Thunderbird Entertainment Inc.

Management's Discussion and Analysis

For the years ended June 30, 2018 and 2017

GENERAL

This Management's Discussion and Analysis ("MD&A") dated October 18, 2018 should be read in conjunction with the audited consolidated financial statements Thunderbird Entertainment Inc. ("Thunderbird" or "the Company") for the years ended June 30, 2018 and 2017 and accompanying notes (the "Annual Financial Statements"). The audited consolidated financial statements and accompanying notes for the years ended June 30, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Unless otherwise indicated, all dollar amounts are expressed in thousands of Canadian dollars.

FORWARD LOOKING STATEMENTS

Thunderbird's public communications may include written or oral "forward looking statements" and "forward looking information" as defined under applicable Canadian securities legislation. All such statements may not be based on historical fact that related to the Company's current expectations and views of future events and are made pursuant to the "safe harbour" provisions of applicable securities laws.

Forward-looking statements or information may be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "plan", "project", "should", "believe", "intend", or similar expressions concerning matters that are not historical facts. These statements represent Management's current beliefs and are based on information currently available to Management and inherently involve numerous risks and uncertainties, both known and unknown. Many factors could cause actual results to differ materially from the results discussed or implied in the forward-looking statements including; general economic and market segment conditions, competitor activity, product capability and acceptance, international risk and currency exchange rates, and technology changes. An assessment of the risks that could cause actual results to materially differ from current expectations is contained in the "Risks and Uncertainty" section of this MD&A. The foregoing is not an exhaustive list. Additional risks and uncertainties not presently known to the Thunderbird or that Management believes to be less significant may also adversely affect the Company.

The forward-looking statements or information contained in this document represent our views as of the date hereof and as such information should not be relied upon as representing our views as of any date subsequent to the date of this document. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements or information.

NON-IFRS MEASURES

In addition to the results reported in accordance with IFRS, the Company uses various non-IFRS financial measures which are not recognized under IFRS, as supplemental indicators of our operating performance and financial position. These non-IFRS financial measures are provided to enhance the user's understanding of our historical and current financial performance and our prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of our core operating results and ongoing operations and provide a more consistent basis for comparison between periods. The following discussion explains the Company's use of Adjusted EBITDA as measures of performance.

"Adjusted EBITDA" is calculated based on EBITDA, or earnings/loss before interest, taxes, depreciation and amortization, asset impairment charges, accretion, share-based compensation expense, finance costs (income), share of loss of associates, unrealized foreign exchange gain/loss and losses and items of an unusual nature that do not reflect our ongoing operations. EBITDA and Adjusted EBITDA are commonly reported and widely used by investors and lenders as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. EBITDA and Adjusted EBITDA is not an earnings measure recognized by IFRS and therefore does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers.

OVERVIEW
Thunderbird is a company incorporated under the Business Corporation Act (British Columbia). Thunderbird's principal operating subsidiaries are Great Pacific Media Inc. and Atomic Cartoons Inc. In accordance with industry practice, Thunderbird incorporates a new subsidiary corporation for each production, including each new season of ongoing series productions. Accordingly Thunderbird has approximately 60 such subsidiary corporations.

General Development of the Business
Thunderbird is a multi-platform media production, distribution and rights management company based in Vancouver, Canada. In addition to three locations in Vancouver, Thunderbird has offices in Toronto, Los Angeles and London. Thunderbird's programs cover multiple genres with a significant focus on childrens' productions, scripted comedy and drama, and factual/non-scripted content. Thunderbird's programs are currently being broadcast via conventional linear means in over 180 countries worldwide and on a number of digital platforms. A substantial and growing portion of Thunderbird's programming library has been licensed directly to leading Internet "over the top" ("OTT") platforms such as Netflix, Hulu, Amazon and iTunes which variously offer subscription video on demand ("SVOD"), transactional video on demand ("TVOD") and advertising video on demand ("AVOD") to their customers.

Thunderbird's strategy is to continue to aggressively grow its business and create long term value through the expansion of its programming library and its owned or controlled intellectual property ("IP"). While Thunderbird generates fee income during the production and initial distribution windows for its programs, management feels that long-term value creation will be best served by creating programming that can drive long term multiple revenue streams from Thunderbird's library. An important component of Thunderbird's strategy is to create and own content that has established brand recognition in order to generate a broad array of revenue streams from licensing, merchandise, music, video games and other ancillary sources over an extended period of time. The *Blade Runner* and *Beat Bugs* projects, as further discussed below, are examples of projects centered on well known, global brands.

Thunderbird launched in 2003. Since inception it has been focused on the goal of owning and exploiting premium content. During its early years, Thunderbird focused its efforts on the distribution of third party television programming throughout North America, as well as building its library for distribution through international partners. In 2005, Thunderbird recognized an opportunity to expand its content library through the creation and production of its own proprietary programming and it began to grow the production side of its business, with an initial focus on television series for domestic and international linear markets. In recent years, Thunderbird has expanded its scope to include both linear and digital content across multiple genres.

Childrens' - Programming for children has been an important and growing component of Thunderbird's production slate and proprietary library for over ten years. In 2015, Thunderbird substantially expanded its focus on childrens' programming and made substantial investment in animated programming with the acquisition of Atomic Cartoons Inc. At the same time, Thunderbird expanded its focus on iconic brands by securing production rights and commencing production of *Beat Bugs*, a 52 x 15 minute episode animated childrens' television series featuring the music library of The Beatles. Each episode features a different song selected from the entire Beatles music library and the storyline is built around the lyrics of the song. The initial 52 episode season was completed and released in 2016. *Beat Bugs* debuted on Netflix and also initially aired on Australia's Channel 7 Network. In 2018, *Beat Bugs* began airing on the CBC in Canada.

Factual - With the acquisition of Great Pacific Media Inc. in 2015, Thunderbird established a strong presence in the non-scripted (factual) marketplace with multiple television series in the "lifestyle" genre and long running factual series including *Highway Thru Hell* (Season 7 in production) and *Heavy Rescue: 401* (Season 3 in production).

Scripted – Thunderbird has produced a variety of scripted series over the years for Canadian, American and International audiences. Past productions include the primetime drama *Somewhere Between* for ABC, *Package Deal* for CityTV, *Endgame* for Showcase and four seasons of the hit science fiction series *Continuum*, also for Showcase. Thunderbird is currently producing Season 3 of *Kim's Convenience*, a scripted comedy series for the CBC. In July, 2018 this series became available to audiences outside of Canada when it debuted internationally on Netflix.

Increasing fragmentation of the broadcast industry in recent years and the proliferation of alternatives for viewing programming via the Internet has had a number of significant impacts on the creators and distributors of programming. A key strategy that Thunderbird has adopted in order to best capitalize on these changing market conditions is to dedicate significant resources to the acquisition and/or creation of programming with established brand recognition. In 2010, Thunderbird took the first significant step in implementing this strategy by acquiring 50% of the right to produce all sequels, prequels, television series, games and ancillary rights associated with the critically acclaimed science fiction feature film *Blade Runner*. The rights were subsequently optioned to Alcon Entertainment who produced the first Blade Runner sequel, *Blade Runner 2049*, released in 2018 with Executive Producer Ridley Scott, Director Denis Villeneuve, and starring Harrison Ford and Ryan Gosling.

In keeping with global trends, an increasing portion of Thunderbird's growth and future business focus is with OTT platforms such as Netflix, Amazon and others. Thunderbird intends to continue establishing itself as a preferred supplier of programming for these leading OTT platforms with the strategy of building iconic brands where possible. In addition to acquiring and producing proprietary programming, Thunderbird plans to grow its business and library through the acquisition of complimentary companies in the entertainment industry and through strategic business alliances. The focus of these efforts is to grow its library, expand Thunderbird's production and distribution capabilities and extend its operations beyond North America.

Narrative Description of the Business

Industry Overview

The global content market is thriving. The growth of entertainment and media ("E&M") remains steady even as the industry is being transformed. Global E&M revenues are expected to exceed $2 trillion in 2018 and are forecast to continue growing over the next few years at a compound annual growth rate of 4.4%. Digital revenues continue to make up an increasing share of the industry's income. Mass investments in technology and broadband network infrastructure have expanded coverage, capacity, bandwidth and connectivity for consumers. As a result, the Internet-connected mobile device (such as smart phones and tablets) is rapidly becoming consumers' primary means of accessing E&M content globally. This makes it imperative for content creators and distributors to develop the means to reach and monetize mobile consumers directly through mobile experiences rather than traditional sales and distribution approaches. Businesses in the E&M ecosystem are racing to develop new revenue streams, especially in digital delivery.

Convergence is occurring within the media industry as the distinction between varieties of media are collapsing. There is a convergence in business models as many content businesses who once had radically different business models are converging on a macro scale and seeking to act as a producer, distributor and retailer of content. There is also a convergence in geography as the cost of scaling into new countries has fallen and fresh markets offer attractive growth opportunities.

This convergence has affected the nature of competition. The demand for premium programming has increased significantly as a result of the proliferation of digital/non-linear distribution methods, primarily OTT. Management believes that a key to success in this evolving industry will be focusing on direct user relationships and creating high quality content. Thunderbird is very well positioned on both fronts and has the financial advantage of operating as a Canadian producer.

Canada is a very favorable jurisdiction for film and television production due to its tax credit and other incentive regimes, Canadian content regulations, as well as excellent international co-production treaties and highly skilled creative workforce. Canada has enjoyed particular success in the animation production industry worldwide, with several independently produced Canadian programs achieving international recognition.

The Canadian production industry is marked by a highly supportive regulatory environment. Presently, major English language broadcasting groups (including Rogers Media, Bell Media, Corus Entertainment, and Shaw Media) are typically required by the Canadian Radio and Telecommunications Commission to spend a percentage of their revenues on Canadian content. In addition, several specialty and conventional networks are required to devote a percentage of their broadcast schedule to programming directed at children. The federal Broadcasting Act also encourages independent production by directing financial contributions by broadcast, cable and satellite providers and by establishing requirements for Canadian programming expenditures. The Canadian production industry has seen steady growth with approximately 3.06% compound annual growth rate over the past ten years. Total production revenue was $8.38 billion in 2017 (up from $6.8 billion in 2016), Canadian children and youth television production revenue was $521 million in 2017, while Canadian animation production was $266 million during the same period.

Production

Production Model

Thunderbird produces programming for the global market and strives to build a programming library around recognizable global brands. As a Canadian company, Thunderbird benefits from an advantageous regime of federal and provincial government tax credits and financial incentives. This unique and attractive financing environment enables Thunderbird to retain exploitation rights to its productions and build greater value in its library of original productions for exploitation in worldwide and ancillary markets. Through internal growth and acquisitions Thunderbird has substantially expanded its ability to produce programming across multiple genres. This capability allows us to exercise creative and cost control over the production process and to generate additional profit margins at the production level.

Development Model

Thunderbird's development process is both creative and business driven. Thunderbird manages all aspects of the proprietary production process from developing original ideas, optioning intellectual property rights, engaging creative personnel, arranging production financing, and overseeing production and post-production activities. Thunderbird's creative development team seeks out both emerging and proven talent in the respective genres and works with key clients and partners to develop new and fresh ideas. Thunderbird also uses its extensive experience in the production and distribution of programming, to attempt to create concepts that will have broad international appeal across multiple territories and platforms.

Thunderbird has developed strategic business relationships with key North American and international broadcasters, with international distributors and with major global digital platforms like Netflix and Amazon. These strong relationships are built on a track record of past success and speak to the confidence that Thunderbird's partners have in it to deliver quality programming on time and on budget. The market knowledge gained from these relationships is also extremely valuable and assists Thunderbird in focusing its development activities on new projects which management believes will have North American and international appeal. Thunderbird then employs various strategies – which may be unique for each production - for marketing the completed programming and all ancillary rights worldwide.

Historically, Thunderbird has focused on higher budget and higher quality programs as management believes that this extends the life and thereby increases the value of the Thunderbird library. Thunderbird maintains a disciplined approach to acquiring and perfecting key exploitation rights to its content and strives to own the majority of the ancillary rights to its IP.

Management believes that Thunderbird has also developed specific expertise in live-action, studio audience, multi-camera productions, which is the style of production utilized for United States-style "sit-coms". To date Thunderbird has produced three series in this fashion - *Package Deal* (26 episodes), *Mr. Young* (80 episodes) and *Some Assembly Required* (57 episodes). Thunderbird believes there will be future opportunities to leverage this expertise as it looks to create new productions using its own IP or the IP of foreign partners.

While Thunderbird's primary focus is on producing programming in which it holds long term proprietary interests, it also generates recurring revenue from providing production services to a variety of clients. While these activities are not a driver of long-term shareholder value growth, they do generate near term earnings and provide opportunities to build the experience and credentials of up and coming talent that Thunderbird can draw on for future proprietary productions. More importantly, the production services activities can further strengthen Thunderbird's business relationships with key North American and international broadcasters and other clients.

Production Genres

Thunderbird's core production is focused on three genres of programming: childrens'; factual, lifestyle and non-scripted; and scripted (comedy and drama). Thunderbird aims to develop and produce series that will appeal to worldwide audiences with the opportunity for exploitation over a long period of time across multiple media platforms. Thunderbird believes that its core programme genres have both an international reach and the potential for longer-term revenue streams. Thunderbird strives to focus its efforts on the highest quality programming and established brands.

Children's Programming

With the acquisition of Atomic Cartoons Inc. ("Atomic Cartoons") Thunderbird has significantly expanded its presence in the childrens' programming space and has also added a strong proficiency in animation, a genre that has the ability to reach across cultural and geographic borders with programming that can enjoy a long shelf life. Atomic Cartoons is an award-winning, full-service animation studio operating out of Vancouver, British Columbia. Since 1999, Atomic Cartoons has created and produced animation for feature films, commercials, music videos, and television series. Atomic Cartoon's roster of clients and partners includes Nickelodeon, PBS, Spinmaster, Cartoon Network, Walt Disney, Mattel, Warner Bros., Marvel, Microsoft, Lego and NBC Universal. Atomic Cartoons traditionally focused on the provision of two-dimensional animation service for its clients. With the acquisition by Thunderbird, Atomic Cartoons significantly ramped up its three-dimensional animation capability and produced Thunderbird's proprietary series *Beat Bugs*, a 52 x 15 minute episode animated childrens' television series featuring the music library of The Beatles that was initially licensed to Netflix worldwide. Since 2015, Atomic Cartoons has undergone substantial growth in both two-dimensional and three-dimensional animation production and has solidified its relationship with Netflix and other OTT platforms.

Atomic Cartoons is currently producing three series for Netflix alone, with additional projects in development for Netflix and others. With such a robust slate of programming, Atomic Cartoons has been expanding rapidly. During the past three years, Atomic Cartoons grown from engaging approximately 200 animators to nearly 500 animators.

Thunderbird has also established itself as a leading Canadian producer of children's multi-camera live studio audience programming. Thunderbird has produced 80 episodes of the half-hour childrens' comedy *Mr. Young*. The series initially aired on YTV in Canada and Disney XD in the United States and internationally. The success of *Mr. Young* led to the production of 57 episodes of *Some Assembly Required* for YTV, Thunderbird's second multi-camera sitcom for youth from the creators of *Mr. Young*.

Below is a summary of Thunderbird's production slate for the 2019 and 2020 fiscal years for childrens' and animated productions.

This slate includes productions that are currently ongoing or are expected to commence at any time during the 2019 or 2020 fiscal years. Aggregate productions budgets for this slate are estimated to exceed $90 million:

Production Slate - Childrens' and Animation	
Project	Client or Partner (Broadcaster/OTT Platform)
Hello Ninja (20 x 22 minutes)	Netflix
Last Kids on Earth (26 x 22 minutes)	Netflix
Super Dinosaur (26 x 22 minutes)	Skybound/Spinmaster
Lego Jurassic World (2 x 22 minutes)	LEGO/NBC Universal
Curious George (feature length film 90 minutes)	NBC Universal

Production Slate - Childrens' and Animation	
Project	Client or Partner (Broadcaster/OTT Platform)
101 Dalmatians (52 x 11)	Disney
Cupcake and Dino (26 x 22)	eOne (Netflix)
Max & Ruby (26 x 22)	Nickelodeon & Corus
Molly of Denali (40 x 22)	WGBH-TV (PBS)
Lego Marvel Spiderman *(2 x 22)*	LEGO/Marvel
Incredible Ant (13 x 22)	Ant Financial/Ali Baba
Screatures (20 x 5)	Alpha
Marvel Superheroes Season 2 (10 x 3.3) Season 3 (10 x 3.3)	Marvel Animation

Factual, Lifestyle and Non-Scripted

Great Pacific Media Inc. ("GPM") is Thunderbird's factual, lifestyle and documentary production company. Formed in 2010 by two veteran factual television producers, Blair Reekie and Mark Miller, GPM is a full-service production company with office, studio and post-production facilities in Vancouver. Thunderbird acquired GPM in 2015. GPM's current productions include Season 7 of *Highway Thru Hell*, one of the most successful factual programs in Canadian history. The series, which chronicles the action-packed world of heavy rescue towing, is being produced for Discovery Canada and is distributed in over 170 countries and on Netflix worldwide. Discovery Canada has ordered Season 8.

GPM also produces a "spin-off" series for Discovery Canada that brings the elements of *Highway Thru Hell* to Canada's busiest freeway, Ontario's notorious Highway 401. Season 3 *of Heavy Rescue: 401* is currently in production and Discovery Canada has ordered Season 4. *Heavy Rescue: 401* is also broadcast by television stations around the world and is available on Netflix.

The global success of the Highway brand has helped GPM establish itself as a leading producer of unscripted programming in Canada and has led to subsequent factual projects in development and production. In May 2018, CBC commissioned 8 x 60 minute episodes of *High Arctic Haulers*. The series offers a look at Canada's remote and resilient northern communities and the determined men and women who crew the ships travelling to the far reaches of the north to deliver critical cargo and vital supplies.

GPM is also an established producer of lifestyle programming. GPM's current productions include two home renovation series for Corus, *Save My Reno* (Season 2 in production) and *Worst to First* (Season 2 in production). GPM also produced 8 x 30 minute episodes of the documentary program *Queen of the Oil Patch* for APTN. The series premiered in June 2018 and follows the emotional journey of two spirited Massey Whiteknife/Iceis Rain in the rugged oil sands of Northern Alberta.

For the past several years, GPM has provided complete turn-key production services for other North American producers, including seven seasons of TLC's *Untold Stories of the ER* and one season of the spin-off series *Sex Sent Me to the ER* for United States partner GRB Entertainment.

Below is a summary of Thunderbird's production slate for the 2019 and 2020 fiscal years for factual, lifestyle and non-scripted productions. This slate includes productions that are currently in production or are expected to commence production during the 2019 and 2020 fiscal years. Aggregate production budgets for this slate are expected to exceed $50 million:

Production Slate - Factual, Lifestyle and Non Scripted

Project	Client or Partner
Highway Thru Hell Season 7 in Production (17 x 60) Season 8 Ordered (17 x 60)	Discovery Weather Channel US
Heavy Rescue: 401 Season 3 in Production (14 x 60) Season 4 Ordered (14 x 60)	Discovery
Save My Reno Season 2 in Production (14 x 30)	"W" Network
Worst to First Season 2 in Production (10 x 60)	HGTV
Queen of the Oil Patch Season 2 Order pending (8 x 30)	APTN
High Arctic Haulers Season 1 in Production (10 x 60)	CBC

Scripted Programming

For over a decade, Thunderbird has produced scripted programs across a variety of genres including drama, science fiction, and half-hour comedy series (both single camera and multi-camera). Thunderbird recently completed principal photography of Season 3 of its award-winning comedy series *Kim's Convenience* which centres on the Korean-Canadian Kim family who run a convenience store in Toronto. Kim's Convenience is based on a successful play and won the award for top comedy series at the 2018 Canadian Screen Awards. The series was developed by Thunderbird in conjunction with Toronto's Soulpepper Theatre Company, and is broadcast on the CBC television network in Canada. In 2018, *Kim's Convenience* was licensed to Netflix for exclusive SVOD distribution.

Below is a summary of Thunderbird's production slate for the 2019 and 2020 fiscal years for scripted productions. The production slate includes productions that are currently in production or are expected to commence production during the 2018 and 2019 fiscal years. Aggregate production budgets for this slate are estimated to exceed $30 million:

Production Slate - Scripted

Project	Client or Partner
Kim's Convenience Season 3 in Production (13 x 30) Season 4 Ordered (13 x 30)	CBC

<u>Production Financing</u>

Thunderbird employs a variety of strategies for financing its proprietary programming and distribution activities. The financing strategies vary based on the programming genre and production/financing partner, but the objective of each production financing is to employ a production funding model that minimizes the capital risk associated with developing new titles and new seasons for existing titles while maximizing the long-term exploitation rights. Thunderbird typically has 85% to 100%, of the direct cost of production covered before it determines to proceed with production. This is achieved through domestic upfront payments (i.e. pre-sale of certain broadcast rights and/or SVOD, TVOD and AVOD platform rights), and advances from international distributors distribution partners (including receipt of distribution advances), and the availability of favourable Canadian tax credits, grants and other domestic funding sources available to Thunderbird.

Thunderbird also takes advantage of co-production treaties between Canada and numerous other countries outside of the United States. Official co-productions qualify as local content in the co-production partners' respective territories, which typically provides access to financing incentives in those territories as well as fulfilling local content broadcast quotas where applicable. Typically, co-production partners will negotiate shared global exploitation rights to the production and any ancillary merchandise, music and other revenue potential.

Most of Thunderbird's productions, including co-productions, qualify for all or some of these incentives, including tax credits for Canadian certified content from the Canadian Audio Visual Certification Office. While Thunderbird pursues the maximum third-party financing available to it, the sources of financing and amounts committed from each source may vary, perhaps significantly, from production to production.

Thunderbird typically secures interim cash flow financing for each of its productions from a Canadian chartered bank or other industry lender. This is because the timing of cash flows from financing sources does not necessarily match the cash flows required for production. The third party project financing commitments are pledged to the lender as security for the interim financing and used to pay down the interim financing as received.

As is industry practice, Thunderbird incorporates a new subsidiary for each of its productions, including each new season of ongoing series productions. This provides the opportunity to segregate and limit liability, to monitor production costs and to manage financing and future revenue streams associated with each production. Thunderbird typically guarantees most of the interim financing loans obtained by the individual production companies. All productions are insured for potential losses, accidents and interruptions during the production period. Any equity investment flows directly to the production company incorporated for that purpose and as such is recouped solely against future returns on that particular property.

After the initial production, Thunderbird licenses the content globally for a set term, and then re-license in various territories to create a continuing incremental revenue stream over time. In addition, Thunderbird leverages the emergence of OTT digital distribution channels to further monetize proprietary content.

Distribution

With a focus on investing in IP rights and a corporate mandate to keep risks and overheads low, Thunderbird undertakes a variety of strategies to distribute, sell and otherwise exploit our own proprietary programming and programming in its distribution library. Thunderbird distributes its productions in North America through its internal staff and by third party sales agents. Thunderbird distributes its library internationally through partnerships with key international distributors and broadcasters on a project-by-project basis and through internal personnel. This strategy allows Thunderbird to effectively and efficiently exploit the distribution market, while minimizing the costs of doing so. Thunderbird's international strategy allows it to negotiate the most competitive contract in terms of distribution fees and expenses paid to the partner, as well as distribution advances to be received from the partner. Since many international distributors are affiliated with broadcasters, this provides Thunderbird access to favourable international distribution agreements which can also be coupled with key broadcast sales. Thunderbird has developed long-standing relationships with many of the world's distributors across broadcast television, cable and digital channels.

Thunderbird's London based subsidiary, Thunderbird Releasing Limited, distributes independent feature films to theatres, broadcasters, OTT platforms and via DVDs throughout the United Kingdom and Ireland.

Thunderbird maintains its international presence by attending preeminent industry events, including MIP, MIPCOM, Realscreen West, Realscreen East, Kidscreen, NATPE, the Banff World Media Festival, and selected major international film festivals to continually identify opportunities to secure IP rights and to monetize its library globally.

Traditionally Thunderbird licenses initial broadcast rights to individual broadcasters representing different "windows" (pay cable, terrestrial, cable and satellite) in their respective territories, packages of programmes to individual broadcasters, reuse rights ("library" sales) to existing series with individual broadcasters, and pre-sell series in development. When the initial license term expires, the program becomes part of Thunderbird's library for future licensing and monetization.

The emergence and the rapid growth of OTT platforms are creating substantial opportunities for owners of high-quality, in-demand content to create new revenue streams. People are consuming content differently, as reflected by the mass migration to emerging OTT platforms, and are increasingly consuming content on small screen connected mobile devices such as smart phones and tablets. The industry is evolving and so are we. Management believes that Thunderbird is extremely well-positioned to benefit from this growing digital landscape.

Digital distribution of Thunderbird's existing library to emerging digital OTT platforms is a source of growth as these platforms have increasingly looked to add high quality content to their offerings.

Traditionally, Thunderbird's international distribution strategy has been to utilize large international distributors who typically offer a recoupable advance against future sales. They sell territory by territory to recover their advances and expenses, take fees and then remit any overage back to Thunderbird. Thunderbird still uses this approach for selective cases, but increasingly it is able to sell its series directly to global OTT platforms such as Netflix in order to fund a substantial portion of the production budgets and thereby eliminate distribution commissions, fees and expenses. While these license terms can extend up to seven to ten years and are often exclusive in the SVOD, TVOD and AVOD world, they are typically only exclusive for a short term (e.g. two years) for all non-SVOD, TVOD or AVOD rights. This provides Thunderbird with the ability to sell to linear broadcasters and cable companies after this initial exclusivity window expires. Beat Bugs is an example of a series that Thunderbird sold to Netflix worldwide as an original series, and later sold to CBC as the broadcaster following expiry of the initial exclusivity window.

Thunderbird has a number of agreements with leading OTT platforms in the United States, including Netflix, Hulu and Amazon for the licensing of both new productions and programming from its library, which have become an increasingly significant driver of our revenues. Thunderbird's close relationship with the prominent OTT platforms provides a more direct link to the end consumer thereby facilitating more targeted development of future programming.

Competition
While the global content market is a multi-trillion dollar industry, the production and distribution of childrens', scripted and factual programming is highly competitive. Participants in the North American content production market range from large multi-national media conglomerates to mid-sized, integrated production companies, to a vast number of small independent producers and production companies.

The Canadian production industry offers a unique competitive environment due to proximity and cultural similarity with the United States market, and due to the availability of tax credits and other incentives that create a favorable production financing environment. In Canada, there are only a handful of mid-sized companies who directly compete with us in the three genres in which we create programming. Some of these companies are focused on one particular genre and others are more diversified. Canadian mid-sized competitors include, Kew Media Group Inc., Boat Rocker Media Inc., DHX Media Ltd., 9 Story Media Group, Cineflix Productions, Bardel Entertainment Inc., Muse Entertainment Enterprises Inc. and BRON Studios. Management believes Thunderbird has established itself near the top of this mid-sized pool of competitors with the resources, expertise, track record and global scope necessary for continued growth.

Seasonality
Results of operations for any period are contingent on the number and timing of programs delivered. Therefore, the Company's results of operations may fluctuate significantly from period-to period and may not be indicative of future periods. Cash flows may also fluctuate and may not be closely correlated with revenue recognition. The Company's revenues vary significantly over the quarters as they are driven by contracted deliveries with the broadcasters and distributors and therefore are not earned on an even basis throughout the year. The Company is also somewhat reliant on the broadcaster's budget and financing cycles and at times the license period gets delayed and commences at a later date than originally projected. Readers of the Financial Statements and this MD&A are therefore cautioned about extrapolating the results for quarterly or annual periods in the financial year ended June 30, 2018, into quarterly or annual expectations in future years.

SELECTED ANNUAL COMPARATIVE INFORMATION

Years Ended June 30, 2018 and 2017

The selected comparative information set out below for the years ended June 30, 2018 and 2017 has been derived from, and should be read in conjunction with, the Company's audited consolidated financial statements and accompanying notes for the respective periods.

($000's)	**June 30, 2018**	**June 30, 2017**
Total assets	$ 112,716	$ 150,283
Total non-current liabilities	6,576	5,347
Shareholders' equity	38,149	36,443

RESULTS OF OPERATIONS

Results for the year ended June 30, 2018 compared to the year ended June 30, 2017

($000's, except per share data)	For the three months ended June 30,		For the year ended June 30,	
	2018	2017	2018	2017
Revenue	$ 11,378	$ 25,582	$ 142,402	$ 95,113
Expenses	11,615	27,632	139,041	95,800
Income (loss) from continuing operations	**(237)**	**(2,050)**	**3,361**	**(687)**
Income (loss) from discontinued operations	(139)	(334)	(46)	1,596
Net income (loss) attributable to owners of the parent	**(376)**	**(2,384)**	**3,315**	**909**
Foreign currency translation adjustment	(2)	(30)	(89)	64
Comprehensive income (loss) for the period	**(378)**	**(2,414)**	**3,226**	**973**
Comprehensive net income (loss) attributable to owners of the parent	**(378)**	**(2,485)**	**3,226**	**973**
Basic earnings per share - continuing operations	$ (0.021)	$ (0.084)	$ 0.061	$ (0.075)
Diluted earnings per share - continuing operations	$ (0.021)	$ (0.084)	$ 0.049	$ (0.075)
Basic earnings per share - discontinued operations	$ (0.005)	$ (0.011)	$ 0.002	$ 0.054
Diluted earnings per share - discontinued operations	$ (0.005)	$ (0.011)	$ 0.002	$ 0.037

Adjusted EBITDA

Adjusted EBITDA is summarized as follows:

($000's	For the three months ended June 30,		For the year ended June 30,	
	2018	2017	2018	2017
Income (loss) from continuing operations	**$ (237)**	**$ (4,186)**	**$ 3,361**	**$ (687)**
Income tax expense (recovery)	871	(423)	1,970	695
Deferred income tax expense (recovery)	(808)	831	(492)	(827)
Finance costs				
Interest expense and income	926	17	1,182	115
Dividends on preferred shares	18	18	236	245
Unrealized foreign exchange gain	(365)	(279)	(158)	(746)
Accretion of preferred shares and contingent consideration	-	194	221	775
Amortization				
Property and equipment	449	311	1,456	999
Intangible assets	159	443	1,204	1,771
Share based compensation	5	16	25	946
Non-controlling interest	-	71	-	-
Acquisition / restructure costs	84	584	788	707
Non recurring development expenses	-	429	180	962
Other	141	-	138	188
	$ 1,480	**$ 2,212**	**$ 6,751**	**$ 5,830**
Adjusted EBITDA	**$ 1,243**	**$ (1,974)**	**$ 10,112**	**$ 5,143**

The Company's adjusted EBITDA for fiscal 2018 was $10.112 million as compared to $5.143 million in fiscal 2017. The increase was a result of organic growth across all of the Company's operating divisions, as discussed in more detail below.

Revenues

Revenue streams are summarized as follows:

($000's)	For the three months ended June 30,		For the year ended June 30,	
	2018	2017	2018	2017
Production services	$ 5,348	$ 20,598	$ 91,578	$ 68,047
Distribution and licensing	5,719	4,513	48,618	24,115
Other	311	471	2,206	2,951
Total revenues	**$ 11,378**	**$ 25,582**	**$ 142,402**	**$ 95,113**

Thunderbird recognized revenue of $142.4 million in fiscal 2018, an increase of 50% over the prior year. The increase was due to organic growth in revenue streams from proprietary and service production, and distribution and licensing. Thunderbird's animation division had a significant increase in capacity in 2018 which resulted in a 50% increase in production service volume and revenue. Live action production service work also increased 23% during the year due, in large part, to an increase in the budget of the current season of a live action television series that the Company has produced for three years. Due to relatively small profit margins, the Company has decided not to produce subsequent seasons of the series and accordingly the revenue related to this production is non-recurring and is not indicative of future live action production services revenues.

Licensing and distribution revenues increased by 102% in scripted ($18.3 million), 37% in factual ($3.3 million), 62% in theatrical distribution ($1.7million), and $1 million in animation (there was minimal activity in animation licensing and distribution revenue in fiscal 2017). These increases were substantially due to an increase in the overall number of productions being produced and delivered by Thunderbird, or, in the case of theatrical distribution, an increase in box office receipts and DVD revenue.

Fourth quarter revenue was down 51% as compared to the comparative fiscal 2017 quarter. This decrease was largely due to the fact that the Company completed production of a large budget television series in the third quarter of fiscal 2018, whereas the previous season of the same series was in production during the 4th quarter of fiscal 2017. This resulted in a comparative decrease on both revenues and direct costs for the 4th quarter of fiscal 2018.

Direct Costs

($000's)	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the year ended June 30, 2018	For the year ended June 30, 2017
Direct costs	$ 3,337	$ 19,554	$ 84,507	$ 63,633
Other	1,535	2,809	29,382	10,785
Amortization of production costs	340	613	1,245	2,672
Total direct operating costs	**$ 5,212**	**$ 22,976**	**$ 115,134**	**$ 77,090**

Direct costs include acquisition costs for third party library product, fees paid to sales agents or sub distributors, development expenses and costs directly related to the Company's completed productions, such as production expenses on service work. Direct costs in fiscal 2018 increased 49% over fiscal 2017, consistent with the increase in the Company's revenues.

Fourth quarter direct operating costs were $17.8 million less than the fourth quarter of fiscal 2017. This corresponds with decrease in revenue from live action production services during the quarter.

General and administrative

($000's)	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the year ended June 30, 2018	For the year ended June 30, 2017
Contractors, salaries and employee benefits	$ 3,081	$ 2,752	$ 11,056	$ 9,675
Rent	486	371	1,728	1,375
Amortization of property and equipment	449	311	1,456	999
Other	1,129	870	3,108	2,773
Total general and administrative	**$ 5,145**	**$ 4,304**	**$ 17,348**	**$ 14,822**

The Company's general and administrative expenses include salaries, contracting fees, and rent and office expenses for the Vancouver, Toronto, Los Angeles and London offices.

General and administrative expenses increased 20% in fiscal 2018 over fiscal 2017. Salaries and contracting fees increased 14% over the prior year due animation studio growth including expansion of US development. Amortization of property and equipment increased by 46% in fiscal 2018 over fiscal 2017 due to the increase in capacity and service volume of the Company's animation division which resulted in an increase in computer hardware purchases. Rent also increased in fiscal 2018 by 26% due to the increased requirement for space to accommodate the increase in capacity. Other expenses increased 12% primarily due to bad debts expense, while there were minimal bad debts expensed in 2017.

General and administrative expenses increased by 22% in the fourth quarter of fiscal 2018 over the fourth quarter of fiscal 2017. Amortization of property and equipment increased significantly as the fourth quarter of fiscal 2017 purchases of software licenses with a long-term nature were allocated to prepaids, in addition to increased purchases in the current quarter to accommodate the increase in capacity and service volume in animation.

Finance and other

($000's)	For the three months ended June 30,		For the year ended June 30,	
	2018	2017	2018	2017
Accretion of redeemable preferred shares	$ -	$ 4	$ -	$ 17
Accretion on contingent consideration	-	190	221	758
Interest and bank charges	981	75	1,522	438
Interest income	(38)	(40)	(104)	(79)
Realized foreign exchange (gain) loss	167	73	93	156
Unrealized foreign exchange (gain) loss	(365)	(279)	(158)	(746)
Total finance and other	**$ 745**	**$ 23**	**$ 1,574**	**$ 544**

Finance and other expenses include interest income and expenses, accretion, and realized and unrealized foreign exchange gain/loss. Finance and other expenses increased $1 million in fiscal 2018 over fiscal 2017 due primarily to an increase in interest and bank charges on production financing from completed programs due to longer payment terms from clients. These interest costs incurred were also the primary cause of the significant fourth quarter increase over the fourth quarter of fiscal 2017.

Discontinued operations and goodwill impairment

In April 2017, the Company liquidated its UK operations acquired as part of the Soda Pictures Limited acquisition. In June 2016, the Company had decided to cease its UK operations and classified the related assets and liabilities as held for sale. Analysis of the results of discontinued operations is as follows:

($000's)	For the three months ended June 30,		For the year ended June 30,	
	2018	2017	2018	2017
Revenue	$ -	$ -	$ -	$ 2,628
Expenses	-	1	-	2,387
Income (loss) from discontinued operations	**-**	**(1)**	**-**	**241**
Gain (loss) on sale of discontinued operations	**(139)**	(333)	**(46)**	1,355
Income (loss) from discontinued operations	**$ (139)**	**$ (334)**	**$ (46)**	**$ 1,596**

Dividends on preferred shares

The Company pays dividends of $0.10 per Class A and Class B Series 1 preferred shares, $0.07 per Class B Series 2 preferred shares and $0.08 per Class C preferred shares. Dividends paid for the three months and year ended June 30, 2018 and 2017 are as follows:

($000's)	For the three months ended June 30,		For the year ended June 30,	
	2018	2017	2018	2017
Class A	$ -	$ -	$ 24	$ 24
Class B Series 1	-	-	138	146
Class B Series 2	18	18	74	75
Class C	386	386	1,555	1,555
Total dividends paid	**$ 404**	**$ 404**	**$ 1,791**	**$ 1,800**

QUARTERLY FINANCIAL INFORMATION

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenues	$11,378	$12,131	$52,171	$66,722	$25,582	$12,184	$15,274	$42,073
Net income (loss) from continuing operations	(237)	(892)	710	3,780	(2,050)	(2,174)	401	3,136
Basic earnings per share	$ (0.021)	$ (0.043)	$ 0.011	$ 0.114	$ (0.084)	$ (0.085)	$ 0.000	$ 0.094
Diluted earnings per share	$ (0.021)	$ (0.043)	$ 0.008	$ 0.080	$ (0.084)	$ (0.085)	$ 0.001	$ 0.066

Note: this information was derived from unaudited quarterly financial information.

LIQUIDITY

The Company's liquidity needs for the next twelve months are expected to be met by cash on hand, cash generated from operations and existing revenue resources in addition to raising funds through a variety of sources including refundable tax credit loans, and raising capital through the public market. The Company's management will continue to pursue further sources of debt or equity financing to continue the development and production of film and television properties.

As at June 30, 2018 the Company has a cash balance of $12.9 million, as compared to cash of $16.6 million at June 30, 2017.

A cash flow summary for the year ended June 30, 2018 and 2017 is as follows:

($000's)	For the year ended June 30,	
Cash Inflows (Outflows) by Activity:	2018	2017
Operating activities	$ (3,381)	$ (688)
Financing activities	5,638	(4,525)
Investing activities	(5,832)	(1,042)
Effect of exchange rate changes on cash	(105)	95
Net cash outflows	**$ (3,680)**	**$ (6,160)**

Cash flows from financing activities are primarily driven by the Company's practice to finance productions in progress by way of production bank loans secured against refundable tax credits, distribution, licensing and production service agreements on a per production basis in addition to a general security agreement. The bank loan drawn and interest thereon is repayable upon receipt of the respective refundable tax credits and corresponding revenues receivable. Cash flows from financing activities generated $5.6 million in fiscal 2018 as compared to using $4.5 million over the 2017 fiscal year. The significant fluctuations are due predominantly to timing of loan proceeds versus loan repayments.

Cash flows from investing activities pertain to equipment purchases. During the year ended June 30, 2018, the Company purchased property and equipment, primarily computer equipment, totalling approximately $1.9 million (2017 - $1 million) and disposed of a production service entity that had cash of $4 million at the time of the sale.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions, and to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements.

To facilitate the management of its capital structure, the Company prepares annual expenditure budgets that are updated as necessary depending on the various factors, including industry conditions and operating cash flows. The annual and updated budgets are reviewed by the Board of Directors.

On June 1, 2018, the Company entered into a new credit agreement with the Royal Bank of Canada ("RBC") which provides the Company access to funding over three distinct credit facilities.

Facility 1, is a five-year $10 million non-revolving term loan for financing up to 75% of acquisition's purchase price of select media companies bearing prime + 0.50% interest. Repayments include an annual cash flow sweep of 5% of Thunderbird's EBITDA due within 120 days of the fiscal year end.

Facility 2, is three-year $6 million non-revolving term loan to facilitate the buyback of the Company's shares bearing prime + 0.50% interest. Repayments include a tax credit sweep of 100% claimed tax credits.

Facility 3, is a $5 million revolving term loan for bridging production financing of productions being produced prior to closing of an applicable production facility. Facility 3 bears interest at prime + 1.25% and must be repaid on the earlier of 15 days of individual production financing close or 180 days from the first drawdown.

The credit agreement is guaranteed by subsidiaries of the Company. Subsequent to year-end, the Company drew down $6 million of the three-year Non-Revolving Term Loan above in order to repurchase common shares of certain shareholders of the Company. 4,800,000 shares were repurchased at a price of $1.25 per share.

Commencing the second quarter of fiscal 2019, the credit agreement requires that the Company comply with a funded debt to borrower's consolidated EBITDA ratio not greater than 3:1 and a debt service coverage not less than a 1.25:1 ratio. Debt service coverage is defined as the ratio of EBITDA less cash taxes and, to the extent not deducted in determining net income, less corporate distributions, to the total of interest expense and scheduled principal payments in respect of funded debt. These covenants are to be tested quarterly on a consolidated basis.

The overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2018.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at June 30, 2018:

($,000)	**Within 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Operating leases (1)	$ 2,045	$ 7,835	$ 8,973	$ 18,853
Equipment lease obligations (2)	1,443	1,501	-	2,944
Redeemable preferred shares (3)	2,505	-	-	2,505
	$ 5,993	**$ 9,336**	**$ 8,973**	**$ 24,302**

(1) Pursuant to operating leases, see Note 20 to the audited consolidated financial statements for the year ended June 30, 2018 for details.

(2) Pursuant to capital leases for computer, video editing and production equipment, the obligations bear implied interest ranging from 4.34% - 4.76% and mature from January 2020 – October 2020.

(3) See Note 13 (Share Capital) and Note 24 (Subsequent Events) to the audited consolidated financial statements for the year ended June 30, 2018 for details.

(4) Note: In addition to the totals above, the Company has interim production financing owing in the amount of $37,704 (See Note 10 (Interim Production Financing) to the audited consolidated financial statements for the year ended June 30, 2018 for details).

RISKS AND UNCERTAINTY

The risks and uncertainties described below are those Thunderbird currently believes to be material. If any of the following risks, or any other risks that are not identified or that are currently consider not to be material, actually occur or become material risks, the business, prospects, financial condition, results of operations and cash flows, and consequently the price of the Thunderbird's Common Shares could be materially and adversely affected. In all these cases, the trading price of the Common Shares could decline and an investor could lose all or part of their investment.

Risks related to the nature of the entertainment industry

The entertainment industry involves a substantial degree of risk. Audience acceptance of entertainment programming is a factor not only of the response to the production's artistic components, but also to the quality and acceptance of other competing forms of entertainment programming released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and most of which are beyond our control. A lack of audience acceptance for the entertainment programming produced or distributed by Thunderbird could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

In addition, Thunderbird is subject to various operating risks that are common to the production and distribution industry, many of which are beyond our control, including, among others, (i) competition from other businesses, in particular, larger and more established companies, in the markets in which Thunderbird operates; (ii) reduction in broadcaster and other platform programming budgets in the markets in which Thunderbird operates, which may adversely affect our new production and revenues; (iii) strong dependency on local government tax credits and subsidies as well as pre-sales to fund the production budgets; (iv) the requirement for continuous investment of capital into new production annually; (v) management's estimates of projected revenues and expenses being insufficient to cover the costs of production and causing substantial loss on new production; (vi) difficulties protecting IP and defending against IP infringements and claims; (vii) exposure to key broadcast customers and/or key distribution customers, based on business relationships that might be changed or terminated or that may not survive over the long term; and (viii) risks generally associated with the ownership of a business in the production and distribution industry. The occurrence of any of the foregoing could materially and adversely affect our business and there can be no assurance that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any particular production.

Risks related to television and film industries

Thunderbird's results of operations will depend, in part, on the experience and judgment of management to select and develop new investment and production opportunities. Thunderbird cannot make assurances that our films and television programs will obtain favourable reviews or ratings or that broadcasters or other customers will license the rights to broadcast any of our film and television programs in development or renew licenses to broadcast film and television programs in our library. The failure to achieve any of the foregoing could have a material adverse effect on our business, results of operations or financial condition. Licensed distributors' decisions regarding the timing of release and promotional support of our films, television programs and related products are important in determining the success of these films, programs and related products. Thunderbird does not control the timing and manner in which our licensed distributors distribute our films, television programs or related products. Any decision by those distributors not to distribute or promote one of our films, television programs or related products or to promote competitors' films, programs or related products to a greater extent than they promote ours could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Entertainment industry trends

The entertainment industry is constantly undergoing change with respect to the formats through which movies, television programming and recorded music are ultimately delivered to the consumer. Management believes that the changes in consumer preferences will continue to be felt across our businesses and that the impact of these changes can be very difficult to predict. A failure by us to adequately foresee, assess and capitalize upon such changes could result in a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

The entertainment industry continues to undergo significant changes driven by technological developments. Thunderbird cannot accurately predict the overall effect that technological growth or the availability of alternative forms of entertainment may have on the potential revenue from, and profitability of, the entertainment content produced or distributed by us. In particular, the conversion of content into digital formats may make it easier for consumers to create, transmit and "share" high quality unauthorized copies of motion pictures or television programs. As a result, consumers may be able to download and distribute unauthorized or "pirated" copies of such programming over the Internet, thereby adversely impacting revenues to distributors and producers. Significant growth in these consumer practices could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

External factors in the content industry

Our success will depend on the commercial success of content, which is unpredictable. Operating in this industry involves risk. It is difficult to predict how the audience will receive a production. The audience reaction and reviews and ratings of the production are determining factors in the commercial success of a production. The availability and access to different forms of entertainment and leisure activities, general economic conditions and other factors may change and Thunderbird may have limited or no control over the outcome.

Thunderbird is also dependent on the public's continued demand for subscriptions of cable television and services provided by SVOD companies. Our customers rely on funds generated through cable and/or SVOD subscriptions to fund the acquisition of new content. If customers decide to cancel their subscriptions to cable and/or SVOD, it could have an impact on the number of networks and broadcasters with whom Thunderbird could do business. Such external factors could have a material adverse effect on our business, operating results and financial condition.

Fluctuations in the price of securities

Fluctuations in the price of our securities could contribute to the loss of all or part of your investment. Factors that could have a material adverse effect on your investment include, but are not limited to (i) fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar; (ii) success of competitors; (iii) actual or anticipated changes in the market's expectations about operating results; (iv) changes in laws and regulations affecting the business; (v) changes in our capital structure, such as future issuances of securities or the incurrence of additional debt; or (vi) our operating results failing to meet the expectation of securities analysts or investors in a particular period. In such circumstances, the trading price may not recover and may experience a further decline.

In addition, broad market and industry factors may materially harm the market price of our securities irrespective of operating performance. The stock market in general and the TSXV in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress the share price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and to obtain additional financing in the future.

Merchandising

Success of merchandising brands depends on consumers' tastes and preferences which can change in unpredictable ways. Thunderbird depends on the acceptance by consumers of our merchandising offerings, therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, Thunderbird derives royalties from the sale of licensed merchandise by third parties. Thunderbird is dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect our business, prospects, financial condition, results of operations and cash flows.

Potential for budget overruns and other production risks

A production's costs may exceed its budget. Unforeseen events such as labour disputes, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to film negatives, master tapes and recordings, or adverse weather conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production. Although Thunderbird has historically completed our productions substantially within budget, there can be no assurance that Thunderbird will continue to do so. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that any insurance and completion bonds will continue to be available or, if available on terms acceptable to us. In the event of budget overruns, Thunderbird may have to seek additional financing from outside sources in order to complete production. No assurance can be given as to the availability of such financing or, if available on terms acceptable to us. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a significant impact on our business, prospects, financial condition, results of operations and cash flows.

Limited ability to exploit filmed and television content library

Thunderbird depends on a limited number of titles for the majority of the revenues generated by our film and television content library. If Thunderbird cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures or other strategic alliances, it could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Changes in regulatory environment

Thunderbird's operations may be negatively affected in varying degrees by future adverse changes in the regulatory environment that currently governs the film and television industry. Any change in the regulatory environment could have a material adverse affect on our business, prospects, financial condition, results of operations and cash flows.

Reliance on distribution of Canadian content and government funding

Our library includes a number of motion picture and television titles that are certified as Canadian content programming ("Cancon"). The titles produced by our television production operations in Canada are also certified as Cancon. In Canada and under international co-production treaties, under applicable regulations, a program will generally qualify as a Cancon production if, among other things: (i) it is produced and owned or co-owned by a Canadian-controlled entity with the involvement of Canadians in certain key prescribed principal functions; and (ii) a substantial portion of the budget is spent on Canadian elements and post-production in Canada. In addition, (and with the exception of a treaty co-production) the Canadian producer must have full creative and financial control of the project. Canadian broadcasters are required by the Canadian Radio-television and Telecommunications Commission (the "CRTC"), as a condition of their broadcast licences, to devote a certain amount of their programming schedules to the broadcast of Cancon and to spend a certain portion of their revenues on Cancon. There can be no assurance that the CRTC's policies applicable to Canadian broadcasters with respect to Cancon will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to us as a supplier of such programs.

In addition, substantially all of our programs are contractually required by broadcasters to be certified as "Canadian" under the CRTC's policies. Although Thunderbird has taken measures to ensure that Thunderbird continues to be "Canadian" under the Investment Canada Act, there can be no assurance that our programming will continue to qualify as Cancon. In the event a production does not qualify for certification as "Canadian", Thunderbird would be in default under any government incentive and broadcast licenses for that production, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations, and the broadcaster could refuse acceptance of our productions.

In addition to license fees from domestic and foreign broadcasters and financial contributions from co- producers, Thunderbird finances a significant portion of our production budgets from certain governmental incentive programs and tax credits in Canada, as described under "Business of the Company – Production Financing". There can be no assurance that such incentive programs or tax credits will not be reduced, amended or eliminated or that Thunderbird or any production will qualify for them. Any such change could have a material adverse impact on our business prospects, financial condition, results of operations and cash flows.

Recently, the Minister of Canadian Heritage conducted a comprehensive review of Canada's cultural industries and on September 28, 2017, she outlined the Government of Canada's new policy approach called "Creative Canada" for Canada's cultural industries in a digital world. In conjunction with the release of the "Creative Canada" policy, the Minister ordered the CRTC to review the federal Broadcasting and Telecommunications Acts and report to the government on future distribution models and how they will support Canadian programming. The CRTC issued calls for submissions in October and December of 2017, asking the media industry to provide insight into how Canadians' content consumption habits are likely to evolve in the future and how the government can help to ensure a vibrant domestic market going forward. In their submissions to the CRTC, broadcasters, producers, guilds, industry groups and other stakeholders offered many widely different recommendations on how to alter and improve the Canadian broadcasting and online distribution systems. Calls for comment closed in mid-February of 2018.

On May 31, 2018, the CRTC issued its report (the “CRTC Report”) on the future of programming distribution in Canada. The CRTC Report proposed several sweeping legislative and regulatory changes to be further considered by the federal government, including: (i) replacing the traditional broadcasting licensing regime with comprehensive and binding service agreements between the government and industry players, pursuant to which obligations and incentives relating to Canadian content would be flexible and adaptable; (ii) including all industry players (including over-the-top streaming services, which were not previously subject to licensing) as part of the new binding service agreements regime; and (iii) ensuring that all industry players (not only traditional television broadcasters) contribute financially to the creation and distribution of Canadian content.

Further details on the federal government’s review of the CRTC Report as part of the “Creative Canada” strategy are expected in the coming months. Presently, it is uncertain as to whether the CRTC’s Report will result in any changes to the laws, regulations, rules, institutions, policies or programs governing Canada’s cultural or broadcasting industries and whether such changes, if any, would impact our business. As the policies continue to evolve, it is possible that any future changes may have an adverse impact on the industry that is not favourable to our business.

Litigation

Governmental, legal or arbitration proceedings may be brought or threatened against us in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert Management’s attention and focus away from the business and subject us to potentially significant liabilities.

Risks of liability claims for content

As a distributor and producer of content, Thunderbird may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement and other claims based on the nature and content of the materials distributed. These types of claims have been brought sometimes, successfully, against producers and distributors of content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, financial condition, operating results or prospects.

Technological Change

The television and film industries are characterized by technological change and evolving trends. Technological change can have positive effects, but may also have a material adverse effect on our business, prospects, results of operations and financial condition. For example, in recent years, content consumers have spent an increasing amount of time on the internet and on mobile devices and increasingly seek to download and/or view content on a time-delayed or on-demand basis, via televisions and on handheld or portable devices, which has caused significant changes to the retail distribution of content. Additionally, the emergence of new production or computer generated imagery technologies, or a new digital television broadcasting standard, may diminish the value of our existing equipment and content.

Although Thunderbird is committed to adapting new production technologies, there can be no assurance that Thunderbird will be able to incorporate other new production and postproduction technologies which may become de facto industry standards. In particular, the advent of new broadcast standards, which may result in television programming being presented with greater resolution and on a wider screen than is currently the case, may diminish the evergreen value of our programming library because such productions may not be able to take full advantage of such features. There can be no assurance that Thunderbird will be successful in adapting to these changes on a timely basis.

Labour relations

Many individuals associated with our projects are members of guilds or unions which bargain collectively with producers on an industry-wide basis from time to time. While Thunderbird has positive relationships with the guilds and unions in the industry, a strike by, labour protest, or a lockout of, one or more of the guilds or unions that provide personnel essential to the production by us or our content partners of entertainment programming could delay or halt the delivery of such programming. Such a halt or delay, depending on the length of time and the number of productions affected, could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Concentration Risk
Revenue may originate from disproportionately few broadcasters and OTT customers. The value of the Company's shares may be substantially adversely affected should Thunderbird lose the revenue generated by any such broadcasters or customers.

Fluctuation of financial results
The results of operations for any period are largely dependent on the number, timing and commercial success of television and other programs as well as related music, merchandise and other ancillary revenue sources, realized during that period, none of which can be predicted with certainty or are entirely within our control. Consequently, our results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods.

Competition
Substantially all of our revenues are derived from the production and distribution of television and film programs. Thunderbird faces competition from other companies in both our production and distribution operations. Some of our competitors have substantially greater marketing, production and financial resources than us, which means they may be able to compete aggressively on pricing and other aspects of future production and distribution opportunities. Thunderbird competes with other television and film production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for production. Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies, even though the total number of outlets for programming has increased. There can be no assurances that Thunderbird will be able to compete successfully in the future or that Thunderbird will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to us. There continues to be intense competition for the most attractive time slots offered by various broadcasting services. There can be no assurances Thunderbird will be able to increase or maintain penetration of broadcast schedules. Such competition may result in us losing access to future opportunities, which would have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Dependence on key personnel
Thunderbird is dependent on members of our senior management team and skilled personnel at all levels and believe that our future financial success and ability to meet our financial objectives will depend in part, on our ability to retain highly skilled management and personnel. Thunderbird is also dependent on the implementation of adequate succession planning procedures in respect of key roles, to ensure continuity. Further, the departure of any of the executive directors or certain senior officers could, in the short-term, have an adverse effect on our business prospects, financial condition, results of operations and cash flows. The Board cannot give any assurances that they, or any of the members of the senior management, will remain with the Company, although Thunderbird believes that Thunderbird offers competitive remuneration packages that are attractive to our current and future personnel. If Thunderbird does not succeed in retaining skilled personnel, Thunderbird may not be able to grow our business as anticipated, which could have an adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Protection of intellectual property
Our ability to compete depends, in part, upon successful protection of our intellectual property. From time to time, various third parties may contest or infringe upon our intellectual property rights. There can be no assurance that our actions to establish and protect copyright, trade-marks and other proprietary rights will be adequate to prevent imitation by others of entertainment programming produced and/or distributed by us or to prevent third parties

from seeking to block our distribution and exploitation of contract rights as a violation of their trade-marks and proprietary rights.

Any successful claims to the ownership of these intangible assets could hinder our ability to exploit these rights. Thunderbird does not have the financial resources to protect our rights to the same extent as our competitors. Thunderbird attempts to protect proprietary and intellectual property rights to our productions through available copyright and trademark laws in a number of jurisdictions and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries in which Thunderbird may distribute our products and in other jurisdictions no assurance can be given that challenges will not be made to our copyright and trade-marks. In addition, technological advances and conversion of motion pictures into digital format have made it easier to create, transmit and share unauthorized copies of motion pictures, DVDs and television shows. Users may be able to download and distribute unauthorized or "pirated" copies of copyrighted material over the Internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download material illegally. As a result, it may be possible for unauthorized third parties to copy and distribute our productions or certain portions or applications of our intended productions, which could have a material adverse effect on our business, prospects, results of operations or financial condition. Litigation may also be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the diversion of resources and could have a material adverse effect on our business, prospects, results of operations or financial condition. Thunderbird cannot provide assurances that infringement or invalidity claims will not materially adversely affect our business, prospects, results of operations or financial condition. Regardless of the validity or the success of the assertion of these claims, Thunderbird could incur significant costs and diversion of resources in enforcing our intellectual property rights or in defending against such claims, which could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Investment strategy
There can be no certainty that Thunderbird will be able to implement successfully the strategy set out in this document. Our ability to implement our strategy in a competitive market requires effective planning and management control systems. Our future growth will depend on our ability to expand and improve operational, financial and management information and control systems in line with its growth. Failure to do so could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Acquisitions
Thunderbird has made, and will continue to pursue, various acquisitions, business combinations and joint ventures intended to complement or expand our business. Any indebtedness incurred or assumed in any such transaction may or may not increase our leverage relative to our earnings before interest, provisions for income taxes, amortization, minority interests, gain on dilution of investment in subsidiary and discount operations, or earnings before interest, taxes, depreciation, and amortization, or relative to our equity capitalization, and any equity issued may or may not be at prices dilutive to our then existing shareholders. Thunderbird may encounter difficulties in integrating acquired assets with our operations. Furthermore, Thunderbird may not realize the benefits Thunderbird anticipated when Thunderbird entered into these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well as the integration of an acquired business could require us to incur significant costs and cause diversion of Management's time and resources. Future acquisitions could also result in an impairment of goodwill and other intangibles, development write-offs and other acquisition-related expenses.

Although Thunderbird has no current commitments with respect to future acquisitions, Thunderbird may use a portion of the proceeds of this offering to establish or acquire expanded intellectual property, production capacity and product libraries. There can be no assurance that appropriate acquisitions or expansion opportunities will be identified or available; that Thunderbird will have or be able to obtain sufficient financing or acceptable terms to fund any such acquisition or expansion; that any such acquisition or expansion will be consummated, or, if consummated, the timing thereof; or that any such acquisition or expansion can be successfully integrated into or with our existing operations and business strategy and ultimately prove beneficial.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Impacts of fluctuations in exchange rates
Currency exchange rates are determined by market factors beyond our control and may vary substantially during the course of a production period. In addition, our ability to repatriate Canadian funds arising in connection with foreign exploitation of our properties may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, Thunderbird is not aware of any existing currency or exchange control regulations in any country in which Thunderbird currently contemplates exploiting our properties which would have an adverse effect on our ability to repatriate such funds. Where appropriate, Thunderbird typically hedges our foreign exchange risk through the use of derivatives or other measures. Fluctuations in exchange rates between the Canadian dollar and the US dollar may have a material impact on our business, prospects, financial condition, results of operations and cash flows.

Loss of our Canadian status
Thunderbird and our subsidiaries are able to benefit from a number of licenses, incentive programs and Canadian government tax credits as a result of being "Canadian" as defined under the Investment Canada Act. In particular, Thunderbird would not qualify as Canadian if Canadian nationals cease to beneficially own shares of the Company having more than 50% of the combined voting power of its outstanding shares. Further, the Minister of Canadian Heritage may nevertheless determine that Thunderbird is not a Canadian-controlled entity under the Investment Canada Act. As well, substantially all of our programs are contractually required by broadcasters to be certified as "Canadian". In the event a production does not qualify for certification as Canadian, Thunderbird would be in default under any government incentive and broadcast licenses for that production. In the event of such default, the broadcaster could refuse acceptance of our productions. If Thunderbird lost our Canadian status, this would have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

International distribution activities
Although Thunderbird does not directly engage in international distribution activities, in certain circumstances Thunderbird does partner with key international distributors as a means of financing production budgets and exploiting our programming around the world. These international distribution partners face certain business risks that could indirectly adversely affect our financial results. These risks include: laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws; changes in local regulatory requirements, including restrictions on content; differing cultural tastes and attitudes; differing degrees of protection for intellectual property; and the instability of foreign economies and governments. Any of these factors could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

The impact of any changes in interest rates
Thunderbird does not presently actively make use of derivative financial instruments to mitigate the impact of any changes in interest rates. Any movements in the applicable interest rate on any of our debt could adversely impact our financial condition.

Changes to taxation legislation
Thunderbird operates in a number of different tax jurisdictions. In any of the jurisdictions, the tax rules and their interpretation may change. Any change in taxation legislation or regulation or its interpretation could affect the value of our assets, our ability to provide returns to Shareholders or otherwise have an adverse effect on our business prospects, financial condition, results of operations and cash flows. Further, any reliefs from taxation that may be available to us in the future may not be in accordance with the assumptions made by us as to our future performance (these assumptions being based on the current legislative position and any known future changes). If the assumptions made by us as to such taxation reliefs available do not prove correct, our ability to provide returns to

shareholders may be affected and there may be a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Income taxes and audits from tax authorities

In preparing our financial statements, Thunderbird is required to estimate production tax credits receivable in each of the jurisdictions in which Thunderbird operates, taking into consideration tax laws, regulations and interpretations that pertain to our activities. In addition, Thunderbird is subject to audits from these tax authorities on an ongoing basis and the outcome of such audits could materially affect the amount of tax credits receivable recorded on our consolidated balance sheets and the income tax expense recorded on our consolidated statements of earnings. Any cash payment or receipt resulting from such audits would have an impact on our cash resources available for our operations and our overall results of operations.

Dependence on management information systems

Our ability to conduct our business, including maintaining financial controls, is based in part on the efficient and uninterrupted operation of our computer systems, including management information systems and access to the internet. If any of our financial, rights management, personnel, email, other information technology systems, internet access or other systems or processes were to stop operating properly for any significant period of time for any reason (including, for example, hardware or software malfunctions, computer viruses, internet problems or sabotage), Thunderbird could suffer a disruption to our business, loss of data, regulatory intervention or reputational damage.

Risks related to privacy and information security

The protection of customer, employee and company data is important to our business. Thunderbird uses and stores personally identifiable and other sensitive information of our customers and employees. The collection and use of personally identifiable information is governed by federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase our operating costs and adversely affects our ability to market products and services.

Information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, customer and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise our networks and the information Thunderbird stores could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to our assets, or other harm. If a data security incident or breach affects our systems or results in the unauthorized release of personally identifiable information, our reputation and brand could be materially damaged and Thunderbird may be exposed to a risk of loss or litigation and possible liability, which could result in a material adverse effect on our business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies and in the future, Thunderbird may expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that Thunderbird will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on our systems, or that any such incident will be discovered in a timely manner. Any such incident could affect our business and, among other things, result in the loss of revenue, the loss or unauthorized access to confidential information or other assets, the loss of or damage to trade secrets, damage to our reputation; litigation, regulatory enforcement actions, violation of privacy, security or other laws and regulations and remediation costs.

Future financing

Thunderbird may deliver growth through further material acquisitions and/or investments, for which additional sources of finance may be required. There can be no assurance that should Thunderbird seek to deliver such growth Thunderbird will be able to raise those funds, whether on acceptable terms or at all. If further financing is obtained by issuing equity securities or convertible debt securities, the existing shareholdings may be diluted and the new securities may carry rights, privileges and preferences superior to the existing issued shares. If Thunderbird were to seek to deliver such growth through debt financing, Thunderbird may incur significant borrowing costs.

Increased costs and compliance risks as a result of being a public company.
Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in recent years. Management of Thunderbird anticipates that general and administrative costs associated with regulatory compliance will continue to increase with recently adopted corporate governance requirements, including rules implemented by the Canadian Securities Administrators and the TSX-V, and will result in some activities becoming more time-consuming and costly. There can be no assurance that the Thunderbird will be able to effectively meet all of the requirements of these new regulations, including National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). Any failure to effectively implement internal controls, or to resolve difficulties encountered in their implementation, could harm the Thunderbird's operating results or result in the failure to meet reporting obligations. Any such result could cause investors to lose confidence in the Thunderbird's reported financial information, which could have a material adverse effect on the market price of the Thunderbird's Shares. These new rules and regulations may make it more difficult and more expensive for the Thunderbird to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain appropriate coverage. As a result, it may be more difficult for the Thunderbird to attract and retain qualified individuals to serve on its board of directors or as executive officers. If the Thunderbird fails to maintain the adequacy of its internal controls, Thunderbird's ability to provide accurate financial statements and comply with the requirements of NI 52-109 could be impaired, which could cause the market price of Thunderbird Shares to decrease.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
The Company's financial assets and liabilities consist of cash, trade receivables, due from related parties, accounts payable and accrued liabilities, future consideration liability, interim production financing, long-term debt and redeemable preferred shares. The Company is exposed to credit risk, liquidity risk and market risk in the normal course of operations. The Company does not use derivative instruments to reduce its exposure.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. The Company identifies and analyzes the risks faced by the Company and may utilize financial instruments to mitigate these risks.

Credit risk
The Company is subject to credit risk with respect to cash and cash equivalents and trade receivables and production financing. Production financing receivable is mainly with Canadian broadcasters and large international distribution companies. For certain arrangements with licensees, the Company is considered the agent, and only reports the revenue net of the licensor's share. When the Company bills a third party in full where it is an agent for the licensor, the Company records an offsetting amount in accounts payable to the licensee when the amount is collected from a third party. This reduces credit risk, as the Company is only exposed to the amounts receivable related to the revenue it records.

At June 30, 2018, no broadcaster/distributor individually accounted for more than 10% of trade and production financing receivables. The Company does not have an allowance for doubtful amounts as at June 30, 2018 and 2017 as management believes that the net amount of receivables is fully collectible. The Company generally does not require collateral.

All cash and cash equivalents balances are held at major Canadian banking institutions.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking

harm to the Company's reputation (see Note 17 of the audited consolidated financial statements for June 30, 2018 for further details).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and government assistance risk, will affect the Company's net income and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its interim production financing which bears a floating interest rate. Based on the average carrying value of these facilities, a fluctuation in interest rates of 1% would represent approximately a $532 change to net loss for the year ended June 30, 2018 (2017 - $594). The Company has no interest rate hedges or swaps outstanding at June 30, 2018.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as earning revenues and incurring expenses that are denominated in foreign currencies. The Company has not engaged in any foreign exchange hedging activities to date, however, the Company mitigates its currency exchange risk by entering into natural hedges whereby foreign currency liabilities are offset by assets pledged in the same foreign currency. For the year ended June 30, 2018, revenue denominated in US dollars accounted for 10% (2017 - 6%) of total revenue. As at June 30, 2018, a 5% fluctuation in the US dollar exchange rate would have an impact of approximately $513 (2017 - $33) on net loss.

The Company is also exposed to foreign exchange risk on its cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and interim production financing that are denominated in US dollars and Euros. A 5% fluctuation in the US dollar closing rate would result in a change to net earnings for the year ended June 30, 2018 of approximately $28 (2017 - $413). A 5% fluctuation in the Euro closing rate would result in a change to net loss for the year ended June 30, 2018 of approximately nil (2017 - nil).

TRANSACTIONS WITH RELATED PARTIES

During the year ended June 30, 2018, dividends of $657 (2017 - $685) were paid to key management personnel and companies owned by key management personnel. Producer fees of $174 (2017 – $429) were paid to companies owned by directors and a president and revenue of $435 (2017 - $160) was received from a company owned by a director and president. Contingent payments relating to the acquisition of Great Pacific Media ("GPM") of $1,348 (2017 - $1,152) were paid to a director and president. At June 30, 2018, $607 (2017 - $117) was due from a company owned by a director and president.

A subsidiary of the Company with a net value of $1 dollar, as shown below, was sold to a company owned by a director for $1 dollar, resulting in a gain or loss on sale of $nil. The following are the assets and liabilities of the subsidiary as at the date of sale:

		March 31, 2018
Cash	$	3,950
Accounts receivable		16,979
Total assets	$	20,929
Accounts payable and accrued liabilities	$	86
Interim production financing		20,842
Total liabilities	$	20,928
Net Assets	**$**	**1**

The related party transactions are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables/payables.

Key Management Personnel Compensation

Key management includes all directors, as well as the Executive Chair, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and President. The remuneration of directors and officers is as follows:

	For the three months ended June 30,		For the year ended June 30,	
	2018	**2017**	**2018**	**2017**
Short-term benefits	$ 645	$ 383	$ 2,444	$ 1,486
Share based payments	5	8	25	79
Total	**$ 650**	**$ 391**	**$ 2,469**	**$ 1,565**

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to financial statements, have been set out in note 3 of the Company's annual consolidated financial statements for the year ended June 30, 2017. Actual results may differ materially from these estimates.

SIGNIFICANT ACCOUNTING POLICIES

The Company's critical accounting policies and estimates are disclosed in the "Significant Accounting Policies" note to the audited financial statements.

(a) Standards applied during the year

Amendments to IAS 7, *Statements of Cash Flows* (effective January 1, 2017)

IAS 7 introduced new requirements to disclose changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The required disclosures have been added to note 21 of these consolidated financial statements.

(b) Standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018)

The final version of IFRS 9 was issued by the IASB in July 2014 and supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets and financial liabilities.

The Company has completed its assessment of IFRS 9 and does not anticipate a material impact of applying the new standard on the Company's consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* (effective for annual periods beginning on or after January 1, 2018)

IFRS 15 replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The standard establishes a five-step model to assess the amount and timing of revenue recognized relative to the fulfilment of contractual performance obligations.

The Company has completed its assessment of the impact of IFRS 15 and expects its revenue from licensing of film and television programs as well as its contract acquisition costs to be impacted.

Under IFRS 15, the Company has determined that revenue from the licensing of film and television programs should be recognized at the later of the start date of the license term and the satisfaction of the contractual delivery terms. Currently, licensing revenue is recognized at an earlier date when certain conditions are met as further discussed in note 3(l).

In addition, the Company has determined that, under IFRS 15, any contract acquisition costs will be capitalized and amortized over the same term as the underlying contract is recognized.

As permitted under IFRS 15, the Company intends to adopt the standard using the modified retrospective method on the date of transition (July 1, 2018). On this date, the cumulative effect of initially applying the guidance will be recognized. While management has not yet finalized its calculations, the impact of the adoption at July 1, 2018 is currently expected to result in an estimated increase in deficit with a corresponding increase to deferred revenue and investment in content within the range of $2.0 million to $4.0 million.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after January 1, 2018)
The IASB issued IFRIC 22 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation establishes that the exchange rate to use on the initial recognition of the transaction is the exchange rate for the date on which an entity initially recognized the non-monetary asset or liability arising from the payment or receipt of advance consideration.

The Company will apply IFRIC 22 on a prospective basis. The effect of applying this IFRIC is not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 16, *Leases* (effective for annual periods beginning on or after January 1, 2019)
IFRS 16 was issued by the IASB in January 2016 and supersedes IAS 17, Leases. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for almost all leases, with an exemption for leases with a minimal value or of a short-term duration. The Company is in the process of assessing the effect of adopting the new and amended standards and the impact they may have on the consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING
The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure and to provide reasonable assurance that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules. The CEO and CFO have also designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the liability of financial reporting and the preparation of financial statements for external purposes.

The CEO and the CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures, and internal control over financial reporting, concluded that as at June 30, 2018, both the Company's disclosure controls and procedures and internal control over financial reporting were operating effectively. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in internal controls over financial reporting during the year ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at October 18, 2018 the Company had the following common and preferred shares and stock options outstanding. There are no shares held in escrow.

Common Shares	25,297,353
Preferred Shares	9,658,750
Preferred Shares – redeemable	1,054,000
Stock Options	4,111,000

Directors and Officers as at June 30, 2018

Directors	
Ivan Fecan	Executive Chair, Director
Tim Gamble	Vice Chair, Director
Jennifer Twiner McCarron	CEO, Director
Mark Miller	President, Director
Cameron White	COO, Director
Francesco Aquilini	Director
Tom Astle	Director
Stephen Cheikes	Director
Frank Guistra	Director
Frank Holmes	Director
Lisa Richardson	Director
Paul Sparkes	Director
Officers	
Jennifer Twiner McCarron	CEO, Director
Mark Miller	President, Director
Barb Harwood	CFO
Cameron White	COO, Director