



*Unaudited Interim Condensed Consolidated  
Financial Statements of*

**Thunderbird Entertainment Inc.**

For the three months ended  
September 30, 2018 and 2017

# THUNDERBIRD ENTERTAINMENT INC.

## Unaudited Interim Condensed Consolidated Statements of Financial Position

		As at,	
<i>(expressed in thousands of Canadian dollars)</i>	<i>Notes</i>	<b>September 30, 2018</b>	<b>June 30, 2018</b>
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 16,149	\$ 12,886
Trade receivables and other	4	61,824	57,246
Income taxes recoverable		79	357
Other current assets		71	80
		<b>78,123</b>	<b>70,569</b>
Long-term trade receivables and other	4	1,183	1,336
Investment in content	5	21,073	17,965
Deferred tax assets		5,582	4,448
Property and equipment	6	5,198	3,873
Goodwill and intangible assets	7	14,365	14,525
<b>Total Assets</b>		<b>\$ 125,524</b>	<b>\$ 112,716</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current			
Accounts payable and accrued liabilities		\$ 9,783	\$ 10,525
Income taxes payable		1,195	2,523
Interim production financing	8	50,667	41,681
Deferred revenue		12,175	9,367
Convertible debentures	9	2,250	-
Current portion of long-term debt		2,529	-
Current obligations under finance leases	19	1,923	1,390
Redeemable preferred shares	11	2,505	2,505
		<b>83,027</b>	<b>67,991</b>
Long-term debt	10	4,621	1,534
Long-term obligations under finance leases	19	1,998	1,421
Deferred tax liabilities		4,240	3,621
<b>Total Liabilities</b>		<b>93,886</b>	<b>74,567</b>
<b>Shareholders' Equity</b>			
Common shares	12	23,777	29,799
Preferred shares	12	19,526	19,526
Accumulated other comprehensive income		260	269
Contributed surplus		2,090	1,777
Deficit		(14,007)	(13,214)
Equity attributable to owners of the Company		31,646	38,157
Non-controlling interest		(8)	(8)
<b>Total Shareholders' Equity</b>		<b>31,638</b>	<b>38,149</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 125,524</b>	<b>\$ 112,716</b>

Subsequent events - Note 22

Approved on behalf of the Board:

***"Jennifer Twiner McCarron"***  
Jennifer Twiner McCarron, Director

***"Mark Miller"***  
Mark Miller, Director

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

# THUNDERBIRD ENTERTAINMENT INC.

## Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income

(expressed in thousands of Canadian dollars, except for amounts per share)

Three months ended September 30,

	Notes	2018	2017
<b>Revenue</b>	14	\$ 14,361	\$ 66,722
<b>Expenses</b>			
Direct operating		5,311	58,342
Distribution and marketing		802	632
General and administrative		5,064	3,584
Share-based compensation	12	313	12
Finance costs, net	20	248	(207)
		11,738	62,363
<b>Income before income taxes</b>		2,623	4,359
Income tax expense		1,169	580
<b>Income from continuing operations</b>		1,454	3,779
<b>Net income for the period</b>		1,454	3,779
<b>Net income attributable to</b>			
Owners of the parent		1,454	3,779
Non-controlling interest		-	-
		1,454	3,779
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to income (loss)			
Foreign currency translation adjustment		(9)	(74)
<b>Comprehensive income for the period</b>		1,445	3,705
<b>Total comprehensive income attributable to</b>			
Owners of the parent		1,445	3,705
Non-controlling interest		-	-
		\$ 1,445	\$ 3,705
<b>Basic earnings per share - continuing operations</b>	12	\$ 0.037	\$ 0.114
<b>Diluted earnings per share - continuing operations</b>	12	\$ 0.026	\$ 0.080

See accompanying notes to the unaudited interim condensed consolidated financial statements

**THUNDERBIRD ENTERTAINMENT INC.**
**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

<i>(expressed in thousands of Canadian dollars)</i>	<i>Notes</i>	Common shares	Preferred shares	Non- controlling interest	Accumulated other comprehensive income	Contributed surplus	Retained earnings	Total
Balance at June 30, 2017		\$ 29,799	\$ 19,526	\$ (8)	\$ 358	\$ 1,752	\$ (14,984)	\$ 36,443
Comprehensive income (loss)		-	-	-	(74)	-	3,779	3,705
Dividends		-	-	-	-	-	(386)	(386)
Share-based compensation	12	-	-	-	-	12	-	12
<b>Balance at September 30, 2017</b>		<b>\$ 29,799</b>	<b>\$ 19,526</b>	<b>\$ (8)</b>	<b>\$ 284</b>	<b>\$ 1,764</b>	<b>\$ (11,591)</b>	<b>\$ 39,774</b>
Balance at June 30, 2018		29,799	19,526	(8)	269	1,777	(13,214)	38,149
Adoption of IFRS 15	3	-	-	-	-	-	(1,861)	(1,861)
<b>Balance at July 1, 2018</b>		<b>\$ 29,799</b>	<b>\$ 19,526</b>	<b>\$ (8)</b>	<b>\$ 269</b>	<b>\$ 1,777</b>	<b>\$ (15,075)</b>	<b>\$ 36,288</b>
Comprehensive income (loss)		-	-	-	(9)	-	1,454	1,445
Dividends		-	-	-	-	-	(386)	(386)
Repurchase of common shares	12	(6,000)	-	-	-	-	-	(6,000)
Share issue costs	12	(22)	-	-	-	-	-	(22)
Share-based compensation	12	-	-	-	-	313	-	313
<b>Balance at September 30, 2018</b>		<b>\$ 23,777</b>	<b>\$ 19,526</b>	<b>\$ (8)</b>	<b>\$ 260</b>	<b>\$ 2,090</b>	<b>\$ (14,007)</b>	<b>\$ 31,638</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

**THUNDERBIRD ENTERTAINMENT INC.****Unaudited Interim Condensed Consolidated Statements of Cash Flows**

		<b>Three months ended September 30,</b>	
<i>(expressed in thousands of Canadian dollars)</i>	<i>Notes</i>	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>			
Net income from continuing operations		\$ 1,454	\$ 3,779
Items not involving cash:			
Amortization of content	5	976	21,682
Amortization of property and equipment	6	597	304
Amortization of intangible assets	7	160	443
Share-based compensation	12	313	12
Deferred income taxes expense (recovery)		334	(159)
Unrealized foreign exchange gain		(177)	(353)
Changes in non-cash working capital	19	(8,023)	(33,228)
Investment in content		(2,143)	(1,002)
		(6,509)	(8,522)
<b>FINANCING ACTIVITIES</b>			
Repayment of interim production financing	19	(4,735)	(6,112)
Proceeds from interim production financing	19	13,795	23,499
Repayment of obligations under finance leases	19	(348)	(193)
Proceeds from obligations under finance leases	19	28	379
Repayment of long-term debt	19	(403)	-
Proceeds from long-term debt	19	6,019	-
Repurchase of common shares	12	(6,000)	-
Proceeds from issuance of convertible debentures	9	2,250	-
Share issue costs	12	(22)	-
Dividends		(386)	(386)
		10,198	17,187
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6, 19	(492)	(693)
		(492)	(693)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		66	(221)
<b>Net increase in cash and cash equivalents during the year</b>		3,263	7,751
Cash and cash equivalents, beginning of year		12,886	16,566
<b>Cash and cash equivalents, end of year</b>		<b>\$ 16,149</b>	<b>\$ 24,317</b>

*See accompanying notes to the unaudited interim condensed consolidated financial statements*

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

*(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)*

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### 1. NATURE OF BUSINESS

Thunderbird Entertainment Inc. (the "Company"), the ultimate parent, and its subsidiaries, are an integrated group of companies that develop, produce and distribute film and television programming for the domestic and international markets. As an independent distribution company, the Company also acquires, licenses and merchandises distribution rights. Thunderbird Entertainment Inc. is incorporated under the laws of British Columbia. The Company's head office is located at 401-533 Smithe Street, Vancouver, BC, V6B 6H1.

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors ("the Board") on November 29, 2018.

### 2. BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended June 30, 2018.

#### **Basis of measurement**

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at fair value.

#### **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, 2018. Actual results may differ materially from these estimates.

#### **Comparative information**

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as otherwise indicated hereunder, these unaudited interim condensed consolidated financial statements follow the same accounting policies and basis of presentation as the 2018 annual consolidated financial statements. These unaudited interim condensed consolidated financial statements note disclosures do not include all of those required by IFRS applicable for annual financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements. Refer to note 3 of the Company's financial statements for the year ended June 30, 2018 for more information on new accounting standards and amendments not yet effective.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

#### (a) Standards applied during the period

- IFRS 9, Financial Instruments (effective for annual periods beginning on or after January 1, 2018)  
Effective July 1, 2018, the Company adopted IFRS 9. 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, impairment of financial assets and general hedge accounting.

IFRS 9 establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Under IFRS 9, the financial instrument classification categories are as follows:

Financial instrument	IAS 39 Category	IFRS 9 Category
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Interim production financing	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Redeemable preferred shares	Other financial liabilities	Amortized cost

IFRS 9 also introduces an expected credit loss impairment model to replace the incurred loss model under IAS 39 and is generally expected to result in earlier recognition of credit losses. The Company has assessed the new requirement and concluded the effect of the change was immaterial, as the Company has historically had very limited actual incurred losses on receivables and expects future losses to remain minimal.

- IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018)  
Effective July 1, 2018, the Company adopted IFRIC 22. 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 has elected to apply IFRIC 22 on a prospective basis beginning July 1, 2018. The adoption of this standard did not have a material impact 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)  
Effective July 1, 2018, the Company adopted IFRS 15. 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.

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

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

contractual delivery terms. Previously, licensing revenue was recognized at an earlier date when certain conditions were met as further discussed in note 3(l) in the annual consolidated financial statements.

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.

The Company adopted IFRS 15 using the modified retrospective method on the date of transition (July 1, 2018). On this date, the cumulative effect of initially applying the guidance was recognized and the financial information previously presented for the year ended June 30, 2018 has remained unchanged.

The cumulative effect of the changes made to the consolidated July 1, 2018 balance sheet for the adoption of IFRS 15 are as follows:

	Balance at June 30, 2018	Adjustments due to IFRS 15	Balance at July 1, 2018
<b>Balance Sheet</b>			
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 12,886	\$ -	\$ 12,886
Trade receivables and other	57,246	(469)	56,777
Income taxes recoverable	357	-	357
Other current assets	80	-	80
	70,569	(469)	70,100
Long-term trade receivables	1,336	276	1,612
Investment in content	17,965	180	18,145
Deferred tax assets	4,448	847	5,295
Property and equipment	3,873	-	3,873
Goodwill and intangible assets	14,525	-	14,525
<b>Total Assets</b>	<b>\$ 112,716</b>	<b>\$ 834</b>	<b>\$ 113,550</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	\$ 10,525	\$ (66)	\$ 10,459
Income taxes payable	2,523	143	2,666
Interim production financing	41,681	-	41,681
Deferred revenue	9,367	2,618	11,985
Current obligations under finance leases	1,390	-	1,390
Redeemable preferred shares	2,505	-	2,505
	67,991	2,695	70,686
Long-term debt	1,534	-	1,534
Long-term obligations under finance leases	1,421	-	1,421
Deferred tax liabilities	3,621	-	3,621
<b>Total Liabilities</b>	<b>74,567</b>	<b>2,695</b>	<b>77,262</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	29,799	-	29,799
Preferred shares	19,526	-	19,526
Accumulated other comprehensive income	269	-	269
Contributed surplus	1,777	-	1,777
Deficit	(13,214)	(1,861)	(15,075)
Equity attributable to owners of the Company	38,157	(1,861)	36,296
Non-controlling interest	(8)	-	(8)
<b>Total Shareholders' Equity</b>	<b>38,149</b>	<b>(1,861)</b>	<b>36,288</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 112,716</b>	<b>\$ 834</b>	<b>\$ 113,550</b>



# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated income statement is as follows:

	For the period ended September 30, 2018		
	As Reported	Balances without Adoption of IFRS 15	Effect of Change Higher (Lower)
<b>Revenue</b>	\$ 14,361	\$ 11,257	\$ 3,104
<b>Expenses</b>			
Direct operating	5,311	5,149	162
Distribution and marketing	802	802	-
General and administrative	5,064	5,042	22
Share-based compensation	313	313	-
Finance costs, net	248	248	-
	11,738	11,554	184
<b>Income (loss) before income taxes</b>	2,623	(297)	2,920
Income tax expense	1,169	442	727
<b>Income (loss) from continuing operations</b>	\$ 1,454	\$ (739)	\$ 2,193

- IFRS 2, Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018)  
Effective July 1, 2018, the Company adopted the amendments to IFRS 2. There was no impact to the Company's consolidated financial statements upon adoption of the amendments to this standard.

### (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 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.
- IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019)  
IFRIC 23 was issued by the IASB in June 2017 and clarifies the accounting for uncertainties in income taxes under IAS 12, Income Taxes. 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.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

### 4. TRADE RECEIVABLES AND OTHER

As at September 30, 2018 and June 30, 2018, none of the receivables have been assessed as impaired. In determining the recoverability of amounts receivable, the Company considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to the Company.

Federal and provincial film tax credits receivable from government agencies are subject to audit by the applicable government agency. Management believes that the net amounts recorded are fully collectible. The Company adjusts amounts receivable from government agencies quarterly and annually for any known differences arising from internal or external audit of these balances.

	September 30, 2018	June 30, 2018
Current		
Trade, net of allowance for doubtful accounts of nil (2018 - nil)	\$ 9,017	\$ 9,667
Deposits and prepaids	1,873	2,024
Contract acquisition costs	154	-
Federal and provincial film tax credits	50,780	45,555
	<b>\$ 61,824</b>	<b>\$ 57,246</b>

	September 30, 2018	June 30, 2018
Non-current		
Trade, net of allowance for doubtful accounts of nil (2018 - nil)	\$ 908	\$ 1,336
Contract acquisition costs	275	-
	<b>\$ 1,183</b>	<b>\$ 1,336</b>

The aging of current trade receivables is as follows:

	September 30, 2018	June 30, 2018
Less than 60 days	\$ 8,038	\$ 8,980
Over 61 days	979	687
	<b>\$ 9,017</b>	<b>\$ 9,667</b>

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

### 5. INVESTMENT IN CONTENT

Investment in content represents the unamortized costs of film and television projects in development, content in production, released content and acquired content.

The components are as follows:

	Development costs	Content in production	Released content	Acquired content	Total
<b>Cost</b>					
At June 30, 2017	\$ 878	\$ 21,088	\$ 83,087	\$ 7,654	\$ 112,707
Additions, (net of government assistance (note 13) and third party participation)	319	10,198	-	1,583	12,100
Disposal	(260)	-	-	-	(260)
Transferred	(25)	(26,678)	26,703	-	-
<b>At June 30, 2018</b>	<b>912</b>	<b>4,608</b>	<b>109,790</b>	<b>9,237</b>	<b>124,547</b>
Additions, (net of government assistance (note 13) and third party participation)	47	3,772	-	265	4,084
<b>At September 30, 2018</b>	<b>\$ 959</b>	<b>\$ 8,380</b>	<b>\$ 109,790</b>	<b>\$ 9,502</b>	<b>\$ 128,631</b>
<b>Amortization</b>					
At June 30, 2017	\$ -	\$ -	\$ 73,024	\$ 5,380	\$ 78,404
Additions	-	-	26,636	1,542	28,178
<b>At June 30, 2018</b>	<b>-</b>	<b>-</b>	<b>99,660</b>	<b>6,922</b>	<b>106,582</b>
Additions	-	-	644	332	976
<b>At September 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,304</b>	<b>\$ 7,254</b>	<b>\$ 107,558</b>
<b>Net book value</b>					
June 30, 2018	\$ 912	\$ 4,608	\$ 10,130	\$ 2,315	\$ 17,965
September 30, 2018	\$ 959	\$ 8,380	\$ 9,486	\$ 2,248	\$ 21,073

Interest charges capitalized to the cost of film production for the three months ended September 30, 2018 amounted to \$343 (June 30, 2018 - \$513).

For the three months ended September 30, 2018, the Company did not recognize amortization of investment in content (June 30, 2018 - \$1,488) as a result of a change in the estimated useful life of certain released content for which the Company has no reasonable expectation of recovery through future exploitation.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

#### 6. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and equipment	Leasehold improvements	Vehicles	Total
<b>Cost</b>					
At June 30, 2017	\$ 571	\$ 2,388	\$ 431	\$ 69	\$ 3,459
Additions	2,724	322	68	9	3,123
Disposals	(3)	(5)	-	-	(8)
<b>At June 30, 2018</b>	<b>3,292</b>	<b>2,705</b>	<b>499</b>	<b>78</b>	<b>6,574</b>
Additions	1,805	65	26	26	1,922
Disposals	(1,110)	-	-	-	(1,110)
<b>At September 30, 2018</b>	<b>\$ 3,987</b>	<b>\$ 2,770</b>	<b>\$ 525</b>	<b>\$ 104</b>	<b>\$ 7,386</b>
<b>Amortization</b>					
At June 30, 2017	\$ 19	\$ 1,036	\$ 168	\$ 25	\$ 1,248
Charge for the year	1,223	126	92	15	1,456
Disposals	(2)	(1)	-	-	(3)
<b>At June 30, 2018</b>	<b>1,240</b>	<b>1,161</b>	<b>260</b>	<b>40</b>	<b>2,701</b>
Charge for the period	494	45	54	4	597
Disposals	(1,110)	-	-	-	(1,110)
<b>At September 30, 2018</b>	<b>\$ 624</b>	<b>\$ 1,206</b>	<b>\$ 314</b>	<b>\$ 44</b>	<b>\$ 2,188</b>
<b>Net book value</b>					
June 30, 2018	\$ 2,052	\$ 1,544	\$ 239	\$ 38	\$ 3,873
September 30, 2018	\$ 3,363	\$ 1,564	\$ 211	\$ 60	\$ 5,198

There were no impairment write-downs or any reversals of previous write-downs during the periods presented.

Included in computer equipment are assets under finance leases with a net carrying value of \$3,364 (June 30, 2018 - \$2,204).

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

#### 7. GOODWILL AND INTANGIBLE ASSETS

The continuity of goodwill and intangible assets is as follows:

	Goodwill	Production agreements	Distribution libraries	Customer relationships	Total
<b>Cost</b>					
At June 30, 2017	\$ 12,402	\$ 3,400	\$ 2,700	\$ 1,470	\$ 19,972
Additions	-	-	-	-	-
<b>At June 30, 2018</b>	<b>12,402</b>	<b>3,400</b>	<b>2,700</b>	<b>1,470</b>	<b>19,972</b>
Additions	-	-	-	-	-
<b>At September 30, 2018</b>	<b>\$ 12,402</b>	<b>\$ 3,400</b>	<b>\$ 2,700</b>	<b>\$ 1,470</b>	<b>\$ 19,972</b>
<b>Amortization</b>					
At June 30, 2017	\$ -	\$ 2,833	\$ 674	\$ 736	\$ 4,243
Charge for the year	-	567	270	367	1,204
<b>At June 30, 2018</b>	<b>-</b>	<b>3,400</b>	<b>944</b>	<b>1,103</b>	<b>5,447</b>
Charge for the period	-	-	68	92	160
<b>At September 30, 2018</b>	<b>\$ -</b>	<b>\$ 3,400</b>	<b>\$ 1,012</b>	<b>\$ 1,195</b>	<b>\$ 5,607</b>
<b>Net book value</b>					
June 30, 2018	\$ 12,402	\$ -	\$ 1,756	\$ 367	\$ 14,525
September 30, 2018	\$ 12,402	\$ -	\$ 1,688	\$ 275	\$ 14,365

Amortization of intangible assets is included in direct operating expenses.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

### 8. INTERIM PRODUCTION FINANCING

Interim production credit facilities represent individual loans for the production of television programs that the Company produces.

	September 30, 2018	June 30, 2018
Interim production credit facilities with various institutions, bearing interest at bank's prime rate plus 0.50% to 1.25% (June 30, 2018 - 0.65% to 1.25%). Secured by assignment and direction of trade receivables and tax credits of approximately \$44,403 at September 30, 2018 (June 30, 2018 - \$44,374). The Company also enters into General Security Agreements on certain productions. All facilities are repayable on demand.	\$ 42,720	\$ 37,704
Revolving term loan with Royal Bank of Canada ("RBC"), bearing interest at bank's prime plus 1.25% (September 30, 2018 - 4.70% to 4.95% (June 30, 2018 - nil)). Repayable on the earlier of 15 days after the closing of the applicable single purpose production company ("SPPC") production facility or 180 days after the first draw has been made.	4,130	-
Non-interest bearing production loans with various service clients, repayable upon receipt of Canadian tax credits	3,817	3,977
	<b>\$ 50,667</b>	<b>\$ 41,681</b>

At September 30, 2018, included in interim production credit facilities are loans repayable in US\$ in the amount of US\$198 (CAD\$256) (June 30, 2018 - US\$721 (CAD\$950)).

### 9. CONVERTIBLE DEBENTURES

For the period ended September 30, 2018, the Company issued \$2,250 (June 30, 2018 - nil) in convertible debentures. The convertible debentures bear interest at 8% per annum payable monthly and are repayable on demand after October 31, 2018. Subsequent to period end, the convertible debentures automatically converted into common shares of the Company at a price of \$2.00 per share concurrent with the reverse take-over as described in note 22.

### 10. LONG-TERM DEBT

As at September 30, 2018, the Company has a GBP£2,000 non-revolving credit line with a maturity date of March 31, 2021 and a CDN\$6,000 non-revolving term loan with a maturity date of July 31, 2021.

The maximum funds available under the above credit facilities consist of the following:

	September 30, 2018	June 30, 2018
Non-revolving credit line bearing interest at a margin of 3.00% plus the applicable LIBOR (September 30, 2018 - nil (June 30, 2018 - 3.28% to 3.80%))	£ 2,000	£ 2,000
Non-revolving term loan bearing interest at prime plus 0.50% (September 30, 2018 - 4.20% (June 30, 2018 - nil)) <sup>(1)</sup>	\$ 6,000	\$ 6,000

(1) Under the terms of this loan, payment will include all excess tax credits remaining once RBC has been fully repaid for each SPPC which has obtained interim financing of the tax credits from RBC due within 15 days of the receipt of the tax credit.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

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As at September 30, 2018, the Company also has the following credit facilities with RBC which have not been drawn on:

- A five-year \$10,000 non-revolving term loan at an interest rate of prime plus 0.50%. Under the terms of the loan, an annual cash flow sweep of 5% of the Company EBITDA will be due within 120 days of the fiscal year-end of the Company and will be applied to repayment of the loan.

### 11. REDEEMABLE PREFERRED SHARES

*Issued and outstanding:*

	September 30, 2018			June 30, 2018		
	Number of Shares	Liability Component \$	Equity Component \$	Number of Shares	Liability Component \$	Equity Component \$
<b>Class A Series 2</b>						
Opening balance	244,444	220	-	244,444	220	-
<b>Ending balance</b>	<b>244,444</b>	<b>220</b>	<b>-</b>	<b>244,444</b>	<b>220</b>	<b>-</b>
<b>Class B Series 1</b>						
Opening balance	1,378,750	1,359	607	1,378,750	1,359	607
<b>Ending balance</b>	<b>1,378,750</b>	<b>1,359</b>	<b>607</b>	<b>1,378,750</b>	<b>1,359</b>	<b>607</b>
<b>Class B Series 2</b>						
Opening balance	1,054,000	926	132	1,054,000	926	132
<b>Ending balance</b>	<b>1,054,000</b>	<b>926</b>	<b>132</b>	<b>1,054,000</b>	<b>926</b>	<b>132</b>
<b>Total</b>						
Opening balance	2,677,194	2,505	739	2,677,194	2,505	739
<b>Ending balance</b>	<b>2,677,194</b>	<b>2,505</b>	<b>739</b>	<b>2,677,194</b>	<b>2,505</b>	<b>739</b>

During the year ended June 30, 2018, 85,000 Class B Series 1 preferred shares were redeemed at the option of the shareholder at a value of \$1.00 per share.

The Class A Series 2 and Class B Series 1 preferred shares have a face value of \$1.00 per share and receive an annual 10% fixed preferential cumulative cash dividend. The Class B Series 2 preferred shares have a face value of \$1.00 and receive a quarterly 7% preferential cumulative cash dividend.

The Class A Series 2 and Class B Series 1 preferred shares may be retracted by the Company or redeemed by the shareholder at a value of \$1.00 per share. In addition, at any time the shareholder may convert their Class A Series 2 preferred shares into one common share and their Class B Series 1 into common shares at a ratio of 1.5 preferred shares to one common share.

On June 17, 2010, the Class A Series 2 and Class B Series 1 preferred share rights were amended to proportionally adjust the shares in the event that the Company, at any time after the issuance of any share or preferred shares, (i) declare any dividend on the common shares payable in shares of common shares; (ii) subdivide the outstanding common

## THUNDERBIRD ENTERTAINMENT INC.

### Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

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shares; or (iii) combine the outstanding common shares into a smaller number of shares; then in each such case the Company shall simultaneously effect a proportional adjustment to the conversion ratio so that any preferred shares thereafter surrendered for conversion shall be entitled to receive the number of common shares which such holder would have owned or have been entitled to receive after the happening of any of the events described above had such preferred shares been converted immediately prior to the happening of such event or the record date therefore, whichever is earlier, so that the preferred shareholders may convert their preferred shares into common shares at a ratio of 1.5 preferred shares to 1 common share.

The Class B Series 2 preferred shares were issued in fiscal 2016 under the provisions of the *Small Business Venture Capital Act* (British Columbia) ("SBVCA"), and therefore the Company is not permitted to acquire, cancel, or redeem shares held by eligible investors for a period of five years from the date of issue. The Company has the option to retract the shares at a value of \$1.00, \$1.025, and \$1.05 per share after the fifth, sixth and seventh anniversary dates of the share issuance, respectively. In addition, the shareholders may convert their preferred shares into common shares at a ratio of three preferred shares to one common share at any time after the fifth anniversary, or may redeem their shares at a price of \$1.00, \$1.025, and \$1.05 per share after the fifth, sixth and seventh anniversary dates of the share issuance, respectively.

If all of the Class B preferred shares are converted, the Company would need to issue 1,270,500 (June 30, 2018 - 1,270,500) common shares. If required to convert the outstanding Class A preferred shares, the Company would need to issue 162,963 (June 30, 2018 - 162,963) common shares.

As the Class A and Class B preferred shares are redeemable at the option of the holder on or after the fifth anniversary date of the issuance, they are classified as a liability and are recorded at amortized cost.

In addition to the Class A and Class B preferred shares issued, the Company determined that there were multiple elements within the preferred shares. An embedded derivative exists based on the preferred shares' redemption value, being \$0.90, \$0.95 or \$1.00 per Class A and Class B Series 1 share, and \$1.00, \$1.025, and \$1.05 per Class B Series 2 share, based on the period of time the shares have been held.

The residual element that exists after the fair value is allocated to the preferred share liability component is the equity value of the preferred shares and essentially represents the preferred shareholders' ability to convert the preferred shares to common shares at any time after the fifth anniversary dates of the issuance. The value ascribed to the equity component of the preferred shares is recorded in shareholders' equity under preferred shares on the interim condensed consolidated statements of financial position.

During the three months ended September 30, 2018 and fiscal 2018, the Company paid dividends of \$0.10 per Class A and Class B Series 1 preferred shares and \$0.07 per Class B Series 2 preferred shares. Dividends paid for the three months ended September 30, 2018 totaled \$18 (June 30, 2018 - \$236).

Refer to note 22 for transactions subsequent to period end.



# THUNDERBIRD ENTERTAINMENT INC.

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(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

### 12. SHARE CAPITAL

#### Authorized

Unlimited common shares without par value

100,000,000 preferred shares non-voting without par value

- 2,000,000 Class A Series 1, 10% cumulative dividend
- 2,000,000 Class A Series 2, 10% cumulative dividend
- 5,000,000 Class B Series 1, 10% cumulative dividend
- 2,000,000 Class B Series 2, 7% cumulative dividend
- 10,000,000 Class C, 8% cumulative dividend

#### Common shares

Issued:

	Number of Shares	Amount
<b>Balance June 30, 2018 and 2017</b>	<b>29,753,344</b>	<b>\$ 29,799</b>
Repurchase of common shares	(4,800,000)	(6,000)
Share issue costs	-	(22)
<b>Balance September 30, 2018</b>	<b>24,953,344</b>	<b>\$ 23,777</b>

During the three months ended September 30, 2018 the Company repurchased 4,800,000 common shares at a price of \$1.25 per share.

#### Net earnings per share

The following table calculates basic and diluted net income per share:

	September 30, 2018	September 30, 2017
Net income from continuing operations	\$ 1,454	\$ 3,779
Preferred share dividends issued	(386)	(386)
Net income from continuing operations – attributable to Parent	1,068	3,393
Dividends expense	18	18
Diluted net income from continuing operations	\$ 1,086	\$ 3,411
Basic weighted average number of common shares	28,964,303	29,753,344
Diluted weighted average number of common shares	41,513,933	42,789,224
<b>Basic net income per share – continuing operations</b>	<b>\$ 0.037</b>	<b>\$ 0.114</b>
<b>Diluted net income per share – continuing operations</b>	<b>\$ 0.026</b>	<b>\$ 0.080</b>

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

### Preferred shares

Issued:

	Number of Shares	Amount
<b>Balance June 30, 2018 and September 30, 2018</b>	<b>9,658,750</b>	<b>\$ 19,526</b>

The Class C preferred shareholders are entitled to an annual cumulative per share dividend of 8% payable quarterly in cash and cannot be redeemed at the option of the shareholder. The preferred shares are convertible into common shares at the option of the holder at a rate of one common share for each preferred share subject to market standard anti-dilution provisions. Upon the closing of an IPO or other financing undertaken in conjunction with a public listing of the Company's shares, the preferred shares will automatically convert into common shares at the lesser of: (i) the conversion rate; and (ii) 85% of the price of the liquidity event, based on the purchase price of the preferred shares.

### Warrants

The following table summarizes the share purchase warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	600,000	\$ 2.00
Expired	(600,000)	(2.00)
<b>Balance, June 30, 2018 and September 30, 2018</b>	<b>-</b>	<b>\$ -</b>

In fiscal 2018, 600,000 warrants issued during the year ended June 30, 2016 expired.

### Share-based compensation

The Company has established a Share Option Plan (the "option plan") which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. Options will generally vest over a period of 36 months. The fair value of the options issued is recognized in share-based compensation over the vesting period, with a corresponding charge to contributed surplus. The maximum number of common shares issuable under the option plan is 10% of the total number of issued and outstanding shares at the grant date of an option.

The fair value of each option granted during the year is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2018	June 30, 2018
Share price on date of grant	\$ 2.00	\$ 2.00
Interest rate	2.23%	1.91%
Expected life	7 years	7 years
Volatility	36.75%	41.59%
Exercise price	\$ 2.00	\$ 2.00

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

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The following table summarizes the changes in stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2017	1,795,000	\$ 1.51
Issued	25,000	2.00
Expired	(100,000)	2.00
Forfeited	(150,000)	1.40
<b>Balance, June 30, 2018</b>	<b>1,570,000</b>	<b>\$ 1.44</b>
Issued	1,120,000	2.00
<b>Balance, September 30, 2018</b>	<b>2,690,000</b>	<b>\$ 2.27</b>

The following table summarizes the stock options outstanding at September 30, 2018:

Exercise price	Number of options	Expiry date	Weighted average remaining contractual life (years)	Number of options exercisable
\$ 1.25	1,175,000	Nov 2020 – Jan 2021	2.15	1,175,000
\$ 2.00	1,515,000	June 2021 – July 2025	5.97	633,750
	<b>2,690,000</b>		<b>4.30</b>	<b>1,808,750</b>

Refer to note 22 for transactions subsequent to period end.

### 13. GOVERNMENT FINANCING AND ASSISTANCE

During the period, investment in content and direct operating expenses have been reduced by the following:

	September 30, 2018	June 30, 2018
Equity investment from third parties	\$ -	\$ 1,196
Non-repayable contributions from the Canada Media Fund license fee program	3,216	6,240
Tax credits relating to production activities	7,903	25,996
	<b>\$ 11,119</b>	<b>\$ 33,432</b>

During the three months ended September 30, 2018 investment in content was reduced by \$7,932 (June 30, 2018 - \$26,634) and direct operating expenses were reduced by \$3,187 (June 30, 2018 - \$6,798).

Equity investment from third parties is related to equity participation by government agencies, private funds or broadcasters and is recoupable from distribution revenue of the specific productions for which the financing was provided. The Company is subject to routine inquiries and review by regulatory authorities of its various incentive claims which have been received or are receivable. Adjustments of claims, if any, as a result of such inquiries or reviews will be recorded at the time of such determination. There have been no material adjustments to date.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)

### 14. REVENUE AND GEOGRAPHIC INFORMATION

The following table presents components of revenue:

	For the three months ended September 30,	
	2018	2017
Production services revenue	\$ 6,332	\$ 37,819
Licensing and distribution revenue	7,585	28,368
Other revenue	444	535
	<b>\$ 14,361</b>	<b>\$ 66,722</b>

Of the Company's \$14,361 (September 30, 2017 - \$66,722) in revenues for the period ended September 30, 2018, \$4,480 (September 30, 2017 - \$9,891) was attributable to external customers located in Canada, \$3,222 (September 30, 2017 - \$54,427) was attributable to external customers located in the U.S., \$2,211 (September 30, 2017 - \$1,585) was attributable to external customers located in the U.K. and \$4,448 (September 30, 2017 - \$819) was attributable to external customers based outside of Canada, the U.S. and the U.K.

As at September 30, 2018, the following non-current assets were attributable to the Company's entity based in the U.K.: \$374 of long-term trade receivables, \$1,384 of investment in content, and \$17 of property and equipment (June 30, 2018 - \$602, \$1,439, and \$20, respectively). All other noncurrent assets were attributable to the Company's entities based in Canada.

### 15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial assets and liabilities are classified and measured as follows:

Financial instrument	Category	Measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Due from related parties	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Interim production financing	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Redeemable preferred shares	Amortized cost	Amortized cost

The carrying value of the financial instruments approximates fair value due to their short term to maturity.

All of the Company's cash and cash equivalents are transacted in active markets. Accordingly, the Company's redeemable preferred shares are classified as Level 3 and all other financial assets and liabilities are classified as Level 2. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

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.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

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### 16. 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. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash.

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.

The Company is not exposed to externally imposed capital requirements and expects that its current capital resources will be sufficient to carry out operations beyond its current reporting period. The overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2018.

### 17. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2018, dividends of \$178 (September 30, 2017 - \$143) were paid to directors and key management personnel and companies owned by directors and key management personnel. Producer fees of nil (September 30, 2017 - \$68) were paid to companies owned by directors and a president and revenue of nil (September 30, 2017 - \$173) was received from a company owned by a director and president. At September 30, 2018, \$607 (September 30, 2017 - \$607) was due from a company owned by a director and president.

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, Vice 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 September 30,	
	2018	2017
Short-term benefits	\$ 688	\$ 560
Share based payments (note 12)	280	18
<b>Total</b>	<b>\$ 968</b>	<b>\$ 578</b>

### 18. COMMITMENTS AND CONTINGENCIES

#### Lease commitments

The Company leases its office premises, for which minimum lease payments are as follows:

Period ended June 30, 2019	\$ 1,553
2020	2,090
2021	2,057
2022	1,945
2023	1,743
Beyond 2023	8,973
	<b>\$ 18,361</b>

For the period ended September 30, 2018, the rent expense under these operating leases was \$474 (September 30, 2017 - \$282). Leases for certain of the Company's premises include renewal options and rent escalation clauses.

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

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The Company leases equipment, for which the minimum lease payments are as follows:

Period ended June 30, 2019	\$	1,601
2020		1,865
2021		645
Total minimum lease payments		4,111
Less: amount representing interest		(190)
	\$	<b>3,921</b>

For the period ended September 30, 2018, an amount of \$6,174 (June 30, 2018 - \$4,761) of computer equipment was held under finance leases. Accumulated amortization relating to this property and equipment amounted to \$2,810 (June 30, 2018 - \$2,557).

### Litigation

The Company and its subsidiaries may from time to time be a party to certain legal disputes and claims arising from commercial issues in the normal course of business. There are currently no legal disputes or claims that will have a material adverse effect on the financial position or results of operations of the Company.

### 19. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the interim condensed consolidated statement of cash flows:

	For the three months ended September 30,	
	2018	2017
<b>Operating activities</b>		
Changes in non-cash working capital		
Accounts receivable	\$ (5,087)	\$ (7,345)
Income taxes recoverable	276	22
Other current assets	9	-
Accounts payable and accrued liabilities	(1,941)	(4,063)
Income taxes payable	(1,471)	383
Deferred revenue	191	(22,225)
	<b>\$ (8,023)</b>	<b>\$ (33,228)</b>
Interest and debt service costs paid	\$ 464	\$ 554
Income taxes paid	\$ 1,986	\$ 124
Property and equipment purchased through finance lease	\$ 1,430	\$ -

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three months ended September 30, 2018 and 2017

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The change in liabilities arising from financing activities is as follows:

	Cash flows from (used in)			Non-cash changes	Balance September 30, 2018
	Balance June 30, 2018	Proceeds	Repayments	Foreign Exchange Movements	
Interim production financing	\$ 41,681	\$ 13,795	\$ (4,735)	\$ (74)	\$ 50,667
Current portion of long-term debt	\$ -	\$ 2,685	\$ (156)	\$ -	\$ 2,529
Long-term debt	\$ 1,534	\$ 3,334	\$ (247)	\$ -	\$ 4,621
Finance leases - current	\$ 1,390	\$ 881	\$ (348)	\$ -	\$ 1,923
Finance leases – long-term	\$ 1,421	\$ 577	\$ -	\$ -	\$ 1,998

### 20. FINANCE COSTS, NET

	For the three months ended September 30,	
	2018	2017
Interest and bank charges	\$ 418	\$ 119
Interest income	(28)	(13)
Realized foreign exchange (gain) loss	(38)	39
Unrealized foreign exchange gain	(104)	(352)
	<b>\$ 248</b>	<b>\$ (207)</b>

### 21. EXPENSES BY NATURE

The following sets out the expenses by nature:

	For the three months ended September 30,	
	2018	2017
Investment in content		
Direct production and new media costs	\$ 4,138	\$ 36,063
Amortization of content	976	21,682
Distribution and marketing	802	632
Development expenses and other	38	154
Contractors, salaries and employee benefits	2,801	2,333
Share-based compensation	313	12
Office and administrative	1,340	852
Finance costs	248	(207)
Professional	325	95
Amortization of property and equipment and intangible assets	757	747
	<b>\$ 11,738</b>	<b>\$ 62,363</b>

# THUNDERBIRD ENTERTAINMENT INC.

## Notes to Unaudited Interim Condensed Consolidated Financial Statements

### For the three months ended September 30, 2018 and 2017

*(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)*

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#### 22. SUBSEQUENT EVENTS

##### Reverse Take-over

On July 27, 2018, the Company signed a letter of intent with a TSX Venture Exchange listed company, Golden Secret Ventures Ltd. ("Golden Secret"), pursuant to which Golden Secret will acquire 100% of the shares of the Company via a reverse take-over (the "Transaction"). The Transaction will be effected by way of a Plan of Arrangement under which securityholders of the Company will exchange their securities of the Company for securities of Golden Secret. Prior to effecting the share exchange, Golden Secret will consolidate its issued and outstanding common shares on a 10:1 basis. Shareholders of the Company will be issued an aggregate of up to 37,404,118 post-consolidation common shares and up to 1,054,000 preferred shares of Golden Secret convertible into up to 351,333 post-consolidation common shares of Golden Secret. The resulting company after completion of the Transaction (the "Resulting Issuer") will carry on the current business of the Company. In October 2018 the Transaction was approved by the shareholders of the Company.

On October 30, 2018 the above Transaction was completed. Under this transaction Golden Secret changed its name to Thunderbird Entertainment Group Inc. ("TEG") and acquired 100% of the issued and outstanding shares of the Company in consideration for the issuance of 36,660,561 post-consolidation common shares and 1,054,000 Class A preferred shares convertible into 351,333 post-consolidation common shares. The post-consolidation shares of TEG were reinstated for trading on the TSX Venture on November 2, 2018. At the time of completion of the Transaction there were 46,429,263 post-consolidation shares issued and outstanding.

Prior to completion of the Transaction, the Company completed a brokered private placement financing of 5,125,000 subscription receipts at a price of \$2.00 per subscription receipt for aggregate gross proceeds of \$10,250. On closing of the Transaction, each subscription receipt was exchanged for one post-consolidation common share of TEG. For their services in connection with the financing, the agent received a cash commission equal to 7% of the gross proceeds raised, a corporate finance fee of \$195 and 344,500 agent's warrants entitling it to purchase that number of post-consolidation common shares at a price of \$2.00 per share. The cash commission and Agent's Warrants were reduced to 2% each for subscribers on the president's list.

As part of the private placement, the Company also completed a debenture financing for aggregate proceeds of \$2,250 by issuing convertible debentures with an interest rate of 8% (see note 9). On closing the Transaction, the convertible debentures converted into 1,125,000 post-consolidation shares at a price of \$2.00 per share.

Prior to completion of the Transaction, the Company retracted 166,666 of the Class A Series 2 and 943,076 of the Class B Series 1 redeemable preferred shares at a value of \$1.00 per share. At the same time, 77,778 of the Class A Series 2 and 435,674 of the Class B Series 1 redeemable preferred shares were converted into common shares on the basis of 0.67 common share for each one preferred share.

##### Stock options

On October 11, 2018, the Company granted options to acquire 1,421,000 shares of its common stock to employees. The options have an exercise price of \$2.00 per share, a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date.

On October 30, 2018, the Company granted options to acquire 135,000 shares of its common stock to employees. The options have an exercise price of \$2.00 per share, a seven-year term and vest 25% immediately with the remaining 75% vesting one-third over each anniversary date.