

## **BLACKBIRD INVESTMENTS INC.**

### **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS NINE MONTH PERIOD ENDED APRIL 30, 2009**

The following discussion and analysis, prepared as of June 22, 2009 should be read together with the unaudited interim financial statements for the nine month period ended April 30, 2009 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the Company's annual audited financial statements for the year ended July 31, 2008, and the Management Discussion and Analysis for that year.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

### **Description of Business**

Blackbird Investments Inc. (the "Company") was incorporated under the Business Corporations Act (BC) on September 21, 2006.

The Company filed its final capital pool corporation prospectus on April 22, 2009 with reliance upon audited financial statements for the year ended July 31, 2008. The Company's management intends to complete an initial public offering and to list the Company on the TSX Venture Exchange.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities (the "Qualifying Transaction"). Until the completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction.

### **Overall Performance**

During the nine month period ended April 30, 2009, the Company incurred a net loss of \$33,636 (2008 - \$Nil). The increased loss is primarily attributed to the Company beginning to conduct an initial public offering and obtain a listing on the TSX Venture Exchange.

At April 30, 2009, the Company had \$415,218 (2008 - \$286,487) in cash. Working capital at April 30, 2009 was \$391,917 (2008 - \$278,987). The Company's improved financial position is attributed to issuing 10,000,000 common shares at a price of \$0.05 per share for proceeds of \$500,000 on September 30, 2008. The Company had received \$309,168 in share subscriptions for this financing during the quarter ended July 31, 2008.

In November 2008, the Company signed an engagement letter with Canaccord Capital Corporation ("Agent") to conduct an initial public offering to raise a minimum of \$750,000 to a maximum of \$1,500,000 from the sale of a minimum of 7,500,000 to a maximum of 15,000,000 common shares priced at \$0.10 per share. On April 22, 2009 the Company signed an agency offering agreement with the aforementioned terms.

The Company will pay the Agent 8% of gross proceeds of the initial public offering and grant a minimum of 600,000 to a maximum of 1,200,000 agents warrants exercisable at \$0.10 per common share for a period of 24 months from the listing on the TSX-V. The Agent will also be paid a corporate finance fee of \$20,000 and will be reimbursed for its expenses. In December 2008, the Agent was paid \$10,000 towards the corporate finance fee and \$10,000 as an expense retainer.

The Company paid an additional \$21,541 and accrued \$13,578 for legal fees, registration and filing fees directly attributed to the prospectus and initial public offering. These costs have been allocated to deferred financing costs.

## Results of Operations

The Company incurred a net loss of \$33,636 (2008 - \$Nil) during the nine month period ended April 30, 2009. The expenses are as follows:

- Office and miscellaneous of \$160 (2008 - \$Nil) increased as a result of the Company increasing its operating activities.
- Professional fees of \$25,320 (2008 - \$Nil) are comprised of \$9,736 (2008 - \$Nil) in accounting fees, \$13,584 (2008 - \$Nil) in audit fees and \$2,000 (2008 - \$Nil) in legal fees. The increase is primarily attributed to the Company beginning to conduct an initial public offering and obtain a listing on the TSX Venture Exchange.
- Registration and filing fees of \$14,371 (2008 - \$Nil) were incurred primarily as a result of filing personal information forms.
- Interest income of \$6,003 (2008 - \$Nil) was earned from funds invested in guaranteed investment certificates.

## Summary of Quarterly Results

Results for the most recent quarters from commencement of operations are set out in the table below.

	Three Months Ended April 30, 2009	Three Months Ended January 31, 2009	Three Months Ended October 31, 2008	Three Months Ended July 31, 2008
Total assets	\$ 490,513	\$ 491,767	\$ 504,650	\$ 309,487
Working capital	391,917	416,725	449,150	278,987
Shareholders' equity	459,182	468,871	477,150	301,987
Interest income	1,846	2,386	1,771	-
Net loss	(9,689)	(8,279)	(15,668)	(7,182)
Loss per share	(0.01)	(0.01)	(0.01)	(72.00)

	Three Months Ended April 30, 2008	Three Months Ended January 31, 2008	Three Months Ended October 31, 2007	Three Months Ended July 31, 2007
Total assets	\$ 1	\$ 1	\$ 1	\$ 1
Working capital	-	-	-	-
Shareholders' equity	1	1	1	1
Interest income	-	-	-	-
Net loss	-	-	-	-
Loss per share	-	-	-	-

The Company was incorporated on September 21, 2006, but did not conduct any transactions other than issuance of 100 seed stock shares priced at \$0.01 per share until the quarter ended July 31, 2008. On September 21, 2008, the 100 shares were returned to treasury for \$1 and cancelled.

The Company incurred a net loss of \$33,636 (2008 - \$Nil) during the nine month period ended April 30, 2009. The increased loss is primarily attributed to the Company beginning to conduct an initial public offering and obtain a listing on the TSX Venture Exchange.

The Company earned \$6,003 (2008 - \$Nil) interest income from funds invested in guaranteed investment certificates.

The Company's improved cash position is attributed to issuing 10,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$500,000 on September 30, 2008. The Company had received \$309,168 in share subscriptions for this financing during the quarter ended July 31, 2008.

#### *Initial public offering*

In July 2008, the Company signed an engagement letter with Gateway Securities Inc. ("Gateway") to conduct an initial public offering. During the year ended July 31, 2008, the Company paid the Agent \$23,000 towards corporate finance fees, legal and due diligence fees which were recorded as deferred financing costs. In October 2008, the Company and Gateway agreed to cancel the engagement letter and Gateway refunded \$10,000 to the Company. In December 2008, the Company recognized an additional \$854 refund from Gateway.

In November 2008, the Company signed an engagement letter with Canaccord Capital Corporation ("Agent") to conduct an initial public offering to raise a minimum of \$750,000 to a maximum of \$1,500,000 from the sale of a minimum of 7,500,000 to a maximum of 15,000,000 common shares priced at \$0.10 per share. On April 22, 2009 the Company signed an agency offering agreement with the aforementioned terms.

The Company will pay the Agent 8% of gross proceeds of the initial public offering and grant a minimum of 600,000 to a maximum of 1,200,000 agents warrants exercisable at \$0.10 per common share for a period of 24 months from the listing on the TSX-V. The Agent will also be paid a corporate finance fee of \$20,000 and will be reimbursed for its expenses. In December 2008, the Agent was paid \$10,000 towards the corporate finance fee and \$10,000 as an expense retainer.

The Company paid an additional \$21,541 and accrued \$13,578 for legal fees, registration and filing fees directly attributed to the prospectus and initial public offering. These costs have been allocated to deferred financing costs.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be used to complete its initial public offering and anticipated qualifying transaction.

### **Liquidity and Capital Resources**

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to complete the initial public offering and anticipated qualifying transaction.

	April 30, 2009	July 31, 2008
		(Audited)
Working capital	\$ 391,917	\$ 278,987
Deficit	(40,818)	(7,182)

Net cash used in operating activities during the nine month period ended April 30, 2009 was \$31,413 (2008 – \$Nil). The cash used in operating activities for the period consists primarily of the operating costs and a change in non-cash working capital.

Net cash provided by financing activities during the nine month period ended April 30, 2009 was \$160,144 (2008 - \$Nil). During the current period the Company issued 10,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$500,000. The Company had received \$309,168 in share subscriptions for this financing during the quarter ended July 31, 2008. The Company refunded \$1 for the cancellation of 100 common shares. A \$10,854 refund of deferred financing costs from Gateway Securities Inc was also received during the current period. The Company paid \$41,541 in deferred financing costs during the nine month period ended April 30, 2009.

The Company did not have any investing activities during the nine month periods ended April 30, 2009 and 2008 respectively.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to cover anticipated administrative expenses throughout the year. It will continue to focus on completing a Qualifying Transaction.

## **Related Party Transactions**

During the nine month period ended April 30, 2009, the Company entered into the following transaction with related parties:

- a) Incurred \$8,235 (2008 - \$Nil) in professional fees to a company controlled by a director of the Company.
- b) Incurred \$25,279 (2008 - \$Nil) in legal fees which have been recorded as deferred financing costs to a law firm of which one of the Company's directors is a partner.
- c) Incurred \$2,000 (2008 - \$Nil) in legal fees to a law firm of which one of the Company's directors is a partner.

Included in accounts payable and accrued liabilities, is \$19,063 (July 31, 2008 - \$2,500) owing to the above related parties.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

## **Changes in Accounting Policies and Recent Pronouncements**

### **Changes in accounting policies**

#### *Assessing going concern*

The Accounting Standards Board ("AcSB") amended CICA handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

#### *Goodwill and intangible assets*

CICA Handbook Section 3064 replaces the current standard for goodwill and intangible assets and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred.

The Company adopted the above requirements on August 1, 2008 with no significant impact on the Company's financial statements.

### **Recent accounting pronouncements**

#### *International financial reporting standards*

The Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five-year transition period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

#### *Business Combination, Non-controlling Interest and Consolidated Financial Statements*

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning August 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at April 30, 2009.

### **Critical Accounting Policies**

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of stock-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

## Additional Disclosure for Venture Issuers without Significant Revenue

As of April 30, 2009, the Company has incurred losses and accumulated a \$40,818 deficit. The Company's primary focus for the foreseeable future will be on completing the initial public offering and listing the Company on the TSX Venture Exchange.

The following deferred financing costs have been paid or accrued to date:

Agent's retainer for expenses	\$10,000
Corporate finance fees	22,146
Legal fees and disbursements	25,279
Registration and filing fees	<u>9,840</u>
<b>Total</b>	<b>\$67,265</b>

## Outstanding Share Data

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

	<b>Number of shares issued or issuable</b>
Common shares	10,000,000
Stock options	-
Agent Options	-
Warrants	-

The 10,000,000 common shares are subject to escrow restrictions and will be released in stages upon completion of the Company's qualifying transaction.

## Disclosure Controls and Procedures & Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## **Business Risks**

The Company has a limited history of operations and has not yet completed its initial public offering. The Company is currently in the process of completing its initial public offering and if successful, will begin identifying and evaluating opportunities to serve as a qualifying transaction. Furthermore, there is no guarantee that a qualifying transaction will be completed. External financing, primarily through the issuance of common shares will be required to fund the Company's activities. There can be no assurance that the Company will be able to obtain adequate financing. The Securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's Securities:

- ***Dilution:*** There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This will result in further dilution to the Company's shareholders.
- ***Revenues and Dividends:*** Apart from generating an insignificant amount of interest, the Company has no revenues and does not expect to have any revenues in the foreseeable future. In the event that the Company generates any meaningful revenues in the future, then the Company intends to retain its earnings in order to finance further growth. Furthermore, the Company has not paid any dividends in the past and does not expect to pay any dividends in the future.
- ***Disruption in Trading:*** In the event that the Company makes a public announcement of a proposed qualifying transaction, trading in the common shares of the Corporation will be halted and will remain halted for an indefinite period of time. Trading in the common shares of the Corporation may be halted at other times for other reasons, including the failure by the Corporation to submit documents to the Exchange in the time periods required. The Exchange will generally suspend trading in the Corporation's common shares or de-list the Corporation's common shares in the event that the Exchange has not issued a final Exchange bulletin within 24 months from the date of listing.

## **Outlook**

The Company's primary focus for the foreseeable future will be on completing the initial public offering and listing the Company on the TSX Venture Exchange.