The ability for Blackbird to participate in the anticipated growth of Stage as it deploys its technology globally.

This transaction is a related party transaction as such term is defined under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* as Mr. Garth Braun, the Company’s Chairman, Chief Executive Officer and President is also a director of Stage and 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.

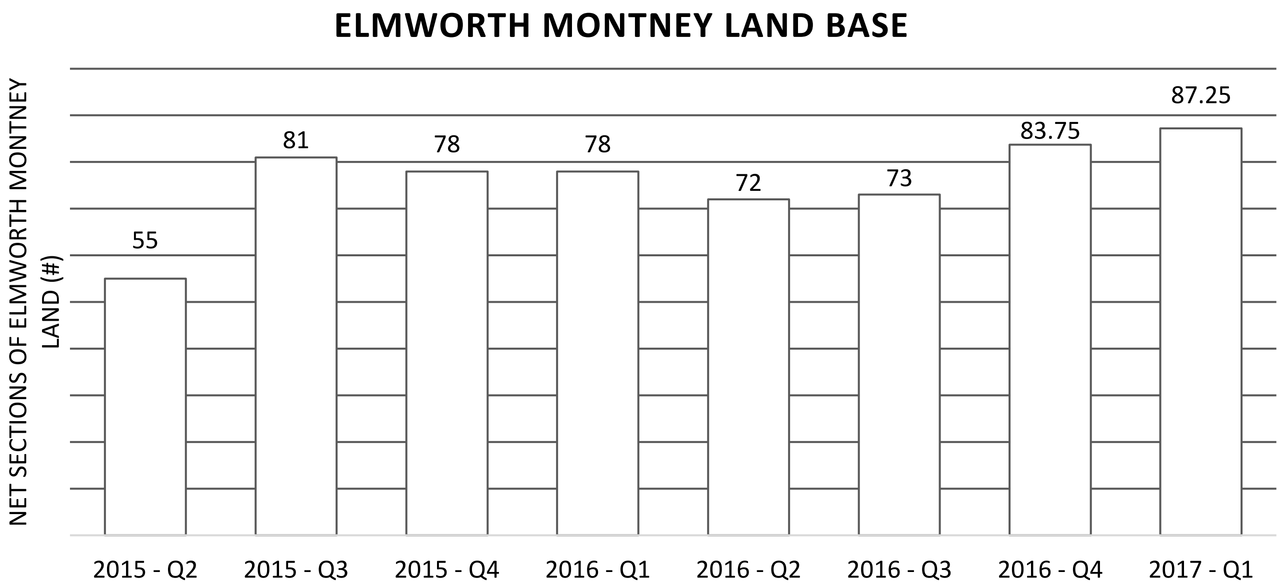
OUTLOOK

The operational achievements from this past period serve as a clear testament of our team’s ability to continually execute on its mandates.

Blackbird will leverage its strong balance sheet to complete the construction of its Facility and Gathering System, to tie-in the Company’s behind pipe production, and to execute its strategic accelerated business plan and H1 2017 drill program. Blackbird’s recent results have created positive momentum for the Company. Management remains confident that Blackbird’s transition from an exploration stage company to a Canadian producer will present another significant growth catalyst as we enter calendar 2017 and beyond.

ELMWORTH MONTNEY LAND BASE

At October 31, 2016, Blackbird's core Elmworth Montney property consisted of 88.75 gross sections (56,800 gross acres) or 87.25 net sections (55,840 net acres). 72.0 gross (72.0 net) sections of these Elmworth lands are subject to a gross overriding royalty of 2%.



Note:
(1) This table includes land expiries.

During the three months ended October 31, 2016, the Company purchased 5.0 gross (3.5 net) additional sections of Elmworth Montney lands for cash consideration of $0.2 million (October 31, 2015 - $nil).

Of the Company's 88.75 gross (87.25 net) sections of Elmworth Montney land there are 19.0 gross (19.0 net) sections which have expiry dates occurring within the current fiscal year. The Company is working diligently on strategies to retain these sections. The Company holds 1.0 gross (1.0 net) section of land with an indefinite expiry date, based on the productive life of the well. The remaining 68.75 gross (67.25 net) sections have expiry dates ranging from fiscal 2018 to 2022.

BUILDING OUR TEAM

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

On September 29, 2016, Blackbird appointed Mr. Josh Wylie to the position of Vice President, Land. Mr. Wylie was promoted from his previous position as the Company's Land Manager.

On May 20, 2015, Blackbird benefited from the appointment of Mr. Burton Joel Ahrens to its Board. Mr. Ahrens is the President of The Edgehill Corporation and brings to Blackbird a wealth of oil and gas experience focused on venture capital and law. Mr. Ahrens also currently serves as a director of Canadian Energy Services and Technology Corp.

On March 31, 2015, Mr. Don Noakes was appointed Vice President, Operations. Mr. Noakes previously held positions with Murphy Oil Company Ltd., Mosaic Energy Ltd., APL Oil and Gas (1998) Ltd., Bow Valley Energy Ltd., and Culane Energy Corp.

On February 19, 2015, the Company announced the resignation of its former Chief Financial Officer, Mr. Ron Schmitz, in order to facilitate the promotion of Mr. Jeffrey Swainson from the position of Controller to the position of Chief Financial Officer and Corporate Secretary. Mr. Schmitz remains a director of Blackbird.

On January 22, 2015, the Company appointed Mr. Craig Wiebe to the position of Vice President, Exploration and announced that Mr. Ralph Allen, its previous Vice President, Exploration, transitioned to the role of Vice President, Geoscience.

On September 22, 2014, Blackbird benefited from the appointment of Mr. Kevin Andrus to its Board. Mr. Andrus is the Portfolio Manager of Energy Investments at GMT Capital Corp., Blackbird's largest shareholder. Mr. Andrus brings to Blackbird a wealth of capital markets and exploration and production experience.

Blackbird anticipates that these key organizational additions will facilitate the development of its 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, for a total of 51,329 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.

First Quarter 2017 Financial Highlights

ENTERPRISE VALUE

(CDN$ thousands)	**October 31 2016**	July 31 2016
Market capitalization[1]	**255,131**	134,756
Cash and cash equivalents	**(32,811)**	(29,051)
Enterprise value	**222,320**	105,705

Notes:
(1) Market capitalization is calculated using the total common shares outstanding at October 31, 2016 multiplied by the closing share price of $0.45 at October 31, 2016 (closing share price of $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 Elmworth.

Blackbird has budgeted approximately $16.1 million for its infrastructure build-out relating to the Elmworth project, of which $10.9 million remains to be spent at October 31, 2016, as discussed above under the heading "Infrastructure Regulatory Approval, Construction and Timing of Production". The infrastructure has been designed to be scalable to meet not only the Company's current and near-term capacity requirements but also to support future development and growth.

As a result of the Company's current commitments, expected expenditures not yet committed, costs associated with infrastructure, and further Montney development, management completed two private placements, one of which closed subsequent to October 31, 2016. See the "First Quarter 2017 Operating Summary: Closing of CEE Private Placement for Proceeds of $8.0 Million" and "First Quarter 2017 Operating Summary: Closing of CDE Private Placement for Proceeds of $5.1 Million" headings above. Blackbird may require further funding in the form of assumption of debt, off-balance sheet financing, further equity financing, or a combination thereof in order to meet its planned long-term growth objectives and to fund future development activities.

LIQUIDITY AND CAPITAL RESOURCES

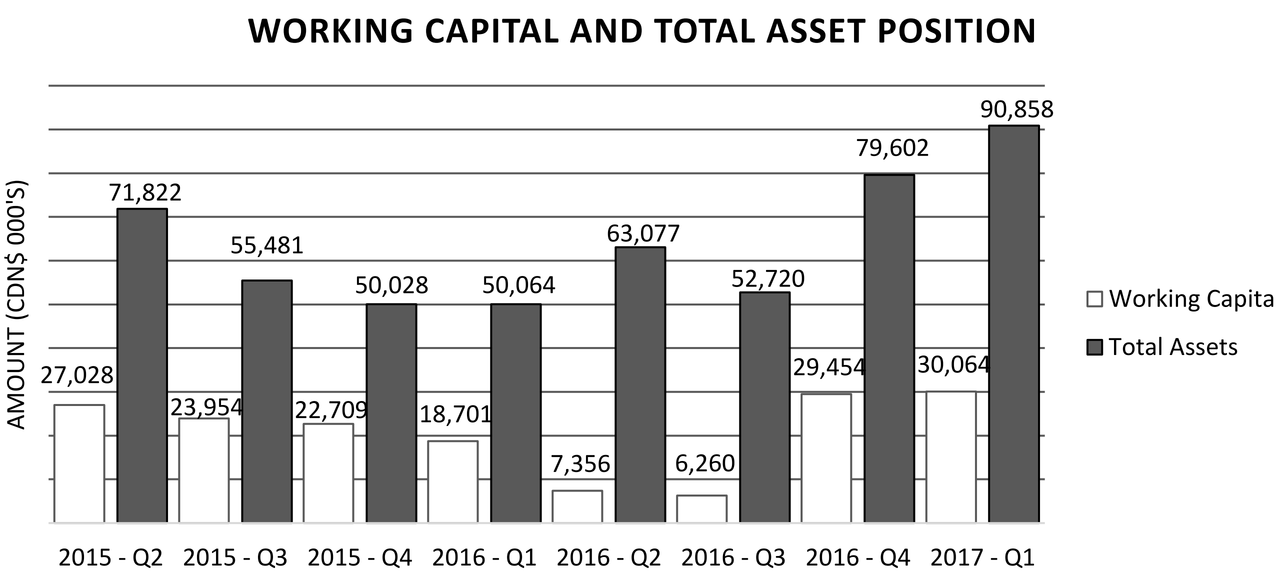
(CDN$ thousands)	**October 31 2016**	July 31 2016
Cash and cash equivalents	**32,811**	29,051
Accounts receivable	**345**	219
Inventory(1)	**181**	181
Prepaid expenses and deposits(2)	**1,584**	1,019
Accounts payable and accrued liabilities	**(4,449)**	(702)
Flow-through share premium liability	**(408)**	(314)
Working capital surplus	**30,064**	29,454

Notes:

(1) Casing acquired but not used for a previous well which will be used on Blackbird's future wells.

(2) Includes government "Licensee Liability Rating" program deposits expected to be recovered within a year.

As at October 31, 2016, Blackbird had a working capital surplus of $30.1 million (July 31, 2016 – $29.5 million). The increase in working capital surplus compared to July 31, 2016 is due to the CEE private placement, as described above under the heading "First Quarter 2017 Operating Summary: Closing of CEE Private Placement for Proceeds of $8.0 Million", partially offset by the drilling costs incurred related to the 02/2-20 well, infrastructure expenditures related to the Facility and the Gathering System, 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 quarter.



SHARE CAPITAL & SHAREHOLDERS' EQUITY

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

(CDN$ thousands, except share amounts, unaudited)	**Number of Common Shares (000s)**	**Share Capital**	**Reserves**	**Deficit**	**Total**
At July 31, 2016	550,023	86,416	11,505	(20,853)	77,068
Issuance of flow-through shares	16,500	8,003	-	-	8,003
Flow-through share premium	-	(248)	-	-	(248)
Share issue costs	-	(54)	-	-	(54)
Exercise of stock options and warrants	435	130	(48)	-	82
Share-based compensation	-	-	253	-	253
Net loss and comprehensive loss	-	-	-	(1,059)	(1,059)
At October 31, 2016	**566,958**	**94,247**	**11,710**	**(21,912)**	**84,045**

PRIVATE PLACEMENT FINANCING

During the three months ended October 31, 2016, the Company completed a CEE private placement as described under the heading "First Quarter 2017 Operating Summary: Closing of CEE Private Placement for Proceeds of $8.0 Million" above, providing net proceeds of $8.0 million.

Subsequent to October 31, 2016, the Company completed a CDE private placement as described under the heading "First Quarter 2017 Operating Summary: Closing of CDE Private Placement for Proceeds of $5.1 Million", providing net proceeds of $5.1 million.

EXERCISED STOCK OPTIONS AND WARRANTS

During the three months ended October 31, 2016, the Company issued 435,000 common shares due to the exercise of stock options and warrants. The Company received proceeds of $0.1 million on the exercises.

SHARE-BASED COMPENSATION

	Three months ended	
(CDN$ thousands)	**October 31 2016**	October 31 2015
Share-based compensation - stock option expense	**253**	269

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

SHARE-BASED COMPENSATION (CONTINUED)

During the three months ended October 31, 2016, share-based compensation of $0.3 million (October 31, 2015 - $0.3 million) in the form of stock option expense was incurred, with $152 thousand related to officers and $35 thousand related to directors (October 31, 2015 - $161 thousand related to officers and $44 thousand related to directors). During the three months ended October 31, 2016, the Company granted 500,000 options (October 31, 2015 – no option grants). The share-based compensation recognized on the options granted during the three months ended October 31, 2016 was offset by less expense being recognized on previously granted options due to graded vesting. As a result, share-based compensation remained consistent period over period. No share-based compensation expense was capitalized during the three months ended October 31, 2016 or 2015.

OUTSTANDING SHARE CAPITAL

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

	Number of shares issued or issuable
Common shares	580,603,675
Stock options	33,585,711
Warrants	10,891,254
Unit warrants	176,010,000

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

CAPITAL EXPENDITURES AND DIVESTITURES

	Three months ended	
(CDN$ thousands)	**October 31 2016**	October 31 2015
Drilling and completions	**2,559**	3,550
Plants, facilities and pipelines	**4,366**	164
Land and lease	**210**	-
Capitalized general and administrative expense	**215**	182
Net capital expenditures	**7,350**	3,896

PROPERTY AND EQUIPMENT IMPAIRMENT

	Three months ended	
(CDN$ thousands)	**October 31 2016**	October 31 2015
Property and equipment impairment	-	2,702

An impairment test is performed on capitalized property and equipment costs at a cash generating unit ("CGU") level on an annual basis and quarterly when indicators of impairment exist. Impairment is calculated as the difference in a CGU's carrying value and its recoverable amount.

During the three months ended October 31, 2016, the Company determined that there were no indicators of impairment related to any of the Company's CGUs. As such, an impairment test was not performed.

During the three months ended October 31, 2015, the Company recognized a net impairment of $2.7 million to property and equipment in the Elmworth CGU.

CONTINGENCIES AND COMMITMENTS

The Company relies on equity financings and working capital to fund its capital requirements and to provide liquidity for operations.

At October 31, 2016, the Company has committed to future payments over the next five calendar years, as follows:

(CDN$ thousands)	2016	2017	2018	2019	2020	Thereafter	Total
Office lease	37	224	224	130	-	-	615
Canadian dollar portion of gas marketing agreement	204	1,223	1,223	1,223	1,018	-	4,891
Transportation and processing	-	3,405	2,836	-	-	-	6,241
	241	**4,852**	**4,283**	**1,353**	**1,018**	**-**	**11,747**

(US$ thousands)	2016	2017	2018	2019	2020	Thereafter	Total
US dollar portion of gas marketing agreement[1]	131	785	785	785	654	-	3,140

Note:
(1) A fluctuation in the October 31, 2016, 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.

CONTINGENCIES AND COMMITMENTS (CONTINUED)

FLOW-THROUGH SHARES

The Company is required to incur and renounce $5.1 of eligible CDE by January 31, 2017 in connection with the issuance of flow-through shares subsequent to October 31, 2016.

The Company is required to incur and renounce $8.0 million of eligible CEE by December 31, 2017 in connection with the issuance of flow-through shares during the three months ended October 31, 2016. As at October 31, 2016, none of these expenditures have been incurred.

The Company is required to incur and renounce $2.3 million of eligible CDE by December 31, 2016 in connection with the issuance of flow-through shares during the year ended July 31, 2016. As at October 31, 2016, $1.5 million of these expenditures have been incurred. The remaining $0.8 million of qualifying expenditures must be incurred by December 31, 2016.

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.

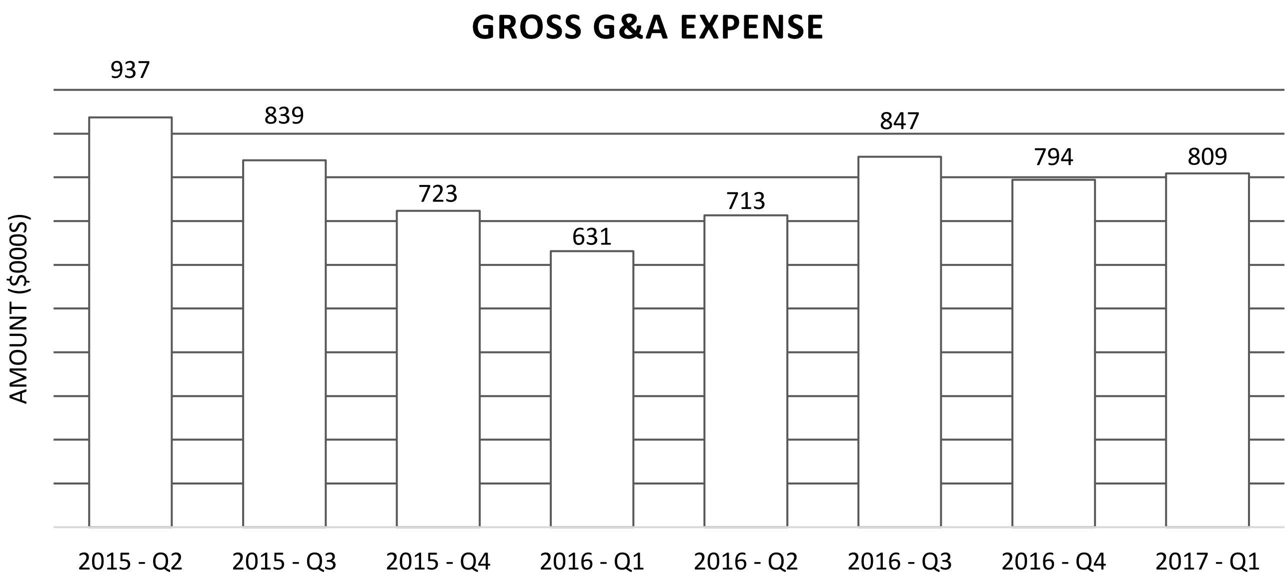
GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended	
(CDN$ thousands, except where otherwise noted)	**October 31 2016**	October 31 2015
Gross general and administrative expense	**809**	631
Capitalized general and administrative expense	**(215)**	(182)
Net general and administrative expense	**594**	449
General and administrative expense *($/boe)*	**480**	1,010

During the three months ended October 31, 2016, gross general and administrative ("G&A") expense increased to $0.8 million from $0.6 million for the same period in 2015. This increase was primarily a result of the Company hiring additional employees and consultants. The Company also incurred increased professional fees in the period.

During the three months ended October 31, 2016, the Company capitalized $215 thousand (October 31, 2015 - $182 thousand) of directly attributable G&A expenses related to the Elmworth project.

GENERAL AND ADMINISTRATIVE EXPENSE (CONTINUED)



FINANCING COSTS

Financing costs for the Company during the three months ended were as follows:

	Three months Ended	
(CDN$ thousands)	**October 31 2016**	October 31 2015
Accretion of decommissioning provision	**4**	4
	4	4

OPERATING LOAN FACILITY

At October 31, 2016, 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.

As of October 31, 2016, the Company had $0.7 million in letters of credit issued (July 31, 2016 - no letters of credit issued) which reduce the credit available on the loan facility.

At October 31, 2016, the available amount to draw on the loan facility was $0.3 million (July 31, 2016 - no loan facility).

PETROLEUM AND NATURAL GAS PRODUCTION AND REVENUE

	Three months ended	
	October 31 2016	October 31 2015
Production from non-core properties *(boe/d)*	**14**	5
Revenue from non-core properties *(CDN$ thousands)*	**15**	9
Average commodity sales price *($/boe)*	**12.34**	19.77

SENSITIVITIES

The following sensitivity analysis is provided to demonstrate the impact of changes in commodity prices on petroleum and natural gas sales for the three months ended October 31, 2016, and is based on the balances disclosed in this MD&A and the condensed consolidated interim financial statements for the three months ended October 31, 2016:

(CDN$ thousands)	Petroleum and Natural Gas Sales(1)
Change in average sales price for natural gas by $1.00/mcf	**6**
Change in the average sales price for crude oil and natural gas liquids by $1.00/bbl	**-**
Change in natural gas production by 1 mmcf/d (2)	**190**
Change in crude oil and natural gas liquids production by 100 bbls/d (2)	**109**

(1) Reflects the change in petroleum and natural gas sales for the three months ended October 31, 2016.

(2) Reflects the change in production multiplied by Blackbird's average sales prices for the three months ended October 31, 2016.

RELATED PARTY TRANSACTIONS

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

Blackbird has determined that the key management personnel of the Company consist of its directors and officers, including those who formerly held such positions. During the three months ended October 31, 2016 and 2015, the Company engaged in the following transactions with key management:

	Three months Ended	
(CDN$ thousands)	**October 31 2016**	October 31 2015
Share-based compensation	**187**	205
Salaries paid to key management personnel that were expensed	**117**	117
Salaries paid to key management personnel that were capitalized to exploration and development activities	**162**	132
Legal fees paid to Macdonald Tuskey, a law firm in which Mr. William L. Macdonald, Director, is a Principal	**42**	4
Share issue costs paid to Macdonald Tuskey	**17**	-
Fees paid to Canadian Energy Services and Technology Corp., a company in which Mr. Burton Ahrens, Director, is also a Director, for drilling services performed	**10**	-
Fees paid to Stage Completions Inc. for completion equipment and services performed, a company in which Mr. Garth Braun, Chairman, Chief Executive Officer and President and Mr. Sean Campbell, Director, are the Managing Director and President, Chief Executive Officer and Director of, respectively	**380**	-
	915	458

As of October 31, 2016, there was $74 thousand outstanding in accounts payable related to the above noted service providers (July 31, 2016 - $19 thousand), which is Blackbird's only on-going commitment to them.

During the three months ended October 31, 2016, the Company entered into the Subscription Agreement for the acquisition of an indirect 10% minority interest in Stage, a private Canadian company, for a cash purchase price of $3.0 million, which remained subject to certain operational conditions prior to closing. Subsequent to October 31, 2016, this transaction closed. See the "Closing of 10% Stage Completions Inc. Acquisition" heading above.

This transaction is a related party transaction as Mr. Garth Braun, the Company's Chairman, Chief Executive Officer and President is also a director of Stage and 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.

OPERATING NETBACK AND FUNDS USED FOR OPERATIONS

	(CDN$ thousands)			*($/boe)*		
Three months ended October 31	**2016**	2015	% change	**2016**	2015	% change
Petroleum and natural gas	**15**	9	67	**12**	20	(40)
Operating, production and transportation	**(106)**	(45)	136	**(82)**	(98)	(16)
Operating netback[(1)]	**(91)**	(36)	(153)	**(70)**	(78)	10
General and administrative	**(594)**	(449)	32	**(461)**	(976)	(53)
Interest income	**75**	62	21	**58**	135	(57)
Funds used for operations[(1)]	**(610)**	(423)	44	**(473)**	(919)	(48)
Changes in non-cash working capital	**(625)**	(172)	263	**(485)**	(374)	30
Cash used in operating activities	**(1,235)**	(595)	108	**(958)**	(1,293)	(26)

(1) Non-IFRS measure.

For the three months ended October 31, 2016, funds used for operations was $0.6 million compared to funds used for operations of $0.4 million for the same period in 2015. The increase in the current period was primarily a result of higher operating costs and increased G&A due to additional consulting and professional fees.

INCOME TAXES

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

	Three months Ended	
(CDN$ thousands)	**October 31 2016**	October 31 2015
Loss before taxes	**(712)**	(3,369)
Expected income tax recovery	**(192)**	(910)
Change in statutory rates and other	**21**	2,259
Permanent difference	**38**	310
Impact of flow-through shares	**210**	198
Share issue costs	**(15)**	(476)
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses	**321**	349
Change in unrecognized deductible temporary differences	**(36)**	(1,730)
Deferred income tax expense	**347**	-

Quarterly Financial Summary

(CDN$ thousands, except per share and production amounts)	**2017 Q1**	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Total assets	**90,858**	79,602	52,720	63,077	50,064	50,028	55,481	71,822
Working capital	**30,064**	29,454	6,260	7,356	18,701	22,709	23,954	27,028
Elmworth Montney land sections (net)	**87.25**	83.75	73	72	78	78	81	55
East Wapiti Montney land sections (net)	**77**	77	77	77	77	77	77	77
Elmworth Montney reserves(2)	**41,275**	41,275	38,533	38,533	14,850	17,552	-	-
Non-core production (boe/d)	**14**	9	9	1	5	24	12	46
Petroleum & natural gas revenue	**15**	8	13	3	9	81	32	151
General and administrative expense, gross	**809**	794	847	713	631	723	838	936
Net (loss) income and comprehensive (loss) income	**(1,059)**	(1,331)	(936)	5,705	(3,369)	(4,577)	(1,046)	752
Net (loss) income and comprehensive (loss) income per share - basic and diluted	**(0.00)**	(0.00)	(0.00)	0.02	(0.01)	(0.02)	(0.01)	0.01
Cash used in operations	**(1,235)**	(377)	(600)	(1,284)	(595)	(271)	(806)	(551)
Cash used in operations per share - basic and diluted	**(0.00)**	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Net (loss) income and comprehensive (loss) income from continuing operations	**(1,059)**	(1,331)	(936)	5,705	(3,369)	(4,267)	(1,046)	752
Net (loss) income and comprehensive (loss) income from continuing operations per share - basic and diluted	**(0.00)**	(0.00)	(0.00)	0.02	(0.01)	(0.01)	(0.01)	0.01

Notes:

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

(2) Q1 2017 reserves value carried forward from GLJ Petroleum Consultants ("GLJ") reserves evaluation dated July 31, 2016. Q4 2016 and Q4 2015 reserves value from GLJ reserves evaluations dated July 31, 2016 and July 31, 2015, respectively. 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 Net Present Value 10% 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) The booking of reserves and adjustments to the carrying value of assets for changes in forecasted commodity prices and volumes;

(b) The capital expenditures related to the Company's operations including drilling, infrastructure and land purchases;

(c) The disposition of the Saskatchewan Minor property on June 1, 2015;

Quarterly Financial Summary (Continued)

(d) Fluctuations in petroleum and natural gas revenue. Revenue is directly impacted by Blackbird's ability to replace existing production and add incremental production through its capital expenditure program. The Elmworth property is not yet producing;

(e) Equity financings;

(f) Fluctuations in interest income earned from the Company's cash held at financial institutions; and

(g) Fluctuations in Blackbird's revenues, royalties, operating costs, G&A, depletion and depreciation, share-based compensation, impairments, and amortization of flow-through share premium liabilities.

Please refer to the other sections of this MD&A for the detailed discussions on changes for the period ended October 31, 2016.

Risk Factors

Readers should refer to the risk factors summarized under the heading "Risk Factors" in the Company's most recent Annual Information Form.

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

RESERVES AND RESOURCE ESTIMATES (CONTINUED)

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

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.

COMMODITY PRICE RISK

Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian dollar and the U.S. dollar.

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

COMMODITY PRICE RISK (CONTINUED)

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

Given the current market conditions in the Canadian oil and gas industry, the Company may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavorable and highly dilutive terms. The Company does not have any financial risk management contracts in place at October 31, 2016 to manage these risks (October 31, 2015 – none).

INTEREST RATE RISK

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

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 joint interest billings, goods and services tax receivable, and cash and cash equivalents. As at October 31, 2016, the Company had $278 thousand net receivable from GST/HST with the remaining balance collectible from trade receivables. The Company's allowance for doubtful accounts at October 31, 2016, was $31 thousand (July 31, 2016 - $31 thousand). The Company expects to collect all other outstanding receivables.

At October 31, 2016 and 2015 all cash and cash equivalents 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.

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 unaudited condensed interim financial statements and financial information for the period ended October 31, 2016 and 2015 as contained in this MD&A have been prepared on a historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies have been applied consistently to all periods presented in the unaudited condensed interim financial statements. The unaudited condensed interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the years ended July 31, 2016 and 2015 filed on SEDAR. The Company's financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Critical Accounting Estimates

The timely preparation of financial statements and the financial information contained in this MD&A requires that management make estimates and assumptions and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

New events or additional information may result in the revision of these estimates over time. Examples of these estimates include but are not limited to estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received; estimated capital expenditures on projects that are in progress; estimated fair values of financial instruments that are subject to fluctuation depending on underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance; estimated value of decommissioning liabilities that depend on estimates of future costs and timing of expenditures; estimated future recoverable value of property and equipment and any associated impairment charges or recoveries; 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, 2016 and 2015.

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

EXPLORATION AND EVALUATION ASSETS AND PROPERTY AND EQUIPMENT

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

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

CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, DEPOSITS, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The fair value of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities approximated their carrying value at October 31, 2016, due to the short term nature of these instruments.

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 and cash equivalents are 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.

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 unaudited condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying interim condensed consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Off-Balance Sheet Arrangements

Blackbird has 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 Measures

This MD&A contains references to funds used for operations, cash 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 for operations, funds used for operations per share, and operating netback are relevant indicators of Blackbird's financial performance and its ability to fund future capital expenditures. Funds used for operations and operating netback should not be considered an alternative to or more meaningful than cash flow from operating activities, as determined in accordance with IFRS, as an indicator of Blackbird's performance. Readers should refer to "First Quarter 2017 Financial Highlights: Operating Netback and Funds Used for Operations" for a reconciliation of funds used in operations and operating netback to cash from operating activities, the most comparable measure calculated in accordance with IFRS.

BOE Presentation

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

Forward-Looking Statements

This MD&A contains certain forward-looking statements 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:

- The Company's general business plans, including the strategic accelerated business plan and H1 2017 drill program ,and strategies;
- The use of private placement proceeds;
- Future development plans and budgets;
- The requirement of further funding in the form of assumption of debt, off-balance sheet financing, further equity financing, or a combination thereof;
- Potential Elmworth land expiries and continuations;
- The Company's methods and ability to finance operations, capital expenditure programs, and working capital requirements;
- Future production expansion and mitigation of environmental disruption on account of the Facility and the Gathering System, respectively;
- Benefits from the Stage acquisition including cost plus administration pricing, preferential access and anticipated growth of the investment;
- The timing and success of development and exploitation activities, including the productivity and estimated behind pipe production of the Company's three Elmworth Montney wells based on test results to date;
- The expected timing and ability of Blackbird to tie-in Montney wells and more specifically, its ability to build infrastructure on-time and on budget;
- Budgeted remaining costs of infrastructure;
- The initial and future capacity of infrastructure;
- The material increase in net present value and internal rate of return of wells once tied-in due to D&C cost reductions;
- The Company's Elmworth / Pipestone asset being one of the most economic resources in the Montney under a full development scenario;
- The estimated D&C costs of the 02/2-20 well including the expected reduced flow-back and testing costs;
- The tie-in of the 02/2-20 well and the normalization of production;
- The deployment of the Stage System in Blackbird's future wells and the refinement of the completion program;
- Blackbird's positive momentum from recent results;
- The transition from Blackbird being an exploration stage company to a Canadian producer resulting in a significant growth catalyst for calendar 2017 and beyond;
- Future commitments and future dilution of share capital; and
- The expected timing and D&C design of the Company's 3-28 and 2-20/11-9 wells per the H1 2017 drill program.

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" or "resources" are by their nature deemed to be forward-looking statements, as they involve the implied assessment based certain estimates and assumptions that the reserves and resources 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, 2016. 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, 2016, 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

Jeff Swainson
Chief Financial Officer & Corporate Secretary

Ralph Allen, P.Geo.
Vice President, Geoscience

Joshua Mann
Vice President, Business Development

Craig Wiebe
Vice President, Exploration

Don Noakes
Vice President, Operations

Joshua Wylie
Vice President, Land

HEAD OFFICE

400, 444 5th Ave SW
Calgary, Alberta T2P 2T8

Phone: 403.699.9929
www.blackbirdenergyinc.com

TRANSFER AGENT

Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, British Columbia V6C 3B9

LEGAL COUNSEL

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

Osler, Hoskin & Harcourt, LLP
2500, 450 1st Street SW
Calgary, Alberta T2P 5H1

BANKERS

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

AUDITORS

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

INDEPENDENT RESERVES EVALUATOR

GLJ Petroleum Consultants
400, 3rd Ave SW
Calgary, Alberta T2P 4H2

STOCK EXCHANGE LISTING

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

BLACKBIRD

SUITE 400, 444 FIFTH AVENUE SOUTH WEST
CALGARY, ALBERTA T2P 2T8
PH: (403) 699-9929

www.blackbirdenergyinc.com