



*Unaudited Interim Condensed Consolidated  
Financial Statements of*

**Thunderbird Entertainment Group Inc.**

(formerly Golden Secret Ventures Ltd.)

For the three and nine months ended  
March 31, 2019 and 2018

**THUNDERBIRD ENTERTAINMENT GROUP INC. (formerly Golden Secret Ventures Ltd.)**  
**Unaudited Interim Condensed Consolidated Statements of Financial Position**

		As at,	
<i>(expressed in thousands of Canadian dollars)</i>		March 31, 2019	June 30, 2018
		<i>Notes</i>	
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 17,765	\$ 12,886
Trade receivables and other	5	55,711	57,246
Income taxes recoverable		86	357
Other current assets		66	80
		73,628	70,569
Long-term trade receivables and other	5	1,248	1,336
Investment in content	6	22,061	17,965
Deferred tax assets		6,812	4,448
Property and equipment	7	6,095	3,873
Goodwill and intangible assets	8	14,047	14,525
<b>Total Assets</b>		<b>\$ 123,891</b>	<b>\$ 112,716</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current			
Accounts payable and accrued liabilities		\$ 8,548	\$ 10,525
Income taxes payable		1,651	2,523
Interim production financing	9	41,961	41,681
Deferred revenue		11,808	9,367
Current portion of long-term debt	11	1,960	-
Current obligations under finance leases	20	1,909	1,390
Redeemable preferred shares	12	926	2,505
		68,763	67,991
Long-term debt	11	724	1,534
Long-term obligations under finance leases	20	1,024	1,421
Deferred tax liabilities		4,874	3,621
<b>Total Liabilities</b>		<b>75,385</b>	<b>74,567</b>
<b>Shareholders' Equity</b>			
Common shares	13	62,552	29,799
Preferred shares	12, 13	132	19,526
Accumulated other comprehensive income		234	269
Warrants reserve		168	-
Contributed surplus		3,615	1,777
Deficit		(18,195)	(13,214)
Equity attributable to owners of the Company		48,506	38,157
Non-controlling interest		-	(8)
<b>Total Shareholders' Equity</b>		<b>48,506</b>	<b>38,149</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 123,891</b>	<b>\$ 112,716</b>

Commitments and Contingencies - Note 19

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 GROUP INC. (formerly Golden Secret Ventures Ltd.)**  
**Unaudited Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

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

		Three months ended		Nine months ended	
		March 31,		March 31,	
	Notes	2019	2018	2019	2018
<b>Revenue</b>	15	\$ 21,865	\$ 12,131	\$ 47,815	\$ 131,024
<b>Expenses</b>					
Direct operating		10,937	7,908	21,887	109,922
Distribution and marketing		1,282	918	2,901	3,032
General and administrative		6,152	4,443	17,076	12,203
Share-based compensation	13	304	(10)	1,236	20
Finance costs, net	21	39	346	231	829
		18,714	13,605	43,331	126,006
<b>Income (loss) before other items</b>		3,151	(1,474)	4,484	5,018
Charge related to public company listing	4	-	-	5,316	-
Income tax expense (recovery)		1,224	(582)	1,891	1,420
<b>Income (loss) from continuing operations</b>		1,927	(892)	(2,723)	3,598
Income from discontinued operations		-	-	-	93
<b>Net income (loss) for the period</b>		<b>1,927</b>	<b>(892)</b>	<b>(2,723)</b>	<b>3,691</b>
<b>Net income (loss) attributable to</b>					
Owners of the parent		1,927	(892)	(2,731)	3,691
Non-controlling interest		-	-	8	-
		1,927	(892)	(2,723)	3,691
<b>Other comprehensive income (loss)</b>					
Items that may be subsequently reclassified to loss					
Foreign currency translation adjustment		(50)	(35)	(35)	(87)
<b>Comprehensive income (loss) for the period</b>		<b>1,877</b>	<b>(927)</b>	<b>(2,758)</b>	<b>3,604</b>
<b>Total comprehensive income (loss) attributable to</b>					
Owners of the parent		1,877	(927)	(2,766)	3,604
Non-controlling interest		-	-	8	-
		\$ 1,877	\$ (927)	\$ (2,758)	\$ 3,604
<b>Basic earnings (loss) per share - continuing operations</b>	13	\$ 0.041	\$ (0.043)	\$ (0.088)	\$ 0.082
<b>Diluted earnings (loss) per share - continuing operations</b>	13	\$ 0.039	\$ (0.043)	\$ (0.088)	\$ 0.067
<b>Basic earnings per share - discontinued operations</b>	13	\$ -	\$ -	\$ -	\$ 0.003
<b>Diluted earnings per share - discontinued operations</b>	13	\$ -	\$ -	\$ -	\$ 0.002

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

**THUNDERBIRD ENTERTAINMENT GROUP INC. (formerly Golden Secret Ventures Ltd.)**  
**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	Warrants reserve	Contributed surplus	Deficit	Total
Balance at June 30, 2017		\$ 29,799	\$ 19,526	\$ (8)	\$ 358	\$ -	\$ 1,752	\$ (14,984)	\$ 36,443
Comprehensive income (loss)		-	-	-	(87)	-	-	3,691	3,604
Dividends		-	-	-	-	-	-	(1,159)	(1,159)
Share-based compensation	13	-	-	-	-	-	20	-	20
<b>Balance at March 31, 2018</b>		<b>\$ 29,799</b>	<b>\$ 19,526</b>	<b>\$ (8)</b>	<b>\$ 271</b>	<b>\$ -</b>	<b>\$ 1,772</b>	<b>\$ (12,452)</b>	<b>\$ 38,908</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>\$ -</b>	<b>\$ 1,777</b>	<b>\$ (15,075)</b>	<b>\$ 36,288</b>
Comprehensive income (loss)		-	-	8	(35)	-	-	(2,734)	(2,761)
Dividends		-	-	-	-	-	-	(386)	(386)
Repurchase of common shares	13	(6,000)	-	-	-	-	-	-	(6,000)
Conversion of subscription receipts	13	10,250	-	-	-	-	-	-	10,250
Share issue costs - cash, net of tax effect	13	(737)	-	-	-	-	-	-	(737)
Share issue costs - non-cash	13	(396)	-	-	-	171	-	-	(225)
Conversion of convertible debentures	10, 13	2,250	-	-	-	-	-	-	2,250
Conversion of redeemable preferred shares	13	1,076	(607)	-	-	-	-	-	469
Conversion of preferred shares	13	18,787	(18,787)	-	-	-	-	-	-
Shares of Golden Secret upon RTO Transaction	4	6,660	-	-	-	-	-	-	6,660
Shares issued as transaction fee on completion of RTO Transaction	4, 13	378	-	-	-	-	-	-	378
Revaluation of Golden Secret options and warrants	4	-	-	-	-	201	694	-	895
Share-based compensation	13	-	-	-	-	-	1,236	-	1,236
Exercise of options	13	196	-	-	-	-	(92)	-	104
Exercise of warrants	13	289	-	-	-	(204)	-	-	85
<b>Balance at March 31, 2019</b>		<b>\$ 62,552</b>	<b>\$ 132</b>	<b>\$ -</b>	<b>\$ 234</b>	<b>\$ 168</b>	<b>\$ 3,615</b>	<b>\$ (18,195)</b>	<b>\$ 48,506</b>

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

**THUNDERBIRD ENTERTAINMENT GROUP INC. (formerly Golden Secret Ventures Ltd.)**  
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**

<i>(expressed in thousands of Canadian dollars)</i>	<i>Notes</i>	<b>Nine months ended March 31,</b>	
		<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>			
Net income (loss) from operations		\$ (2,723)	\$ 3,691
Net income from discontinued operations		-	(93)
Net income (loss) from continuing operations		(2,723)	3,598
Items not involving cash:			
Amortization of content	6	8,046	26,802
Amortization of property and equipment	7	1,835	1,007
Amortization of intangible assets	8	478	1,045
Accretion on contingent consideration	21	-	221
Gain on settlement of amount payable		(265)	-
Share-based compensation	13	1,236	20
Deferred income taxes expense (recovery)		162	305
Unrealized foreign exchange (gain) loss		(136)	219
Charge related to public company listing	4	5,316	-
Loss on disposal of equipment		-	1
Changes in non-cash working capital	20	(2,157)	(24,537)
Investment in content		(11,084)	(7,746)
Cash flows from continuing operations		708	935
Cash flows from discontinued operations		-	93
		708	1,028
<b>FINANCING ACTIVITIES</b>			
Repayment of interim production financing	20	(36,181)	(36,338)
Proceeds from interim production financing	20	36,461	34,975
Repayment of obligations under finance leases	20	(1,335)	(693)
Proceeds from obligations under finance leases	20	27	904
Repayment of long-term debt	20	(5,108)	(417)
Proceeds from long-term debt	20	6,258	1,824
Repurchase of preferred shares	12	(1,110)	-
Repurchase of common shares	13	(6,000)	-
Proceeds from issuance of shares in private placement	13	10,250	-
Proceeds from issuance of convertible debentures	13	2,250	-
Share issue costs	13	(1,009)	-
Proceeds from exercise of warrants and share options	13	188	-
Dividends		(386)	(1,159)
		4,305	(904)
<b>INVESTING ACTIVITIES</b>			
Cash acquired in reverse takeover, net of transaction costs	4	2,378	-
Proceeds on sale of property and equipment		-	4
Purchase of property and equipment	7, 20	(2,627)	(1,540)
Disposal of subsidiary, net of cash		-	(2,016)
		(249)	(3,552)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		115	(142)
<b>Net increase (decrease) in cash and cash equivalents during the period</b>		4,879	(3,570)
<b>Cash and cash equivalents, beginning of period</b>		12,886	16,566
<b>Cash and cash equivalents, end of period</b>		\$ 17,765	\$ 12,996

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

# THUNDERBIRD ENTERTAINMENT GROUP INC.

(formerly Golden Secret Ventures Ltd.)

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018

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

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### 1. NATURE OF BUSINESS

Thunderbird Entertainment Group Inc. (formerly Golden Secret Ventures Ltd.) (the “Company”), the ultimate parent, and its major wholly owned subsidiaries: Thunderbird Entertainment Inc., Great Pacific Media Inc., Atomic Cartoons Inc., and Thunderbird Releasing Limited, 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 Group 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.

On October 30, 2018, the Company completed the acquisition of all of the issued and outstanding shares of a private company, Thunderbird Entertainment Inc. (“TEI”), through a reverse takeover transaction (the “RTO Transaction”). The Company is considered to be a continuation of TEI with the net assets of the Company at the date of the RTO Transaction deemed to have been acquired by TEI (note 4). The Company has changed its year end to June 30 to align to TEI’s. The fiscal 2018 comparative figures in the unaudited interim condensed consolidated financial statements include the results of operations of TEI prior to the RTO Transaction date of October 30, 2018.

Thunderbird Entertainment Group Inc. is a public company which is listed on the TSX Venture Exchange (“TSX-V”) and commenced trading under the symbol “TBRD” on November 2, 2018.

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2019.

### 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 TEI’s audited annual consolidated financial statements for the year ended June 30, 2018, except for new accounting policies adopted and described in note 3. The Company’s fiscal 2018, audited annual consolidated financial statements can be found in the Company’s filing statement filed October 29, 2018, on [www.sedar.com](http://www.sedar.com).

#### **Basis of measurement**

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention.

#### **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 TEI’s audited annual consolidated financial statements for the year ended June 30, 2018. Actual results may differ materially from these estimates.

# THUNDERBIRD ENTERTAINMENT GROUP INC.

(formerly Golden Secret Ventures Ltd.)

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared using the same accounting policies outlined in note 3 of TEI's fiscal 2018 audited annual consolidated financial statements, with the exception of the accounting standards adopted in the year ended June 30, 2019 as discussed below. 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 TEI's fiscal 2018 audited annual consolidated financial statements.

#### (a) Standards applied during the fiscal year ended June 30, 2019

- *IFRS 9, Financial Instruments*  
Effective July 1, 2018, the Company adopted IFRS 9 on a modified retrospective basis and as such, comparative figures have not been restated. 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

Under IAS 39 the Company classified its financial assets as "loans and receivables" and its financial liabilities as "other financial liabilities" and these financial instruments were measured at amortized cost except for future consideration liability which was measured at fair value. Under IFRS 9, the Company's financial assets and financial liabilities category of classification has been amended to "amortized cost" while the measurement basis remains the same.

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 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.

# THUNDERBIRD ENTERTAINMENT GROUP INC.

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## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018

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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 July 1, 2018, the Company adopted IFRS 15 which replaces IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and some revenue related interpretations. The underlying principle is that an entity will recognize revenue when control of goods is transferred to, or a service is performed for, the customer at an amount the entity expects to be entitled to in exchange for those goods and services. The standard establishes a five-step model framework to assess the amount and timing of revenue recognized relative to the fulfilment of contractual performance obligations. The five steps are as follows: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue when (or as) each performance obligation is satisfied.

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 standard was recognized, and the financial information previously presented for the year ended June 30, 2018 has remained unchanged. The Company also elected to apply the practical expedient, as permitted by the standard, of applying IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application.

**Revenue from Production Services:** the Company enters into production services contracts with customers to provide services in the production of content, of which it does not own the intellectual property rights. The Company is responsible for delivering elements of the project in accordance with the production schedule provided in the contract. Under IAS 18, the Company's policy was the recognition of revenue from production services using the percentage-of-completion method, based on the proportion of actual costs incurred compared to the total expected costs. Under IFRS 15, the performance obligations were determined to be a series of distinct goods/services that are transferred to the customer and revenue is recognized over time, as per the pattern of transfer to the customer, based on the delivery of elements. The Company has concluded that the percentage-of-completion method is consistent with IFRS 15.

**Revenue from Licensing of Content:** The Company enters into broadcast license contracts to transfer licensed program rights for a fee for a specific term. Under IAS 18, the Company's policy was the recognition of licensing revenue at the start of the license term or earlier, if the program had been delivered and the broadcaster had access to the rights to air it. Under IFRS 15, the performance obligation was determined to be a distinct good/service transferred to the customer and revenue is recognized at a specific point in time when the customer has control of the program and has the license to air the program during the license term. The Company determined this to be the later of the start date of the license term and the satisfaction of the contractual delivery terms. Accordingly, the Company has changed its accounting policy to recognize revenue at the later of the start date of the license term and the satisfaction of the contractual delivery terms.

**Revenue from Distribution:** the Company enters into distribution contracts to transfer licensed film and television programs rights to customers for a fee for a specific term. The fee can be a fixed amount or a sales- or usage-based royalty. Under IAS 18, the Company's policy for fixed transaction price agreements was the recognition of revenue at a point in time (at the start of the license term or earlier if the program had been delivered and the customer had access rights to air the program). For sales- or usage-based royalties, the Company's policy was to recognize revenue when it was received. Under IFRS 15, the performance obligation was determined to be a distinct good/service transferred to the customer and



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revenue is recognized at a specific point in time as the customer has control of the program and has the license to air the program during the license term. Accordingly, for fixed transaction price agreements, the Company has changed its accounting policy to recognize revenue at the later of the start date of the license term and the satisfaction of the contractual delivery terms. The Company continues to account for sales- or usage-based royalties when received.

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

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 GROUP INC.

(formerly Golden Secret Ventures Ltd.)

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(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 nine months ended March 31, 2019		
	As Reported	Balances without Adoption of IFRS 15	Effect of Change
<b>Revenue</b>	\$ 47,815	\$ 44,512	\$ 3,303
<b>Expenses</b>			
Direct operating	21,887	21,707	180
Distribution and marketing	2,901	2,901	-
General and administrative	17,076	16,909	167
Share-based compensation	1,236	1,236	-
Finance costs, net	231	231	-
	43,331	42,984	347
<b>Income before income taxes</b>	4,484	1,528	2,956
Charge related to public company listing	5,316	5,316	-
Income tax expense	1,891	1,152	739
<b>Income (loss) from continuing operations</b>	\$ (2,723)	\$ (4,940)	\$ 2,217

- IFRS 2, *Classification and Measurement of Share-based Payment Transactions*  
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.

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## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018

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

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### 4. REVERSE TAKEOVER TRANSACTION

On July 27, 2018, Golden Secret Ventures Ltd. ("Golden Secret") signed a letter of intent with TEI, pursuant to which Golden Secret would acquire 100% of the shares of TEI via a reverse take-over (the "RTO Transaction"). The RTO Transaction would be effected by way of a Plan of Arrangement under which securityholders of TEI would exchange their securities of TEI for securities of Golden Secret. Prior to effecting the share exchange, Golden Secret would consolidate its issued and outstanding common shares on a 10:1 basis.

On October 30, 2018, the above RTO 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 TEI 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-V on November 2, 2018. In connection with the completion of the RTO Transaction, a transaction fee of 188,777 post-consolidation shares were issued. At the time of completion of the RTO Transaction there were 46,429,267 post-consolidation shares issued and outstanding.

In accordance with IFRS 3, *Business Combinations*, the substance of this transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Golden Secret does not meet the definition of a business under IFRS 3. As a result, the RTO Transaction is accounted for in accordance with IFRS 2, *Share-based Payment*, as a reverse acquisition along with a share-based payment with TEI being identified as the accounting acquirer (legal subsidiary) and Golden Secret being treated as the accounting acquiree (legal parent).

The net assets acquired were the fair value of the net assets of Golden Secret, which on October 30, 2018 was \$2,239. The amount was calculated as follows:

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Cash	\$	2,378
Accounts receivable		38
Accounts payable and accrued liabilities		(177)
Net assets acquired		2,239
<hr/>		
Fair value of 3,329,929 shares issued by TEI at \$2.00 per share		6,660
Fair value of Golden Secret options (note 13)		694
Fair value of Golden Secret warrants (note 13)		201
		7,555
<hr/>		
Fair value of consideration paid in excess of net assets acquired		5,316
<b>Charge related to public company listing</b>	<b>\$</b>	<b>5,316</b>

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# THUNDERBIRD ENTERTAINMENT GROUP INC.

(formerly Golden Secret Ventures Ltd.)

## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018

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

### 5. TRADE RECEIVABLES AND OTHER

As at March 31, 2019 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.

	March 31, 2019	June 30, 2018
Current		
Trade, net of allowance for doubtful accounts of nil (2018 - nil)	\$ 6,931	\$ 9,667
Deposits and prepaids	2,431	2,024
Contract acquisition costs	101	-
Federal and provincial film tax credits	46,248	45,555
	<b>\$ 55,711</b>	<b>\$ 57,246</b>

	March 31, 2019	June 30, 2018
Non-current		
Trade, net of allowance for doubtful accounts of nil (2018 - nil)	\$ 686	\$ 1,336
Deposits and prepaids	424	-
Contract acquisition costs	138	-
	<b>\$ 1,248</b>	<b>\$ 1,336</b>

The aging of current trade receivables is as follows:

	March 31, 2019	June 30, 2018
Less than 60 days	\$ 6,806	\$ 8,980
Over 61 days	125	687
	<b>\$ 6,931</b>	<b>\$ 9,667</b>

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### 6. 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 14) 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 14) and third party participation)	338	10,382	-	1,624	12,344
Disposal	(202)	-	-	-	(202)
Transferred	-	(8,015)	8,015	-	-
<b>At March 31, 2019</b>	<b>\$ 1,048</b>	<b>\$ 6,975</b>	<b>\$ 117,805</b>	<b>\$ 10,861</b>	<b>\$ 136,689</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	-	-	7,097	949	8,046
<b>At March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,757</b>	<b>\$ 7,871</b>	<b>\$ 114,628</b>
<b>Net book value</b>					
June 30, 2018	\$ 912	\$ 4,608	\$ 10,130	\$ 2,315	\$ 17,965
<b>March 31, 2019</b>	<b>\$ 1,048</b>	<b>\$ 6,975</b>	<b>\$ 11,048</b>	<b>\$ 2,990</b>	<b>\$ 22,061</b>

Interest charges capitalized to the cost of film production for the nine months ended March 31, 2019 amounted to \$794 (June 30, 2018 - \$513).

For the nine months ended March 31, 2019, the Company recorded amortization of investment in content of \$24 (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.

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### 7. 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	2,968	178	857	54	4,057
Disposals	(1,110)	-	-	-	(1,110)
<b>At March 31, 2019</b>	<b>\$ 5,150</b>	<b>\$ 2,883</b>	<b>\$ 1,356</b>	<b>\$ 132</b>	<b>\$ 9,521</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	1,557	126	136	16	1,835
Disposals	(1,110)	-	-	-	(1,110)
<b>At March 31, 2019</b>	<b>\$ 1,687</b>	<b>\$ 1,287</b>	<b>\$ 396</b>	<b>\$ 56</b>	<b>\$ 3,426</b>
<b>Net book value</b>					
June 30, 2018	\$ 2,052	\$ 1,544	\$ 239	\$ 38	\$ 3,873
<b>March 31, 2019</b>	<b>\$ 3,463</b>	<b>\$ 1,596</b>	<b>\$ 960</b>	<b>\$ 76</b>	<b>\$ 6,095</b>

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

Included in furniture and equipment and computer equipment are assets under finance leases with a net carrying value of \$2,760 (June 30, 2018 - \$2,204).

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### 8. 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>					
<b>At June 30, 2017, 2018 and March 31, 2019</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	-	-	202	276	478
<b>At March 31, 2019</b>	<b>\$ -</b>	<b>\$ 3,400</b>	<b>\$ 1,146</b>	<b>\$ 1,379</b>	<b>\$ 5,925</b>
<b>Net book value</b>					
June 30, 2018	\$ 12,402	\$ -	\$ 1,756	\$ 367	\$ 14,525
<b>March 31, 2019</b>	<b>\$ 12,402</b>	<b>\$ -</b>	<b>\$ 1,554</b>	<b>\$ 91</b>	<b>\$ 14,047</b>

Amortization of intangible assets is included in direct operating expenses.

### 9. INTERIM PRODUCTION FINANCING

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

	March 31, 2019	June 30, 2018
Interim production credit facilities with various institutions, bearing interest at bank's prime rate plus 0.50% to 1.75% (June 30, 2018 - 0.65% to 1.25%). Secured by assignment and direction of trade receivables and tax credits of approximately \$34,773 at March 31, 2019 (June 30, 2018 - \$44,374). The Company also enters into General Security Agreements on certain productions. All facilities are repayable on demand.	\$ 35,681	\$ 37,704
Revolving term loan with Royal Bank of Canada ("RBC"), bearing interest at bank's prime plus 1.25% (March 31, 2019 - 4.70% to 5.20% (June 30, 2018 - nil)). Maximum funds available of \$5.0 million and secured by a general security agreement. 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.	385	-
Non-interest bearing production loans with various service clients, repayable upon receipt of Canadian tax credits.	5,895	3,977
	<b>\$ 41,961</b>	<b>\$ 41,681</b>

At March 31, 2019, included in interim production credit facilities are loans repayable in US\$ in the amount of US\$1,383 (CAD\$1,848) (June 30, 2018 - US\$721 (CAD\$950)).

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(formerly Golden Secret Ventures Ltd.)

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### 10. CONVERTIBLE DEBENTURES

In September 2018, the Company issued \$2,250 in convertible debentures. The convertible debentures bear interest at 8% per annum payable monthly and are repayable on demand after October 31, 2018. Concurrent with the RTO Transaction as described in note 4, the convertible debentures automatically converted into 1,125,000 common shares of the Company at a price of \$2.00 per share.

### 11. LONG-TERM DEBT

As at March 31, 2019, the Company has \$724 (GBP£416) (June 30, 2018 – \$1,534 (GBP£884)) outstanding of a GBP£2,000 non-revolving credit line classified as long-term as it has no fixed schedule of repayment and a maturity date of March 31, 2021 and \$1,960 (June 30, 2018 – nil) outstanding of a CDN\$2,640 non-revolving term loan classified as current portion of long-term debt as the loan is expected to be repaid within 1 year with scheduled repayments of \$177 per month.

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

	March 31, 2019	June 30, 2018
Non-revolving credit line bearing interest at a margin of 3.00% plus the applicable LIBOR (March 31, 2019 – 3.80% to 3.96% (June 30, 2018 - 3.28% to 3.80%))	£ 2,000	£ 2,000
Non-revolving term loan with RBC bearing interest at prime plus 0.50% (March 31, 2019 - 4.20% to 4.45% (June 30, 2018 - nil)) <sup>1</sup>	\$ 2,640	\$ -

<sup>1</sup> 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. The original maximum funds available under this credit facility was \$6,000. In August 2018, the Company drew down the full amount to repurchase common shares (see note 13). In January 2019 the loan limit was decreased to \$2,640 due to the principal repayments made during the nine months ended March 31, 2019. The credit facility is secured by a general security agreement.

Under the terms of the RBC credit facilities, the Company is required to meet certain covenants. As at March 31, 2019, the Company was in compliance with all of the covenants.

As at March 31, 2019, the Company also has the following credit facility with RBC which has 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's EBITDA will be due within 120 days of the fiscal year-end of the Company and will be applied to repayment of the loan.
- A \$1,500 non-revolving reducing lease facility. This facility may be used to finance equipment purchases and leasehold improvements



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### 12. REDEEMABLE PREFERRED SHARES

Issued and outstanding:

	March 31, 2019			June 30, 2018		
	Number of Shares	Amount		Number of Shares	Amount	
		Liability Component \$	Equity Component \$		Liability Component \$	Equity Component \$
<b>Class A Series 2</b>						
Opening balance	244,444	220	-	244,444	220	-
Shares redeemed for cash	(166,666)	(167)	-	-	-	-
Shares converted to common shares	(77,778)	(53)	-	-	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</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
Shares redeemed for cash	(943,076)	(943)	-	-	-	-
Shares converted to common shares	(435,674)	(416)	(607)	-	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,378,750</b>	<b>1,359</b>	<b>607</b>
<b>Class A (formerly 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
Shares redeemed for cash	(1,109,742)	(1,110)	-	-	-	-
Shares converted to common shares	(513,452)	(469)	(607)	-	-	-
<b>Ending balance</b>	<b>1,054,000</b>	<b>926</b>	<b>132</b>	<b>2,677,194</b>	<b>2,505</b>	<b>739</b>

In October 2018, 166,666 Class A Series 2 preferred shares and 943,076 Class B Series 1 preferred shares were redeemed at the option of the shareholder at a value of \$1.00 per share. At the same time, 77,778 Class A Series 2 preferred shares and 435,674 Class B Series 1 preferred shares were converted into common shares on the basis of 0.67 common share for each one preferred share.

Concurrent with the RTO Transaction described in note 4, the Class B Series 2 preferred shares were converted to Class A preferred shares of the Company. The Class A preferred shares hold the same terms as the former Class B Series 2 preferred shares.

The Class A 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

# **THUNDERBIRD ENTERTAINMENT GROUP INC.**

**(formerly Golden Secret Ventures Ltd.)**

## **Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018**

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

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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 A preferred shares are converted, the Company would need to issue 351,333 (June 30, 2018 – 351,333) common shares.

As the Class A 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 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 \$1.05 per Class A 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 and nine months ended March 31, 2019, the Company paid dividends of \$0.07 per Class A preferred share (March 31, 2018 - \$0.10 per Class A Series 2 and Class B Series 1 preferred shares and \$0.07 per Class A preferred share). Dividends paid for the three and nine months ended March 31, 2019 totaled \$18 and \$55, respectively (March 31, 2018 - \$180 and \$218).

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### 13. SHARE CAPITAL

#### Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

#### Common shares

Issued:

	Number of Shares <sup>1</sup>	Amount <sup>1</sup>
<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 – cash, net of tax effect	-	(737)
Share issue costs – non-cash	-	(396)
Conversion of Class A Series 2 redeemable preferred shares (note 12)	52,109	53
Conversion of Class B Series 1 redeemable preferred shares (note 12)	291,900	1,023
Conversion of preferred shares	11,363,208	18,787
<b>Balance October 30, 2018</b>	<b>36,660,561</b>	<b>42,529</b>
RTO Transaction (note 4)		
Exchanged for Thunderbird Entertainment Group Inc. shares	(36,660,561)	-
Issued pursuant to acquisition	36,660,561	-
Shares of Golden Secret upon RTO Transaction <sup>2</sup>	3,329,929	6,660
Shares issued as transaction fee on completion of RTO Transaction	188,777	378
Conversion of subscription receipts	5,125,000	10,250
Conversion of convertible debentures (note 10)	1,125,000	2,250
Exercise of options	95,000	196
Exercise of warrants	107,208	289
<b>Balance March 31, 2019</b>	<b>46,631,475</b>	<b>\$ 62,552</b>

<sup>1</sup>Under reverse takeover accounting, the number of shares issued and outstanding is that of Thunderbird Entertainment Group Inc. (formerly Golden Secret Ventures Ltd.). However, the share capital amount is that of its legal subsidiary Thunderbird Entertainment Inc. plus the share of capital transactions of the Company from the acquisition date of October 30, 2018 onwards.

<sup>2</sup>As at October 30, 2018, Golden Secret had 3,329,929 common shares issued and outstanding.

In August 2018, the Company repurchased 4,800,000 common shares at a price of \$1.25 per share.

Prior to completion of the RTO Transaction described in note 4, TEI 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 RTO Transaction, each subscription receipt was exchanged for one common share of the Company. 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 common shares. The cash commission and agent's warrants were reduced to 2% each for subscribers on the president's list.

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### Earnings (loss) per share

The following table calculates basic and diluted net earnings (loss) per share:

	For the three months ended		For the nine months	
	March 31,		ended March 31,	
	2019	2018	2019	2018
Net income (loss) from continuing operations	\$ 1,927	\$ (892)	\$ (2,723)	\$ 3,598
Non-controlling interest	-	-	(8)	-
Preferred share dividends issued	-	(386)	(386)	(1,159)
Net income (loss) from continuing operations – attributable to the owners of the parent	\$ 1,927	\$ (1,278)	\$ (3,117)	\$ 2,439
Basic weighted average number of common shares	46,579,675	29,753,344	35,597,239	29,753,344
Diluted weighted average number of common shares	49,337,267	42,000,474	38,354,831	42,000,474
<b>Basic earnings (loss) per share – continuing operations</b>	<b>\$ 0.041</b>	<b>\$ (0.043)</b>	<b>\$ (0.088)</b>	<b>\$ 0.082</b>
<b>Diluted earnings (loss) per share – continuing operations</b>	<b>\$ 0.039</b>	<b>\$ (0.043)</b>	<b>\$ (0.088)</b>	<b>\$ 0.067</b>
Income from discontinued operations	\$ -	\$ -	\$ -	\$ 93
<b>Basic earnings per share – discontinued operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.003</b>
<b>Diluted earnings per share – discontinued operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.002</b>

### Preferred shares

Issued:

	Number of Shares	Amount
<b>Balance June 30, 2018 and 2017</b>	<b>9,658,750</b>	<b>\$ 18,787</b>
Conversion of preferred shares	(9,658,750)	(18,787)
<b>Balance March 31, 2019</b>	<b>-</b>	<b>\$ -</b>

Immediately prior to closing of the RTO Transaction described in note 4, the preferred shares automatically converted into common shares of the Company on the basis of 1.176 common share for each one preferred share.

### 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</b>	<b>-</b>	<b>-</b>
Issued	344,550	2.00
Warrants of Golden Secret upon RTO Transaction (note 4)	100,000	0.70
Exercised	(107,208)	0.80
<b>Balance, March 31, 2019</b>	<b>337,342</b>	<b>\$ 2.00</b>

In connection with the brokered private placement, the Company issued 344,500 agent warrants to acquire 344,500 common shares. The warrants have an exercise price of \$2.00 per share, a two-year term and vest immediately.

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In connection with the RTO Transaction, Golden Secret's warrants were re-valued on October 30, 2018. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following inputs: share price of \$2.70, interest rate of 2.30%, expected life of 0.3 years, volatility of 75% and an exercise price of \$0.70.

During the nine months ended March 31, 2019, 107,208 warrants were exercised for proceeds of \$84. An amount of \$204 was transferred from the warrant reserve to common shares.

The fair value of each warrant granted during the nine months ended March 31, 2019 and the year ended June 30, 2018, is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2019	June 30, 2018
Share price on date of grant	\$ 2.00	N/A
Interest rate	2.28%	N/A
Expected life	2 years	N/A
Volatility	41.53%	N/A
Exercise price	\$ 2.00	N/A

The following table summarizes the warrants outstanding at March 31, 2019:

Exercise price	Number of warrants	Expiry date	Weighted average remaining contractual life (years)	Weighted average exercise price (\$ per share)
\$ 2.00	337,342	October 30, 2020	1.59	2.00
	<b>337,342</b>		<b>1.59</b>	<b>2.00</b>

### 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 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	2,801,000	\$ 2.00
Stock options of Golden Secret upon RTO Transaction (note 4)	310,000	1.85
Exercised	(95,000)	1.09
Forfeited	(30,000)	2.00
<b>Balance, March 31, 2019</b>	<b>4,556,000</b>	<b>\$ 1.82</b>

# THUNDERBIRD ENTERTAINMENT GROUP INC.

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

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During the nine months ended March 31, 2019, the Company granted options to acquire 2,711,000 shares of its common stock to employees, officers and directors. 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.

During the nine months ended March 31, 2019, the Company granted options to acquire 90,000 shares of its common stock to consultants. The options have an exercise price of \$2.00 per share, a five-year term and vest 25% quarterly over one year.

In connection with the RTO Transaction, Golden Secret's options were re-valued on October 30, 2018. The fair value of the options was estimated using the Black-Scholes option pricing model with the following inputs: share price of \$2.70, interest rate of 2.40%, expected life of 7.4 to 9.4 years, volatility of 75% and an exercise price of \$0.50 to \$3.20.

During the three and nine months ended March 31, 2019, the Company recorded share-based compensation expense of \$304 and \$1,236 (March 31, 2018 - \$(10) and \$20).

During the nine months ended March 31, 2019, 95,000 options were exercised for proceeds of \$104. An amount of \$92 was transferred from contributed surplus to common shares.

The fair value of each option granted during the nine months ended March 31, 2019 and the year ended June 30, 2018, is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>March 31, 2018</b>	<b>June 30, 2018</b>
Share price on date of grant	\$ 2.00	\$ 2.00
Interest rate	1.68% to 2.41%	1.91%
Expected life	5 to 7 years	7 years
Volatility	36.75% to 38.93%	41.59%
Exercise price	\$ 2.00	\$ 2.00

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The following table summarizes the stock options outstanding at March 31, 2019:

Exercise price	Number of options	Expiry date	Weighted average remaining contractual life (years)	Weighted average exercise price (\$ per share)	Number of options exercisable	Weighted average exercise price (\$ per share)
\$ 0.50	135,000	Oct 2019 to Mar 2026	5.06	\$ 0.50	135,000	\$ 0.50
\$ 1.25	1,100,000	Nov 2020 to Jan 2021	1.64	1.25	1,100,000	1.25
\$ 2.00	3,166,000	Jun 2021 to Mar 2026	6.01	2.00	1,030,250	2.00
\$ 3.20	155,000	Oct 2019 to Mar 2028	6.57	3.20	155,000	3.20
	<b>4,556,000</b>		<b>5.16</b>	<b>\$ 1.82</b>	<b>2,420,250</b>	<b>\$ 1.66</b>

### Escrow Conditions

In connection with the completion of the RTO Transaction, the following shares and stock options are held in escrow or held pursuant to a Pooling Arrangement and may not be sold, assigned, transferred, hypothecated or otherwise disposed of until the appropriate release dates, details of which are set out below:

- 19,550,366 common shares, 150,000 Class A preferred shares and any common shares that may be issued upon the exercise of 1,260,000 stock options of the Company held by senior officers and directors, are held in escrow under the escrow requirements of the TSX-V and will be released from escrow as follows: (i) 10% released on October 31, 2018, (ii) 20% released six months thereafter, (iii) 30% released twelve months thereafter; and (iv) 40% released eighteen months thereafter.
- 25,297,353 common shares of the Company are subject to a Pooling Arrangement and will be released from such pooling arrangement as follows: (i) 10% released on January 31, 2019; and (ii) 15% released on each day that is three, six, nine, twelve, fifteen, and eighteen months thereafter.
- A further 11,363,235 common shares of the Company are subject to a Pooling Arrangement and will be released from such pooling arrangement as follows: (i) 10% released on October 31, 2018; and (ii) 15% released on each of the days that is three, six, nine, twelve, fifteen and eighteen months thereafter.

### 14. GOVERNMENT FINANCING AND ASSISTANCE

During the nine months ended March 31, 2019 and the year ended June 30, 2018, investment in content and direct operating expenses have been reduced by the following:

	March 31, 2019	June 30, 2018
Equity investment from third parties	\$ 136	\$ 1,196
Non-repayable contributions from the Canada Media Fund license fee program	6,496	6,240
Tax credits relating to production activities	26,795	25,996
	<b>\$ 33,427</b>	<b>\$ 33,432</b>

During the nine months ended March 31, 2019, investment in content was reduced by \$22,365 (June 30, 2018 - \$26,634) and direct operating expenses were reduced by \$11,062 (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.

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### 15. REVENUE AND GEOGRAPHIC INFORMATION

The following table presents components of revenue:

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
Production services	\$ 7,813	\$ 8,736	\$ 21,165	\$ 87,266
Licensing and distribution	14,036	3,306	26,617	43,213
Other	16	89	33	545
	<b>\$ 21,865</b>	<b>\$ 12,131</b>	<b>\$ 47,815</b>	<b>\$ 131,024</b>

The following table presents revenues by geographic location:

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
Canada	\$ 12,727	\$ 4,758	\$ 20,932	\$ 28,273
United States	3,968	4,043	11,330	93,655
United Kingdom	1,936	1,918	6,135	5,519
Other countries	3,234	1,412	9,418	3,577
	<b>\$ 21,865</b>	<b>\$ 12,131</b>	<b>\$ 47,815</b>	<b>\$ 131,024</b>

As at March 31, 2019, the following non-current assets were attributable to the Company's entities based in the U.K. and USA: \$211 of long-term trade receivables, \$2,009 of investment in content, and \$40 of property and equipment (June 30, 2018 - \$602, \$1,439, and \$20, respectively). All other non-current assets were attributable to the Company's entities based in Canada.

### 16. 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.



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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.

### 17. 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 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.

### 18. RELATED PARTY TRANSACTIONS

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
Dividends <sup>1</sup>	\$ 2	\$ 184	\$ 182	\$ 492
Producer and consulting fees <sup>2</sup>	124	-	144	148
Revenue <sup>3</sup>	-	(102)	-	(377)
Transaction fee <sup>4</sup>	-	-	378	-
Contingent payments <sup>5</sup>	-	1,348	-	1,348
Other	-	-	17	-
	<b>\$ 126</b>	<b>\$ 1,430</b>	<b>\$ 721</b>	<b>\$ 1,611</b>

<sup>1</sup>Paid to directors and key management personnel and companies owned by directors and key management personnel.

<sup>2</sup>Paid to companies owned by directors and a president.

<sup>3</sup>Received from a company owned by a director and president.

<sup>4</sup>In connection with the RTO Transaction (note 4) 188,777 common shares with a deemed value of \$378 were issued to a company owned by a director.

<sup>5</sup>Paid to a director in relation to the acquisition of Great Pacific Media Inc.

At March 31, 2019, \$105 (March 31, 2018 - \$611) 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 period-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.

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### 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 March 31,			For the nine months ended March 31,		
	2019	2018		2019	2018	
Short-term benefits	\$ 855	\$ 586	\$	2,315	\$ 1,799	\$
Share-based payments (note 13)	142	(10)		652	20	
<b>Total</b>	<b>\$ 997</b>	<b>\$ 576</b>	<b>\$</b>	<b>2,967</b>	<b>\$ 1,819</b>	<b>\$</b>

### 19. COMMITMENTS AND CONTINGENCIES

#### Lease commitments

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

Period ended June 30, 2019	\$ 589
2020	2,176
2021	2,133
2022	2,017
2023	1,814
Beyond 2023	8,968
	<b>\$ 17,697</b>

For the three and nine months ended March 31, 2019, the rent expense under these operating leases was \$631 and \$1,633, respectively (March 31, 2018 - \$427 and \$1,243). Leases for certain of the Company's premises include renewal options and rent escalation clauses.

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

Period ended June 30, 2019	\$ 533
2020	1,864
2021	645
Total minimum lease payments	3,042
Less: amount representing interest	(110)
	<b>\$ 2,932</b>

As of March 31, 2019, 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 \$3,414 (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.

# THUNDERBIRD ENTERTAINMENT GROUP INC.

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## Notes to Unaudited Interim Condensed Consolidated Financial Statements For the three and nine months ended March 31, 2019 and 2018

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

### 20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the nine months ended March 31,	
	2019	2018
<b>Operating activities</b>		
Changes in non-cash working capital		
Accounts receivable	\$ 1,028	\$ 3,223
Income taxes recoverable	269	155
Other current assets	14	(91)
Accounts payable and accrued liabilities	(2,278)	(7,209)
Income taxes payable	(1,014)	711
Settlement of future consideration liability	-	(2,697)
Deferred revenue	(176)	(18,629)
	<b>\$ (2,157)</b>	<b>\$ (24,537)</b>
Interest and debt service costs paid	\$ 1,564	\$ 1,421
Income taxes paid (recovered)	\$ 2,349	\$ (174)
Property and equipment purchased through finance lease	\$ 1,430	\$ -

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

	Cash flows from (used in)			Non-cash changes	Balance March 31, 2019
	Balance June 30, 2018	Proceeds	Repayments	Foreign Exchange Movements	
Interim production financing	\$ 41,681	\$ 36,461	\$ (36,213)	\$ 32	\$ 41,961
Current portion of long-term debt	\$ -	\$ 6,000	\$ (4,040)	\$ -	\$ 1,960
Long-term debt	\$ 1,534	\$ 258	\$ (1,068)	\$ -	\$ 724
Finance leases - current	\$ 1,390	\$ 1,179	\$ (660)	\$ -	\$ 1,909
Finance leases – long-term	\$ 1,421	\$ 278	\$ (675)	\$ -	\$ 1,024

### 21. FINANCE COSTS, NET

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
Accretion on contingent consideration	\$ -	\$ -	\$ -	\$ 221
Interest, bank charges and dividends	221	320	1,038	541
Interest income	(50)	(23)	(322)	(66)
Realized foreign exchange gain	(302)	(106)	(470)	(74)
Unrealized foreign exchange (gain) loss	170	155	(15)	207
	<b>\$ 39</b>	<b>\$ 346</b>	<b>\$ 231</b>	<b>\$ 829</b>

**THUNDERBIRD ENTERTAINMENT GROUP INC.****(formerly Golden Secret Ventures Ltd.)****Notes to Unaudited Interim Condensed Consolidated Financial Statements  
For the three and nine months ended March 31, 2019 and 2018***(Expressed in thousands of Canadian dollars, except for amounts per share and as noted)***22. EXPENSES BY NATURE**

The following sets out the expenses by nature:

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
Investment in content				
Direct costs	\$ 4,873	\$ 7,090	\$ 13,297	\$ 81,795
Amortization of content	6,155	534	8,046	26,802
Distribution and marketing	1,282	918	2,901	3,032
Development expenses and other	(250)	125	66	282
Contractors, salaries and employee benefits	3,646	2,924	9,750	7,703
Share-based compensation	304	(10)	1,236	20
Office and administrative	1,627	999	4,383	2,872
Finance costs, net	39	346	231	829
Legal and professional	264	161	1,108	619
Amortization of property and equipment and intangible assets	774	518	2,313	2,052
	<b>\$ 18,714</b>	<b>\$ 13,605</b>	<b>\$ 43,331</b>	<b>\$ 126,006</b>